

Income Tax Act (No. 2)

back in the form of cars they have manufactured with its use.

This is not an argument against free trade. It is not an argument against enlarging our opportunities to trade with other countries in the world. It is simply an argument to point out the irrelevancy of the minister's proposal in the face of the problem facing Canada today, and the simple-minded solution that if you throw enough money around and give away enough tax, somehow or other this is bound to be to Canada's advantage.

If you turn the page of the minister's speech as reported in *Hansard* at page 4724, you will find he talks about one of the most critical elements of competition being the substantial tax subsidies for exports made available in the past year to U.S. corporations. He follows through on that in a further part of his speech as reported on page 4726. He says:

A contrary concern which has been expressed is that the benefit provided to subsidiaries in Canada of U.S. corporations could be reduced or negated by new tax measures proposed by the United States. At the moment this remains no more than a hypothetical possibility.

I guess he is trying to answer the question that if we respond to the DISC program in the United States, then some members or some people in the community have suggested the American will retaliate with runaway plant legislation. This answer is, "But we have that under consideration, we are thinking about it, and the conclusion we have come to is that it is hypothetical." Everything has been hypothetical. Britain joining the Common Market was hypothetical. United States retaliation with DISC was hypothetical. The fact that we could not build up our manufacturing industries because we encouraged raw material export was hypothetical.

Mr. Chairman, one thing is not hypothetical, and that is the American determination to export unemployment to Canada. Whatever measures the government takes in the tax system to offset measures taken by the United States in its tax system are going to be countered because the Americans are determined that they want the jobs in the States. They want to divert production from other parts of the world to their own country. I am not going to fault the Americans for having that objective, but I do fault the Canadian government for being myopic and thinking they can overcome very important American policy by a system of trying to outbribe the U.S.

In many ways we as Canadians may feel we have some advantages which the United States do not possess, that some of our attitudes in this country may be somewhat superior to those in the United States. But one thing we are not going to be able to do, and we should have no illusions about it, is outbribe the United States or convince ourselves we have more money than the United States. If the Americans have made it a matter of policy to shift production from other countries of the world to their own by using their tax system, we are not going to win that kind of war.

What do we do? I think there is a clear choice ahead for us. It is pointless to say we will wait for the Americans to do something and then see that our tax system offsets it: that if DISC represents a gain for corporations of seven or eight tax points, we will take off seven or eight tax points.

[Mr. Saltzman.]

The Chairman: Order, please. I regret to interrupt the hon. member, but the time allotted to him in committee has expired. However, he may continue with the consent of the committee. Is this agreed?

Some hon. Members: Agreed.

Mr. Saltzman: Thank you, Mr. Chairman, and through you I thank members of the committee. I appreciate this opportunity. As you can well understand, despite my usual brevity, when it comes to the tax system it becomes more difficult to be brief. But I shall try to conclude my remarks before much longer.

Getting back to the point I made as to whether we could outbribe the Americans, I do not think we can. It should be obvious it is not going to work unless, of course, the United States wants us to do that, and I do not think there is any indication of that. In my meetings with United States leaders and people who have influence in the United States, I found that what mainly concerns them is the provision of jobs. They feel they are losing their trading position in relation to the rest of the world, and they are determined to do something about it. They look at Canada and feel they have made some bad deals. They feel the Canada-United States auto agreement has been very much in our favour and there is a tendency to place some of the blame on this country.

● (1620)

I think this is a misguided attitude. If they reflect more carefully and examine the facts, they will see that we in Canada are not contributing to the cause of their unemployment and that any efforts directed toward punishing us or making it more difficult for us to sell to them will only work to the disadvantage of the United States.

The government has not responded with any positive measure. Presumably, if the DISC program is improved in the way of tax advantages, such as a decrease to 14 per cent, the minister will drop corporate taxes to 14 per cent. He has said he will use this means to counteract DISC. I should like to hear the minister say how low he is prepared to go with a corporate tax cut. Is he prepared to match every tax concession the United States makes, even though it may wreck our tax base, such as it is in Canada, and redistribute the tax burden in a very unfair way?

The United States has clearly shown us the only way in which you can deal with this attempt to entice industry or production from one country to another. I use the Michelin case as an example of what the United States has done. We feel that the advantages we have offered the Michelin company in Nova Scotia are fair, but there is some question about it. Certainly the United States does not take that position. It takes the position that we in Canada have bribed Michelin to come to Canada and produce in this country, under extremely favourable tax and tariff circumstances, for export to the United States. It considers this an unfair attitude on our part and has imposed what is equivalent to a dumping or import duty on Michelin tires going to the United States.

The duty itself is not that onerous; I think it is around 4 per cent. What really is important is that the United States has served notice on the Canadian government that if we persist in what it calls unfair tactics against its economy,