money to the parent company, would then have no business income and would be subject to Canadian tax. During the testimony before the Senate committee, on page 42:8, October 20, one of the witnesses made what I think is a significant statement:

> If I could start by making a general answer to this question, it is this: Our belief is that the world is becoming rapidly more technology-oriented and that industry—national corporations and multi-national corporations—will rely on a high degree of technology for the base of their future growth. It seems to us that Canada has two choices for its future development. It can either encourage multi-national corporations, because a company operating solely in Canada, bearing in mind the population of Canada, is not large enough to support the technological base that is required to compete with other countries—

I think this is the most important aspect of international income in respect of the taxation of companies. Whether we like it or not, technology seems to demand that we have multinational companies and they must be based in Canada if we are to get a portion of the world's trade.

• (3:20 p.m.)

The Chairman: Order, please. I regret to interrupt the hon. member but I must do so to advise him that his time has expired. The hon. member may continue if there is unanimous consent of the committee. Is there such consent?

Some hon. Members: Agreed.

Mr. Ritchie: Thank you, Mr. Chairman. I should like to finish quickly with one or two thoughts.

There are as well other conditions under which Canadian multinational corporations must operate around the world. In the matter of cash flow, a Canadian corporation must pay its income tax much more quickly than a United States corporation. In fact, the whole of the DISC program is really concerned with cash flow. The Canadian corporation begins to pay at the beginning of the fiscal year; the U.S. corporation does so much later. For those who think that the United States economy is still not a highly significant economy, I think the events since August 14 have demonstrated otherwise.

I hope I have said a few things to demonstrate what I think is an extremely important aspect of this tax bill, and in my own personal opinion, next to capital gains, the taxation of international income takes precedence.

Mr. Burton: Mr. Chairman, this portion of the tax bill, the white paper and the brown paper leading up to it dealing with international income, has not received the same attention other portions of the government's proposed tax legislation have. But I do agree with the last remark of the hon. member for Dauphin that it is indeed an important part of our considerations in developing a taxation system. Therefore, there are two aspects of the taxation of international income with which we are concerned in this part of the bill: one is the taxation of income earned in foreign countries by Canadians, and the other is the taxation of income earned in Canada by foreigners. Both aspects of taxing international income have a great deal to do with the relative attractiveness of foreign countries as the place for Canadians to invest and, on the other hand, for Canada as a place for foreigners to invest in so far as this may be allowed within the framework of national economic policies.

[Mr. Ritchie.]

The New Democratic Party, as has been made clear on many occasions, is concerned about the matter of foreign ownership. However, we have never considered that taxation is a particularly appropriate instrument either to discourage foreign ownership or to encourage Canadian investment. There may be occasions when steps are warranted and when particular actions may be justified, but as a general rule we feel that this is not the best instrument or the most effective instrument to use in this regard. In fact, it can result in distortions in the economy and in a misallocation of resources which can have detrimental effects on our economy. Also, invariably concessions given to encourage Canadian ownership through taxation do result in higher profits to the already well off in the country, and in some further undesirable changes with respect to the distribution of income and wealth in Canada. This was made clear at the time members of the NDP on the Committee on Finance, Trade and Economic Affairs submitted a minority report dealing with the study of that committee on the white paper on taxation; the hon. member for Waterloo and I, on behalf of the NDP, submitted our report.

In the summary of the report, we stated that the tax system should not be used to limit foreign ownership since an inequitable tax structure would result, and legislation limiting foreign ownership similar to recent bills or other steps that have been proposed should be enacted or taken. Later on, in elaboration, we stated as follows:

> Foreign ownership must be dealt with since we believe it stands in the way of bringing about social justice in this country. However, it is our view that instruments other than the tax system are preferable, especially since an inequitable tax structure would result from the recommendations of the majority report proposed in the name of economic independence.

At this juncture, we depart in policy terms from the middle class nationalists whom we have in Canada and who seek to exclude foreign involvement in our economy in order to assure themselves a bigger place in a smaller sandbox. Of course, we have to keep in mind that some of these people, to whom we might refer as middle class nationalists, in many cases are the people who have sold out the Canadian economy to large American corporations. They have sold out Canadian interests, their own interests, for the sake of being a junior partner in a large American multinational corporation. The often favourable response of Canadian capitalists to economic nationalism must be generally regarded with some suspicion. The most recent example of this was the number of firms in the securities industry which appeared before an Ontario Royal Commission. Their agreement was clearly premised on maintaining a competitive position that would enable them to increase their profits.

In contrast, the NDP support for economic nationalism comes from the same root as our concern about the ownership of the means of production in the domestic economy. The possibility of working men and women influencing the productive process so that it responds to their needs, a process that is already difficult in dealing with Canadian managers, is even more difficult when the industry is foreign owned.