

of national identity, the bedrock of national sovereignty and national pride."³ The Department of Canadian Heritage (DCH) states that "culture is not just a product, a commodity, or a service that is bought and sold in the market place."⁴ As a result of the special nature of culture, Canada fought hard for the cultural exemption in the Canada-US Free Trade Agreement (FTA) and NAFTA, and for non-applicability under the GATS in the WTO.

While culture, in Canada, is seen as different from other products, commodities, or services, there is a clear understanding that cultural goods also produce industrial benefits. The Department of Canadian Heritage (DCH) also states that "the cultural sector is unique because it can deliver on both unity and jobs."⁵ However, job creation seems outside the parameters of a policy intended for simply a "cultural" benefit. Policies intended to create jobs are usually equated with industrial policy. Industrial policy constitutes a government's "explicit attempt to coordinate its own multifarious activities and expenditures and to reform them using as a basic criterion the achievement of dynamic comparative advantage."⁶ Chalmers Johnson states that "industrial policy is a summary term for the activities of governments that are intended to develop or retrench various industries in a national economy in order to maintain global competitiveness."⁷ Therefore, according to DCH's own broad objectives, Canadian support mechanisms for the cultural industries are industrial as well as cultural.

Increasingly, the problem for Canada, and for other countries concerned about this matter, is that the United States does not accept the argument that culture constitutes a unique industry; rather, Americans perceive culture to be a good or service, like any other good and service sold either domestically or in world markets. They therefore see Canadian public policy as more industrial than cultural. The problem for the United States is the impact of Canadian policy, whether industrial, cultural or both, on its trade and investment relations both with respect to Canada and as "documentation effect" factor with respect to other countries.

This difference in perception about whether the support for the cultural industries is justified because of the unique character of the industry has resulted not only in differences about how trade and investment agreements should address this sector, but also in the structure of this sector in both Canada and the United States. In Canada, there is significantly more government involvement than in the United States. These differing points of view on the cultural industries

³ Department of Canadian Heritage. *Contribution of the Cultural Sector to Employment and Economic Growth*, October 31, 1996, 2. (unpublished document)

⁴ Ibid.

⁵ Ibid.

⁶ Chalmers Johnson, "Introduction: The Idea of Industrial Policy," in *The Industrial Policy Debate*, ed. Chalmers Johnson (San Francisco: ICS Press, 1984), 7.

⁷ Ibid.