

If this overall analysis is correct, what are the implications? First, let's begin with the alternatives. There are essentially four choices. The first is to do nothing and hope things improve. This is pretty much the status quo right now and ignores the new reality. To sit still, to postpone, to hope things turn around on their own, will result in places like Canada seeing taxes and social unrest continue to increase, without understanding the root cause. I would argue that this is untenable, but it may in fact be what we observe for the next few years until the new reality sinks in.

The second alternative is to return to protectionism. Protectionism was a comfortable world for a long time. We can batten down the hatches; we can reduce trade with the outside world; we can live with greater inefficiencies. This means that we will work longer, we will pay higher prices, but in the short term at least we will have more jobs. The difficulty of course, is that Canadians have demonstrated an unwillingness to pay higher prices. Evidence the incidents of cross border shopping which have been rampant at various times recently.

The third alternative is to share the work. Sharing the work would result in a reduced work week; more leisure time, albeit enforced leisure time; a lower standard of living; but arguably lower social unrest; and perhaps a higher quality of life, one that was somewhat less materialistic. The difficulty here is that most Canadians will not voluntarily accept a lower standard of living. They would treat such an option as giving-up.

These three alternatives ignore however, a fourth possibility -- strengthening our international capability. To strengthen Canada's international capability will require emphasis on continuing to do the things that we have done well in the past, and learning to do well things that we have not emphasised to this point. Canada of course, must continue to be an exporting nation if it wishes to maintain anything close to its current standard of living. What needs to take place however, is a diversification away from reliance on the U.S. market. This does not mean doing less business in the U.S. It means maintaining our existing share of the U.S. market, while simultaneously emphasising other markets. The greatest growth area in Canada for Canadian goods is Asia. Asia is the fastest growing economic region in the world. At the same time, the primary source of immigration into Canada in the past decade has been Asia. We have to place much greater effort on using these new Canadians to do business in their countries of birth.

A second area which Canada must emphasize in internationalization relates to technology transfer. Canada does not have to be the world's primary source of innovation and technology development in order to be prosperous. It does however, have to be adept at understanding and applying new technologies, wherever they are created in the world.

The assimilation of the relevant technologies requires an infrastructure, much of which already exists in Canada. Canada can emphasize basic research, however, this is unlikely since we are one of the lower national spenders on primary research. Or Canada can emphasize what in fact it has implicitly been emphasising all along - the adaptation and assimilation of best practices wherever they are created. From a public policy perspective,