

The main challenge facing all governments in Canada is to create a healthy fiscal climate. There is a wide consensus on this issue among the federal government and the provinces. Fiscal restraint is not an end in itself, but by reducing our deficit and lowering our debt burden, we will be able to achieve lower interest rates. This, in turn, will lead to higher consumer and investor confidence and increased economic growth.

Fiscal restraint is a fundamental requirement which will allow other government initiatives to succeed in achieving the overriding goal of job creation.

At the federal level, it is extremely important that we achieve the fiscal targets set out in the last budget, despite the recent run up in interest rates. Both the Prime Minister and the Minister of Finance have stated unequivocally that they will take whatever actions are required to meet our deficit targets — three per cent of GDP [Gross Domestic Product] — a target not reached since 1977. Our ultimate goal, as stated in the Red Book, is to balance the budget.

Just as we are taking practical steps to deal with our fiscal situation, we are also striving to make concrete improvements in the working of the Canadian Federation. The Government is deeply engaged in practical, co-operative efforts with the provinces to make the Canadian Federation work better for all Canadians. The infrastructure program, the reform of the GST [goods and services tax] and of social security programs, the Team Canada approach to international business development are but a few areas where the provinces and the federal government co-operate constructively to build a stronger future for Canadians.

Earlier this week, the Prime Minister and the provincial premiers signed an internal trade agreement to eliminate and reduce interprovincial trade barriers. As well as enhancing the predictability and stability of the Canadian marketplace and adding to the confidence with which businesses can operate in Canada, the agreement is further proof that federalism can and does work.

Thank you.