

no inconsistency between recognizing the globalization process and focusing trade policy in general, and export initiatives in particular, on internationally active industries that contribute the most to the domestic economy.

#### 8.4 I-O Lessons for the Organization of Canadian Export Initiatives

In analyzing the industry-by-industry effects of increased exports at the level of detail allowed by the I-O framework, it is inevitable for one to return to the most fundamental questions of why nations trade. In short, nations trade in order to increase their economic well-being. The underlying reason for increasing the level of exports, as revealed by the I-O, is to seek out domestic gains from trade, including increased GDP, increased employment and/or higher average wages.

In order to maximize the positive domestic economic impact per dollar of export promotion expenditure, DFAIT export initiatives must be based primarily on achieving the aforementioned gains from trade.<sup>28</sup> Trade should not be about capturing foreign market share, waving the Canadian flag abroad, attempting to duplicate certain practices of other successful trading nations, or creating a more internationalized domestic business sector. How many domestic firms actually export -- or even the level of exports to particular markets -- should not gauge the success of government export programs. The trade activities of DFAIT need only be judged by their domestic economic impact as measured by the delivered gains from trade.

To that end, DFAIT trade personnel should be well versed in the basic economic justifications for trade and the quantifiable gains from trade. It is not enough to grapple with uncertain notions concerning international competitiveness, the globalization process or the desirability of trying to ensure a perpetual trade surplus. It is equally undesirable to assign personnel to export initiatives without first indicating to them what the desired results are. Since the gains from trade are not uniform across industries or export destinations, the government's current economic priorities (increased job creation, for example) must be enveloped in the trade policy development process and ultimately in export initiatives.

An integral part of developing a better understanding of the gains from trade, as well as the government's economic agenda and the role that trade can play in it,

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<sup>28</sup> Although delivering the gains from trade should be the primary goal of export initiatives, there are other economic benefits such as the transfer of technology and positive externalities associated with trade that should also be considered. Covering all the possible gains from trade is beyond the scope of this Paper.