profit motive in a free enterprise market fails to provide adequate incentive to undertake activities that are desirable from the perspective of the Canadian economy as a whole. Exporting is frequently perceived as such an activity. It is often argued, for example, that government assistance in exporting is necessary in order to strengthen Canadian competitiveness and job creation, from which all Canadians gain. Without government assistance, these benefits to Canada will not be achieved to the degree that is optimal for the nation.

This type of market failure may be addressed through a wide variety of government programs. The assistance offered by the TCS is only one possibility; others include financing of R&D, retraining, and export sales. The degree to which government expenditures to support TCS activities can be justified on the basis of this kind of market failure depends upon comparisons among the costs and benefits of alternative programs--a subject not addressed in this paper, although crucial for determining the extent of future TCS activities.

What guidelines should the TCS pursue in deciding how it should respond to these failures in the market mechanisms? On what basis should the TCS role be defined? A recent Policy Planning Staff Paper has emphasized that the TCS role should vary among countries and among sectors.

> Trade development programs face a paradox: large developed markets of the OECD, of greatest interest to the private sector, require less government support than developing markets, of secondary importance, where government support is crucial to success. A global presence cannot, as a result, be uniform across all markets; on the contrary, it must match specific characteristics of individual markets with appropriate presence, programs, and priorities. Moreover, this global presence must identify where government assistance is necessary and provides significant value-added on a market and sector specific basis.[3]

Later in this paper the question is discussed whether fee-for-service might serve as a guide in determining the future role and purpose of the TCS. The volume of revenues obtained from alternative types of activities in alternative countries would provide indicators as to how and where the TCS should be expanding its activities. Fee-for-service would automatically suggest limits to TCS involvement in activities where benefits are less than costs. However, because of the positive externality benefits discussed above, the fee-for-service concept should not be aimed at full cost recovery. Rather, a fee schedule set at a percentage of marginal costs should be adopted, with costs being shared between the TCS

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[3] From a Trading Nation to a Nation of Traders: Toward a Second Century of Canadian Trade Development (Policy Planning Staff Paper, Department of Foreign Affairs and International Trade, no. 92/5), 23.