

Canadian tax revolt looms for Mulroney

by Gilles Gervais

At the opening game of the baseball season in Toronto on April 10, President Bush and his host, Prime Minister Brian Mulroney, were treated to a Canadian double-header: an explosive constitutional crisis and a growing tax revolt.

Blue Jay fans, who are usually polite and patriotic Canadians, started booing when Canada's national anthem "O Canada" was sung in both English and French as is the custom at public events involving the presence of the prime minister. Shortly after that, a second verbal salvo hit the dignitaries, when shouts from all over the stadium were heard denouncing the proposed "goods and services tax"—Mulroney's answer to the poll tax in Great Britain which has brought Margaret Thatcher into an abyss of unpopularity.

Canada will reach a watershed in its history on June 23, the deadline for the ratification of the so-called Meech Lake accords, a series of changes to Canada's constitution which would recognize the French-speaking province of Quebec as a "distinct society" within Canada, and which would shift many powers of the federal government to the provinces. Quebec has made the formal adoption of the Meech Lake accords contingent on its own signing of Canada's constitution, which was drawn up ten years ago following Canada's "independence" from Great Britain. But as of now, the New Brunswick, Manitoba, and Newfoundland provinces have refused to ratify the accords.

The Meech Lake impetus toward breaking Canada up into competing regions fits just fine with the U.S. Establishment's plans to formalize Mexico's and Canada's colonial status as part of a North American Common Market. So while the formal topics of Mulroney's talks with Bush were the Eastern European and Soviet situations, and free-trade treaties with Mexico, the break-up of Canada was top on their informal agenda. That was made explicit on April 12, when the *Washington Post* bluntly recommended in an editorial that Canada follow the "Scandinavian model," arguing that there is nothing wrong with having an autonomous nation of less than 10 million people. The following day, Canadian External Affairs Minister Joe Clark protested against the editorial, calling it "surprisingly ill-informed," but he did little to dispel the sense that a break-up of Canada is precisely what is being worked on by the Mulroney and Bush administrations.

A variation on the same theme appeared in an opinion

column in the national newspaper of Canada, Toronto's *Globe and Mail*. Under the title "A Strong and United Europe Should Be Canada's Model," former Canadian Ambassador to Washington Allan Gotlieb argued that "in Western Europe national sovereignty is being dismissed as a viable concept. . . . There are no conflicting trends in Europe today; there is only one. It involves the realization of a grand scheme for the unity and prosperity of a Europe from the Atlantic to the Urals."

The parallel, of course, is entirely false: Quite in contrast to the supranational fascism pushed by the originators of the European Common Market, today's moves toward European economic integration have become inextricably linked with the idea reconstructing the shattered economies of Eastern Europe and high rates of capital-formation—not exactly what Bush and Mulroney have been talking about.

Canada's economic and foreign policy has been a disaster. Half of the passenger railway capacity across Canada has been shut down. Promises of big yields from Canadian investments in Poland, Hungary, and Czechoslovakia have not and will not materialize, since these are all contingent on those countries' acceptance of the International Monetary Fund's ruinous conditionalities. Earlier this year, Canada adopted a deeply slashed federal budget in order to substantially reduce its deficit, even though the government could not meet the IMF's demand for a full \$10 billion deficit reduction.

A 20% sales tax

But as the boos from the stadium attested, the success of Mulroney's policy direction is by no means assured. There is a growing revolt against the imposition of an across-the-board "goods and services tax" of 7%, a sales tax which would be placed on all items except medical supplies and basic foodstuffs. The tax was passed in the House of Commons on April 12, under the pretext that that will be fairer substitute for the current "hidden" 13% manufacturers' tax. But many Canadians suspect that manufacturers will keep their prices at current levels even after the old tax is eliminated. Moreover, the new tax would impose heavy burdens on consumers in many provinces, who already have to pay provincial sales taxes ranging up to 10% (in Newfoundland). There is even talk in some provinces of imposing an additional *provincial* goods and services tax, which would drive total tax on sold goods well over 20%.

Therefore, even though the tax made it through the House of Commons dominated by Mulroney's "Tory" Progressive-Conservative government, it is likely to be rejected by the Canadian Senate, a non-elected body which is still dominated by the liberal forces of former Prime Minister Pierre Trudeau. But here again, a constitutional crisis is in the offing, since the Tories are arguing that the Senate's vote will be meaningless, since it is a non-elected body which does not reflect "public opinion."