

shares of their commodity inputs tend to export most of their output and industries with higher GDP effects relative to exports tend to create more direct jobs.

## 6. In Which Industries Are the Domestic Gains From Trade Highest?

Clearly, a somewhat more structured evaluation system is required to guide policy makers engaged in export development. Instead of analyzing industries at a general level with only the guidance of intuitive relationships, it is helpful to examine the individual industry profiles that are generated by the I-O model. The profiles will determine which industries have more of the characteristics that reflect high domestic gains from merchandise trade. The desirable characteristics are extracted from the explanation of the derived tables, found in Section 5.1. Five columns are used from the derived world table, and the preferred industries are those with:

- a low import/commodity inputs ratio (column 5);
- a high exports/industry output ratio (column 7);
- either a high direct GDP effect/exports ratio or a lower direct GDP effect/exports ratio if it can be established that the industry tends to rely on domestic intermediate inputs (column 8);
- a high direct jobs/\$10 million of direct GDP effect (column 11); and
- a high wages, salaries & supplementary labour income/direct jobs ratio (column 12).

One way to select industries with the above characteristics is to compare data for each industry with the industry-wide averages that are found at the bottom of each column in the derived world table.<sup>16</sup> If the industry ratio is higher (or lower in the case of the import/commodity inputs ratio) than the average, then that industry is said to possess the desired characteristic.<sup>17</sup>

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<sup>16</sup> It is recognized that the averages are biased toward the values of the larger exporting industries.

<sup>17</sup> In the case of the direct GDP/export ratio, the industry is said to possess the desired characteristic if its ratio is higher than average, or its ratio is lower than average but the industry also has a lower than average imports/commodity inputs ratio.