

Value-Added

Since the NAS proposal includes payments to foreign factors of production as part of foreign sales, the net sales figure tells us nothing about domestic value-added. In fact, a high net sales figure could be misleading since most value-added is attributable to factors of production in the affiliate's host country. In 1991, for example, the U.S. share of the value-added of U.S. companies' foreign affiliates was about 9%. The U.S. share of the value-added of U.S.-based affiliates of foreign companies was 84%.

Balance of payments trade data can also be somewhat misleading in terms of value-added, since exports contain embodied imports. It is possible for some industries, particularly in manufacturing, to report large export volumes in the standard trade statistics, but to add little domestic value. The issue of domestic value-added in Canadian trade is one that the Economic and Trade Policy Division (CPE) will investigate in some detail in an upcoming Staff Paper.