

growth industries should be ignored in industrial policy but that their promotion should be more proportionate to the contribution those industries make to Canada's industrial mix.<sup>29</sup>

The Rugman and D'Cruz paper goes on to claim that there are two considerations to keep in mind when assessing the appropriateness of a government-led high-tech strategy.<sup>30</sup> First, high-tech export sectors develop following the establishment of domestic high-tech markets. Canada is simply too small to cultivate and support many of its own high-tech industries. Second, the international competitiveness of high-tech industries is often based on the government subsidies they receive. Canada cannot win a subsidization competition. Our pockets simply are not deep enough.

The results for other manufacturing industries in the I-O analysis are mixed. On the positive side, they tend not to be producers of intermediate inputs and they tend to employ labour at higher than average wages. However, as a group, manufacturing industries employ fewer workers per dollar of exports than average and they rely more heavily on imported inputs. In terms of their suitability for export initiatives, manufacturing industries must be carefully scrutinized in the context of very specific economic goals.

The I-O approach confirms that service industries are structured in a different way than resource and manufacturing industries and require a different approach with respect to encouraging their international expansion. The I-O illustrates that service industries are largely support industries, providing intermediate inputs to other domestic exporting industries. In order to provide those intermediate inputs to foreign firms, service industries need to be located in foreign markets. Traditional government programs for promoting exports are not particularly well suited for service industries, which require assistance with issues such as interpreting foreign regulations on establishing local business enterprises.

### 8.6 I-O Lessons for Employment

Without providing any sense of the appropriate response, the I-O exemplifies the difficult real world dilemma that policy makers are confronted with in the tradeoff

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<sup>29</sup> See A.M. Rugman and J. D'Cruz, *Canadian Strategies for International Competitiveness*, in *Business in the Contemporary World*, Vol. 3, No. 1, Bentley College, MA., Autumn 1990, p.94.

<sup>30</sup> See A.M. Rugman and J. D'Cruz, *op. cit.*, p. 99.