

treaties with countries with which we have such close relationships, and so much travel, and whose people come to live in Canada, are of great concern to all members of this party. I congratulate the minister on her success and look forward to further efforts with respect to other countries with which we have these agreements. They should be given the highest priority. I was not aware of the signing of the treaty on Monday, perhaps because I was not invited to it. I am sure that is something that can be arranged, however.

**Mr. Blais:** Send your pin.

**Mr. Rae:** I was invited to the other one, and that is why I was not aware of this one.

In conclusion, Mr. Speaker, it seems to me that the government is entering into these tax treaties without being fully aware of the impact they will have on domestic taxation in Canada, and without being fully aware of the equity problems created by allowing corporations to play one country off against another. There have been a number of American studies which indicate the way in which this has been done and which show the impact the global corporation is having on the domestic American market. It seems to me that we desperately need to have those same kinds of studies done here in Canada. Simply to engage in the signing of tax treaties without being aware of the domestic impact is engaging in what I call a kind of economic boosterism which says that a treaty is good because it aids trade, and it is good if it helps the corporation, and if it helps the corporation it helps a Third World country, and if it helps a Third World country it helps us, and so on. It is slightly one dimensional. It does not deal with a number of problems which are created by our engaging in treaties in this way.

● (1240)

[Translation]

**Hon. Pierre Bussières (Minister of State, Finance):** Mr. Speaker, at the outset of my remarks I would like to comment briefly on the conclusion drawn by the member for Broadview-Greenwood (Mr. Rae). It is quite obvious that although these conventions are aimed at avoiding double taxation they will certainly contribute to complicate still more the taxation jungle which is already inextricable at times. Still I hardly think that such difficulties should prevent us from using that tool which benefits all Canadians, while keeping in mind the appeal made by the hon. member in committee and repeated here to the effect that the government should undertake a serious consideration of the consequences of such conventions on Canadian taxation, on Canadian business and on employment in Canada.

Mr. Speaker, we are now resuming discussion on third reading of Bill S-2 to implement conventions whose purpose is to avoid double taxation, a treaty which we have signed with several countries. It rests with Parliament to legalize those agreements between Canada and about ten other countries which had agreed or requested to negotiate such conventions.

### *International Conventions*

Some might wonder what is the purpose of these treaties and why we have to sign conventions to avoid double taxation. I believe we should perhaps begin by describing the phenomenon of double taxation. This phenomenon of legal double taxation at the international level can be defined generally as resulting from the collection of a comparable tax in two or more states, from the same taxpayer, on the same taxable item and for the same time period. The unfavourable effects of such a phenomenon on the development of goods and services, exchanges and the movement of capital and individuals are well known, too much so for me to have to underline the importance of eliminating the obstacles laid by double taxation to the development of economic and commercial relationships between countries.

It is vital that bilateral agreements between countries clarify, unify and guarantee as much as possible the taxation position of taxpayers in countries where residents have commercial, industrial or financial activities in several countries. In signing these agreements, the Canadian government has tried to make this clarification and establish these solid and unified foundations, and the House is now called upon to ratify these conventions.

I have just described the general advantages of these treaties. I would now like to say a few words about the special benefits of such agreements for Canada. Many Canadian individuals and corporations do business in other countries and have to compete in these countries with companies from other countries. For instance, a Canadian subsidiary can do business in Austria in competition with a French, German or Italian company. If Austria has a double taxation avoidance treaty with France but not with Canada, the Canadian company will be badly off compared with its French competitor. This is an important aspect of these agreements to avoid double taxation, in the sense that they allow Canadians to compete on an equal footing with other countries which do business abroad.

[English]

Most other developed countries have a substantial network of tax treaties which often provide for substantial reductions in the rates of withholding tax, and which establish conditions under which taxes would be levied. For a Canadian entrepreneur to be able to win foreign contracts, he has to make a bid which is as low as the foreign competitors' and the taxes he would have to pay could be an important element. That is why Canada has sought to obtain as good a deal in its tax treaties with other countries as foreign competitors, and no more.

[Translation]

It will be noted that some conventions are the result of first time negotiations while others are the product of renegotiated treaties. It must be understood, Mr. Speaker, that these treaties cover fiscal or tax systems applicable in the countries that are party to the treaty or convention. Hon. members will remember that in 1972 Canada undertook a major review of its income tax legislation which, by way of consequence,