

cluding resolutions from the State Legislature and municipal governments) for their "cultural and religious heritage."

### **Canada-US Tax Treaty**

A new Canada-US tax treaty, released originally in 1980, passed through the Canadian Parliament and the US Congress in late June. Instruments of ratification, necessary for the tax convention to come into force, were to follow the legislative approval, according to a *Globe and Mail* report June 11. National tax analyst Gordon Riehl of Deloitte Haskins and Sells (Toronto) outlined several differences between the new tax treaty and the one it replaced in the *Globe and Mail* article. Mr. Riehl noted that the most "radical departure" from the old treaty centred on capital gains realized by non-residents on the disposition of real property (with selected exemptions), which are no longer exempt from tax in the country where the property is located. Provisions were also included for an increase in the withholding rate on gross rental income on vacation property (other than that considered business income), to 30 percent in the US and to 25 percent in Canada. One other significant change, Mr. Riehl continued, was a reduction in withholding tax (from 15 to 10 percent) "for most intercorporate dividends where ownership is 10 percent or greater." Mr. Riehl mentioned that while several problem areas remained outstanding, the most significant of which was the US system of unitary tax imposed by various states upon a portion of the income earned by multinationals in those states, they were not seen as deterring ratification of the tax convention.

When a measure to establish the proposed legislation with respect to taxes on income and capital was introduced in the Commons June 22, it was accompanied by remarks on the tax convention made by then-Parliamentary Secretary to Minister of Finance Ralph Ferguson. Mr. Ferguson pointed out that the treaty replaces a 1942 convention governing fiscal relations between the US and Canada, one which needed to be "modernized." A "balanced instrument" addressing a "broad range of issues and problems" affecting both individuals and corporations in both countries, the convention and its additional protocols (taking into consideration legislation passed after the original signing) was "eagerly awaited by those affected," added Mr. Ferguson. He also noted that among its provisions were included a reduction in selected withholding taxes, an extension in the scope of exemption for international transport profits, an exemption of social security benefits in the country in which they arise, a liberalization in deductions for contributions to universities and charitable institutions in another country, an address to the problems affecting border workers, and a removal of the two-year exemption for visiting teachers.

### **CIA Brainwashing Experiments**

The issue of a reported apology from the US government to that of Canada for CIA-financed mind-altering experiments conducted at the Allan Memorial Institute in Montreal during the early 1960s again received attention in the House of Commons June 5, when MP David Orlikow (NDP, Winnipeg North) requested further elucidation and a public release of the details of the apology (see "Internation-

Canada" for December 1983 and January 1984). Responding to Mr. Orlikow, then-External Affairs Minister Allan MacEachen stated that a verbal "expression of regret," rather than a written statement, had been received by the Canadian government. When it was suggested that resort might be made to the International Court at The Hague for a satisfactory US consideration to claims for compensation, Mr. MacEachen said that members of the Department of External Affairs "were under ministerial instructions to pursue this case with vigor with the United States authorities." He added that while the Canadian government had "consistently taken the view that the actions of the CIA in funding the research constitutes an infringement of Canadian sovereignty," the decision had been made to proceed with a "diplomatic" resolution to the issue. To resort to the International Court "could only be undertaken after very serious consideration," stated Mr. MacEachen.

### **Pacific Salmon Treaty Negotiations**

Speaking in the Commons June 28, John M. Reid (Lib., Kenora-Rainy River) queried the then-External Affairs Minister Allan MacEachen as to the status of the stalled Pacific Salmon Treaty negotiations between the US and Canada. Mr. Reid mentioned the possibility of appointing a personal representative to the talks, as had been done by the US Secretary of State. (Such a ministerial appointment had been the recommendation of a delegation from the Canadian section of the Canada-US Parliamentary Association following recent meetings in Washington with the four Senators from Alaska and Washington.) Mr. MacEachen indicated that in talks with Secretary of State George Shultz, he had suggested "new steps" and an injection of "some renewed impulse" into the negotiations, including the idea of a personal representative. He added that the Hon. Mitchell Sharp had been offered and had accepted the position of representative of the Secretary of State for External Affairs in the treaty negotiations. Mr. MacEachen cited Mr. Sharp's experience as Northern Gas Pipeline commissioner and his familiarity with the figures currently involved in the negotiations as contributing toward his selection. He mentioned in particular the Senators from the two states most concerned — Washington and Alaska — without whose cooperation and concurrence no treaty agreement with Canada would be possible.

### **Finance Minister's Comments on US Interest Rates**

Emerging from a meeting of Finance ministers at the London economic summit in June, Finance Minister Marc Lalonde criticized harshly the economic policies of the Reagan administration, especially of Treasury Secretary Donald Regan's contention that no link exists between the US budget deficit and rising interest rates. Mr. Lalonde expressed frustration in the continuing attempts by Canada and other participating nations at the summit to secure from the US an acknowledgment of the international repercussions of its high interest rates (*Globe and Mail*, June 9).

Mr. Lalonde stated that there existed common agreement among finance ministers (other than from the US) with regard to the importance of a "reduction in the US