

International Conventions

ments to sign tax treaties which work entirely to their advantage.

● (1230)

One could give any number of examples of this. I mentioned Inco. An example which is frequently brought up in committee is that of the Moore Corporation which produces business forms and office equipment. It is the twenty-first largest corporation, by sales, in Canada, has over 28,000 employees, and operates 132 manufacturing facilities in 37 countries. It has subsidiaries in three countries with which we have signed tax treaties, Jamaica, Barbados, and Malaysia. Its 1979 annual report shows that its effective level of taxation is now at a ten-year low. The government must ask itself whether it is in the interest of Canadians to allow this level to continue to decrease. There are other questions as well, such as where some of the Moore Corporation subsidiaries are located.

It seems to me that we have to deal with this whole matter in a way that is not destructive and that does not decree there shall be no international trade or treaties with other countries. We must analyse and understand the impact of these treaties on Canadian jobs and taxation, however.

The hon. member for York-Peel brought up the fact that one of the main companies in Barbados is now the Cooper Corporation, which produces hockey equipment. We are now entering into a tax treaty with Barbados, a country which has particularly generous tax arrangements respecting foreign investment. This generosity will encourage Cooper Corporation to expand its activities there, so we must ask if that means it will not expand its activities in Canada.

I do not raise these questions because I think there are easy answers to them, but because I do not think they can be brushed aside. I do not think it is enough to engage in this kind of international "boosterism" and claim that anything that encourages global corporate trade is good and anything that encourages corporate investment in Third World countries is also a good thing.

To put it another way, I do not think that allowing corporations to play off workers in Canada against workers in Barbados, to play off the Government of Canada against the government of Barbados, the Government of Canada against the government of Spain, or the government of Ontario against the government of Quebec, is very healthy. Unfortunately, however, that is the world we live in. That is why we have these tax treaties, but let us not be under any illusion about the forces to which we are responding.

The other main principle contained in these tax treaties is that they will allow Canadian corporations that invest abroad to bring back dividends—to bring back payments to Canada on which they will not have to pay tax. This is what is called the "exempt surplus". With regard to this payment of dividends, the tax treaties effectively do two things. First of all, they reduce the withholding tax paid to the other country on the dividends leaving that country. For example, when Cooper wants to pull out some dividends from Barbados or Inco wants to pull out some dividends from Indonesia, the governments of

Barbados and Indonesia will deduct less withholding tax. That does not work to their advantage, of course, and as far as I can tell there will not be much investment by Barbados or Indonesia in Canada. It is something that works to the advantage of Canadian-based corporations.

The other thing is that it allows these corporations to bring back all this surplus to Canada without tax. I know the arguments that were made so well in committee by the hon. member for Willowdale, who was defending these treaties. He pointed out to the committee what a good thing they are for the international economy, for Canada, and for the corporations concerned. But, Mr. Speaker, the equity problem raised by allowing large sums of what is in effect income to be returned to Canada, on which Canadian corporations will pay no tax, must also be considered.

I know it is claimed that if those dividends are given back to individual Canadian citizens in the form of dividends, then there is a dividend tax credit, a mark-up, and so on. There is an element of taxation there, of course. I would point out to the hon. member, however, that we all know that the dividend tax credit is now generally regarded by people who have studied it as giving an unfair advantage to dividend holders as opposed to average taxpayers. It is not a particularly equitable tax.

The real problem is that from the standpoint of equity between Canadian taxpayers, money that is income and is not being taxed at the corporate level, on which the government receives no revenue, has the unfortunate effect of increasing the load of taxation on the average citizen.

In conclusion, Mr. Speaker, I must say that the government has, in a sense, got its priorities wrong. I am glad the Minister of National Health and Welfare is in the House. I will not repeat my entire opening remarks, but I should like to indicate to her that this party encourages the efforts which she and her department are making with respect to social security treaties with other countries. They are of great concern to us and we would like to see them given a priority as high as those tax treaties that work to the advantage of corporations. I know she has made some progress and that negotiations are under way. We follow those negotiations with interest, and support the efforts to have the treaties signed as quickly as possible.

Miss Bégin: Mr. Speaker, I rise on a point of order, since my name was invoked in these financial discussions. On Monday in Toronto we will sign another treaty of reciprocity of all social programs with Portugal.

Some hon. Members: Hear, hear!

Mr. Rae: Mr. Speaker, I say bravo to the minister. I began my speech by indicating that this was a subject of great concern.

Mr. Peterson: It was because of your intervention that she did it!

Mr. Rae: Mr. Speaker, not even I would go so far as to claim that. I would say to the minister, however, that these