



SUPPORTIVE GOVERNMENT POLICIES

"AT EVERY GOVERNMENT LEVEL, BE IT MUNICIPAL, PROVINCIAL OR FEDERAL, WE WERE WELL RECEIVED AND FOUND RESOURCE PEOPLE IN ALL THESE OFFICES WHO COULD HELP US MOVE AHEAD."

NICOLAS MARTELLA,
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CREATING A COMPETITIVE ENVIRONMENT

As mentioned at the beginning of this document, the Government of Canada recognizes the need to have the economic fundamentals right if Canada is to be competitive and provide jobs for its citizens. Sound fundamentals begin with a commitment to fiscal responsibility, and deficit reduction.

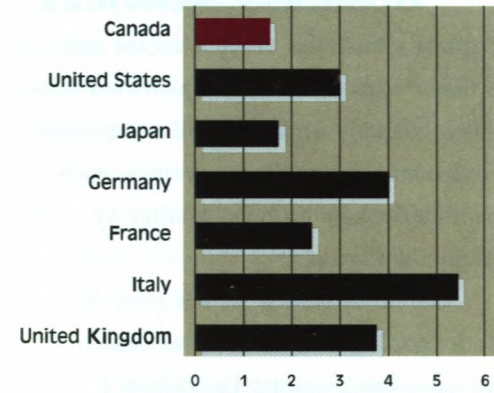
Other elements of Canada's business environment include low inflation and wage settlements and increased investment in machinery and equipment, productivity, and exports.

COMPETITIVE TAX REGIMES

With Canada's economy so closely linked to that of the U.S., Canadian governments are sensitive to the need to maintain a competitive tax regime. A number of tax reform measures instituted over the past few years have been specifically targeted at removing tax barriers to international competition.

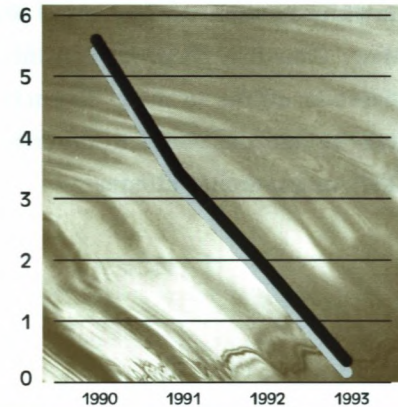
In addition to the phasing out of many tariffs on production inputs from the United States, the Canadian government reformed Canada's federal sales tax regime to eliminate the sales tax burden on business inputs through a credit system. The 13.5% sales tax on business inputs was replaced by a 7% Goods and Services Tax paid by consumers. Exports from Canada are

Lowest Inflation Rate in G-7 (% increase in consumer prices in 1992)



Source: OECD, Economic Outlook, Dec. 1993.

Low Wage Increase (% increase - annual rate)



Sources: Department of Finance, Aggregate Productivity Tables; Statistics Canada, Catalogue 15-204, Aggregate Productivity Measures.

exempt from the Goods and Services Tax, enhancing the competitiveness of Canadian-made goods on international markets.

A recent study found that Canada's overall effective corporate tax rates are comparable to those of the United States, and slightly lower when the more favourable treatment of loss-corporations is taken into account. Other

