

Canadians will continue to follow very closely the changes that Hong Kong people and institutions will face in the next few years. While 1997 will be a major watershed in your history, we are confident that Hong Kong's unique character and vital economic role will be preserved and strengthened in coming years. We have confidence in Hong Kong and in China to make things work.

#### CANADA

Let me turn, finally, to the economic and political scene in Canada. I am well aware that Hong Kong, as a major financial centre for Asia and such an important source of direct investment to Canada, takes a special interest in the domestic situation in my country.

There is no doubt that these are interesting political times for Canada, particularly with the upcoming provincial election in Quebec on September 12. Let me update you on the economic and political front.

Our government was elected on a firm commitment to and mandate of economic growth and job creation. We know that exports and foreign direct investment will have an important role to play in this strategy.

We also know that strong fiscal management and political stability are essential to attract foreign investment. A strong economy is the key to a strong society. In this regard, we are gratified by the recent outlook of the OECD that suggests that Canadian growth levels in the years ahead will lead the G-7 [Group of Seven leading industrialized countries]. The fact that we have managed to do so while containing inflation and increasing productivity underlines the attractiveness of Canada as a base for investment in North America.

A number of other indicators also point to a strengthening Canadian economy. Economic growth has gained momentum over the last year, fuelled by exports and consumer spending. In fact, the recent strength of employment growth and consumer confidence suggests that the expansion is taking hold. Almost 200 000 jobs have been created since January and employment is now approaching pre-recession levels. Growth momentum is stronger than expected so far in 1994. Despite the rise in interest rates, real growth in 1994 will likely be stronger than the three per cent predicted in the budget. Meanwhile, inflation remains at record lows, and the Government remains firmly committed to fiscal responsibility. We are on track to achieving a reduction of the deficit to three per cent of GDP [gross domestic product] in three years. Our ultimate goal, of course, is still the elimination of the deficit over a reasonable period of time.