communications industries exports by 4.0%, Canadian merchandise exports to the U.S. fall by approximately 18%, or $18 billion in terms of the model output for 1990 merchandise exports to the U.S..

The I-O is not able to determine the Canadian content of imports from the U.S.. However, the OECD points out that U.S. sourcing of intermediate inputs in the production of manufactured goods is among the lowest of all OECD countries.[18] The OECD estimates that about 11.5% of intermediate inputs in the U.S. manufacturing sector are imported. With two simplifying assumptions -- that the reliance on imports is similar across all sectors in the U.S. production of exports and that Canadian inputs account for 18% of all imported inputs (the share of Canadian imports in total U.S. imports in 1990) -- Canadian merchandise imports from the U.S. are reduced by 2%, or $1.9 billion in terms of 1990 merchandise imports.[19]

Table 6.1
Canada - U.S. Merchandise Balance, 1993: A Value-Added Approach
$ billions

	Balance of Payments Basis	Value-Added Adjustment	Value-Added Basis
Canadian Exports	$145.4	-$26.2	$119.2
Canadian Imports	$125.7	-$2.5	$123.2
Balance	$19.7		-$4.0

In 1993, Canada had a merchandise trade surplus of $19.7 billion with the U.S.. By reducing Canadian exports to the U.S. by 18% to account for their foreign content, and reducing Canadian imports from the U.S. by 2% to account for their Canadian content, the $19.7 billion trade surplus becomes a $4 billion value-added

[18] See OECD, *op. cit.*, p. 16.

[19] There is no hidden quantitative analysis behind these two assumptions. Their adoption is entirely based upon qualitative judgements which are open to criticism and refinement. Further research is required for a more accurate assessment, but the result -- of assigning a higher foreign content to Canadian exports to the U.S. than to U.S. exports to Canada -- is considered defensible.