

Income Tax Act

States, in attempting to correct its imbalance of trade and balance of trade difficulties, is moving outward. That it is moving outward is a sort of paradox in itself, because it is so doing through protectionist measures. They are moving outward in the sense that they want to help their international corporations doing business in Canada or elsewhere in the world to improve their profit margins.

Mr. Skoberg: But they are looking inward.

• (5:20 p.m.)

Mr. Nowlan: The hon. member for Moose Jaw did not listen to what I said. I said this is a paradox, because, in moving outward they are building trade barriers to protect industries inside that country. They are moving outward in the sense that they are giving financial, fiscal and tax incentives to a corporation doing business abroad and at the same time protecting their backyard with trade protectionists measures.

We watched this paradoxical movement by our best neighbour. The United States is still our best neighbour, even though we are finding their financial binds on taxation hurdles to overcome. While they do this to increase their multinational development and international income we in this country, the small partner in the whole trading scheme, are moving inwardly. We are withdrawing or restricting those tax provisions that help stimulate the Canadian corporation into doing business abroad. I do not understand how we can rationalize this counter-thrust with two economies that are next door to each other and that are integrated, or how we can help but expect that there will be fundamental problems on the economic scene for years to come.

There is another part that I find difficult to reconcile. Ministers of the crown, regardless of what government is in power, say we must diversify and expand our trade as well as create jobs. This is the great present under the Christmas tree. This will justify every type of proposal. It is a worthy one. It struck me as passing strange that within the past week, when the international income provisions were before the committee of the whole, according to a report in the November 18 issue of the *Globe and Mail* there was a seminar in Toronto on how government and industry could join together to participate even more in the development across the seas and, in particular, capital development across the seas. There were many proposals advanced at this conference. I will refer to a couple of them to illustrate the paradox of these provisions which are moving inwardly and adversely affecting our Canadian output abroad. Canadians who are trying to create jobs and diversify our economy want more stimuli and incentives to move abroad.

Among those who participated in this conference that was arranged by the Ontario Department of Trade and Development was Paul G. Opler, vice-president of Foundation Co. of Canada Ltd. which does a fair amount of business abroad. With regard to capital projects abroad, he said:

—that Canada has not earned its share of the world's bustling export business and has not taken full advantage of representing the only source of North American technology outside the United States,

[Mr. Nowlan.]

This is a rather important contribution. We are in a unique position. We should have the determination and guts to develop it. Through geography and history, we are part of a North American complex. Unlike the hon. member for Waterloo, we cannot crawl into our shell or bury our head in the sand. This is not the United States. Yet we have been able to share in the joint development of technology, research and many hydroelectric projects. We have been able to inherit the bounty as a result of this fine relationship with our very large and powerful neighbour, which I think is still the industrial leader of the world. In many ways we have been able to share far beyond our economic capacity in the dollars and cents which have been generated in this country.

Countries outside the North American continent naturally look to us to provide an input in the capital projects abroad. We are in the unique position where we should be able to develop and diversify our trade potential and also to create more jobs. In terms of these provisions, that ability to develop this unique relationship in the most positive sense is going to be adversely affected. In the same article, Mr. Opler said:

The most salient factor enabling Canadian companies to displace domestic firms in the host country, and to edge out other competition, is a discernible lead in technical competence.

That is interrelated to the point I made earlier. Because of our unique situation, having shared in joint development either because of branch plant economies, the fact that our natural cousins or relatives have worked somewhere else or International Nickel may have a lot of copyrights of research registered in New York, there has been joint development. We have a technical competence to share in projects abroad. These tax provisions are going to help dilute or diminish any advantage we have in technical competence. Therefore, we are not going to receive our just share of this capital development in foreign countries which is going to be one of the tremendous fields of development in the 70's and 80's as the developing nations really begin to emerge.

Another gentleman who contributed to this conference was Charles I. Rathgeb, president of Canadian International Comstock Co. Ltd. of Toronto, another company that does a fair amount of business abroad. He said:

Canada could cure its unemployment problem by making more competitive bids on big foreign capital projects.

That is understandable. He then went on to echo the sentiments of others at the conference with regard to foreign aid. He developed an 11 point program on how Canada could share much more than it has shared up to now in the potential capital development of these developing nations. He admits that some of the proposals are rather controversial, but one is rather basic. This gentleman is known for his outspoken comments. His program is rather interesting. I quote one of the proposals:

Tax incentives should be offered on profits earned outside Canada and repatriated to Canada.

Later in the article we find this:

He concluded that Canada has great expertise in certain areas, on the world scene, but the Canadian engineering construction industry is faced with intense competition on foreign markets.

Canada must continue to expand into these markets as a trading nation; this can be accomplished with unselfish efforts by industry