

*Government Orders*

effect. In fact, Quebecers were the instigators of this agreement. Therefore, we are dealing with a strong tendency.

We know that a north-south pattern, that is commercial trade between the U.S. and Canada or Quebec, is often much more natural than an east-west movement.

We often overlook the fact that it is very appealing to trade with several northern U.S. states, given their huge potential market, both for Quebec and for Canada. The same is true for western provinces in particular, but also for Ontario. There is a huge market out there and this is why we must ensure the best possible movement of capital, goods and services between the two countries.

I am pleased to see that the Liberal Party finally changed its tune regarding international trade. As you remember, the Liberals were strongly opposed to the free trade agreement. Even during the election campaign, they still had some reservations. However, once they came to office and saw the benefits of that treaty, common sense prevailed. I am glad to see that when the government is confronted with economic reality, common sense prevails. And this will always be the case in the future.

I am also pleased to see that the Prime Minister's views on international trade, which seemed so irresponsible to me during the election campaign, have now been adjusted in light of reality.

Sure, we can criticize someone who says one thing during the election campaign only to act differently once in office. However, that irresponsibility is not related to what is said or done once in office: rather, it has to do with the promises made to Canadians during the campaign and the resulting expectations.

The government's attitude is now much more responsible. And that is true in the case of international trade. We are pleased to see that Canada is prepared to accept Chile as a party to the North American Free Trade Agreement. Indeed, we are glad to see that when there are real opportunities to promote economic trade, the government leaves politics aside and strives to promote the development of new markets.

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All this leads me to believe that, if Quebecers decide, as they will be asked to do very shortly, to opt for political sovereignty and be in charge of their own political agenda, their tax system and their economy, logic and common sense will prevail. I think Quebecers realize that. My riding is right on the border with Ontario, and I think people are well aware of the day-to-day reality of this when they go and buy or sell goods outside the province. So the economy is one thing and, in many cases, the interests of partisan politics are something else altogether.

As far as tax treaties are concerned, I must say that although it is not the first time we have discussed tax treaties since the beginning of this session—there were a number of other occasions—we never really tackled a problem mentioned by the auditor general, when he said that tax treaties were a very good way to avoid double taxation but that in some cases, when tax rates differed substantially in each country, they could lead to a tax haven. It could be very attractive for some people to put their profits on the books of a foreign branch instead of letting them be realized by parent corporations which are often located in countries with higher tax rates.

This is quite a problem. The auditor general gave 16 examples which could be considered tax havens, to varying degrees. Some very slight changes were made in one of the finance minister's two budgets, but they were not more than that. There have been no further discussions on the subject since that time, but we will have to do it sooner or later.

Trade is expanding between countries throughout the world. The free trade movement is spreading and covers all of North America. If you go to South America, each country has its own tax system. Increasingly, multinationals are using the so-called butterfly system, in which certain components are manufactured by one company and other components by another company. They are all connected to the same corporation which, in the process, manages to pay the lowest possible tax rate.

Companies do that, they hire tax experts to check the various tax rates and best locations for booking losses and profits. These companies sell goods to each other, to their various branches, and they can often artificially change their prices so as to channel their profits to the country with the most attractive tax rate and their losses to another country. Furthermore, in Canada, interest payments on loans are tax deductible.

So a company can decide it is attractive to borrow money here, to use our tax system to deduct interest costs, and then try to channel profits to another location. We must not forget that capital losses are also deductible in this country, which is normal, so they can declare their losses here, take advantage of the deduction on interest payments and channel their profits abroad. This is quite a problem.

It is less of a problem with our biggest trading partner, the United States. But that does not mean it is not a problem in the 16 cases listed by the auditor general. As I said, we must not necessarily assume that the same degree is involved in all 16 cases, but an extremely thorough analysis would need to be done, looking at each situation closely.

The government has undertaken no action in this connection. The finance minister has even been questioned on this matter on several occasions and has never even admitted that it was a