

*Income Tax Act*

persuade a couple of weeks ago. No other people in the world try more to live off other parts of the world than do Canadians, whether they are in Ontario or in the west. One thing we have in common is that Ontario and the west need to live off other people. Here we have this inward-looking orthodox, rigid thinking, mealy-mouthed—My God—

**Mr. Peters:** You people are just moving into that field now. Don't be too brave!

**Mr. Osler:** What field?

**Mr. Lefebvre:** Address the Chair.

**Mr. Peters:** International trade.

**Mr. Osler:** I did not realize that any so-called labour party knew anything about international trade. They have always been inward-looking, contemplating their own little umbilical cord. They do not think it is worth trying to live in the real world. However, they have nothing to fear because they will never have to live in the real world.

**Mr. Skoberg:** You have never lived in the real world yourself.

**Mr. Osler:** I would just ask the hon. member for Waterloo to repeat his statement that this country does not need to live off other people to the farmers or the industrial workers for whom he reputedly speaks. There is no country in the world where 20 million people depend on trade more than in this country.

Having said that, there is no use spending a lot of time talking about the great evil international corporation. Canada is a mature country and if it does not like the rules under which some international corporations play the game in this country it can change the rules. But to say that international trade is something to be suspicious about is being pre-19th century—probably a taste of the mercantilism which went out about the time the Stuarts went out.

Canada's domestic market is small. The thing that worries me about the treatment of international corporations is that, even more than tariffs today, the ability to locate work in various countries through international corporations is emerging as one of the fundamental keys to prosperity and job opportunities. They found this out in Europe and we are finding it out in Canada; it can be expected that some members will realize that it is happening. If that is the case, as I believe it to be, then Canadian companies wishing to establish operations in foreign lands in partnership with local nationals under the laws created by those countries, should not be discouraged from doing so. I think this legislation should perhaps be looked at because I believe it may be discouraging this possibility. By establishing in other countries, sometimes firms can protect and even create technical and non-technical jobs for Canadians. This could help protect tax revenue in Canada and even help our balance of payments position. Such companies could make friends in foreign lands that would give other aspects of Canada's endeavour an opportunity to obtain fresh markets, agricultural or industrial. It is very important that we remain an outward looking country and that we have

[Mr. Osler.]

friends in other countries who can help us generate and open up markets for industrial or agricultural products.

So, Mr. Chairman, there are many pluses pointing to encouragement for Canadian corporations to be on the ground in foreign countries. I am not talking about Canadian corporations unduly expanding a foreign company in a foreign land, and it is up to those countries to avoid this. But a lot of Canadian firms play by fair ground rules, Mr. Chairman, and are not out to diddle everybody as our NDP friends assume. It is short-sighted to negate tax incentives offered to Canadian companies by developing countries as this legislation will tend to do, except under certain conditions which will be beyond the control of those very companies.

By joining forces with the local manufacturers, Canadian companies can increase the demand for Canadian technology and, more important, for Canadian-made components. Most people know, and those who don't are beginning to realize, that in order to sell refrigerators in Europe it may be advisable to allow the doorhandles for those refrigerators to be manufactured there. A lot of Canadian components can be shipped to another country if there is agreement with that country to make some parts. This is very important in many of the opening markets, and we should encourage our companies to make deals with others that are on the ground so that this sort of rationalization of component parts can be made. It will keep people employed in Canada.

Multinational activity can be more useful in developing trade and Canadian jobs than tinkering with tariff adjustments. I am sure most people will agree. Tariffs are down and are going down further; in many ways, they have become irrelevant. It is the deals that can be made between companies and countries to provide adequate work for people in both countries that will often allow our product into those countries more readily than tariff adjustments.

It seems to me that we should look at this legislation once more with the idea of finding some way of directing legislation against those who offend, and leave the legitimate international Canadian companies unpenalized to get on with their job.

**Mr. Dinsdale:** Good sense!

**Mr. Osler:** How can we define active business income and what is the legitimate plowback that can be made in the company of a subsidiary in order to improve its functioning? It is true that tax treaties can provide for exemption from additional Canadian tax when dividends flow from other countries back to Canada. Yet when our government cannot or will not negotiate, for any number of reasons, such tax treaties why should Canadian companies be penalized? I hope the parliamentary secretary will advocate strongly that another look be taken at these sections in order that some way may be found to help legitimate Canadian companies doing business with affiliates or allied companies in other countries get on with the job and, at the same time, to protect jobs at home.

• (5:10 p.m.)

**Mr. McCutcheon:** Mr. Chairman, will the hon. member permit a question.