Income Tax Act

Mr. Kierans: I should like to point out something else, Mr. Speaker. This particular exemption applies to all Canadian corporations—not just to Canadian corporations that are wholly owned or controlled, but to all Canadian corporations. On the basis of value alone, Distillers could buy a controlling interest in Imperial Oil, Imperial Oil could buy a controlling interest in MacMillan Bloedel and Distillers, and so on, but it only works one way. Imperial Oil could buy the controlling interest in the two Canadian companies, but the two Canadian companies could not buy the controlling interest in Imperial Oil because that resides in the United States. At a time when we are worried about foreign ownership we give an "open sesame" to foreign subsidiaries that are here already to go out and buy more Canadian companies. Then the Minister of Finance tells them, "We will pay half the cost by allowing you to deduct that interest cost from whatever profit you are making and whatever business you are in".

Some hon. Members: Shame!

Some hon. Members: Hear, hear!

Mr. Kierans: Mr. Speaker, as most of my hon. colleagues know, I have been extremely concerned at the emphasis in this country for the last 20 years on the policy that we can build a strong Canada by selling our resources.

Mr. Rondeau: Selling, or giving away?

Mr. Kierans: When he returned from the Group of Ten meeting in Rome, the Minister of Finance said that he was congratulated by all the finance ministers in the group on having the most remarkable and modern tax bill. I do not think they read it, those other ten ministers of finance. And if they did read it, I do not think they understood it or that they agreed. But they did agree to one thing. If you, Mr. Speaker, were the minister of Finance for Japan, Germany or the United States, you would have said, "Have you done anything to change that give-away tax program on resources that you have in Canada?" The answer would have been no, and they would have been very pleased with the bill.

Some hon. Members: Hear, hear!

Mr. Kierans: They all depend on resources, Mr. Speaker—all of them. If Canada stays with cheap taxes—

Mr. Guay (St. Boniface): Mr. Speaker—

The Acting Speaker (Mr. Laniel): Order, please. The hon. member for St. Boniface (Mr. Guay) is rising on a point of order.

Mr. Rondeau: He wants to make a speech.

Mr. Guay (St. Boniface): It is not a speech, but I could do that, Mr. Speaker. This is the only time that someone is making a point, and I should like to listen to it because members of the opposition have not contributed anything. We have listened to them, so I wish they would keep quiet.

Mr. Dinsdale: He is quoting the opposition, Joe.

Mr. Kierans: If Canada stays with cheap taxes—and by cheap taxes I mean the oil and gas industry in pipeline and oil wells which pay taxes of less than 6 per cent of the profits they earn; by cheap taxes I mean the mining industry in their metal mining operations which pay taxes on 13 per cent of the profits they actually make—and with this kind of policy, then the foreign ministers of finance who want these resources are going to like our tax policies very much. They can also use them to beat down developing nations in the world whose only possibility of ever taking off into industrial growth would be to obtain an adequate return when they come to sell their own resources so that they can industrialize even in the most modest way.

These ministers of finance know that the more we insist on selling our resources as we do in this way, we show our preference for taxing these kinds of exports at such phenomenally low rates and manufactured exports at much higher rates; as long as we are willing to do this they are willing to buy, and they know that every hundred million or billion dollars worth of our resources that they buy, that money coming into this country makes it that much more difficult for the Canadian manufacturing industry to compete, because our dollar goes up and Canadian manufacturing finds it more difficult to compete in the export markets that they may have, or to defend themselves against import competition at home.

When virtually every other nation in the developing, industrialized world follows a policy of conserving and reducing the drain on its industrial resources, by outrageous tax concessions accorded to no other sector of our economy we encourage the exploitation and sale of our resources. The official position of the Department of Finance has been and I quote:

> There is no inherent reason why Canada cannot be a major exporter of raw materials and of manufactured goods at the same time.

This is demonstrably false, Mr. Speaker. You cannot have both. When each of our major trading partners—and we know since August 15 the emphasis they place on balancing their trade account—is searching for a balance in their merchandise trade with us, they will be striving to pay for the import of our raw materials with their manufactured goods.

An additional \$1 billion export of energy to the United States, for example, would give us in this country \$68 million in wages and salaries. But that balancing inflow on which Mr. Connally and Mr. Nixon are insisting in manufactured goods could mean that we are importing anywhere from \$200 million to \$350 million in their wages and salaries, depending on the industry. If it is the furniture industry, we would be exchanging \$68 million for \$330 million. If it is the textile industry, 26 per cent or \$260 million on an average of their output is composed of wages and salaries. If it is agriculture, wheat or products like that—and I am at no time speaking of pulp and paper or wheat and fish and hydroelectric power, which are renewable resources; I am speaking of non-renewable resources and agricultural products—the average is 26 per cent. If it is pulp and paper, the average is again 26 per cent. So we are exchanging 6.8 per cent or \$68 million out of \$1 billion, for \$260 million. We cannot have our cake and eat it too. It is some exchange! There may be a balance of trade in dollar terms, but there is no balance of trade in jobs or wages and salaries.

[Mr. Kierans.]