formulating realistic domestic objectives. The resulting policies will have to differentiate between cultural and industrial goals.

The global challenges facing the cultural industries do not only result from international trade and investment obligations. Technology will continue to re-invent the entertainment industry, and Canada must also respond to these changes. The commercial challenges presented by Hollywood's global strength are significant for Canada and most other countries; however, the economic reality of the global entertainment market cannot easily be altered. Canadian policy-makers must understand these constraints and develop both realistic objectives and means for achieving them. Canadian policies must be relevant in the new and evolving global entertainment environment.

The Canadian cultural industries are characterized by a considerable amount of government intervention. This role of government must be reviewed in light of the changing legal, technological, and economic framework -both domestic and international- in which Canada operates. Canadian support measures include tax incentives, direct investment, and support for international co-productions. With respect to production, the challenge for Canada has been that despite an increasingly large production industry, few of the films that are made succeed in the domestic feature film market. Generally, these production problems are considered to be connected to distribution. It is argued that film distribution is central for the industry because revenues earned from distribution generate more funds for production in Canada. This thesis needs to be re-examined both because few Canadian films are available in theatres and because this policy appears to have industrial goals as well as cultural ones. The challenge for Canada is developing a cultural policy that allows for more Canadian content in production, but that does not have industrial or international trade implications that could be challenged by Canada's trading partners.

The United States visual media industry presents many challenges to Canadian policy. The U.S. visual media industry (film, video, and television) generates about $18 billion in foreign revenues annually. The Americans also have recognized the economic and non-economic benefits of the film industry. Distribution and exhibition have been complicated in the United States due to the non-competitive practices of the major studios. Currently, the trend is towards vertical integration. This trend reflects the changing nature of the global industry. While the structure of the United States industry has enabled it to succeed on a global basis, it has perhaps also made it difficult for new entrants, both domestic and foreign, in the United States market.

At the international level, Canada must determine what is the appropriate level of flexibility. Given that the United States will continue to oppose cultural protection measures, that more and more Canadians seek to export films, that rules create a framework within which to operate, and that in most other sectors Canada has supported rules, Canada will have to negotiate mutually agreeable international norms and rules for culture. This will necessitate defining on an international basis what exactly are cultural industries. Since this process will likely take place in existing international fora, Canada must be ready to participate. This does not negate the