

4.0 DEGREE OF MARKET PENETRATION BY CANADIAN COMPUTER MANUFACTURERS

In 1982, the U.S. computer industry was affected by both the recession in the U.S. and by slowed markets abroad. Most U.S. companies showed substantially lower or negative profit growth and some showed a decline in revenues. The industry did, however, experience an increase in demand towards the latter part of the year which resulted in an 11 percent overall increase in shipments. The Department of Commerce estimates that the U.S. computer industry will continue to recover during 1983 and predicts an increase in shipments of 18 percent for the year. This should take the 1983 total for U.S. computer industry shipments to approximately \$40 billion, after adjusting for inflation.

During 1982, U.S. computer imports increased 30 percent to \$2.1 billion which represented 6.1 percent of the supply of new computer products. Industry sources estimate that imports will increase by 35 percent to \$2.9 billion during 1983. The U.S. is the number one market for computer producing countries seeking to expand their exports. While production of computers in the U.S. remains generally strong, expected growth in foreign competition and the emergence of newly industrialized countries in the computer industry is increasingly challenging the U.S.'s position as the world's leading producer. Declining prices in the high volume market for standardized products will also affect the U.S. computer industry's performance resulting in a shift in production, which in turn will stimulate an increasing import market to the U.S.

Although the U.S. industry is seriously concerned with rising imports in the computer field and also by stiffening competition in world markets, Americans do not register concern over the possibility of increased Canadian exports. This is due, in part, to the fact that the U.S. views the Canadian computer industry largely as a subsidiary U.S. operation. Secondly, Americans know that the Canadian Government has not targeted the U.S. computer industry in the same way as the Japanese have done.

**U.S. Production of Import Trends
1981-1983 (\$billion)***

	1981	1982	1983
Value of U.S. Production	30.5	34.0	40.1
Value of Imports	1.6	2.1	2.9
Imports as a % of U.S. Production	(5.2%)	(6.1%)	(7.2%)

In 1982, the Japanese computer industry drastically increased its exports to the U.S. and replaced Canada which had previously been the leading supplier. Japanese exports to the U.S. in 1982 account for nearly a third of total imports as shown in table

4.1 following. The Japanese have continuously benefited from government support and industry targeting, as discussed earlier. Major Japanese activity to the U.S. in 1982 was centered around desktop computers and peripherals, such as, printers and magnetic disk drives.

* Source: U.S. Department of Commerce, Bureau of Industrial Economics

Canadian Contribution to U.S. Imports:

The Canadian computer industry produced a total of \$600 million combined computer products during 1981, which is the latest figure available for domestic production from Statistics Canada. As shown in table 4.0, Canada exported \$623 million worth of computer products during the same year. The reason why there is a substantial difference between recorded production and exports is because the official Canadian export figures include non-computer mechanical accounting equipment together with software, and substantial re-exports and repairs. Statistics Canada was unable to provide any indication of the ratio of computing equipment to non-computing equipment in this figure.