

These challenges underline the need for the Government to work more closely than ever with our trading partners to promote balanced and healthy world growth.

[English]

Events outside Canada have affected the nation's economic performance in 1986. Low world grain and oil prices have had a serious impact, particularly in Western Canada. The benefits of steady growth and job creation have been substantial, but they have not been fully shared in all regions.

The Government has responded to regional needs through a number of measures that have cushioned the impact of international events. We have been able to respond because of the progress that the national economy has been making.

Without our success in achieving lower interest rates and lower inflation, the regional problems facing us would have been even more serious.

[Translation]

Let there be no doubt that our future ability to contribute to the economic development of all the regions of this country will continue to depend on our ability as a nation to compete against the best from around the world.

[English]

#### PROGRESS ON OUR AGENDA

Before this Government came to office, the confidence of Canadians had been badly eroded by a severe recession. The severity of the recession and the decline in confidence were symptoms of disturbing trends that posed a threat to our goals of sustained growth, permanent jobs and greater opportunities for Canadians.

The deficit was more than \$38 billion and rising.

The national debt had doubled in only three years.

The Government was consuming more and more of the country's resources.

[Translation]

Private initiative was increasingly stifled by excessive regulation.

Growing industrial subsidies were inhibiting change.

Undisciplined spending was leading to waste, excessive bureaucracy and unproductive activity.

[English]

Government was very much part of the problem.

A nation overburdened by deficits and debt is a nation made more vulnerable to economic shocks. But what government does, and how it does it, are as important as how much of the nation's resources it borrows.

That is why, in November 1984, we placed before Canadians a comprehensive economic renewal agenda.

[Translation]

That is why, steadily and consistently, we have acted to make government more efficient; to restore prudent financial

management; and to provide an economic environment that encourages private initiative and risk-taking and that rewards success.

[English]

Without decisive action to restore the health of the nation's finances, the spiral of deficits and debt would have quickened; confidence would have sagged even further. We had to act. And we did.

We reduced the deficit to \$34.4 billion in our first full year in office.

This year we will further reduce the deficit to \$32 billion. And we will hold our program spending to \$89.4 billion, the target I set out in my Budget one year ago.

I am also announcing today that, in our third year, we will get the deficit down to \$29.3 billion.

Let me emphasize the full measure of our efforts. When we came to office, the federal deficit relative to the size of the economy was more than one and a half times the size of the United States deficit, using equivalent measures of comparison. As a share of the economy, our deficit has been brought down to the point where it is now identical to the deficit of the United States.

This progress has not come easily. It has required tough decisions and it has required firm, disciplined management. These actions have been taken as part of our comprehensive program to achieve our central objective of improving Canada's international competitiveness. For it is improved competitiveness that will create sustained growth and permanent jobs.

Our program also includes action:

to deregulate key sectors of the economy;

to support science and technology;

to assist small business;

to privatize Crown corporations that can perform better in the private sector;

to modernize financial services regulation;

to pursue trade policy initiatives to secure markets for Canada into the next century.

Our trade initiatives are of central importance. They will ensure that our improved competitiveness is translated into more jobs. We remain committed to seeking an agreement with our largest trading partner, the United States an agreement that must clearly benefit Canada. We are also playing a leading role in the new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade. These negotiations will deal with a number of issues of vital importance to Canada, including agricultural trade. As the Prime Minister (Mr. Mulroney) has made clear, the Government will spare no effort in seeking an international resolution to agricultural trade conflicts and an end to the damage they cause in Canada and around the world.