

- APEC (minus the U.S.)¹⁰;
- World Total minus the U.S., EU and APEC (known as World Residual); and
- World Total.

For each region, Statistics Canada performed an expenditure shock on the model equivalent to the level of Canadian merchandise exports. This simulated Canadian export activity to the various regions.

Expenditure shocks to the model are composed of direct and indirect effects. In the case of the export shocks, the direct result is the actual level of merchandise exports. The I-O model is set up so that there are no direct imports contained in the original export shock. The indirect results of the increase in exports are other increases in domestic economic activity that support the original export shock. All economic impacts, including employment gains, are thus separated into direct and indirect effects.

4.2 The Limitations of the Model

Neither the model nor this Paper can correct for all of the shortcomings in Canadian export data as outlined in Section 3.1. Exports to the U.S., for example, are still likely to be overstated since the U.S. is used as an intermediate destination for goods going on to third countries.

In general, since the I-O tables are part of the system of national accounts, they are compatible with the Balance of Payments approach to trade. In the I-O framework, exports of both goods and services undergo several adjustments beyond those undertaken in the Balance of Payments. Adjustments account for freight and shipping, certain government transactions and the provision of business and other services. In running the model for this Paper, however, it was not possible for Statistics Canada to fully adjust the regional data. The world total data were fully

¹⁰ APEC currently includes Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, South Korea, Taiwan, Thailand and the United States. Papua New Guinea and Mexico were added at the Ministerial meeting in November 1993, after the I-O was run for this project, and are thus not included. Chile was added in November 1994, and is also not included. The United States is treated as a separate export destination and was dropped from the APEC group.