

that advertisers on each side of the border could deduct advertising costs in the other country's radio and TV as an expense for tax purposes. This would hurt the owners of Canadian border radio and TV stations by the net difference in the transborder flow of advertising expenses. While it might reduce the wealth of owners, it is doubtful if it would significantly reduce the number of such stations on either side of the border.

Canadian-content rules, in so far as they reduce the ability of Canadian stations to compete with stations unfettered by such rules, would violate pure free trade but the practice could be acceptable as long as distributors of U.S. programs had adequate opportunity to exhibit their product in Canada.

Replacement of U.S. with Canadian advertising by cable networks who pick up U.S. signals cost free would certainly be found an infringement of free trade principles. Its elimination would lower the profits of the owners of Canadian cable networks and lower the demand for Canadian advertising. (We do not enter the debate as to whether or not advertisers are part of the "cultural community".)

Removal of the regulation forcing divestiture of Canadian subsidiaries when one multinational publishing firm takes over another would have significant effects. There will be substantial international pressure to remove this rule in any case. But if it were to be removed as a result of FTA talks, this would return us to the status quo and to the situation in which every other small country finds itself. It would not mean the end of a subsidization program for Canadian authors, since nothing in an FTA would preclude our subsidizing them. But it would mean the end of a policy that reduces the value of any Canadian branch or affiliate of a multinational by forcing assets sales.