

created by the long-term use of Canadian innovations will be kept in Canada.

C. The importance of the American market

Although in recent decades, the Japanese have marketed innovation more successfully and rapidly than the Americans and productivity has declined relatively more quickly in the United States than in any other western nation, two or three important points must be kept in mind:

- (a) Invention is still mainly American, even though innovation (the manufacture of new products or the use of new processes) is less so.
- (b) There is a very high propensity to import in this sector. Our official statistics show that 90% of firms that have imported a process or product from another country will continue to do business with that country.
- (c) Since Canada, along with Australia, is the only country without an open market of 100 million inhabitants, it is becoming increasingly dependent on its neighbour to the south to buy its products, while the European market becomes more continentally centred and Japan invades the Asian markets.

Private industry is well aware of this situation. A CATA survey reveals that 96% of the organization's member firms consider the United States to be the important market and that 46% of these companies make over half of their sales to the Americans. It comes as no surprise that 88% of these firms are in favour of the idea of a free trade zone in their sector. Two thirds (62%) recommend such a zone. They see it as a means of gaining access to a vast market and also as an opportunity to import advanced technologies as soon as they come on the market. The most striking figure is that virtually all (96%) of these high technology firms import hardware, components (chips) and computers from the United States. (We would note in passing that half of these companies consider the Canadian government to be as protectionist as Congress!)

It is difficult to fight such realities. A policy of barriers, substitution or redeployments could well be ineffective, at least in its efforts to prevent such a continued, massive transborder flow. What is more,