

examination of Canadian self-confidence and has increased recognition by Canadians of their distinctive political and cultural status in North America.

85. Nonetheless, some will contend that a formal trade arrangement with the U.S. would lead inevitably to a loss of Canadian sovereignty and a narrowing of our manoeuvring room economically. Others will argue that the interdependence of the Canada-U.S. economies is already at an advanced stage and that the absence of formal bilateral arrangements impedes the development of a more competitive economy and thereby erodes our capacity to pursue Canadian development and exercise Canadian influence internationally.

86. On a more specific level, discussions of possible cultural homogenization bring into question the viability of Canadian cultural industries and their ability to express and promote unique Canadian cultural values. Cultural industries protected by government legislation and/or regulation include broadcasting, sound recording, periodicals, newspapers, book publishing and film and video. The sensitivity of this sector has already been recognized through recently introduced draft legislation on investment which stipulates that the government will retain reserve powers in sectors identified in regulations relating to Canadian cultural heritage or national identity. In strict tariff barrier terms, only sound recordings, periodicals and newspapers would necessarily be affected by trade arrangements; the former because of a 16.5 per cent duty on imported discs and tapes and the latter because of a provision in the customs tariff prohibiting the entry into Canada of periodicals with more than 5 per cent of advertising aimed at Canadian readership. It would be open to Canada to seek to retain these restrictions as exceptions in a bilateral or multilateral arrangement involving reciprocal market access commitments.