objectives: international competitiveness; flexibility; cost effectiveness; consolidation and streamlining of programs and services; and focus on SMES. (page 56)

The government endorses the suggestion to focus on SMEs as a key element to the review. In addition to the objectives mentioned by the Standing Committee, any review should also bear in mind the government's Program Review II criteria - is the program in the public interest, is this an appropriate role for government, what level of government should be present, could the service be provided by the private sector and at what cost, could its efficiency be improved, and what changes could be made to provide equal or better service at lower costs.

22. The Committee further recommends that the following issues be dealt with in this review:

(a) the contracting out practices of Canadian posts to determine whether this is an efficient and effective way to deal with the varying demands placed on trade commissioners stationed abroad;

The major uses of contracting out by posts have been to assist with market intelligence/information reports, and the organization of trade fairs and missions. It is acknowledged to be less expensive to have as much of either done in Canada as possible, allowing the trade commissioner to concentrate on activities with a higher value added for Canadian exporters.

As was mentioned, the government's IBD strategy included the creation of the Market Research Centre. The Market Research Centre provides increased and more frequent focussed subsector reports, in the markets and subsectors identified by the National Sector Teams as being of the most value to the private sector, and was created in response to feedback from industry requesting that MI/I research focus on product niches. Part of the rationale behind the creation of the Market Research Centre was to free Trade Commissioners to meet the other demands placed on their time; to allow trade officers more time to identify new trade opportunities and to correspond with Canadian companies.

(b) the practicality and cost effectiveness of using tax incentives to encourage SMEs to enter foreign markets;

The federal government's tax assistance to small business - including the Small Business Deduction, as well as the tax credit for scientific research and experimental development - provides significant indirect support for small firms seeking to develop export markets. While the Standing Committee's view is that tax incentives should be used to encourage SMEs to enter foreign markets, there are concerns, in addition to cost and complexity, which must be considered.

For example, such a program would appear to be inconsistent with our international trade obligations (eg GATT 1994). It would also be inefficient in promoting exports - many non-tax factors such as exchange rates and comparative advantage are more important determinants of trade. Furthermore, such a credit would provide tax relief even cases where there is no increase in export activity. Finally, such a program, if implemented through the tax system, would necessitate complicated legislation and administration to prevent abuse. Without very precise and restrictive rules, a variety of both business and personal expenses could be construed as export promotion.

(c) the ways in which SMEs can take further advantage of Canada's post-secondary institutions to formulate international business development strategies. This review should have regard to the exclusive jurisdiction of the provinces in the area of education;

The government has already supported efforts to help SMEs take further advantage of Canada's post-secondary institutions, and additional review is not warranted. Instead, every effort should be made to ensure the success of the Forum for International Trade and Training (FITT) and the existing initiatives, and to publicize these opportunities to all Canadian business.

Acknowledging that short, focused courses were required by business, the government has financially