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Yet the Kremlin's defense budget will not be drastically cut, the authors conclude, because the Soviet high command will veto any such attempts. And the economy, however troubled, can sustain Soviet military power at its current "comfortable" level indefinitely.

Canada's Confusion

"Canada—the Empty Giant" by Daniel Casse, in *The National Interest* (Summer 1987), 1627 Connecticut Ave. N.W., Washington, D.C. 20009.

Canada emerged from World War II with massive surpluses of food and industrial goods and the third largest navy in the world. Forty-two years later, Canada has a sluggish economy, contributes less per capita to NATO than any other member, and defends 44,000 miles of coastline with 20 frigates, four destroyers, and three aging submarines.

Why has Canada's role diminished? The answer, says Casse, managing editor of *The Public Interest*, is that Canada is not a unified nation, but a collection of regions "whose residents give little thought to one another and, hence, share no national purpose." Attempts by the Canadian government to artificially create a national identity have resulted in domestic protectionism and an "ingrained anti-Americanism" in foreign relations.

"It is in our security interest," states a paper from the Canadian Ministry of External Affairs, "to play an active role *between* East and West." But following an "independent course" in foreign policy, says Casse, means



Canadians complain about U.S. cultural and economic dominance, but America still beckons. Recently, 10,000 visas for permanent U.S. residency were made available; in one week, 80,000-plus Canadians applied.

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that "Canada frequently acts in a way that seems altogether contrary to Western interests." For example, the Canadian Armed Forces have been cut from 124,000 troops in 1964 to fewer than 85,000 today. While Canada's ability to defend itself against Soviet aggression continues to ebb, Prime Minister Brian Mulroney recently announced plans to spend nearly \$5 billion (out of the \$9 billion defense budget) on 10 nuclear submarines meant to enforce Canada's claim (disputed by the United States) to sovereignty over the Northwest Passage, a strait in Canada's Arctic north.

Many Canadian government programs are designed to promote a sense of national unity. "Canadian content" laws protect broadcasters and publishers from foreign competition. Uncompetitive government-run industries (such as Petro-Canada, the state-owned oil company) and high tariff barriers have produced a stagnant economy.

The cure for Canada's economic woes, Casse concludes, is free trade with America. But before that occurs, Canadian officials must discontinue policies that distance Canada from the United States. By working more closely with its southern neighbor, Canada can "become a productive, aggressive, and competitive economic force."

Brazilian Computers

"Brazil's Independent Computer Strategy" by Antonio José J. Botelho, in *Technology Review* (May-June 1987), Mass. Institute of Technology, Building W59, Cambridge, Mass. 02139.

Protectionism, most economists would argue, hurts consumers by forcing them to pay higher prices for inferior goods, by imposing tariffs on foreign goods in order to nurture uncompetitive domestic industries. In Brazil, import restrictions have allowed the fledgling computer industry to grow in the face of stiff foreign competition.

During the mid-1970s, Brazilian computer firms controlled five percent of a \$700 million domestic market. By 1986, 270 such computer firms controlled 55 percent of a \$2.7 billion home market in minicomputers, microcomputers, and peripheral accessories. Botelho, a doctoral candidate in political science at the Massachusetts Institute of Technology, argues that although the Brazilian computer market is small by American standards, with a continuation of its current 35 percent annual growth rate, it could become "one of the largest markets in the world."

The Brazilian government's interest in computers began during the early 1970s, when attempts were made to set up joint ventures between foreign and Brazilian firms to build minicomputers. Most failed. U.S. firms claimed that Brazilian law restricted their royalties. In 1976, Brazil established the Commission for the Coordination of Electronic Activities (CAPRE), with a "market-reserve" strategy; imports would be restricted, but Brazilian firms could buy licenses to foreign computer technology.

CAPRE's decision allowed the Brazilian microcomputer industry to thrive. Because microcomputers are relatively easy to copy, licensed Brazilian manufacturers readily cloned IBM-PCs, Apple-IIs, and Tandy TRS-80s. While a Brazilian Apple-II clone in 1982 cost 2.2 times as much as the original model, by 1984 the Brazilian copy had become eight percent cheaper than the original.