# TOWARD A TRANSNATIONAL WORLD INFORMATION ORDER: THE CANADA-U.S. FREE TRADE AGREEMENT

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## ABSTRACT

The Canada-U.S. Free Trade Agreement constitutes a U.S. vision for a transnational world information order. The goal is to integrate culture and communication into a global electronic services sector managed by transnational business. The FTA vision contains significant implications for Canadian and European communication policy.

L'accord de libre-échange canado-américain constitue une vision américaine d'un ordre international de l'information transnational. L'objectif est d'intégrer la culture et la communication en un secteur international des services électronique géré par le commerce transnational. L'accord de libre-échange est lourd de conséquences pour la réglementation des communication au Canada et en Europe.

## A NEW ECONOMIC CONSTITUTION FOR NORTH AMERICA

On 1 January 1989, the governments of Canada (1987a) and the United States put into practice North America's first free trade agreement (FTA). As Warnock (1988:9) notes, the then President Reagan recognized the broad significance of the deal by hailing it as "a new economic constitution for North America." Though he opposed the agreement, the Attorney General of Ontario agreed with Reagan's assessment, arguing that:

> Like a constitution, the scope of the agreement is all embracing. It touches on virtually all aspects of governmental activity.... The agreement imposes new constraints on what Canadian governments can do

> for people in the future, and the erosion of our ability to govern ourselves will be difficult to reverse (Cameron, 1988: 241).

This article examines what makes the Free Trade Agreement a new constitution for North America. In doing so, it identifies how the Agreement promotes major changes in both Canadian political culture and in its political institutions. Notwithstanding the claims of those like Crispo (1988), who see the agreement as a simple treaty to eliminate tariffs, one can argue that the FTA is a constitutional document because the Agreement deepens and extends the post-World War II process of reconstituting the Canadian cultural and political landscape.

Moreover, as Patrick (1989) has argued, the significance of the agreement extends beyond the realm of Canada-U.S. relations because it serves as a model that the U.S. is offering to the world as its way of forging and managing the global economy. Steps are now being taken to integrate Mexico into what would become a North American Free Trade Area. Moreover, the U.S. and Canadian governments are pressing the global trade organization GATT to incorporate the FTA's unique provisions to open free trade in services. These would eliminate many of the supports that governments in Europe, Latin America, and elsewhere have relied on to implement national communication and information policies.

The FTA therefore is a significant document in international communications policy because its provisions constitute the foundation for a U.S. version of what is, in essence, a "New" New World Information and Communication Order. Unlike the New World Order led by Third World nations, which McPhail (1987) has documented, this one would secure private business control over the production and distribution of culture and communication. The aim is to integrate culture and communication into a global electronic services sector managed by transnational business.

## CHANGING THE POLITICAL CULTURE OF CANADA

The Free Trade Agreement was the subject of a fierce political debate in Canada. In the fall of 1989 it became the major issue in a bitterly fought national election campaign. Much of the ferocity grew from the concern that the Agreement would accelerate the demise of Canada's already fragile cultural industries. Already overwhelmed with American magazines, movies, and television programs, Canadians, feared the critics like Crean (1988), would lose those last remaining policy protections in the industry central to maintaining national sovereignty. The so-called Great Trade Debate was bound up with the question: Does the deal affect Canadian cultural industries?

This is an important question and it receives some treatment below. However, before addressing the question of cultural industries, it is necessary to examine the broader cultural significance of the Agreement. The FTA is more than a treaty that arguably applies to cultural industries. Its provisions promote major changes in Canadian political culture, particularly by advancing the process of harmonizing Canada's political values with the neo-Conservative agenda of the Reagan-Bush era. In essence, the agreement is not just *about* culture, it *is* culture. Specifically, the FTA is arguably the most significant cultural product, among the many, that the U.S. has shipped across the border since it replaced Britain as Canada's principle trading partner.

The FTA's "Objectives and Scope," its treatment of culture, and its use of the term "monopoly" provide concrete evidence from the text of the agreement that demonstrates its cultural significance.

"Article 102: Objectives and Scope" describes what amounts to a Bill of Rights for Transnational Business. The five objectives of the FTA include: eliminating barriers to goods and services trade, facilitating fair competition, liberalizing investment within the trade area, establishing effective joint administrative procedures, and laying a foundation to expand the agreement for future bilateral and multilateral arrangements.

The second of this two-page "Objectives and Scope" section strengthens these economistic goals by giving them precedence over principles contained in other agreements and over the wishes of states, provinces, and local governments. According to Article 104, "In the event of any inconsistency between the provisions of this Agreement and such other agreements, the provisions of this Agreement shall prevail to the extent of the inconsistency, except as otherwise provided in the Agreement." In other words, a Bill of Rights for Transnational Business has become the chief defining document for North America. Moreover, Article 103 binds the Parties "to ensure that all necessary measures (defined as "any law, regulation, procedure, requirement or practice") are taken in order to give effect to its provisions, including their observance, except as otherwise provided in this Agreement, by state, provincial and local governments."

The U.S. political culture is centralist so that state involvement in national policy is minimal. Consequently, most Americans would not expect that state or local governments would be directly involved in the national trade policy process. This is not the case, however, for Canada, where provincial power is embedded in its federalist system. Though specific governments have realized these tendencies in different ways, this provision places U.S. political values in the forefront of the FTA, not as an assertion of *national* governmental authority but rather to establish the precedence of *continental* governance over national,

regional or local power where the latter conflict with the continentalist objectives of the agreement.

The FTA goes even further by redefining the very concept of culture to be a marketable commodity. Moreover, it does so in the very section that ostensibly protects cultural industries. Supporters of the Agreement cite Article 2005 (1): "Cultural industries are exempt from the provisions of this Agreement." But just one clause down in Article 2005 (2), the Agreement qualifies the exemption by permitting a Party to take "measures of equivalent commercial effect in response to actions that would have been inconsistent with this Agreement." In other words, if one Party believes that the other is unfairly subsidizing an industry, including culture, it can retaliate by raising duties in some other area. Rather than exempt culture, the FTA makes it a specific target of retaliation. More importantly, by including culture in a section that permits retaliation to equivalent *commercial* effect, as Cameron (1988: xvi) observes, "Canada has accepted the American definition of culture: a commodity to be bought and sold for profit." If you agree to permit commercial retaliation against cultural subsidies, then you have agreed to define culture as a commodity. Another prominent feature of American capitalism has entered the founding document of continentalism.

Finally, the FTA accepts the American cultural redefinition of a Canadian crown corporation by replacing the latter with the American term of opprobrium, the *monopoly*. As the government of Canada (1987c) has acknowledged, Canada has built its communications system on a foundation of crown corporations or public enterprises empowered to advance national or provincial goals. At the national level, the CBC, the National Film Board, Telefilm Canada, and others have promoted Canadian cultural expressions that extend well beyond the commodity sphere. Before it was privatised, the crown corporation Teleglobe promoted Canada's national goals in international telecommunications. As Babe (1990) has shown, when the private company Bell Canada did not believe that it could profit by providing telephone service to the three prairie provinces, provincial crown corporations were established to serve the region and, to this day, provide arguably the least expensive and most universally accessible telephone service on the continent.

The FTA, in addition to making the commodity the accepted definition of culture, redefines the crown corporation, Canada's traditionally accepted means to pursue public policy goals. Canadians who benefited from national crown corporations now face monopolies whose activities must be constrained. These specific constraints are described below. What is important to understand here is that once again we can observe the *cultural* significance of the free trade deal.

The very language of the agreement re-constitutes the Canada-U.S. relationship by, among other things, identifying the preeminence of the commercial rights of international business, redefining culture as a marketable commodity, and redefining an instrument of public policy, the crown corporation, to be a monopoly, which, by definition, restricts the free trade goals of the agreement.

## FREE TRADE, POLITICAL INSTITUTIONS, AND COMMUNICATIONS POLICY

The foregoing offered evidence of the FTA's cultural significance. The following examines specific mechanisms of the deal that demonstrate the ways this cultural significance can be used to change communications policy in Canada. Moreover, the agreement serves as a template for a U.S. version of a global free trade regime in communication and information services.

### Cultural Industries and Equivalent Commercial Effect

The trade agreement can affect Canadian culture in two fundamental ways. First, the agreement strengthens the conception of culture as a commercial commodity. Moreover, as a commodity, culture is placed explicitly within the sphere of products open to retaliation against what a Party claims is unfair subsidization. Since the paper addressed the redefinition of culture earlier, this section turns to a discussion of the specific threat to cultural industries.

Concretely, let us assume that this or some future federal government were to take steps to support the film industry, perhaps, as the government of Canada (1987c) has promised in the past, by asserting some national control over distribution to improve opportunities for Canadian film makers. The agreement provides the U.S. with the treaty right to penalize Canada by imposing a duty on Canadian lumber or some other product "to equivalent commercial effect." Presumably, since there is no specific mechanism for determining that effect, the aggrieved Party would determine the specific dollar amount and announce its action. It would be up to the Party charged to protest the action, take it to the agreement's dispute settlement board, or deny the grievance and take its own counter measures. This is far from an unlikely prospect. In April, 1989 the U.S. charged that Canadian law and practice unfairly restricts foreign investment in the broadcasting and cable television industries (*Ottawa Citizen*, 29 April 1989). Moreover the U.S. Department of Commerce (1987: 7) is on record expecting changes in Canadian cultural policy. According to the FTA "Summary of Provisions" issued by the Department's Office of Canada:

> For its part, Canada has agreed that the U.S. can respond to actions taken by Canada that would be inconsistent with the FTA if cultural

> industries were covered. This should encourage the adoption of non-discriminatory policies by Canada.

For the U.S. Department of Commerce, "nondiscriminatory policies" are those that would eliminate Canadian government actions to develop national communication and cultural institutions. As de Kerckhove (1989: 21) notes, the White House was even stronger in its interpretation of the significance of the cultural industries component. In its statement of administrative action on the FTA, the White House warns that any attempt to

> legislate, proclaim, or take other action having the force in effect of law, either directly or indirectly, which impedes the production, distribution, sale or exhibition of film, television programs, video recording would provoke U.S. trade retaliation.

A May 1989 report of the Washington, D.C. Center for Strategic and International Studies is more specific. According to its author Wilson Dizard (1989: 18), the long term US goal "is to modify or eliminate Canadian regulatory rules that require television stations to devote 60 per cent of their programming during the day,and 50 per cent in prime time, to Canadian material." Such retaliation is also not lost on the most ardent of free trade supporters. In a multipage insert in *The New York Times*, paid for with mainly Canadian advertising, Richard Lipsey and Robert C. York (1989: 31) of the Canadian C.D. Howe Institute try to put the best face on the cultural industries provisions:

> Canada can thus continue to adopt, as it has in the past, policies to support domestic producers at the expense of U.S. firms. The United States retains its present right to retaliate against such policies, but only to equivalent commercial effect.

The last statement is at best a euphemism. There is considerable disagreement over whether the U.S. has the right to retaliate against Canadian support for its culture. The trade agreement is restrictive, as the U.S. Commerce Department report correctly notes, because for the first time the U.S. has the power of a treaty to back its claim to the right of retaliation against Canadian attempts to preserve and build on its national culture.

In addition to diminishing Canada's ability to protect culture, there are other provisions of the agreement that, though less significant, suggest that the cultural "exemption" is more of a rhetorical device than a policy guideline. These include Canadian agreement to provide copyright law protection for retransmission of American copyrighted programming. This means for example, that Canadian cable companies will have to pay copyright holders for the use of any signals that they transmit. According to the White House's justification of the deal to Congress (1988: 40):

> The regime the FTA obligates Canada to establish will provide substantially the same protection in Canada which is now available under our laws. If the programs are rebroadcast simultaneously and without alteration, the copyright holder will receive equitable remuneration. If the program is altered or delayed, however, the cable operator must obtain the authorization of the program owner before showing it. In effect, this means that the cable operator must negotiate a contractual agreement with the program owner. These improvements could result in gains of $20 million annually.

A study released in September 1989 estimates that this could add $1.85 to the average monthly bill of an Ottawa cable subscriber, an increase of over 10 per cent (*The Ottawa Citizen*, 12 September 1989). Furthermore, Canada agreed to eliminate postal rate differentials for U.S. publications with a significant Canadian circulation and to end the requirement that prohibited advertising companies from taking an income tax deduction for expenses incurred on material not printed in Canada. Additionally, both parties agreed to eliminate tariffs on printed matter and recordings.

As Parker (1988) has noted, the copyright provisions are especially significant because they mesh with provisions of the 1988 Canadian Copyright Act to establish reciprocity in cultural production. Since Canada imports far more than it exports in the cultural sphere, this means a substantial increase in the payments from the Canadian cultural sector to foreign producers. He cites Babe's estimates of a $100 million net outflow. As a result, Parker concludes, though the Copyright Act revisions claim to increase the flow of resources to Canadian cultural creators, reciprocity provisions "make it quite probable that 'free trade in culture' will actually shrink the size of the fund available for Canadian creators and cultural production, and intensify Canadian dependence on foreign (mainly U.S.) production" (p.33).

**Communication Regulation and National Treatment**

The national treatment provision of the agreement requires that each country treat businesses of the other in the same way that it treats its own (Article 105 and 1402). In the communications sphere this means that Canada's federal communication regulatory authority, the Canadian Radio-Television and Telecommunications Commission (CRTC) must treat AT&T, or some other non-Canadian firm doing business in Canada, in the same way that it treats Bell Canada. This change in the regulatory system is particularly significant in telecommunications, as the section below describes.

Moreover, neither party is permitted to set rules regarding the "establishment of a commercial presence" within the country as a prerequisite to providing a service. Consequently, national treatment must be offered to firms whose link to the country is purely electronic. As a result, Canadian service

workers will compete with Americans who are paid lower wages and receive fewer benefits, in part because American workers have lower rates of unionization.

Canadian service workers will also have to compete more often with workers from Third World nations, whose low-wage labor U.S. companies use to process data and perform other low level information services. This provision is not lost on the analysts from the U.S. Center for Strategic and International Studies. As Dizard comments (1989: 14), the agreement "clearly permits the direct provision of computer services on both a network or a stand-alone basis. This is a potentially important point for cross-border activities of all of manufacturing and services sectors covered in the agreement." Concern about such a development has led to the formation of a coalition among Canadian, American, and Mexican groups who have budgeted over $170,000 over the next two years to assess the social consequences of a tri-lateral free trade arrangement described by the Canadian participant group, GATT-fly, as "part of a hemispheric strategy promoted by U.S. multinational business interests and their Canadian allies to integrate markets, gain free access to raw materials and energy inputs and pit worker against worker in a destructive competition for jobs." (Diebel, 1989: A4)

**Telecommunications and Enhanced Services**

The national treatment provision takes on particular importance when it is applied to the opening of free trade in "enhanced" telecommunications and information services.

Over the years governments have struggled with legal definitions of telecommunications services in order to make pricing, service, and access distinctions. As Janisch (1989) notes, these have included distinctions among technologies (is it primarily telephone or computing?) and among types of services (is it simply message transmission or does it incorporate message manipulation?) According to Oettinger (1988), these are convenient fictions that facilitate certain particular policy interests.

One distinction that many governments accept separates *basic* from *enhanced* telecommunications services. Though policy makers and regulators disagree about precisely what constitutes a basic service, in general the category *basic* applies to the traditional use of the telephone to send and receive voice messages. An enhanced service is one, like electronic mail, in which a computer intervenes to reconfigure the message (Canada, 1988).

Like most distinctions made in this field, this one is difficult to establish in practice. All new telephone equipment contains microprocessors that reconfigure messages to make transmission and switching more efficient. In practice,

Canadian regulators define basic services more broadly than do their U.S. counterparts. This is important because a provision of the agreement (Annex 1404, Section C., Article 6) specifically exempts the provision of basic facilities and services. Consequently, basic telephone service, including local and long distance voice communication, is afforded some protection.

Nevertheless, telephone networks are carrying an increasing amount of enhanced services, such as data, video and other electronic information products. The government of Canada (1987b: 47) identifies enhanced services as the fastest growing telecommunications market in Canada, estimating annual expansion at 63 per cent. This results from business demand for more services and the growing digitization of networks. The FTA explicitly opens free trade in enhanced services (Annex 1408) and requires the CRTC to treat American companies, whether or not they set up offices in Canada, as if they were Canadian (Article 1402 (7)). Consequently, one can expect that U.S. companies, such as AT&T, will pursue the Canadian enhanced services market, cutting into the market share of Bell Canada and other Canadian telecommunications providers who look to that market for future growth. As a result, Canadian basic service providers plan to petition the CRTC for substantial rate increases to permit them to compete more effectively with American firms. The government of Canada (1987b: 55) acknowledges that "small business and residential subscribers might suffer" as a result of these pressures. Thus, competitive pressures "could have a major impact on the prices charged for local telephone services." Hence, in practice, the basic service exemption is likely to prove as weak as the cultural industries exemption. Canadian basic telephone subscribers will pay the price for this weakness.

In addition to this, we are beginning to see evidence that the government of Canada supports broadening the definition of an enhanced service. Communications Canada has promoted the case of one Canadian company, Call-Net, which claims that its minor addition to a basic service qualifies the company as an enhanced service provider (Janisch, 1989). As a result, Call-Net, with the support of the federal ministry Communications Canada, argues that Bell should be required to lease it the lines necessary to provide service to its Toronto area customers. However, after three separate ministerial demands for reconsideration, the CRTC continues to maintain that Call-Net is trying to provide a basic service that is not permitted under Canadian regulation, where basic services are not opened to competitive entry. The specifics of this case are not as important as what it tells us about the Canadian government's intentions and about the link between regulation and the FTA. For if Call-Net or some similar company were permitted to offer a service such as Call Accounting or Call Identification under the enhanced designation, then the national treatment principle means that Canadian regulators must permit AT&T, MCI or any of the U.S. regional

telephone companies (each of which is as large as Bell Canada) to offer the same service in Canada.

In the latter part of 1989, the federal government took additional steps toward opening competition in the telecommunications market. Acting on a Supreme Court of Canada ruling, the federal government asserted regulatory jurisdiction over provincially regulated telephone systems. Several of these provincial jurisdictions, particularly those whose telephone systems are under provincial ownership, fearing local rate hikes, have balked at competitive entry. This action sends a clear signal that the federal government will not tolerate objections to opening telecom markets.

The federal government has also encouraged a major telecommunications firm, CNCP, to enter the long distance telecommunications market. This company, once limited to the national telegraph business, has recently received a major boost from Ted Rogers, whose media empire includes cable television (the leading franchise holder in Canada), Cantel (one of two Canadian cellular phone systems), communications satellite and pay-per view television services. Rogers bought a 41 per cent share of the company and plans to promote its entry into telecommunications markets. Bell Canada has already predicted major local rate increases if CNCP-Rogers is permitted to enter the long distance telecom market (Tasse, 1989). One can anticipate that such approval would also stimulate already strong interest from US telecom firms.

Finally, the federal government has introduced legislation that would increase its control over the CRTC by giving the government the right to provide the CRTC with policy guidance in addition to its current power to ask the CRTC to reconsider regulatory decisions. According to the new Chair of the CRTC, this legislation will mean that "We will be the monkey and the government will be the organ grinder. So why bother with the monkey when you can go directly to the organ grinder?" (Winsor, 1989: A5) Concretely, this would help ensure that the regulator, which overturned a CNCP bid to compete in 1985, would enjoy less freedom to oppose the government's pro-competitive, pro-trade policies.

### Crown Corporations and National Policy

FTA controls on the operation of crown corporations limit Canada's ability to respond to the expansion of American telecommunications firms across the border. The cultural section of this paper noted the semantic shift that the FTA produced in this area. Canada's crown corporations have become *monopolies.* In addition to this act of renaming, the FTA restricts a nation's power to use these organizations, whether private or public, for national development. Article 2012 provides a broad definition of monopoly: "any entity, including any

consortium, that, in any relevant market in the territory of a Party, is the sole provider of a good or a covered service."

The provisions governing monopolies begin, as do the provisions on cultural industries and telecommunications services, with the appearance of a gain for Canada. Recall how the FTA appears to exempt, but in practice does not, cultural industries and basic telecommunications services. Similarly, Article 2010 states that "nothing in this Agreement shall prevent a Party from maintaining or designating a monopoly." This is followed by what amounts to a set of restrictions so severe as to make it unlikely that Canada will establish crown corporations in the future. Article 2010 (2) stipulates that before designating a monopoly, a Party must notify and consult with the other and provide assurances that the monopoly will not impair the agreement by doing what are essentially all the things that governments create monopolies to do. The monopoly is forbidden from operating in such a fashion that permits it to be anticompetitive, nationalistic, or to subsidize one of its services, like first class mail, basic telephone, or basic cable television services, out of revenues from other services (Article 2010 (3)). In essence, one is permitted to establish a crown corporation provided that it does not behave like a crown corporation. Furthermore, since such a measure would be the equivalent of a direct or indirect nationalization, Article 1605 stipulates that the Party establishing a "public monopoly" would be required to pay "prompt, adequate and effective compensation at fair market value" to *potential* corporate or individual victims of the other Party.

These provisions essentially preclude some future government from, for example, establishing a crown organization that would serve to promote the production and distribution of information services, or entertainment, such as feature films, because such an entity would, by definition, have to violate the treaty in order to meet its goals. This severely restricts the opportunity for a Canadian government, unless it chooses to risk the consequences of scrapping the treaty, to set a national policy in mass media and information that differs from or challenges, in any substantial fashion, the policy of the United States.

## TOWARD A TRANSNATIONAL INFORMATION ORDER

If we call Third World policies in international communication an effort to build a New World Information Order, then the FTA is one among a number of steps toward the creation of a Transnational or "New" New World Information Order. Like many "new and improved" products in a world of advertising illusions, the "New" New Order presents little that is actually new. Rather, it deepens and extends patterns of the Old Information Order for an electronic age. Concretely, changes in the communications *stakes* and *players*, help to explain the interest in this "New" Order and also help to account for the FTA provisions in communication and culture.

Much of the literature on why Canada moved toward free trade with the United States concludes that the economic crisis of the seventies and early eighties led the government and business to conclude that such a policy was the only realistic alternative to long-term economic stagnation (Warnock, 1988; Westell, 1984). The near economic depression of the early years of this decade convinced policy makers that Canadian economic growth required stronger trading ties with the United States, particularly because the U.S. led the world in the production and distribution of what many believed to be the key resource of future growth: information. As the government of Canada has noted (1987b), many analysts argue that information and related service sectors are rapidly replacing their industrial counterparts and that nations need to master their information resources in order to establish or maintain a strong position in the global economy.

The *stakes* in information have grown as business and government recognize that information is a direct source of capital accumulation because it is a profitable commodity (Schiller, 1988). Moreover, information systems are indirect sources of accumulation because they serve as instruments of managerial control necessary to build and operate global systems of production, distribution, and consumption (Robins and Webster,1988). The drive to turn resources, including information, into profitable commodities, and instruments of control, has historically been central to the development of capitalism. However, the extension of this process to the information area was limited by technical and political forces.

Technical constraints limited the ability to measure what constitutes an information product and to monitor information transactions. Political resistance was constituted in public opposition to encroachments on universality built into the entitlement notion of information as a public good. The technical obstacles are being overcome with the development of digital technology which applies a common code to measure information and monitor its use efficiently and effectively. Moreover, the global integration of processing, distribution and display technologies makes it possible to connect and thereby control business operations globally and locally. Such control extends to effective command of international markets in finance, labor, raw materials, and consumers (Mosco, 1989). As Daniel Bell (1989: 167) puts it:

> The old distinctions in communication between telephone (voice), television (image), computer (data), and text (facsimile) have been broken down, physically interconnected by digital switching, and made compatible as a single unified set of teletransmissions.

Public opposition is increasingly overcome by the pressures of large business and government information users who have become active *players* in international and domestic policy debates in order to meet their needs for

cost-effective networks. As new players have succeeded in reorganizing a policy process that was traditionally structured to support the needs of large service providers, such as telephone companies (with a guaranteed annual return on capital), their unionized employees (with well-paid, secure jobs), and residential subscribers (with low-cost, universal service). As information has gone from being an incidental cost of doing business to a strategic source of profit and control, large users have promoted such policies as deregulation, privatization, and free trade (Schiller, 1981; Mosco, 1989). In Canada, they have done so through individual businesses such as the Royal Bank. More frequently, the interests of multinational users are given focus and force through the work of such lobbying groups as the Canadian Business Telecommunications Association and the Information Technology Association of Canada.

As a text, the FTA both reflects and constitutes the needs of these transnational players. Politically, the Canadian Government is particularly dependent on FTA provisions in the communications sector because its efforts to meet the needs of large users through domestic policy changes have encountered considerable opposition, particularly to deregulatory efforts in the telecommunications sector. The FTA, with all the power and legitimacy of a bilateral treaty, is an important instrument to realize deregulatory goals and foreclose nationalist alternatives that would include explicit efforts to promote the values of universality, access, and Canadian control over this nation's communications industry. Both Canadian (Janisch, 1989) and U.S. (Dizard, 1989) supporters of the agreement recognize this and applaud it as a major accomplishment. As Dizard (1989: 5) puts it, the deal "implies a commitment that current restrictions on both sides of the border will not be expanded." These "restrictions" would include low cost universal telephone service, Canadian broadcast content regulations, government support for film production and distribution, and rules that insist on national processing of banking and other sensitive data.

## TWO APPROACHES TO FORGE A GLOBAL ECONOMY

The FTA is the first trade agreement in history that extends traditional free trade in goods to the service and investment sectors. This is particularly significant because, as a 1989 General Agreement on Tariffs and Trade (GATT) report concludes (Greenspon, 1989) service industries are taking up an increasing share of world trade. According to the study, total trade in services reached $560 billion in 1988, equaling the combined total of trade in food and fuel. Services such as banking, telecommunications, management consulting, and accounting make up 40 per cent of total world trade. With 11.2 per cent of world services exports, the United States leads the world. The FTA is particularly significant for the United States because it serves as a model to the ninety-six

nation GATT membership that has been debating the issue of trade in services. According to Dizard (1989: 5):

> Having established a bilateral framework for free trade, the Americans and Canadians should be in a stronger position to tackle complex trade-in-services negotiations in the Uruguay Round.

It is hard to understand how Canada would be in a "better position." For it has just agreed to eliminate most opportunities to manage its own trade in services by concluding an agreement with the world's leading exporter of services.

Moreover, Canada ventures into this new economic territory without setting up a supranational political body that would address the wider, social, political, and cultural problems that can result from an agreement of this significance. Such problems are left with the diminished powers of national states and the enhanced powers of the markets and the multinational firms that manage them. Though Canada sought some form of binational governmental protection, the U.S. balked. As a result, the FTA provides for a binational panel to determine only if existing (mainly U.S.) trade laws are applied correctly.

In contrast to the North American FTA, the European Economic Community has taken a different approach, albeit within the framework of a market model. Owing in part to the greater parity of its members, the EEC is establishing a "social charter" as well as an economic union. Such a continental charter is to provide some protection for public institutions, including public education, social welfare, occupational health and safety, and national culture (Greenhouse, 1989). Indeed, it is particularly ironic for Canadians to observe the EEC proposing to institute quotas on media imports that are strikingly similar to those pioneered by Canadian policy-makers in the pre-FTA era. For example, to regulate the flow of U.S.-made television programs, which reached $1 billion (US) in 1989, the EEC proposes to limit future imports to 50 per cent of all programming on European TV and supplement this with restrictions on the amount and type of advertising sponsorship, a regulation that would curtail U.S. ad penetration (Greenhouse, 1989).

As Canadians can well understand, there is no guarantee that EEC controls will improve the quality of European television. Though a leading West German television executive sees this as "a combat for our own culture," the director of the European Institute for the Media worries that "there is a danger that the European rubbish will be no better than the American rubbish" (Greenhouse, 1989). These debates will undoubtedly persist beyond 1992. The interesting point from a contemporary policy perspective is that the package of EEC-wide regulations, what is increasingly called "the social charter," represents an alternative model to the FTA for organizing the global information economy. As Kuttner (1989: 18) concludes:

> To the extent that the U.S.-Canada Free Trade area impinges on Canadian sovereignty, it cedes political sovereignty to market forces. The EC, in sharp contrast, doesn't cede sovereignty to the market so much as elevate sovereignty to a supranational body—and one that happens to believe in industrial policies, trade unionism, a welfare state, and other elements of a 1940s-style mixed economy.

Kuttner puts his finger on what North American supporters of the FTA fear when they use terms such as "Fortress Europe" or "creating new barriers." As Crawford has expressed it (1988), they are concerned about the development of even the most minimal of a social democratic alternative to a world information order forged and managed by transnational business.

## CONCLUSION

This paper demonstrates that the Free Trade Agreement is a significant document for students of communication and culture. The agreement marks a shift in Canadian political culture by providing the first treaty legitimation of issues that are part of the contested terrain of Canadian life. The "Objectives and Scope" section mounts a Bill of Rights for Transnational Business against those who would contend that the national public sphere should take precedence. The section on culture redefines it as a marketplace commodity against those who argue that it is a public good, an essential component of national democratic sovereignty. Finally, the Agreement accepts the American definition of a monopoly and thereby undercuts the power of those who defend the crown corporation as an instrument of national policy.

In addition to its impact on Canadian political culture, the FTA mounts an offensive on the instruments of Canadian communications policy. The cultural industries section permits explicit economic retaliation against national policies that protect culture. The national treatment provision diminishes the power of Canadian regulators and policy makers to discriminate in favor of Canadian companies. The telecommunications provisions take a major step in promoting by treaty those deregulatory policies that widespread opposition has made it difficult to achieve domestically.

The FTA makes it significantly more difficult for a future Canadian government to develop the national institutions to build a domestic communication policy that might clash with the interests of transnational business. In essence, the rights of such businesses to pursue commerce and set social and public policy take precedence over the political rights of national citizens and their national governments. This marks a significant step toward creating a transnational or "new" new world information order.

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