

1. Introduction

From a trade development perspective, two (unranked) priorities are to identify domestic industries that will provide the economic benefits that are normally associated with international trade and to identify particular export markets that will provide, or potentially provide, exporters with opportunities for expansion. This Paper is meant to assist with the first priority and generally to address the second.

Trade policy initiatives, and particularly export initiatives, should seek out industries that are structured in such a way that the maximum domestic gains from international trade accrue with a minimum of cost and effort. The economic gains normally associated with international trade include higher real national income (gross domestic product, or GDP) and improved productivity. Those gains can imply increased employment levels and/or higher returns to the factors of production, including labour. This Paper will explore relationships between the gains from trade and the domestic content (or domestic value-added) of exports across a number of Canadian industries.

It has become a rather widespread response to proclaim that high-tech industries should be the focus of attention whenever policy questions on industrial performance or international trade are brought forth. Presumably, the often unstated thinking is that the "good" jobs are in high-tech, that new and lucrative market opportunities exist for high-tech products, and that the technology spill-overs from high-tech research, development and production will lead to productivity gains and improvements in the international competitiveness of other domestic industries. At first blush, the logic seems hard to counter. Yet, in most public fora there is normally little objective evidence offered in support of high-tech favouritism.¹

¹ That is not to suggest, however, that there is no credible research on the linkages between the gains from trade and the development of domestic high-tech industries. See, for example, L. Tyson, *Who's Bashing Whom? Trade Conflict in High-Technology Industries*, Institute for International Economics, Washington, D.C., 1992, and E.H. Preeg, "Who's Benefiting Whom? A Trade Agenda for High-Technology Industries", in *The Washington Quarterly*, Vol. 16, No. 4, The Center for Strategic and International Studies, Washington, D.C., Autumn 1993, pp. 17-33.