

8. Conclusions and Trade Policy Implications

8.1 The Relevance of the I-O Approach

Throughout the Paper, a number of qualifications have been identified with respect to interpreting the I-O results. Those qualifications accentuate the inadequacies of the model and, by extension, its results. However, any analytical tool will have its limitations. To retain the strengths of a particular analytical approach, its limitations need to be fully recognized, and one must refrain from ascribing too much to its results. Versatility is traded for a more focused accuracy.

The I-O approach is acknowledged as only one way to analyze the role of exports in an economy. Its contribution to complex questions surrounding the importance of exports and the preference of some exports over others is part of a larger (probably multidisciplinary) approach. What the I-O can contribute is a discernment of the relationships between domestic industries and of certain non-dynamic domestic effects of exports. It is from this perspective that conclusions are drawn.

8.2 On Guard Against Mercantilism

Given the focus of the Department of Foreign Affairs and International Trade - as well as this Paper -- on export development (i.e., negotiated market access, export promotion, and defence of rules-based access), it is all too easy to adopt unwittingly a mercantilist view of international trade. Mercantilists believed uncategorically that exports were good and imports were bad, and that the economic benefits of international trade were the accumulated assets that resulted from running a trade surplus.

The input-output approach to export analysis highlights the international dependencies of Canadian export industries. It simultaneously discounts the notion that exports are inherently good for the economy and the notion that imports are inherently bad. On the export side, the I-O reveals how different industries' exports result in different domestic economic impacts. Some industries' exports, for example, create a far greater number of jobs than do the exports of other industries. According to the model, exports are good for the economy, but some are better than others.

As for imports, the I-O illustrates the dependence on imported inputs in the production of exports. Without imported inputs, the production of some exports would not be possible, and the economic gains associated with those exports would