

established prior to February 13, 1987, are not subject to the policy regardless of their nationality. All other companies established after that date are allowed to distribute proprietary films only, again regardless of nationality. Furthermore, Canada did not commit to any market access or national treatment obligations under the GATS as discussed above.

Even though this trade irritation likely has ended with the purchase of Polygram by a Canadian enterprise,²⁷ what is of concern for Canada is that its cultural policies continue to be challenged. In this case, the challenge did not come from the United States, but from the EU, which typically has been more of an ally on cultural policy. The Polygram case demonstrates how difficult it can be to implement certain types of cultural policy that do not irritate trading partners. It also demonstrates that allies can be foes as national interests change. In the case of Polygram, the interests of the EU were to have access to the Canadian market. These industrial interests were not mitigated by the fact the Canada and the EU often have similar approaches to cultural issues.

This case also demonstrates that global cultural or entertainment industries are undergoing rapid change. Canada is now becoming an increasingly important player, or, at least, some Canadian companies are becoming world players. As this change occurs on a global basis, some of Canada's policies may no longer be relevant. In the case of Polygram, it remains to be seen whether Canadian ownership will change the content of the product that is distributed. The challenge of achieving high levels of Canadian content in feature films will likely remain as difficult or almost as difficult. An essential question is whether firms owned by Canadians share the Canadian government view on the uniqueness of the cultural industries. Canadian owned programs may share this vision, or may look at the cultural industries in more business and less social terms.

C: The Other Challenges of Globalization

i) *The Technological Challenge*

This paper has suggested at the beginning that, as a result of the international rules, obligations, and uncertainties, the film industries both in Canada and the United States are undergoing change. First, technology has changed the industry. Film exhibition no longer represents the main source of revenue for the industry. The trend toward earning revenues in alternative forms of distribution seems as though it is certain to continue with the advent of digital television. There is now more demand for good products on a global basis. This demand means that there are opportunities and challenges for both countries. The United States is advantaged in that the Hollywood studios have stores of ready-made products available for distribution. Canada also has ready-made products available, although not in the same amounts.

²⁷ The EU under its anti-trust rules must still approve the sale of Polygram. It must also be noted the new trade issues could emerge if Seagrams attempts to sell Polygram. Such a sale could violate the Investment Canada Act, but if allowed could bring about new trade conflicts. The Investment Canada Act will be discussed in more detail in part III, section iii.