

*Oral Questions*

concerned about aiding the less favoured regions of the country, why does he, at this moment, introduce a massive regressive, inflationary sales tax that risks the economic future of the country?

**Right Hon. Brian Mulroney (Prime Minister):** Mr. Speaker, I think most people would agree that the idea of introducing or changing taxation measures is for any government neither pleasant nor easy. Canadian Parliaments have considered the problem of the manufacturers' sales tax for decades. There has been general agreement in this Parliament under different governments and across the nation that the present manufacturers' sales tax places a severe penalty on Canadian manufacturers and favours importers over those who create jobs in Canada. We are the only industrialized country left with that kind of pernicious tax on our own domestic manufacturers and producers. Forty-eight of our leading competitors around the world have adopted a tax similar to the goods and services tax that is now being proposed here.

• (1420)

I draw to my hon. friend's attention that all of the analysts of substance indicate that while there will be a modest initial increase in inflation, in the longer haul the structural reforms that will be brought about by the introduction of a goods and services tax will be beneficial for the entire nation. It will increase our competitive position, it will help our exporters and will create new wealth and new employment in Canada.

As I conclude—

**Some hon. members:** Order!

**Mr. Mulroney:** I draw to my friend's attention that this is a replacement tax. We are getting rid of a 13.5 per cent manufacturers' sales tax and substituting for it a 7 per cent goods and services tax. I believe that is in the interests of consumers and producers alike.

**Right Hon. John N. Turner (Leader of the Opposition):** I would think that after that answer we all have as much latitude as we need.

I draw to the Prime Minister's attention that the two largest trading nations in the world, namely the United States and Japan, have no such tax as his Minister of Finance has just introduced. It is no accident that they are the strongest trading nations in the world.

[*Translation*]

Mr. Speaker, the economists tell us that the government should do everything it can to spare Canada a recession. The Prime Minister and his government, however, are doing the exact opposite of what has to be done. After reducing funding for the social programs that might have helped us in these difficult times, the Prime Minister is dead set on introducing his goods and services tax, which will aggravate inflation and cause more unemployment.

Could the Prime Minister explain to the House why he is going to introduce the goods and services tax although he knows perfectly well that in the present circumstances, this tax may well bring about a recession?

**Right Hon. Brian Mulroney (Prime Minister):** Mr. Speaker, the Liberal Party has criticized the present tax system. The Liberal Party said that the present tax was pernicious and that we had to get rid of it. I think the Liberals would do well to consider defining their tax alternatives. They are against the GST, but they have nothing positive to offer.

I think the Liberal Party has a moral obligation, if it wants to be taken seriously, to identify for the purposes of this debate the exact nature of its tax proposals.

The Leader of the Opposition said in his preamble—

[*English*]

That our two leading trading partners do not have the equivalent of a GST. He is quite wrong. Japan has introduced the equivalent of a GST. While the United States does not have a GST, it does not have medicare either. Canadians will decide Canadian policies.

**Right Hon. John N. Turner (Leader of the Opposition):** Mr. Speaker, let us consider the consistency of the Prime Minister. Apparently we have the current version of the goods and services tax which was introduced in this House yesterday. It violates all of his election promises relating to such a tax. It violates the election promise he made for provincial participation and it violates the election promise for simplicity. It violates his election promise for visibility. It violates his election promise for fairness and it violates his election promise for revenue neutrality.