It is obvious that, had Quebec finance minister Parizeau made some proposals before the introduction of the federal budget, they would have been taken much more seriously and considered by the federal minister and his provincial counterparts before the finalization and the public introduction of the federal budget.

The reaction of the Quebec minister of finance came only two days after the federal budget and now it would be inequitable and unfair for the Canadian government to accept Mr. Parizeau's proposal without offering the same to other provinces. And there are some particularly dangerous aspects to this proposal. I am thinking of the following aspects I would like to mention this afternoon because it seems to me that they could lead us down a dangerous slope.

In fact a sudden and selective cut in the sales tax is discriminatory for Quebec producers and retailers because it will help some and penalize others. Besides, the selectivity in favour of Quebec products means in fact the establishment of a tariff on imports from other provinces and this in itself is a very dangerous and inappropriate method.

In a way, that measure is fully anti-Canadian, and it is a protectionist move within a Canadian province. It is a dangerous balkanization of the trade sector in Canada, particularly in our present economic situation and at this time of our history. Third, I think that, technically, Quebec's decision is particularly most counter-productive because it will encourage tax avoidance in some sectors and it will certainly be very expensive to collect.

Looking at the way most developed countries operate, one can see that there are no differences in sales tax rates, that all items are either taxed at the same rate or not taxed at all. Some products are taxed, others are not, but you very hardly and seldom find differences in tax rates among products, with variations ranging from 2, 4, 5 or 8 to 10 per cent, depending on the items. No developed country in the world has ever established that kind of differences in sale tax rates and, in any case, it seems to me most illusory and most dangerous to implement that kind of system in the province of Quebec or in other Canadian provinces. So it appears to me in light of what happened these past few days that the government of Quebec acted in bad faith because had Quebec finance minister Parizeau really wanted to protect in some way selected Quebec products he should have said so before the federal budget was made public. He should have indicated well in advance of the federal budget his preferences and hopes as to an agreement between Ottawa and Quebec on the sales tax, something which had indeed been done by British Columbia and Saskatchewan and which could very certainly have been done had Mr. Parizeau said so before.

It is obvious in this case that the Quebec government is in a position where it wants to favour certain Quebec manufactured products. This as such is in no way opposed by the government of Canada. On the contrary, if the government of Quebec wants to take the sales tax off certain products manufactured in Quebec, we have no objection. On the contrary, we congratulate the government of Quebec for finally taking its responsibilities and being prepared to take specific action to support the economy of the province of Quebec instead of passing exclusively linguistic measures which are causing irreparable damage instead of really helping the Quebec economy.

I should remind hon. members that the offer of the federal government is valid for six months and is still on the table. Indeed, the Canadian government indicated that it is ready to consider that the provincial contribution of 1 per cent not be required on every product to benefit from the federal contribution of 2 per cent and that the provincial government could reallocate its contribution on certain products only. In other words, the Minister of Finance of Canada (Mr. Chrétien) already indicated to Mr. Parizeau that there is a way out, that within the budget of the government of Quebec there is a way of rearranging those decisions he has to make as Quebec minister of finance to fully take advantage of the Canadian government's offer.

● (1612)

I wish to reassert that the Canadian government will always be ready in the next six months to consider, in consultation with the other provinces concerned—not only on the sly with the Quebec government, but in consultation with all the other Canadian provinces any other proposals that the Quebec government may have for the sales tax which will not be equivalent to using federal funds to break up the Canadian market.

However, it must be clearly understood that this arrangement will be available to the other provinces and that the federal government will not accept that its contribution be used to break the Canadian common market and to cause additional distortions in interprovincial trade. What I want to say this afternoon during the budget debate, Mr. Speaker, is that the generous offer of the Canadian government to reduce the sales tax for all products sold in the province of Quebec still holds.

And if the Quebec government so wishes, at any time during the next six months, and we hope it will be as soon as possible, it will still be able to reduce by at least 2 per cent immediately or as soon as it desires the sales tax on all products sold in the province of Quebec. This loss of 2 per cent in the revenue of Quebec will then be compensated by the federal government. As for the other 1 per cent, if the Quebec government decides to apply its effort for reducing taxes exclusively in other areas, it is free to do so, it has sole responsibility in this regard and we shall not be the judges of decisions made by the Quebec government in this matter.

However, it seems clear that in the interest of all Quebec consumers the provincial government must now face the Canadian reality as soon as possible because, finally, this

[Mr. Ouellet.]