

between job quality and job quantity. The model is not able to make any employment related recommendations without guidance on the fundamental question of whether the priority of trade policy is the number of jobs created in the export sector or the average wage of those new jobs. Once the employment goals of trade policy are agreed upon, the I-O can assist in selecting industries to target for export initiatives.

Since employment effects are only one consideration in the formulation of trade policy and in export promotion initiatives, they can be analyzed in conjunction with other considerations. For example, the I-O reveals that if high-tech industries are the focus of certain export initiatives, the employment effect will be the creation of a relatively small number of high paying jobs. Thus, the I-O provides the employment context (both direct and indirect jobs created as well as average wage rates) of trade initiative decisions that are based on other criteria.

### **8.7 I-O Lessons for Targeting Specific Export Markets**

In one respect, the I-O analysis is least useful in assisting with the selection of new and/or expanding export markets. Yet, through its unique approach to analyzing exports, the I-O provides a valuable -- if obvious -- lesson: the domestic economic impact of exports is the same regardless of export markets. The I-O approach suggests first finding industries that deliver the desired domestic economic impact, and then seeking out foreign markets for them.

In terms of ranking present export destinations, the I-O provides very mixed results. Exports to APEC countries other than the U.S. have the largest GDP effect/total exports ratio; exports to the Residual countries create the most jobs per dollar of GDP generated in the production of exports; and exports to the U.S. result in jobs with the highest average wage and total return to labour. Even with the intent of increasing exports according to their provision of the domestic gains from trade, there is no simple solution in selecting export destinations. Once again, it is up to policy makers to provide some guidance on the underlying economic goals toward which the export sector is meant to contribute.

The limited contribution of I-O analysis in the selection of export markets emphasizes the fact that there are a number of approaches and analytical techniques that are required in the formulation of a comprehensive and consistent export development program. The I-O analysis is a small part of what should be a much larger process. All factors, including political and economic motivations which can change over time, must be weighed and offset against each other in setting the optimal trade policy agenda.