

Rising deficits have been recorded in each of the last ten years, and the legacy of these deficits is that our national debt is rising much faster than the economy is growing. Growth itself will not solve the structural imbalance between government revenues and expenditures. Restoring fiscal flexibility will require difficult decisions. And we have begun that process.

After only two months in office we were able to announce expenditure savings and revenue enhancement measures of over \$4 billion on an annual \$100-billion budget. This is a beginning.

The second part of our strategy for economic renewal is that we intend to redefine the role of government itself. Traditionally, government has had a much more activist role in Canada than in the United States. From railway building to television broadcasting to hydro development, government involvement has been a historical necessity in Canada, and it has been on the whole a positive factor in our national life.

Today's reality, however, is that government in Canada has become much too big. It inhibits and distorts entrepreneurial activity. Some industries are over-regulated, others are over-protected.

In the past, government has built up an intricate web of regulations, subsidies and other forms of intervention, which have become a major obstacle to adjustment and growth in the private sector. Getting the economy back on course means that we must adopt an approach that rewards entrepreneurship and risk-taking, and facilitates adjustment to the changing realities of new markets and technologies.

The third part of our strategy is that we must adopt policies that foster higher investment, greater innovation and increased international competitiveness. Investment contributes directly to the growth of output and employment, and is central to ensuring that Canadian business responds rapidly to new technology and new market opportunities. Greater innovation, enhanced productivity and increased competitiveness are essential if Canada is to compete effectively in the world marketplace.

Finally, the changes we are proposing are fundamental to the economic, social and political structures of our society. National consensus is essential to economic renewal. Our new national government can and will achieve that consensus with the provinces, labour, the private sector and others whose efforts energize our society.

Let me touch now on three areas in our strategy for economic renewal which impact directly on our relations with the US — trade, foreign investment and energy.

Trade is Canada's life blood. Our objective is to strengthen Canada's stature as a first class world trader. We intend to take a careful look at all federal government programs and policies to determine how industry can gain and secure access to markets. Protectionism is our mutual adversary. The longer-term upshot of protectionist tendencies in the United States, Canada and elsewhere would be to move against the trend to liberalization of access to national markets. In the short-term, restrictions on trade reduce real growth prospects in both the industrialized and developing countries. The implications for the latter are even more profound, and could have serious ramifications for international financial markets.