

represents a decline, in absolute terms, of close to ten billion dollars. Over the same period of time, Canadians have enjoyed extraordinarily strong income growth and job creation. Indeed, Canada's economic performance has outpaced virtually all of the world's major industrialized nations.

Today our challenge is to maintain that expansion in a world economic environment that is increasingly subject to inflationary pressures. To meet this challenge and to enjoy the benefits of continued growth and prosperity will require the utmost resolve of the government and the Canadian people.

My government will soon introduce a budget reflecting that resolve.

My ministers believe that continued progress in reducing the deficit is a vital necessity if Canada's economic well-being is to be secured. The legacy of past deficits is a massive debt. Annual interest payments on that debt now consume 31 cents of every dollar of government revenue. These payments are putting pressure on the Government's ability to meet other priorities. In fact, Canada is now borrowing money solely to pay the interest on previous borrowings. In order to reverse this trend, expenditures must be reduced and revenues must cover the cost of government programs.

My government's budget will have as its purpose the continuation of the nation's prosperity.

The strength of the Canadian economy can be ensured only if the government's means and its spending are in better balance. In turn, an expanding economy is the only way to maintain the social programs which Canadians cherish. Only by positive measures designed to reduce the burden of the debt can Canadians avoid a repetition of the excessive unemployment and inflation rates of the early 1980s.

My government is convinced that the Canadian people will endorse our efforts to control federal spending in order to maintain economic stability and continued growth.

Tax reform is also critical to sustain the prosperity that is so vitally necessary to ensure the high standards of services Canadians expect from their government. The current federal sales tax is inefficient and inequitable. It is costing Canadians jobs.

It will be replaced with a fairer sales tax that will ensure the Canadian economy is fully competitive and that will maintain a stable source of revenues to finance essential programs. Extensive consultations have been undertaken by my government both with the provinces and the private sector. These consultations will help ensure that sales tax reform is implemented in a fair and effective way.

Preparing Canada's Future

Canadians have made it evident that they are confident of their abilities to compete successfully in the international economy of a widening world.

As a mature and confident people, they know Canada's economy cannot prosper behind tariff walls and in restricted

markets. They prefer to support the cause of liberalized trade throughout the world. My government is continuing the process of implementing the Free Trade Agreement with Canada's principal trading partner, the United States. Multilateral trade negotiations through the Uruguay round of GATT are also a high priority. As well, the federal government will continue to work with provincial governments in reducing interprovincial trade barriers which create distortions and inequities in Canada's economic development.

Outward-looking trade policies will be necessary for Canada if it is to be competitive in the world. Many industrialized countries—notably in Western Europe—are forming larger trading alliances so that their industries may benefit from access to larger markets. Business firms are creating world-scale plants as a means of realizing the opportunities which flow from liberalized trade.

With the development of cost-efficient manufacturing in the newly industrialized economies of Asia—and more competitive resource development in the Third World—major new factors are emerging in the international market place. No nation can remain indifferent to, or aloof from, these economic realities.

Canadians in every occupation want to ensure a secure future for themselves and their families in the face of these rapidly emerging economic forces. While they recognize the challenge which confronts them, Canadians also have a confident view of the opportunities which await them.

My government is providing programs to assist small and medium-sized business to develop export opportunities that are emerging as a result of the Free Trade Agreement. The federal government is also placing greater emphasis on the Asia/Pacific region as well as on Europe.

My government's purpose is to ensure that the benefits of liberalized trade and economic expansion are shared fairly by all Canadians.

The National Advisory Board on Science and Technology, composed of members from the scientific and technical communities from all parts of the country, has established a continuing dialogue between Canada's scientific leadership and the federal government. The Board has made a number of important policy recommendations. These include a network of centres of excellence and programs for the development of strategic technologies such as biotechnology, advanced industrial materials, and information technology. These recommendations are now being acted upon, and my government will provide direction and leadership in this vital area of Canada's national life.

The new federal approach to regional development is working. Decentralized decision making, through the regional agencies in Western Canada, Northern Ontario, and Atlantic Canada, has been instrumental in stimulating both entrepreneurial endeavor and business investment. Funding for regional development in Quebec and for these agencies will be continued, and government procurement policies will become increasingly responsive to regional considerations.