Magazines, Cultural Policy and Globalization: The Forced Retreat of the State?

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This paper argues that developments associated with economic globalization have heightened the challenge of using domestic policy to foster and protect culture. Two developments associated with economic globalization and internationalization, rapid developments in information technology and the international trade regime, have rendered ineffective Canada’s long-standing policy instruments designed to protect the industry. Policy discourse has also changed by bringing into sharp relief two opposing models that address the role of the state in protecting culture: the global market model and the local culture model. Internationalization has also forced cultural policy communities to work together at the international level.

The 1951 Royal Commission on National Development in the Arts, Letters and Sciences articulated the need for the federal government to play a role in the development and protection of Canadian culture. In 1961, the Royal Commission on Publications stressed the importance of a “truly Canadian” media, at the same time making it clear that any government assistance accorded to the publishing industry should be done with the goal of promoting Canadian periodicals, not the suppression of foreign periodicals. Then, in 1970, the Special Senate Committee on the Mass Media called magazines “special.” In fact, the committee’s report stated that “in terms of cultural survival, magazines could potentially be as important as railroads, airlines, national broadcasting networks, and national hockey leagues.” Taking the advice from these commissions of inquiry very much to heart, the Canadian government has consistently used a set of policy instruments to support Canadian periodicals, deeming them an important contributor to the development of Canadian culture. Periodicals are viewed as an...
element of a range of methods of cultural expression which give Canadians access to a synthesis of images and information from a strictly Canadian point of view. They are also an element of the range of methods of cultural expression which give Canadians access to the diversity of their nation’s cultures. Preserving this diversity and ensuring Canadians have continued access to it are both threatened by forces of economic globalization.

Economic globalization is posing some new challenges for preservation of cultural diversity. First, rapid developments in information technology have made it possible for periodical publishers to transport their products across the globe via satellite or phone line, rather than as finished products, allowing publishers to by-pass Canada’s trade regulations. Second, new international trade agreements have liberalized the rules that govern trade in goods and services, including legislation dealing with Canadian periodicals. In fact, in 1996, the newly formed World Trade Organization ruled that Canada’s long-standing laws designed to protect domestic periodicals were illegal. The Canadian government’s most recent attempt to resist the internationalization that affects policy, Bill C-55, did not survive the challenges it met from the United States. In fact, the deal Canadian negotiators recently reached with the United States in 1999 effectively ends a 30-year ban on foreign publishers issuing split-run editions of their magazines in Canada.

This article argues that developments associated with economic globalization have heightened the challenge of using domestic policy instruments to foster and protect culture. Linked to globalization is internationalization, the process by which choices in policy instruments, the structure of policy discourse, and the constitution of policy communities are influenced by factors outside national territorial boundaries (Doern, Pal and Tomlin 1996). In the cultural industries policy sector, this ongoing internationalization that began well before the Second World War, has intensified more recently in the face of globalization. Developments in technology and expanded markets have left many countries, irrespective of geographical distance, vulnerable to the power of corporations selling cultural products in a global marketplace. Consequently, the role of the state in protecting and promoting culture is at issue, not only for Canada, but for other countries as well. At stake are two competing models for cultural policy-making: the local culture model, which defines culture as a way of life and deserving of state support and the global market model, which defines culture as a commodity to be treated like other commodities. Despite the efforts of countries such as Canada which espouse the local culture model to win special provisions for trade in cultural goods in the international trade regime, the current international environment unquestionably favours the global market model. The local culture model will only survive, it would appear, if a coalition of countries can act to change the international trade regime.

These arguments are developed in four steps. In the first section, I define the ongoing process of globalization and pinpoint its implications for culture. I then illustrate how two other developments associated with economic globalization and internationalization — rapid developments in information technology and the international trade regime — have rendered ineffective Canada’s long-standing policy instruments designed to protect the industry. Next, I show how policy discourse has changed by bringing into sharp relief two opposing models that address the role of the state in protecting culture: the global market model and the local culture model. The paper concludes by noting how internationalization has forced cultural policy communities to assume a transnational character.

ECONOMIC GLOBALIZATION: A CHALLENGE TO CANADIAN CULTURE

What is Globalization?
The word globalization is usually associated with borders or boundaries and is often taken to mean a process of rapid proliferation of exchanges across
those borders. But if globalization is truly a new or recent phenomenon, it must mean something more than this, since a gradual increase in border-crossings has taken place since the dawn of human civilization. The term “globalization” began to be widely used about the mid-1980s, replacing earlier terms such as internationalization and transnationalization (Hoogvelt 1997). It covers a wide variety of changes in various aspects of social, economic, and political life, including finance, corporate organization, the environment and, of greatest importance for this paper, communications and even culture.

The work of a few select scholars is particularly helpful for understanding what cultural globalization might mean. Giddens defines globalization as: “The intensification of world-wide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa” (1990, p. 64). This definition is useful because it puts an emphasis on the relationship between time and space, a relationship central to capitalist economies, since “space is expressed in time” (Hoogvelt 1997, p. 119).

Scholte provides a useful conceptualization of globalization that complements Giddens’ notion. He speaks of globalization as an increase in transborder relations in which borders are not merely crossed or opened but transcended. He says globalization is:

a trend whereby social relations become less tied to territorial frameworks. From this perspective borders are not so much crossed or opened as transcended. Here “global” phenomena are those which extend across widely dispersed locations simultaneously and can move between places anywhere on the earth pretty much instantaneously. Territorial distance and territorial borders hold limited significance in these circumstances: the globe becomes a single “place” in its own right (1997, p. 431).

Globalization, then, can be referred to as a compression of space and time, as a result of which the movement of global phenomena transcends borders and is much less bound by physical location than ever before.

Scholte’s work highlights several implications of globalization for culture. First, changes in the means of communication whether via radio, computer networks, fax machines, television or air travel, have placed people anywhere on earth in increasingly easy contact with each other, irrespective of the distance and/or borders lying between them. Second, organizations, including corporations selling cultural products, have oriented themselves to working in a global space. Such companies engage in transworld marketing exercises to facilitate the movement of their goods and services around the globe and have production facilities similarly spread worldwide. Finally, these changes in communication and corporate organization affect our consciousness. “Globalization is evidenced in so far as people conceive of the world as a single place, affiliate themselves with communities (e.g., of religious faith, race, etc.) that transcend borders, and otherwise understand their destiny in transworld as well as (or perhaps instead of) territorial terms” (ibid., p. 432).

These globalizing processes threaten the survival of local cultures and thus cultural diversity. For example, the extreme concentration of mass media ownership has the potential to reduce diversity significantly (Held et al. 1999). In the words of prominent media critic Ben Bagdikian:

The lords of the global village have their own political agenda. Together, they exert a homogenizing power over ideas, culture and commerce that affects populations larger than any in history. Neither Caesar, nor Hitler, Franklin Roosevelt nor any Pope, has commanded as much power to shape the information on which so many people depend to make so many decisions about everything from whom to vote for to what to eat (Smith 1990, p. 25).
Many people equate these homogenizing processes in the sphere of cultural production with Americanization, and speak of the emergence of a homogenized or globalized monoculture, steered by trends determined in Hollywood and New York:

Readers Digest and Time magazine ... offer foreign language or overseas regionalized versions to their foreign readers, but they remain essentially American products and all who are influenced by them are drawn powerfully to the center core of American values. These popular publications spread values more effectively than they spread information; they are emanations of the American spirit and are more powerful Americanizers than hamburgers or motor-cars or Coca-Cola (Smith 1980, p. 59).

Overall, these trends could produce the marginalization of local cultures within their own borders. Such a result would be unfortunate because local culture is an essential element of a community’s survival. Without access to their own cultures, Audley warns that “communities atrophy — losing vitality, energy, understanding and democracy” (1994, p.318). Thus, the process of globalization, including the globalization of media firms, has made domestic cultural production more essential than ever for the survival of Canadian culture and, more broadly, for the survival of global cultural diversity.

The observation that people have not relinquished their attachment to particular geographical locations is a crucial point. At the same time as the dynamics of global media production and distribution have been established, an opposing tendency is at work (Tomlinson 1991). Sreberny-Mohammadi (1998) calls this opposing dynamic “localization.” Her view is that a conceptual model of globalization and media must account for the dynamic tension between the global and the local. The dynamic of localized production and the indigenization of cultural products, she says, has developed as a consequence of, and often in reaction to, the powerful flows of global phenomena. “In the twin yet opposing processes of globalization versus localization, media play a central role and reveal the tensions between the macro and the micro levels of socio-economic structures, cultures, and development dynamics” (ibid., p. 178). This observation is especially important as we begin to assess the impact of globalization on the world’s cultures. Some of these show signs of actively building or strengthening their identities in the face of the powerful forces that transcend borders.

**NEW CHALLENGES: GLOBALIZATION, INTERNATIONALIZATION AND THE CHOICE OF POLICY INSTRUMENTS**

Federal government protection for Canadian periodical publishers has traditionally relied upon three policy instruments. The first, Bill C-58, was a controversial piece of legislation introduced by the Trudeau government which amended section 19 of the *Income Tax Act* to prevent taxpayers from claiming a deduction for advertising placed in a foreign publication that is less than 75 percent Canadian owned or has less than 80 percent original content.
The second measure, Customs Tariff Code 9958, prohibited entry into Canada of two types of magazines: special editions or split-run regional editions of foreign periodicals and issues of periodicals in which more than 5 percent of advertising space is used for advertisements primarily directed at Canadians. Postal subsidies comprised the third component of the federal system of protection for domestic periodicals. Lower and commercial postal rates were designed to help both Canadian readers and Canadian publishers by decreasing the cost of delivering magazines to their subscribers (Keachie and Pittaway 1994).

Although there is some disagreement in the literature over the precise effects of each of these legislative measures (Litvak and Maule 1980), industry observers do suggest that the Income Tax Act, the Tariff Code and the postal subsidies have all contributed to the maintenance and growth of a healthy domestic periodical publishing industry (Sutherland 1989; Dubinsky 1996; Litvak and Maule 1980). Doern, Pal and Tomlin argue that globalization will internationalize public policy by changing the choices of policy instruments available and by forcing changes in policy instruments themselves. 

In this section, I illustrate how globalization, fostered by developments in information technology and changes in the international trade regime, have undermined the traditional policy instruments for the protection of Canada’s cultural industries, forcing governments to consider new options.

Globalization, Information Technology and Culture

Massive technological progress has made possible the compression of space and time and the transcendence of borders referred to above in our definition of globalization. A report from the United States Department of Commerce titled Globalization of the Mass Media optimistically states that “technology has eroded the barriers to communication previously posed by time, space, and national boundaries, resulting in rapid and pervasive sharing of information around the world. With improved communication has come greater cultural and political interdependence among other nations” (US. Department of Commerce 1993, p. 4). For the global media firms that manage much of this new technology and for whom the report was issued, these developments promise a more open global trading system within which to market their goods and services. From another angle, new technologies are multiplying the dangers of cultural domination as well as the number of countries subject to it (Smith 1980). Leonard Marks, former director of the US Information Agency signalled the dangers inherent in the new technologies:

In the periodical publishing industry, rapid developments in information technology have made it possible for periodical publishers to transport their products across the globe via satellite or phone line rather than as finished products (ibid.). Routine operators around the world are employed to convert manuscripts into computer readable form and send them back to the parent firm at the speed of electronic impulses (Hoogvelt 1997). In addition to electronic page transmission, advances in printing technology have greatly reduced the cost of printing a magazine simultaneously in a number of locations (Keachie and Pittaway 1994).

These technological developments have facilitated the production of split-run editions of foreign magazines which enable foreign publishers to tap into what were previously local advertising markets. “Split-run” Canadian magazines are “editions of an... global electronic networks ... will pose realistic questions about information flow and cultural integrity ... These networks will move massive amounts of information through high-speed circuits across national boundaries. Moreover, they will be effectively beyond the reach of the traditional forms of censorship and control. The only way to “censor” an electronic network moving ... 648 million bits per second is literally to pull the plug (Smith 1980, p. 57).
issue of a periodical that is distributed in Canada, in which more than twenty per cent of the editorial material is the same or substantially the same as editorial material that appears in one or more excluded editions of one or more issues of one or more periodicals, and, finally, contains an advertisement that does not appear in identical form in all the excluded editions” (Canada 1994). In 1990, Time Warner Inc. of New York proposed a split-run edition of its 39-year-old weekly magazine, *Sports Illustrated* (*SI*). The electronic transmission of the magazine’s content to a printer in Canada undermined a core instrument in the Canadian public policy regime. Such transmission made it possible for the publisher to circumvent Canada’s import prohibition on split-run editions contained in Tariff Code 9958. Although effective for more than 30 years, the publication of *SI Canada* demonstrated that Customs Tariff Code 9958 could no longer prevent the importation of split-runs. If data are transmitted electronically to a printer in Canada, the Code cannot be applied.

Developments in information technology have also rendered ineffective a second instrument in the policy regime, section 19 of the *Income Tax Act*. Although initially effective, the task force noted this section has become less and less a factor in advertising decisions. When a foreign producer establishes a split-run to carry Canadian advertising, it faces very few costs and, unlike the Canadian magazines with which it competes, it does not need the Canadian advertising revenue to contribute to the fixed costs of producing the magazine. Thus, the advertiser is able to charge a very low rate for advertising in their magazines, which offsets the effects of section 19 on the advertiser who loses tax deductibility.

The government responded to the effects of globalization on its policy regime by passing Bill C-103 in 1995. The bill placed an excise tax on split-runs to compensate for the loophole in the Tariff Code which did not account for the electronic transmission of editorial content. The amount of the tax would be equal to 80 percent of the value of all the advertisements contained in the split-run edition. The tax would be levied on a per issue basis wherein the value of all advertisements in a split-run edition of a periodical is the total of all the gross fees for all the advertisements contained in the edition. Similar to past legislation in the magazine sector, the bill contained a so-called “grandfathering” clause which essentially exempted periodicals that distributed Canadian split-run editions prior to 26 March 1993, provided that the number of editions did not exceed the number distributed in the 12 months prior to that date. This clause effectively exempted both *Time Canada* and the Canadian Edition of *Reader’s Digest*. The bill seemed to be effective. In the same year it was introduced, *SI* withdrew its split-run version from the Canadian market.

**International Trade Liberalization: From the FTA to NAFTA to the WTO**

Doern, Pal and Tomlin note that globalization may also internationalize policy-making by changing the institutions involved in the policy process itself. Following the creation of the World Trade Organization (WTO) as a result of the 1994 Uruguay General Agreement on Tariffs and Trade (GATT) agreement, this new international body became a key element in domestic cultural policy-making. Time Warner Inc. clearly felt that Bill C-103 did not comply with Canada’s international trade obligations under the revised trade regime. The corporation openly prodded officials in Washington into taking Canada’s policies to the WTO (McDonald 1997).

Especially since the Massey-Lévesque Commission Report, the Canadian government has been deeply embedded in the country’s cultural history (Smith 1990). Canada’s commitments to international trade initiatives have, however, consistently raised concerns about the continued viability of government policies in the cultural sphere. “Because subsidies and protective measures invariably discriminate on the basis of national origin, they run counter to the principles of trade liberalization by interfering with freedom of exchange and denying equality of treatment” (Carr 1991, p. 6). In free trade
discussions, however, Canada has consistently argued that its culture relies on a high degree of state intervention, while Americans argue that their culture does not. On Canada’s insistence, article 2005 (1) of the Free Trade Agreement (FTA) with the United States, states that “cultural industries are exempt from the provisions of this Agreement.” The next article, 2005 (2), however, essentially nullifies this exemption. It states: “Notwithstanding any other provision of this Agreement, a Party may take measures of equivalent commercial effect in response to actions that would have been inconsistent with this Agreement but for Paragraph 1.” There are opposing interpretations of this provision. Acheson and Maule (1994, p. 409) explain that a Canadian interpretation focuses on the words “that would have been inconsistent with this Agreement,” so that retaliation is permitted only if Canada disobeys the cultural commitments in the previous paragraph. The American position, in contrast, is that paragraph two authorizes them to retaliate against any new cultural industry policy which adversely affects them.

In short, the FTA is ambiguous about culture. It is equally ambiguous about future negotiations surrounding culture. Canada sees the agreement as final, while the United States expects further negotiations on the FTA as it pertains to these issues. Essentially, the US position is that the two countries have “agreed to disagree” on culture (Carr 1991, p. 2). This ambiguity surrounding the treatment of cultural industries was carried over into the North American Free Trade Agreement (NAFTA) which states that the FTA will govern culture and that it will apply to trade between Canada and Mexico (Acheson and Maule 1994, p. 410).

This process of internationalization which has affected Canada’s cultural industries policy intensified as the effects of processes associated with economic globalization put a “wider range of countries, actors and forces at play” (Doern, Pal and Tomlin 1996). On 11 March 1996, the United States requested Canada hold consultations on certain measures which prohibited or restricted the importation into Canada of certain periodicals; tax treatment of split-run periodicals; and, the application of favourable postage rates to Canadian periodicals. On 11 October 1996 and 14-15 November 1996, the newly-created Dispute Settlement Body (DSB) of the WTO met with both parties (WTO 1997).

The first measure at issue was the import prohibition on split-run magazines, enacted in 1965, contained in Schedule VII of the Customs Tariff, also called Tariff Code 9958. The United States claimed that the Code was inconsistent with article XI of GATT 1994, which prohibits quantitative restrictions on imports. This ban, they argued, effectively created a monopoly for Canadian magazines on domestically-oriented advertising, thus granting them a competitive advantage. Canada rebutted that such a monopoly for Canadian publishers of advertising directed at the Canadian market is inconceivable in the North American market, since advertising in American magazines for general products “spills over” into Canada automatically with every American magazine sold here. Canada also said the Code was justifiable under article XX(d) of GATT 1994, since it comprises part of a package of legislative measures with the simple purpose of providing Canadians with a distinctive vehicle for the expression of their own ideas and interests.

The WTO panel concluded that Tariff Code 9958 was in fact inconsistent with article XI:1 of GATT 1994, which prohibits quantitative restrictions on imports. Additionally, the panel disagreed with Canada that the Code was simply intended to “secure compliance” with a package of legislative measures which included article 19 of the Income Tax Act and thus it ruled that the Code could not be justified under article XX(d) (WTO 1997, p. 59). While striking down Tariff Code 9958, which had been in place since 1965, the WTO noted: “we are neither examining nor passing judgement on the policy objectives of the Canadian measure regarding periodicals; we are nevertheless called upon to examine the instruments chosen by the Canadian Government for the attainment of such policy objectives” (ibid., p. 58).
The panel then went on to examine Part V.I of the *Excise Tax Act*, enacted in 1996, otherwise known as Bill C-103. The US argued that this section of the *Excise Tax Act* was inconsistent with article III:2 of GATT 1994 or in the alternative, that it was inconsistent with article III:4 of GATT 1994. In contrast, Canada claimed that article III of GATT 1994 did not apply to the excise tax and it added that, even if the panel decides that article III of GATT 1994 applies to these provisions, they did not violate article III of the GATT 1994. Canada submitted that “the object of the excise tax is not to discourage readership of foreign magazines, but to maintain an environment in which Canadian magazines can exist in Canada alongside imported magazines. It is also intended to foster conditions in which indigenous magazines can be published, distributed and sold in Canada on a commercial basis” (ibid., p. 39).

Canada’s claims were based on the contention that the Excise Tax was a tax on advertising services, which fell within the scope of the General Agreement on Tariffs in Services (GATS), which is not covered by the WTO panel. The panel, however, was not convinced that the tax, as it was, constituted a tax on advertising services only, since there was no comparable regulation on advertisements through other media and since the tax was imposed on a “per issue” basis (ibid., p. 59).

The panel also did not agree with Canada’s contention that overlaps in subject matter between GATT and GATS should be avoided. Rather, they expressed the view that the realities of technology and economic globalization made overlap inevitable and further stated that certain services are recognized as subject matter of GATT as well. Specifically, they said “advertising services have long been associated with the disciplines under GATT Article III” (ibid., p. 60). Additionally, the panel concluded that foreign split-runs and domestic periodicals can be “like” products and, thus, the tax distorts their competitive relationship (ibid., p. 62). Then, the panel concluded that imported “split-run periodicals” are subject to an internal tax in excess of that applied to domestic non-“split-runs.” Thus, the WTO panel concluded that article III of GATT 1994 is applicable to the *Excise Tax Act* and the Act was, in fact, a violation of that article.

Finally, the panel ruled on the American complaints that the Funded and Commercial Postal Rates afforded to Canadian periodicals violated the rules of GATT. First of all, the United States argued that Canada’s funded rate scheme was not an allowable domestic subsidy within the meaning of article III:8 of GATT 1994. In response, Canada claimed that the funded rate scheme was a payment of subsidies allowable under article III:8(b) of GATT 1994. In this instance, the WTO panel ruled in favour of Canada’s position that the funded rate scheme on periodicals was justified under article III:8 since Canada Post does not retain any economic benefits from the funded rate scheme it applies to certain Canadian periodicals and the subsidy is paid exclusively to Canadian publishers who qualify.

Second, the ruling dealt with commercial postal rates. Not surprisingly, the United States claimed that the application of lower postal rates to domestically-produced periodicals was inconsistent with article III:4 of GATT 1994. Canada claimed article III:4 of GATT 1994 should not apply to the commercial rates charged by Canada Post because they were the result of a commercial and marketing policy and not influenced by government policy. The central question to consider here was whether or not Canada Post was acting in this instance to implement government policy as a government entity fully subject to Canadian government direction. The United States argued yes, since Canada Post was a fully government owned, created, chartered, managed, and appointed corporation. Canada responded with the argument that Canada Post’s pricing policy is not a governmental measure subject to article III:4. The WTO panel concluded the pricing policy was a government measure. It did so, basically, since in all its other capacities, Canada Post is controlled by the government and is usually dependent on...
government action. Thus, the very fact that the domestic rates are lower than international rates which are applied to imported products strongly suggests that the scheme is operated so as to afford protection to domestic production. The deadline given to Canada for the implementation of the decision was 30 October 1998.

In sum, the decision of the WTO panel ruled against the use of all three core instruments in the Canadian policy regime. In doing so, however, the WTO dispute resolution panel implicitly acknowledged the essential role of culture when it concluded its report with the following statement:

> In order to avoid any misunderstanding as to the scope and implications of the findings above, we would like to stress that the ability of any Member to take measures to protect its cultural identity was not at issue in the present case. The only task instructed to this panel was to examine whether the treatment accorded to imported periodicals under specific measures identified in the complainant’s claim is compatible with the rules of GATT 1994 (WTO 1997, p. 66).

Without defining exactly what measures would be acceptable “instruments” for assuring the survival of Canadian culture, the WTO panel said nothing that would indicate Canada’s objectives were unacceptable.

The issue then was whether policy instruments could be found that fit the new internationalized policy context while still affording protection to cultural products like magazines. Canada made an attempt in this direction in 1998 with still another law, Bill C-55. The original legislation, introduced in Parliament on 8 October 1998, was designed to ensure Canadian magazine publishers access to advertising revenues in Canada. Under the proposed Act, only Canadian periodical publishers would have been authorized to sell advertising services aimed primarily at the Canadian market to Canadian advertisers. However, in a clause similar to concessions made in previous legislation governing this industry, foreign publishers currently selling such advertising were to be able to maintain current levels of activity. Thus, existing publications such as Time Canada and the Canadian edition of Reader’s Digest would not be affected by the legislation, so long as they did not attempt to expand their publications.

Unlike the previous measures which the WTO panel found to be inconsistent with the provisions of GATT dealing with trade in goods, Bill C-55 was designed to regulate access to the Canadian advertising services market. Thus, the Canadian government argued that its legislation would fall under GATS. Nevertheless, the US government argued that the original bill violated Canada’s commitment to various international trade agreements, including the FTA, NAFTA, and GATT by levying fines on foreign periodicals as well as advertisers. Put simply, they claimed that Bill C-55 was both protectionist and discriminatory. They also argued that the bill was designed to protect Canada’s advertising market for its two major publishers: Telemedia Inc. and Maclean Hunter Ltd. “This is not a cultural issue with respect to Canada. It has to do with very powerful publishing interests in Canada, which is quite a different matter from protecting the cultural integrity of Canada, which the U.S. would certainly support” (Fife and Morton 1999).

In the American view, the rights they have gained through litigation should be fully enforceable. Thus, US trade officials used their previous WTO victory and the threat of returning to the WTO to openly urge the Canadian government to reconsider its choice of action. They made threats of severe trade retaliation, up to $1 billion in trade sanctions, if the bill was not withdrawn (Fraser and McKenna 1999). They wanted to send a signal to Canada and other countries that they will not tolerate cultural restrictions on imports from their entertainment industry (Morton 1998).

In the end, this clash of viewpoints over Bill C-55 resulted in a somewhat uneven compromise. After months of negotiations, the two sides agreed to an
amendment to the bill which will allow US publishers to sell up to 12 percent Canadian advertising in split-run editions increasing to 18 percent over three years. Any foreign publication wishing to advertise beyond the 18 percent cap will have to pass a net benefits test through the Department of Canadian Heritage. Furthermore, the deal makes it possible for foreigners to buy up to 49 percent of Canadian magazines (up from 25 percent) and it provides a tax deduction for Canadian advertisers who place ads in any magazine, including foreign publications (Schofield 1999). To be sure, American negotiators also compromised their position somewhat when they accepted limits on their access to Canada’s magazine advertising marketplace (Geddes 1999).

For Canadian magazine publishers, who now find themselves stripped of much of the cultural protection Ottawa had promised them, the deal means that they must now turn their attention to finding a way to keep attracting advertising dollars for their publications. On 16 December 1999, the federal government made a commitment to provide some assistance through the Canadian Magazine Fund. It is a generous package of $150 million dollars, allocated over three years. Direct financial assistance is provided to reward Canadian magazines for their investment in the production of Canadian editorial content. To be eligible, magazines must be majority-owned and controlled by Canadians and 80 percent of their editorial content must be Canadian. These subsidies have the potential to lower costs for Canadian periodicals, thereby helping counter their American competitors who have the advantage of lower production costs because most of their editorial material is prepared for their domestic editions. This reduction in editorial expense for Canadian publications may allow them to offer more competitive rates to advertisers. The subsidies also have the potential to encourage the development of quality Canadian content in magazines.

The compromise reached between Canada and the United States, however, may have implications beyond a reduction and reorientation of government protection for Canadian magazines. In fact, the survival of all Canadian cultural industries which depend on government protection may have been at stake in the debate over Bill C-55. As Christopher Sands describes it, “beyond this magazine bill stands an array of Canadian cultural protectionist measures that the US would dearly love to dismantle in order to restore US trade leadership in vital multilateral negotiations. The pressure from the US private sector is enormous, and growing” (Sands 1999).

Despite the assurance of the WTO panel that cultural protection remains legal under GATT, the events occurring in the aftermath of the panel’s decision suggest otherwise. It is clear that the context of economic globalization poses new challenges to Canadian public policy in the area of culture. The extraordinary transnationalization and industrialization of cultural production, ownership, and distribution, combined with unprecedented advances in information technology, have forced countries to rethink their relationship to the cultural industries. Trade liberalization has further narrowed the options available to countries such as Canada who argue that government has a role to play in fostering and protecting their domestic cultural industries. To an extent, these developments have forced Canada to ponder not only its role in the protecting and fostering of culture but also its national sovereignty. Can and should governments continue to protect culture and cultural industries in an era of globalization?

Re-assessing the Link Between Periodicals and the Survival of Canadian Culture

Posing this question already indicates a further dimension of internationalization noted by Doern, Pal and Tomlin: policy discourse and definitions of policy themselves change. These changes can be summarized by noting that the discourse has become increasingly dominated by two competing models for culture policy, a global market model and a local culture model (see Table 1). These models differ in
their definitions of culture, their understanding of 
the place of culture in international trade, their views 
of the appropriate role of national governments, and 
their perspectives on how best to nurture culture.

The global market approach defines culture as a 
commodity and thus in international trade cultural 
products should not be given any special treatment 
different from other commodities in the international 
trade regime. According to this model, government 
protection of the periodical publishing industry is 
unacceptable because the proper role of national 
governments is simply to ensure that markets for 
commodities, including cultural commodities, are 
functioning freely. The best way to protect culture, 
therefore, is to ensure that cultural industries can 
succeed in a fair and open marketplace.

At odds with this view is what I call the local 
culture model. The cornerstone of this approach is 
the recognition that culture is not a commodity but 
rather a way of life which is propagated through not 
only markets, but also local communities and states 
(Tremblay 1996, p. 127). In this respect, in the in-
ternational trade regime that recognizes the 
contributions of communities and governments, cul-
ture requires special consideration. In other words, 
an appreciation for the benefits of open markets must 
be balanced by a recognition of circumstances in 
which those markets can have destructive conse-
quences. The economic historian Karl Polanyi 
effectively summarized the potential danger of the 
self-regulating market in his 1944 book, The Great 
Transformation: The Political and Economic Ori-
gins of Our Time.

To allow the market mechanism to be sole direc-
tor of the fate of human beings and their natural 
environment ... would result in the destruction of society ... Robbed of the protective covering of 
cultural institutions, human beings would perish 
from the effects of social exposure; ... No society 
could stand the effects of such a system of crude 
fictions even for the shortest stretch of time un-
less its human and natural substance as well as 
its business organization was protected against 
the ravages of this satanic mill (Polanyi 1944, 
p. 73).

As Polanyi cautions, the “market mechanism” must 
not always have free reign. According to the local 
culture model, national governments must ensure

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**Table 1**

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<th>Competing Models of Cultural Policy</th>
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<td><strong>Global Market Model</strong></td>
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<td><strong>Local Culture Model</strong></td>
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<td>Definition of culture</td>
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<td>ensure markets and communities both support the way of life favoured by citizens</td>
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<td>How to nurture culture</td>
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<td>succeed in the marketplace</td>
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that markets and communities both support the way of life favoured by citizens. To protect culture, therefore, the state must intervene to ensure a balance is found between community creativity and market allocations (Tremblay 1996, p. 129). Mahatma Gandhi embraced this perspective when he said: “I do not want my house to be walled in on all sides and my windows to be stuffed. I want the culture of all the lands to be blown about my house as freely as possible. But I refuse to be blown off my feet” (Canada. Heritage Canada 1998, p. 1).

THE GLOBAL MARKET MODEL VS. THE LOCAL CULTURE MODEL IN THE DISPUTE OVER PERIODICALS

The internationalization of cultural policy has sharpened and made much more evident the conflict between the global market model and the local culture model. In the recent dispute over split-run magazines, the United States has consistently voiced arguments in line with the global market model. Richard Fisher, the second-highest ranking American trade negotiator, stated bluntly: “This [dispute] doesn’t have anything to do with culture — this is purely a commercial matter” (Geddes 1999, p. 30). A commercial matter indeed: culture is perhaps America’s most successful and most profitable export (Newman 1999). “In the United States, what Canadians call culture is part of an entertainment-industrial complex that combines publishing with broadcasting, cable and satellite systems, filmmaking, video and television production, theatre, music performance, recording and distribution” (Sands 1999). Thus, in the United States, what Canadians call culture is defined as a commodity (Audley 1994). American officials have repeatedly stated that they have no problems with Canada, or any other state, stimulating its arts and culture, as long as these are out-of-market activities. But because cultural industries, such as the periodical publishing industry are also engaged in market-based activities, standard regulations governing trade in goods should apply to these industries. Protecting the periodical publishing industry is no more allowable in an era of advanced information technology, open markets, and global trade than impeding the free flow of bananas (Globerman 1983).

Following the global market model, the American position is that any measures designed to protect cultural industries are clear examples of illegal protectionism. From the point of view of large media corporations seeking to tap into the Canadian advertising market, Canada’s policies on magazines are unjustly protecting their major competitors north of the border (Salutin 1999). Time Warner, for example, has repeatedly complained that it faces formidable trade barriers, some of which are clothed in the garb of “cultural” measures ostensibly designed to protect the cultural sovereignty and artistic heritage of the country in question. Furthermore, the argument goes, Canada’s cultural industries should have to achieve financial independence on their own (Lorimer and Duxbury 1994). If anything, Canada should subsidize its creators, then allow them to compete in the market alongside American goods (Simpson 1998). Some proponents of the market-based approach to culture suggest that increased competition would fuel more marketing and promotion of magazines in Canada, both to readers and to advertisers (Thorsell 1999). As a result of more competition for advertising dollars, the quality of content would improve and the profitability of Canadian magazines would return after an initial dip. Additionally, a healthier industry would employ more Canadians as writers, editors, and managers in the industry. Most importantly, market enthusiasts hold, consumers would benefit from more diversity in reading material.

In contrast, the Government of Canada’s long-standing position is that culture is different from cars, or widgets or bananas and, therefore, it may be treated differently in public policy. The cornerstone of Canada’s approach, which clearly reflects the local culture model, is the premise that culture is a way of life and an essential element of a
community’s survival. Without access to our own cultures, Audley warns that “communities atrophy — losing vitality, energy, understanding and democracy” (1994, p. 318). In addition, Raboy et al. argue that state intervention in the cultural industries is justified by virtue of their importance for cultural development, which they define as “the process by which human beings acquire the individual and collective resources necessary to participate in public life” (Raboy et al. 1994, p. 292).

In other words, cultural development provides citizens with the tools they need to participate in democratic society. For meaningful cultural development to occur in the context of an open economy, they argue that the state has a responsibility to see to the creation and maintenance of an enlightened public through access to culture, supported by public funds if necessary. In short, their argument is that “so long as cultural development continues to be a fundamental aspect of democratic public life, state intervention in culture is not only legitimate but necessary” (ibid., p. 292).

The Government of Canada thus sees periodicals as a “vital link” between Canadians and the survival of Canadian culture (Canada. Department of Communications 1987). The 1960 Royal Commission on Publications clearly established that periodicals can provide “the critical analysis, the informed discourse and dialogue which are indispensable in a sovereign society” (Canada. Royal Commission on Publications 1961, p. 7). The 1994 Task Force on the Canadian Magazine Industry re-established the link, arguing that periodicals permit Canadians to exchange their ideas and information with one another and allow us to see the world through Canadian eyes (TFCMI 1994).

Within Canada today, cultural development raises concerns other than simply building a strong national consciousness. Canadian public policy has increasingly recognized that attention must be given to the need for a diverse range of cultural production. More specifically, production must reflect the English- and French-language communities in all regions, the need for Aboriginal Canadians to express their creativity and cultural realities and also the multicultural character of Canadian society (Audley 1994). “In contrast to the purely nationalist argument voiced in the 1951 Royal Commission, in an era of globalization, policy must also ensure that magazines continue to be a point of access to a diverse range of cultures which is reflective of Canada’s national fabric” (Wilson 1999).

Cultural development in Canada does not depend on periodicals alone. To be sure, Canadians would still have a number of ways of getting information about their past and current realities without a domestic periodical press. In the eyes of supporters of the local culture model, a victory for American media corporations in this case could be a stepping stone to the destruction of many of Canada’s other long-standing measures designed to foster and protect other cultural industries. In fact, the WTO ruling was quickly interpreted by United States trade officials as a precedent for challenges to Canada’s other beleaguered cultural industries. William Merkin, former United States negotiator on the 1988 Free Trade Agreement explained: “There is a whole list of cultural concerns which we’ve never been able to make much headway with. So the United States will certainly jump at the opportunity to make Canada sweat on this one” (McDonald 1997). Put simply, the fight to protect Canadian periodicals goes far beyond one industry. If Canada does not succeed in this case, the rest of the cultural “dominoes” may fall as well.

What follows from Canada’s definition of culture as a way of life rather than a commodity is the view that cultural products, including periodicals, deserve special consideration in international trade. To be sure, the federal government acknowledges that Canadians benefit from an open, competitive market for magazines. A visit to any newstand will confirm that a free market already exists for foreign periodicals. The market has the power to create economic growth and wealth and it also provides consumers with access to a wider range of quality
publications. But Canada’s position in the recent dispute over periodicals reflects the fact that the unique economics of split-run magazine publishing makes what Polanyi calls “the protective covering of cultural institutions” imperative in this case.

Consequently, consistent with the local culture model, until recently, the national government has seen its role to be one of ensuring the domestic control of its own markets to ensure the vitality of a distinctive Canadian culture (Audley 1994). The government believes it should help its cultural industries to develop and maintain national industry structures controlled by Canadians and it should facilitate the production of a diverse range of cultural works which address the needs and interests of Canadians (ibid.). Processes associated with economic globalization such as advances in information technology, the globalization of media firms and trade liberalization have made this search to find space for indigenous ideas, values, and cultural expressions even more necessary than before. These processes have also made the fight more complicated. The question that remains is: Can Canada continue to foster Canadian voices, content, and culture in an era of globalization?

In summary, the current environment appears to favour the global market model. The fact that the WTO struck down Canada’s long-standing measures designed to protect its domestic periodical industry is evidence for this point. The results of Canada’s recent battle with the United States over periodicals illustrate that it is not likely that one country will be capable of successfully challenging this trend. The United States has relentlessly aimed to resolve what it calls “the cultural issue” with Canada, for fear that if it did not, barriers would crop up globally. “Many in Washington feel an example must be made of Canada if other cultural protectionists around the world are to be deterred” (Sands 1999). On a global level, what is at stake is the ability of national governments to protect culture and cultural industries.

**Conclusion: New Allies in the Fight to Protect Culture in the Face of Globalization**

As a final note, Doern, Pal and Tomlin suggest that the internationalization of public policy will bring about changes in the constitution of policy communities themselves. In the area of culture, particularly as it pertains to defenders of the local culture model, the policy community, it would appear, must become transnational in character. The principal option open to Canada and others who espouse the local culture model is to work together in multilateral alliances to make room in international trade agreements for policies that acknowledge the essential role of culture in communities and states as well as in international and local markets. Canada’s battle over culture with its neighbour is not a new phenomenon. For decades, Canada has tried to teach American negotiators and government officials that its cultural industries need special protection and that Canadians need to hear their own voices. But the lessons on the importance of Canadian culture have done little to slow down the American drive to liberalize trade in the cultural sphere. This article has demonstrated that the interrelated processes of economic globalization and internationalization have heightened the challenge of using domestic policy to foster and protect culture. On the one hand, the globalization of media production and media firms is exerting an homogenizing power over ideas and culture that could mean the marginalization of Canadian culture within Canada itself. On the other hand, the proliferation of information technology and the liberalization of the international trade regime have almost completely undermined Canada’s traditional policy instruments for protecting culture.

What is at stake are two opposing ways of conceptualizing culture and cultural industries policy. The outcome of the dispute over periodicals between Canada and the United States indicates that the current environment favours the global market model. One simply has to recall the forced retreat of Canadian negotiators from their principled stance on Bill
C-55 to recognize that it is not likely that one country will successfully challenge this trend. The only option open to Canada if it wishes to continue to challenge the global market model is to search for allies among other nation states. This search appears to have begun with an International Meeting on Cultural Policy held in June 1998. This meeting led to the formation of the International Network on Cultural Policy. Composed of 32 countries, the Network is said to describe “growing interest in preserving local and national cultures and in promoting culture as a key component of sustainable development” (International Network on Cultural Policy 1998).

To the extent that they wish to defend some version of the local culture model, these states will have to cooperate at the international level and do so quickly (Tremblay 1996, p. 128). They will have to devise a comprehensive, multilateral, international approach that considers seriously the relationship between trade liberalization and the political economy of culture in world trade. As Carl Wilson commented: “Canada needs all possible collaborators in the fight to be un-Hollywood. It’s not a problem of nationhood, but of an encroaching monoculture” (Wilson 1999). Only by working together might they be able to force changes in rules that would recognize the importance of the kind of unique voices and particularities that are fostered by cultural policies, and that would create an acceptable balance between open trade and an active role for the state in protecting culture under globalizing conditions. The challenge, however, is surely a daunting one.

NOTES

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1 The legislation was, in fact, first enacted in 1965 by the Pearson government but it included a clause that exempted all magazines edited in whole or in part in Canada and printed in Canada, thereby exempting Canadian editions of both Time and Reader’s Digest (Rutherford 1978).

2 Notably, although it was the launch of SI Canada which triggered renewed concern for the survival of the Canadian periodical industry, the actual threat is far greater than one weekly sports magazine. In fact, the 1994 Task Force on the Canadian Magazine Industry predicted that the influx of split-runs could be as large as 100. The task force’s report noted that the potential drop in advertising pages and circulation revenue could reduce the operating profits of domestic magazines by as much as 85 percent (TFCMI 1994). Recent reports suggest that Canadian women’s magazines may be particularly vulnerable as a result of extreme competition from foreign publications in this sector (see Schofield 1999).

3 It should be mentioned that there were also several powerful voices of dissent working against the bill from within Canada’s borders. Opposition to Bill C-55 has come from members of Canada’s business community (see, e.g., Fraser 1999); the Institute of Canadian Advertising (see Schofield 1998b); and the Association of Canadian Advertisers (see Schofield 1998a and J. Schofield 1998). For a discussion of a possible Charter challenge see Patrick Monahan’s comments (Quill 1998).

4 See the report of the Task Force on the Canadian Magazine Industry (1994) for arguments in support of this “vital link” including the nationalizing role of magazines, the importance of magazines for Canadian writers and artists and the role of magazines as a tool for synthesizing, expanding, and commenting upon information. (See also Newman 1994; and Dubinsky 1996 on the special role of magazines in Canadian cultural development.)

REFERENCES


