world, it seems to me that we must have some Canadian based multinational corporations. Fortunately for us, I think Canada has some of these, such as Massey Harris, Alcan and a few others, a considerable number when the size of our population is taken into account.

• (3:10 p.m.)

On Thursday November 4, 1971 in a preliminary report of the banking, trade and commerce committee of the other place, there was discussed the impact of the continuing viability of Canadian multinational corporations, their domestic and foreign operations through foreign affiliates, their need for such foreign outlets to maintain higher levels of employment in Canada, their capital needs in Canada and abroad and their competitive position in world markets. That part of the report reads:

> Your committee is deeply concerned with the possible affect of the proposed legislation on the competitive position of Canada's international corporations in world markets. To the extent that Canada's world trading position is adversely affected, it follows that our economic growth as a whole must likewise suffer.

The white paper on taxation explicitly recognized the following four objectives:

> 1. The Canadian tax system should not encourage nor discourage foreign investment by Canadians.
>
> 2. Canadian companies competing in the foreign market should not be subject to more onerous taxes than their competition (particularly U.S. competition).
>
> 3. Canada should promote a climate hospitable to the unrestricted flow of capital across international boundaries.
>
> 4. Canadian tax laws should not permit the evasion of Canadian tax through artificial arrangements.

Even more important in view of the economic environment of the past few months, industry and government must share two basic desires. They are, to create jobs for Canadian citizens, to create profit for Canadian shareholders and, in achieving these purposes, to create revenue for the Canadian government.

In its final form, Bill C-259 seems to have concentrated on the anti-avoidance objective. Witnesses before the committee in the other place had this to say:

> The bill as it affects multi-national corporations was extremely complex and distracting from the present great difficulty of dealing with the United States actions on trade.

This refers to the recent surtax problems and recent DISC problems. The point that was brought out is that the taxation effect of the proposals on international income of Canadian based multi-national corporations will be substantial. There appears to be a possibility of a loss of international competitiveness or the departure of such corporations from Canada. Witnesses who appeared before the committee of the other place when dealing with this aspect cited Patino Mining Company and Hunter Corporation as two corporations which had departed from Canada, one of which was considered to be a Canadian-owned company. Whatever is the long term result of the new taxation policies, the point made now is that it does not appear that this is the time to be making major changes in the area of international trade and multi-national corporations, when other countries are attempting to adopt a stance to maintain and expand their trading positions.

For us to impair our own competitiveness in international trade seems to be almost incredible at this time. The international provisions assume and require external treaty negotiations to be workable. This is clearly no time for the opening up of provisions of existing treaties or attempting to work out new treaties with the many countries with whom they are needed if the new approach is not to have serious adverse effects on our international competitive position. Just consider the great reluctance the government has shown about the possibility of renegotiating the U.S. treaty, particularly when we are involved in negotiations in respect of the defence-sharing agreement and the auto pact.

There seems at this time very good reason to hold the international income provision for a year at least until the world economic position is clarified. In the *Globe and Mail* of Thursday, November 18, 1971, page B-1, there was a news item that the United States Senate had approved the DISC program. Although still not law, the Senate, the House of Representatives and the Nixon administration all favour DISC in one form or another. Some version is expected to gain final approval. When appearing before the committee on banking, trade and commerce of the other place, the Massey-Harris Company detailed how the DISC program could affect it. The DISC program will give the United States manufacturers of farm machinery a substantial financial advantage over Canadian manufacturers next spring because Massey-Ferguson has tended to keep its North American manufacturing facilities located in Canada rather than in the United States. The DISC program would work to the disadvantage of Massey-Ferguson because the domestic manufacturer and exporter in the United States would enjoy a lower corporate tax rate in the United States on that part of his earnings which resulted from foreign operations.

In fact, DISC is a means whereby United States manufacturers selling in a foreign market will not pay taxes. Their earnings will be subject to tax when the DISC organizations distributes them to their shareholders. It is likely that these taxes can be deferred indefinitely or up to 10 years. When it is considered that Canada had a known trading imbalance last year of $113 million in farm machinery—the excess of imports over exports—and that Massey-Ferguson exports 50 per cent of the farm machinery exported to the United States, or nearly $80 million, it is quite obvious how important these proposed tax changes for foreign subsidiaries of Canadian companies will be in the future.

At the present time United States exporting corporations have been able to defer profit by the use of off-shore subsidiaries, at least in large part, and at the present time under the Canadian Income Tax Act Canadian Corporations do not have to pay income tax on dividends from foreign subsidiaries; thus, U.S. and Canadian Corporations are roughly equivalent. Once Bill C-259 is enacted, then our foreign subsidiaries would be greatly disadvantaged as to a United States company operating under DISC. Even if the subsidiary of a Canadian international company in the United States could operate under DISC it would lose its advantage because the profit would be taxed as in Canada. And under the foreign accrual property regulations of Bill C-259, the DISC affiliate of the Massey Ferguson Company in the United States, if it lent