vision is a strong, prosperous and dynamic economy. That is what our agenda for economic renewal is about.

It is a comprehensive plan, a plan that we have been following assiduously since November, 1984. Our initiatives in areas such as investment, international trade, privatization, competition policy, patents and copyright, deregulation, pension and income tax reform and the labour market development strategy are all designed to lay solid foundations for long-term sustainable growth and productive jobs—jobs for Canadians in a world where competition is unforgiving and change is fast becoming the only constant.

The goods and services tax is a vital component of our agenda to reform the economic structure of our economy. At a time when a new highly-competitive Europe is emerging and when Japan and several other nations of the Asia Pacific are occupying an increasingly large place in the landscape of trade and investment in the world, we cannot afford a tax system that punishes our domestic producers and our exporters and gives a cost advantage to their foreign competitors.

Helping our exporters to compete internationally was a major reason why we negotiated the Canada-United States Free Trade Agreement. Removing the federal sales tax will make our exporters even more competitive, not only in the United States but in all the markets of the world.

Competitiveness is not just a matter of economic policy. It is also crucial to social policy objectives. There is a good reason for that. For a trading nation like Canada, we must be able to sell our goods and services around the world so that we can generate the wealth and resources required to pay for our social programs and services.

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The problems with our existing sales tax have been well documented, progressively since 1940. Under the current system, the existing tax applies to sales of manufactured goods. As a result of that, a significant amount of tax is paid on the materials, plant production costs and equipment used in the production of all goods and services originating in this country, goods and services that every Canadian buys every day.

In fact, about one-half of the $18 billion in federal sales tax revenues currently comes from the taxation of business inputs, materials and supplies used in the production process. This also raises the cost of capital to our own producers, discouraging investment for modernization and expansion.

Because these taxes on business inputs do not apply to foreign producers, the ability of Canadian exporters to compete in global markets is hampered. Our analysis shows that the tax on business inputs often exceeds 10 per cent of the profit margin of our exporters.

Furthermore, the existing system taxes our own products more heavily than imported products—on average about one-third more. We are the only country in the world which has a tax system which favours imported products over domestic producers.

While Canadians have dithered over 50 years about how to change our self-destructive federal sales tax, 48 other countries have already opted for tax systems along the lines that we propose in the goods and services tax.

In today's highly integrated world economy, countries which rely on trade for their prosperity cannot allow their tax systems to get out of line with those of their trading partners. Canada is no exception. We must understand once and for all that Canada must compete on the world's terms because the world is not going to compete on Canada's terms.

Meeting successfully the challenges of the world economy means that we must, from time to time, make major structural improvements to our economy in areas such as taxation. To do that most effectively requires detailed and extensive consultation with Canadians. That is exactly what we have done in the process leading up to the presentation of the goods and services tax bill.

In November, 1984 we indicated that we had begun to study the possibility of replacing the current sales tax with a value-added sales tax system.

In October, 1986 the government set out basic guidelines for its approach to comprehensive tax reform; and