the fundamental economic objectives of international trade (being higher national income and economic well-being), industries are judged to be best suited to export if, in response to a positive merchandise export shock to the model, they:

- have a low propensity to import intermediate inputs;
- export most of their output;
- have a high domestic value-added content of exports;
- create a significant number of jobs relative to domestic value-added in the production of exports; and
- create jobs with relatively high average salaries.

The overarching principle that guides the above criteria is that, all other things being equal, the higher the degree of input transformation that takes place domestically, the greater the domestic economic impact of exports. Simply put, internationally competitive exports that rely more on an extensive and competitive domestic input transformation process will stimulate greater production and employment in domestic supplier industries. This Paper is careful, however, <u>not</u> to suggest that internationally integrated industries (i.e., those that rely extensively on imported inputs in order to remain internationally competitive) are any less important to the development of a competitive export sector, nor that there should be a domestic content requirement for such industries, nor that there is a lack of obvious or significant employment or GDP gains associated with exports from internationally integrated industries. With a relatively small domestic market, Canada cannot become a world-class competitor in all inputs and all product lines. Imported inputs will remain central to the competitive survival of several export industries.

This said, <u>the resource industries perform better than any other group of industries with respect to their export suitability</u> as defined above. Agriculture & Related Services Industries, Mining Industries and Crude Petroleum & Natural Gas Industries -- all significant exporters -- do particularly well. The only drawbacks in the resource sector are that some industries' output is used primarily as intermediate inputs in other export industries (i.e., some resource industries do not export most of their output), and some resource industries do not create as much employment as industries in other export sectors.