and regional policy is increasingly shifted to the EC Commission. While Community industrial aid remains low overall relative to Member State aid, a trend, in some areas, toward greater reliance on the former is suggested by the findings of the Second Survey on State Aids. They indicate that there was a steady upward trend in industrial aid granted by the Community between 1983 and 1988, while Member State aid decreased.[70]

These developments suggest both potential benefits and dangers for Canadian businesses. On the positive side, the measures aimed at establishing stricter control on state aids should contribute toward the opening of opportunities for Canadian companies in the EC marketplace, such as those outlined in other reports in this series. Canadian companies should, in general, be less likely to have their competitive position in Community markets undermined by interventionist state aid programmes. Accordingly, they should have greater scope for competing in Europe based on cost effectiveness and efficiency.

The changes occurring in the handling of industrial aid in the EC, however, raise a number of possible concerns for Canadian businesses and public authorities. If aid provided to inefficient EC sectors is substantially reduced, Canadian businesses, over the long term, will be likely to encounter more effective competition overall from EC companies both in European and world markets. This could result not only from increased efficiency of EC production, but also from the lowering of the tax burden imposed on more efficient EC companies.

This, in turn, may call for changes in the methods for granting government aid to industries and regions in Canada. It will become even more important to ensure that grants of federal or provincial aids are allocated in a manner that minimizes the potential harm to the competitiveness and efficiency of Canadian businesses in all industries. In particular, it will be even more important to ensure that federal or provincial aid does not lead to conflicting subsidization in different regions or sectors of the economy that reduces the overall competitiveness of Canadian industry. It will also be increasingly important to minimize the use of subsidy practices that may impede the emergence of efficient Canadian companies by