

Chapter 24

Trade and Culture:  
America's Blind Spot

September 1999

In June 1998, culture ministers from 23 countries met in Ottawa at the invitation of Canada's Heritage Minister Mrs. Sheila Copps at a two-day international meeting on Cultural Policy. Their common target was the United States, which does not even have a culture minister. Their fear was that the US routinely and aggressively sacrifices culture for free trade.

The immediate provocation was the loss by Canada to the US at the WTO which struck down Canada's 80% excise tax on split-run editions of foreign (mainly US) magazines. But the complaints range over several issues, among them:

- the US trade negotiators' demands to eliminate audio-visual restrictions in the EU that limit show time for American films and TV programs in the asserted interest of protecting European culture;
- the attempts by us to roll back agricultural protection in the EU, Japan and South Korea in spite of complaints that agriculture is a "way of life" and that therefore, as the EU Commissioner Mr. Lamy said in Seattle at the failed WTO meeting, agriculture's "multi-functionality" must be respected;
- the US insistence on the right to export hormone-fed beef, and genetically modified (GM) products to Europe and Japan which reject such products due to fears that are partly based on difference of culture between Americans and others; and
- the militancy with which, in the heyday of America's "diminished giant syndrome" and resulting Japan-fixation during the late 1980's and early 1990's, the US sought to rebuild Japan in its own image on several dimensions under the now-defunct structural (i.e. read "cultural" ,broadly speaking) Impediments Initiative.

## Culture: Misunderstanding What Free Trade Really Means

Must culture necessarily yield to free trade? The US lobbyists pushing for their agendas invariably invoke the doctrine of free trade in their behalf. Yet, this is wrong. Sophisticated economists who know the theory of free trade truly well also know that an important element of it is what is known as the theory of “non-economic objectives.”

Thus, free traders recognize the virtues of free trade but note that non-economic objectives such as culture must also be accommodated. They also argue that it is important not to assume that free trade is incompatible with such objectives, however. Indeed, much of the theory of commercial policy in the presence of non-economic objectives illuminates how domestic policies other than trade tariffs and quotas are often more efficient, least-cost ways of accommodating these objectives.

The lobbyists who understand little of the theory of free trade, but understand how to (mis)invoke it for their own advantage, are no friends of free trade. As Adam Smith rightly observed, and as conservative economists such as Milton Friedman have always emphasized, what business lobbies want and what social-good-minded economists want are often not the same thing. So, we must remember that the important issue in regard to maintaining culture when framing economic policy is not whether, but how.

## Culture: America's Uniqueness

Of course, the lobbyists, who cry protectionism whenever foreign nations worry about threats to culture from free trade, work and flourish within an American culture that is unable to appreciate the cultural concerns of others and therefore encourages the presumption that these complaints must “really” be a mask for protectionism.

America is truly an exceptional nation. It is built on immigration and immigrants are still a sizeable fraction of annual additions to the US workforce. Multiple ethnicities are simply taken for granted; multi-culturalism has a natural constituency that has only grown in recent years. In my classes at Columbia, it is difficult to find a true native American, born into US citizenship: the faculty also come from everywhere, if not in the same numbers.

This translates into an openness to cultures. Indian music, Chinese acupuncture, a host of cultural influences freely work themselves into America's kaleidoscope. These cultural “imports” wind up fitted into an ever-expanding mosaic; they are not seen as a threat.

At the same time, America's enormous cultural vitality and technological creativity, combined with hegemonic status in world politics, make her a net “exporter” of culture, giving her therefore no sense of threat from that direction either: it is *her* culture that spreads. But this spread of American culture threatens others to whom it goes. The spread of “low” culture, symbolized by McDonald's and Coke, accentuates intergenerational conflicts and reinforces the nostalgia that the old often feel about the loss of local culture. But the resentment extends to “high” culture as well. In particular, the US is at the cutting edge of women's rights, children's

rights and much else that the more traditional, at times feudal or oligarchic, regimes elsewhere find threatening to their cultural and social order. America makes waves which threaten to drown them.

But that is not all. America stands out also because it is today the most experimental society in its attitudes towards technological change. It is not surprising when you think about it that the consumer movements against hormone-fed beef and against GM products arose with intensity elsewhere and have only belatedly had an echo in the United States. A pill-popping culture that tends to see technical advances in an optimistic light contrasts with other cultures that are not quite so gung-ho about them. This contrast is well brought out by the cartoon from The New Yorker, alongside, which shows a dissatisfied customer telling the waitress to take the broccoli back to the kitchen and “have it genetically modified”: GM processes aid you in your pursuit of happiness, not lay traps in your path.

For all these reasons, therefore, the Americans find it difficult to see why trade is regarded by others as a threat to their culture; in consequence they see the ugly hand of protectionism hiding behind such agitations and policy actions based on them. This only reinforces the cynical way in which lobbyists for industries such as Hollywood exploit and misuse the case for free trade to advance their own agendas.

### Reconciling Trade and Culture

But then we must still ask whether protection is the ideal way to deal with a cultural concern. Two examples should suffice to show that it is not, generally speaking.

For instance, does it make sense to have audio-visual restrictions on the fraction of time allotted to showing of foreign films rather than subsidies to make local ones? Surely, it makes

more sense to have free imports of films from Hollywood but to use subsidies to aid the production of French films.

This is a difficult lesson to teach since the typical gut reaction to the flood of imported Hollywood films, and the decline of local films, is to seek import bans or quotas. This may well be necessary as a temporary measure to adjust to massive surges in imports. But it does not make for a good long-run policy.

In this regard, the experience of South Korea is interesting to note. Faced with the Korean government's capitulation to Hollywood's demand to allow freer imports of Hollywood films, several Korean actors, all clad in black, gathered in December 1998 to mourn their own deaths, staging a funeral marking the death of the fledgling Korean cinema.<sup>i</sup> Similar protests have been mounted in Mexico and Taiwan where the imports of Hollywood films is seen as a deleterious phenomenon that is destroying domestic cinema.

It is arguable that the better option for South Korea, Mexico and Taiwan is indeed to permit freer imports, while subsidizing the making of local films. There is little reason to think that such promotion of local films will not work. It did in the case of Satyajit Ray's early films and has worked for other artistic "high-brow" films as well in India. South Korea has begun to subsidize film production as well, spreading \$11 million over 10 films in 1998. There are indeed audiences for well-produced local films, and not just for foreign films whether good or bad. In South Korea, *Swiri*, a local feature film (produced without a subsidy) attracted, four weeks into its release, attracted a record 1.25 million viewers in Seoul alone, promising to rival the record attendances for Hollywood's *Titanic*. Pessimism about the ability to compete with Hollywood is exaggerated; promotion rather than protection seems the better solution, by and large.

The other example I might use to drive this point home against protectionism to shore up domestic culture related to hormone-fed beef. Given the cultural dissonance between the EU and the US, it surely a good idea to see if, instead of simply banning the availability of such beef in the EU, we could persuade the EU consumers to accept a labeling solution. That would maintain market access for the American hormone-fed beef and make information available for EU consumers to avoid eating it if they fear its consequences for their health. This is clearly the direction in which we wish to move: labeling is in this instance a superior solution to outright prohibitions.

So, if we probe alternative policy options hard enough, we may well find ways to reconcile open trade with culture. Indeed, we often will. The challenge for policy is to find such solutions.

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<sup>i</sup> I am indebted to an excellent essay by my student, In Kyung Kim, for the information on Korea's experience. The immediate cause of the protests noted here was the Korean government's proposal, under US pressure, to change the quota that required theaters to screen domestic films for at least 146 days a year to one that reduced that quota to 92 days, starting 2002.