

of these taxes is a subject which is a little more complex than these treaties would lead one to believe.

The one-dimensional presentation which is frequently given to this type of legislation is, "It is good for the corporation and it is good for Canada, and what is good for the corporation is good for Canada, and what is good for the corporation and good for Canada is good for the world." This is the sort of argument that has been put forward.

I would like to raise some questions concerning the impact of these treaties. Some of the answers which we received in committee, where we spent some time considering these matters—and I am glad that we spent that time because I am sure we were all educated to some extent by the hon. member for Willowdale (Mr. Peterson), the hon. member for York-Peel (Mr. Stevens), the minister and the officials in the minister's department—did not satisfactorily deal with the main problem. The two aspects which I would like the minister to consider will have a long-term impact.

Many of the countries with which we have signed treaties are countries with which we are in direct competition. We are in direct competition with these countries in a double sense. In many of these countries manufacturing is beginning to take off and, as a result, has become an important source of competition to Canadian manufacturers. For example, in South Korea many North American companies are now establishing branch plant operations because of the fact this is more profitable to them. Of course, these companies are now in direct competition with companies in Canada. This should be a source of concern.

Another source of concern is the fact that many of these countries are countries with which we directly compete in resources. I am thinking in particular of the government of Indonesia, and in some ways of the government of Liberia, which the government has agreed to drop from the list of treaties. But if one looks, for example, at a global corporation like Inco and considers its relationship to Canada, and the fact that it is now engaged in extensive activity in Indonesia, one must recognize that these global corporations are able to play off countries such as Canada and Indonesia and compare the relative tax rates in each country and the fact that we have now entered into tax treaties with these countries. This allows these corporations to deduct from Canadian taxes any taxes payable in Indonesia and, furthermore, it allows them to deduct taxes which are deemed payable. That is the central problem with which we must deal.

As was pointed out very clearly in committee, what has happened with respect to these treaties is that a number of countries, and Canada is among them in terms of some of the tax write-offs which we have allowed here, have very generous tax arrangements with respect to foreign investment. The treaties allow not only deduction of the tax which has actually been paid in foreign countries from Canadian taxation—in other words, it is a form of tax credit for taxes payable in Canada—but it also provides that the tax which should have been paid, but was not paid because of a tax haven arrange-

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ment, will have been deemed to have been paid for the purposes of Canadian taxation.

When a global corporation is allowed to play off governments such as the Government of Canada against the government of Indonesia, or the Government of Canada against the government of South Korea with respect to, let us say, electronic investment, it raises some extremely important questions. They are not questions which say that international trade is good or that anything which makes it convenient is good, because the situation is a little more complex.

What we are looking at is the way in which a global corporation can so reduce its effective level and rate of tax in each home country as to be able in a sense to pass on those additional costs, for example, the revenue not paid to the Canadian government, to the average Canadian taxpayer. In committee I referred to several American studies which show that the foreign tax credit has worked to give exactly that effect. The foreign tax credit has effectively reduced the level of taxation which is paid by these global corporations.

A number of studies conducted in the United States have attempted to give an estimate of the precise amount of money lost as the result of these play-offs. When I posed the question in committee to a very able public servant about whether there had been any studies conducted in Canada to compare the effective rate of taxes in countries with which we are signing tax treaties and to determine whether the effective rate of taxation in Canada was reduced as a result of these tax treaties by these global corporations, this public servant, who was the chief witness before the committee, indicated that the Department of Finance did not have that information available and that, while he would like to do those kinds of studies and agreed they would be a good idea, there was no data available with which to conduct such studies. If this is the case, I suggest that we are entering into a number of tax treaties in response to pressure from certain groups and corporations and, indeed, certain governments.

I recognize that there are a number of developing countries which would desperately want this kind of investment, but I believe that we, as Canadians, must be a little bit concerned.

Mr. Peterson: Oh, no.

Mr. Rae: I will come to the expressed views of the hon. member for Willowdale, which he is expounding in his usual constructive way in a moment. We must be concerned in Canada about the effective level of corporate taxation because we need to know how the reduction of the over-all taxes paid by a corporation affects the taxes that are paid by everybody else. The hon. member for Willowdale has said that these countries need investment.

We cannot be imperialistic, and we cannot impose our standards on other countries. The government also has to consider the question of equity among Canadians. All governments in the world have to find a way that goes well beyond these tax treaties of dealing with the power and ability of multinational corporations to make their decisions on the basis of the best tax arrangements possible, and of getting govern-