

is a working knowledge of the structure of Canadian industries. With such an understanding, trade officials can properly direct export resources so as to assist those industries that will most readily contribute to trade policy, and wider government economic policy, goals.

Of course, any discussion of the function of trade officials would be incomplete without referring to their role in gathering intelligence and disseminating assessments of foreign market conditions. The I-O approach suggests that the identification of foreign markets in which exports might increase is the final step in export promotion. Once the association has been made between the gains from trade and the industries that can provide them, then it is time to discover foreign outlets for their production. If the order of business in developing export initiatives is first to seek out export markets that are dynamic and growing, and then encourage domestic industries *en masse* to sell into those markets, then the domestic economic gains from trade are not necessarily going to be as high as they could be if a better understanding of domestic industries resulted in a more focused exercise.

8.4.1 Lessons From the Value-Added Balance

The exercise undertaken in Section 6.2.1 which transformed Canada's 1993 merchandise trade surplus with the U.S. into a value-added deficit serves to illustrate the importance of acquiring a deeper understanding of the Canadian industrial structure, the degree to which Canadian industries are internationally integrated, and the effect that both can have on Canadian trade. Without attaching too much importance to the actual numbers (since a different set of assumptions would lead to a different result, including the possibility of a continued surplus), the value-added deficit emphasizes that trade officials need to look beyond the available trade statistics.

In and of itself, a trade surplus with a particular country or region does not necessarily imply that the domestic economy is benefitting to the degree possible through trade. A trade deficit can be equally misleading. While it is not recommended that trade officials attempt to calculate value-added balances, it is suggested that they familiarize themselves with the export industries that contribute the most to the domestic economy in terms of direct and indirect employment and value-added. Maximizing the domestic economic gains from trade could require more effort even in those markets where Canada already appears to enjoy a trade surplus.