

extent possible, other expenditure programs of the government of Canada should reflect this necessary focus.

Recommendation 6

As part of our mandate to provide advice on what Canadian businesses require to be competitive and succeed internationally, the Steering Committee considered Canada's tax competitiveness. As a result, the Committee recommends:

The government examine the use of tax measures as a means of encouraging exporters to expand their participation in international markets.

The Committee recognizes the difficulties in designing an incentive that is both GATT consistent and can be applied only to exporters. However, experience in other countries suggests that the effort is worthwhile. In the U.S., for example, exporters can set up a corporation (Foreign Sales Corporation) in an approved foreign jurisdiction and, by channelling their export sales through these corporations, are able to reduce their after-tax margins by up to 15%. It has been reported that more than 70% of all U.S. exports are processed through these FSCs.

SMEs, in particular, have noted that such measures could be very effective in altering behaviour and turning Canada into a "nation of traders". The net benefit to Canada could be substantial. An average of 12 jobs are created by every \$1 million in incremental sales. The indirect benefits of this employment, coupled with the increased tax revenues generated by additional sales, would more than offset the tax expenditure associated with a reasonable incentive.

TRADE COMMISSIONER SERVICE

Recommendation 7

The promotion of Canada's international business development interests is carried out primarily by the Trade Commissioner Service (TCS). Its role is to assist Canadian firms to explore and exploit international business opportunities. Trade Commissioners are in a unique position to provide this service because of their status as official representatives of the Canadian government, their vast network of Canadian and host-country contacts in industry and government, and knowledge of the country, customs and language.