be lost. This Paper recommends favouring export industries that rely less on imported inputs in order to stimulate domestic intermediate input industries. While recognizing the importance of imports, from an export enhancement perspective, it makes sense to focus somewhat more on industries that rely on domestically produced inputs to the degree that this approach supports internationally competitive production.

One of the factors in the question of whether imported inputs contribute to or detract from the domestic economy is whether there exist any competitive domestic industries producing the imports in question. If so, imports can displace domestic input production and reduce the positive domestic economic impact of export expansion.[27] If there are no import competing industries, then imported inputs can only add to domestic economic well being by providing otherwise unavailable intermediate inputs of the required cost and quality and allowing for the production of certain exports. This Paper makes no assumptions about the existence or competitiveness of Canadian import competing industries, and recognizes that further research in this area would be useful.

### 8.3 The Globalization Process

Some of the judgements in this Paper (for example, export industries that rely relatively less on imported inputs provide a more positive domestic economic impact) are made with the qualification "holding everything else constant". Of course, in the real world where business and policy decision are made, nothing is constant. Business is becoming more internationally integrated in an ongoing process that has come to be known as globalization. Competitive businesses have new approaches to research and development, production, marketing and input sourcing, among other things.

The analysis conducted in this Paper -- especially that which looks at the relationships between imported inputs and exports -- should not be interpreted as being ignorant of, or a backlash against, the globalization process. Despite the internationalization of business, economic policy decisions, including those concerning trade policy, are still centred on improving domestic economic conditions. There is

[27] Theory suggests that imports displace domestic producers that are not able to compete internationally and thus free up resources to be reallocated to more efficient uses. Those efficiency gains can then lead to increased economic growth. As a result, the original negative domestic impact, i.e., the reduction in output of the inefficient import competing industries, can be fully offset by the eventual efficiency gains from resource reallocation. Even when imported inputs appear at first to detract from the economy, it can be argued that over time they will contribute to economic growth.