

International Conventions

that because he did not once offer any concrete alternatives to the policies pursued by this government. He might have implied it, but he did not say that we should peg the value of the dollar. He would not say that we should peg the value of the dollar because he knew very well that if we were to peg the value of the dollar it would drive up inflation, it would hurt those people in Canada who must import food and fuel this winter. It would hurt those people in St. John's West and those people in Willowdale who are on fixed incomes. He did not have the courage to say what the alternatives were.

● (1430)

I will give the member for St. John's West credit because he, at least, has risen from his pew to object to the marriage which has been arranged in our country between world economic realities and the Canadian economic realities. But I certainly cannot give him any credit for any more than his weak, plaintive voice. He rose from his pew to criticize this marriage, but it was not the voice of a Lochinvar who was proposing alternatives, it was the voice of a plaintive suitor who had lost out. It was the voice of a suitor who realizes that had he been more understanding, more compassionate, and more realistic a year ago toward the Canadian people, it would be he who was the bridegroom.

I would also like to compliment the hon. member for St. John's West on his comments dealing with the Canada-U.S. treaty. This is a treaty which has been in the making for eight years, and for whatever role he played during his sojourn in government in advancing those discussions, which have now been completed, we compliment him. I also applaud the tremendous work of our own officials. This treaty melds two very diverse and complex tax systems.

I would like to make a few remarks about the myopic, Alice-in-Wonderland view of the world which was expressed by the hon. member for Broadview-Greenwood (Mr. Rae). The hon. member in his remarks again indicated a knee-jerk reaction to business. He seems to think that if it is business it must be suspect, and if it involves international business, shame on it! The hon. member for Broadview-Greenwood is a very intelligent person. We know that he is a lawyer, he is a disciple of Dennis Healey, but just because he joined a socialist party which does not have the courage to call itself by that name—they have gone through a number of name changes and they do not have the courage to put that in their title—it does not mean he must check his intelligence with the Sergeant-at-Arms at the door of this chamber when he enters it.

I would like to refer very briefly to a few of the points he made in his remarks. Number one, he criticized these treaties on the basis that a multinational corporation can use them to reduce taxes by avoiding double international taxation. This is through the foreign tax credit mechanism. I would like to explain it in this way. The foreign tax credit mechanism works so that if a company operating in a foreign jurisdiction pays taxes there, then Canada says it will not tax those profits, it will give a credit for the foreign taxes which have actually

been paid. This is the approach of recognizing that the primary taxing jurisdiction must go to the foreign jurisdiction.

I do not know what is the hon. member's suggested alternative. Is it that we should again tax these profits, for example, \$100 of profits which have been taxed at 50 per cent abroad, and tax them again, imposing another 50 per cent of tax, thus taxing away all the profits? If this is his alternative, let us discuss it. The approach of recognizing the primary taxing jurisdiction of a foreign country is the proper one. This is the one which is exemplified in these tax treaties.

The second point he made was that these tax credits will enable Canadian multinational corporations to do business abroad, which means they will be exporting jobs from Canada. This, to me, is a narrow view of world economic realities. What makes him think that a Canadian company can manufacture everything in our jurisdiction here, within our own borders, and export it to every country in the world? It is the NDP, of which he is a member, which has spoken most vehemently against the role of multinationals in Canada and what they are doing here. Is he saying, on the one hand, that multinationals in Canada must come here, create more jobs, do more research and development, employ more people and train more people in our country? Then, on the other hand, is he telling us that we must stop our companies from going abroad and meeting these legitimate development needs of other countries in the world? Establishing some subsidiaries in foreign jurisdictions is often the only way we can compete in those markets. We are subject to the competitive forces. We are doing a job there.

The hon. member for Broadview-Greenwood said he also objects to the inequity which arises when dividends can come back to Canadian companies from abroad on a tax-free basis. He says it is not fair. He says it is not fair that foreign income should not be subject to taxes when it comes back here. I do not know on what he is basing his standard of equity. I am sure he realizes that dividends flow tax-free between two domestic Canadian corporations. Is he saying we should discriminate against the company which goes abroad? I do not think he is saying that, but he seems to be raising this objection. So his equity argument is one which I cannot understand.

The last point I want to comment on—and he raised a number of them—is one which bothers me very considerably. It is one which arose from his remarks when he said he objects to these treaties because they permit the deductions for foreign taxes notionally payable in developing countries. This is a concept which is referred to in tax jargon as "tax sparing". What it means is simply this. Foreign developing countries have needs for capital infusion for know-how, development, and industrialization. These are priorities which they set out on their own. Every developing country in the world has development objectives, to industrialize and to create jobs to make their economies less dependent on the vicissitudes of world trade and world fortune, to give their people a stake in their economies to develop. The way they do this is to offer limited tax holidays. They say, "If you come in and establish