

- (b) Second, an additional post in a larger importer will be found to generate a larger volume of trade because the overall trading relationship is larger.
- (c) Third, the likelihood of diminishing returns to additional posts is not taken into account. In point of fact, the predicted level of exports into a market in which a country has an unusually large number of posts (e.g., Canada's 20 posts in the United States⁶ or Japan's similarly large number of posts, 18 in all, in the United States⁷) is much larger than actual exports.

Accordingly, more in-depth analysis of this issue is required to support such decisions. However, the present analysis does provide support for the proposition that the role of posts is more important in host countries which are less free economically. Thus, when it comes to two broadly similar markets in which a country has a similar number of posts, it is reasonable to conclude that an additional post in the economically less free market would give greater value in promoting exports.

⁶ Department of Foreign Affairs and International Trade (DFAIT). (2005). *Canadian Government Offices in the U.S.* Retrieved June 23, 2005, from <http://www.dfait-maeci.gc.ca/can-am/menu-en.asp?mid=1&cat=16>

⁷ Ministry of Foreign Affairs (MOFA), Japan. (2005). *Zaigai Koukan List.* (in Japanese). Retrieved June 23, 2005, from http://www.mofa.go.jp/mofaj/annai/zaigai/list/n_ame/usa.html