

all the provinces including Quebec. These discussions took place in the three weeks prior to my budget speech. During the discussions, the provinces had ample opportunity to make their own suggestions and proposals. British Columbia and Saskatchewan did request adjustments to meet their particular situations. These we accommodated.

No one suggested that the federal government was invading a field of provincial jurisdiction. The proposal was taken under consideration. The province of Quebec did not, in either my discussions with Mr. Parizeau or in discussions between officials, make any special requests or object to the proposal itself. Not until the federal budget was presented, all other provinces having agreed to the proposal, did Quebec decide to announce its selective cuts designed mainly to help the provincial economy.

What is now in dispute is not whether Mr. Parizeau's selective sales tax cuts are a good thing. I fully agree that they are good for Quebec. Indeed by removing sales tax on clothes and shoes, Mr. Parizeau is putting Quebec taxpayers in the same position as those living in the four Atlantic provinces where there has not been sales tax on these items. But in these provinces, the federal government does not pay for the revenue loss. The cost is assumed by the provincial governments.

I recognize that there is a need for special measures to be taken to promote the furniture, footwear, textile and clothing industries of Quebec. That is why the federal government has imposed heavy tariffs on the imports of such goods into Canada, and that is why, as Minister of Industry, Trade and Commerce, I was responsible for imposing quotas on imports into Canada of clothing, textiles and shoes. The result of these measures is that Canadians across the country pay more to buy these Quebec products than they would if imports were unlimited and if tariffs were lower. Canadians are prepared to pay this price because it is necessary for the economic well-being of one part of Canada, i.e. Quebec.

What is in dispute, therefore, is not whether the government of Quebec should take special measures to help Quebec industries, but rather whether these special measures should be financed primarily by the federal government in the context of general budgetary policies. For the federal government to do so would mean first to give Quebec a deal which, through the fault of Mr. Parizeau, was not offered to the other provinces at the time of the budget discussions. More important, even if it were possible to offer a system of selective tax cuts to all provinces, the results would be detrimental to the economic unity of the country.

The Atlantic provinces and western Canada, with little or no manufacturing industry, would undoubtedly be uninterested in schemes of benefit mainly to Quebec and Ontario. Ontario and Quebec could conceivably engage in a series of moves of a protectionist nature—financed by federal funds—which would make a mockery of the economic common market which is an

Income Tax Act

essential element of Canadian federalism. This would be harmful to all Canadians including Quebecers.

Mr. Speaker, because Quebec sells 20 per cent of its manufactured products to Ontario, while Ontario sells only 11 per cent of its manufactured products to Quebec, any type of protectionist competition between the two would hurt Quebec more than Ontario. That is why what looks like a clever move to use federal money in a special way to protect Quebec industries would not be of benefit to the people of Quebec if the province of Ontario were to ask the federal government for a comparable deal for Ontario industries.

Therefore, in the long-term interests of the people of Quebec, I must insist that the federal proposal apply in the same way to all provinces. We cannot encourage a reduction in provincial sales taxes financed by federal money that would lead consumers to purchase certain products as opposed to others, unless of course there was agreement among all governments. This was the case for alcoholic beverages, tobacco and amusements. Other products no doubt could have been the object of such agreements if they had been suggested at the appropriate time.

Thus, because the Quebec action was so late, and because the federal government could not be party to bilateral agreements representing discriminatory measures impeding the free flow of goods between provinces, I advised Mr. Parizeau that he cannot expect to obtain the full financial assistance available under the national plan which was aimed at all Canadian consumers and all sectors of the economy. I offered to pay the cost of the first 2 per cent for six months of Mr. Parizeau's selective tax cuts.

● (1642)

In addition, and these are concessions I made after my first proposal, I offered to finance totally a 2 per cent cut across the board for six months of sales tax on all other goods and services sold in Quebec. The value of this offer to Quebecers would have been \$226 million. Mr. Parizeau refused this offer of the federal government. It is clear to me that the separatist government in Quebec does not want to have any part of a deal with the federal government because it does not want federalism to work. How else can one explain his failure to make any suggestions until after the budget. However, because the federal government does not want to penalize the people of Quebec for the actions of the separatist government of Quebec, I am introducing amendments in this bill to permit the return of \$186 million to taxpayers in Quebec.

Some hon. Members: Hear, hear!

Mr. Chrétien: We will be reducing the income taxes of Quebec taxpayers, thereby vacating an income tax field temporarily, by an amount of \$186 million. In order to ensure that taxpayers in Quebec enjoy the full value of the federal offer and are put on the same footing as other Canadians who pay