

has encouraged others to develop regulatory measures, tax incentives and subsidies to develop domestic film industries. These regulatory measures are intended to help domestic industry address the fundamental problem of not being able to achieve the required revenues for production. These measures exist because the small country argument carries salience around the globe. Many countries believe that their economic support of the domestic film industry will assist their industries to co-exist with Hollywood. By intervening in the industrial organization of the film industry, public funding in this sector is intended to affect the economic welfare of a country.¹³

Accompanying the economic incentives to foster a film industry and distribute films around the globe, there exists a political or cultural one. Most countries express concern about cultural harmonization and about the need to maintain shelf space for their own products in their own country. These concerns seem to result from the fact that "films disseminate images of desirable behaviour and communal values that have a substantive effect on legitimizing social relations and institutions."¹⁴ Thus, films have a propaganda value to political elite. This non-economic component has resulted in countries wishing to maintain a domestic production industry that has a "national quality." Film as a tool of social cohesion or social engineering then justifies public support of the domestic industry. This non-economic component of the film industry, while not generally associated with the United States industry, is not absent from it. The power of film to communicate values is understood not only in Hollywood, but also by the United States government.

B: An Overview of Trade and Investment Agreements' Implications for the Film Industry

The Canadian term cultural industries and the American term entertainment industries reflect different choices in the way in which both countries understand the issue and/or want to convey their position. This different understanding has resulted in policy conflict between Canada and the United States in recent years. The Canadian view is that it must have maximum flexibility to continue to implement measures that preserve a space in Canada for Canadian product. The American view is that by requiring flexibility for domestic policy-making or by having exceptions in international trade agreements, Canada is discriminating against United States entertainment products. In summary, while Canada seeks special treatment for its cultural industries, the US prefers to apply normal trade agreement obligations.¹⁵

¹³ Johnson, 7.

¹⁴ Acheson, Maule, and Filleul, 515.

¹⁵ Centre for Trade Policy and Law, *Trade Policy Sessions Binder*, 1997.