

Statement

Department of  
External  
Affairs



Discours

Ministère des  
Affaires  
extérieures

CHECK AGAINST DELIVERY

REMARKS BY THE

RIGHT HONOURABLE JOE CLARK,

SECRETARY OF STATE FOR EXTERNAL AFFAIRS,

TO THE DIPLOMATIC CORPS

OTTAWA

April 28, 1989.

Secretary of State  
for  
External Affairs

Secrétaire d'État  
aux  
Affaires extérieures

Canada

I appreciate the fact that you have been able to attend this briefing on such short notice. I, my colleague, Monique Landry, and the officials present here today will do our best to provide the kind of information that will be of most use to you and to your governments.

We have invited you to come here because we, in the Government, regard this budget as a most important one for Canada's future. That future includes, along with our domestic well-being, our capacity to play the kind of role we wish to play internationally.

You already know that the Government is concerned by the growing size of the public debt and the exploding cost of paying interest on that debt. If we fail to get this problem under control, all Canadians will suffer -- through a weaker economy, higher interest rates, fewer jobs and the erosion of programs we all value.

Internationally, the deficit reduces our ability to contribute to world economic growth and stability, to the reduction of international economic imbalances, and to containing inflation. We have indicated to our international partners, most recently at the meeting of the Interim Committee of the IMF in Washington, our determination to deal with this important challenge.

You have heard the numbers describing our debt problem in Mr. Wilson's budget, but let me highlight some of the key indicators. When the present Government took power, we inherited a federal deficit that was huge, structural and growing.

As a result of twenty years of Government borrowing, our national debt now totals \$320 billion. As that debt has grown, so too has the cost of interest payments. Thirty-five cents of every tax dollar now goes to pay for interest on our debt.

Clearly this is not a road on which we wish to continue. Over time the debt burden would come to absorb an ever increasing portion of Government revenues, and further crowd out necessary Government programs.

Since coming to office, this Government has taken the mounting debt problem very seriously. We have brought program spending under tight control with considerable success. By last year, we had slowed the annual growth rate of the debt from twenty-four per cent to under ten per cent. The fiscal measures taken, along with constructive economic policies, have resulted in a stronger, more buoyant economy.

However, the large and growing existing debt has left Canada vulnerable to rising interest rates, and that risk has now become a reality. We have seen interest rates increase dramatically around the world and Canada has not escaped this phenomenon as concern has increased about renewed inflationary pressures.

Reducing fiscal deficits, particularly in North America, is a key element in reducing inflation risks and easing pressure on interest rates. Lower deficits will help reduce inflationary pressures and will leave monetary policy more room to manoeuvre in easing interest rates. In turn, lower interest rates will reduce the cost of servicing government debt, thus further reducing the deficit. This is the road that the Canadian Government has chosen to follow. The alternative is higher inflation, rising interest rates, higher debt service costs and still larger deficits.

Canada is committed to adjust in order that it can grow from a basis of renewed strength. I know that many of the governments which you represent have had to take difficult economic policy decisions in recent years, often, at some real, immediate cost in terms of government programs.

We are convinced that by taking the steps we have outlined in the Government's budget, we will lay the basis for a stronger Canada. We will be building for Canada's future.

At the same time, we will be making our contribution to a healthier world economy. Besides the benefits to our own citizens, we and other industrialized countries see this as our first responsibility internationally to developing countries. Sustained, non-inflationary growth in the world economy provides the solid basis on which growth and development in developing countries can proceed. Industrialized and developing countries alike affirmed this earlier this month in Washington.

There are costs to these fiscal adjustments, and we have to make some difficult choices. One important area which relates to our international role is defence spending.

As with other programs, there will be reductions in this area. You know that Canada will not be proceeding with the acquisition of nuclear powered submarines. Rather we will examine alternatives for rebuilding our Navy.

The Government will also cancel a number of other defence projects, including acquisition of additional long-range patrol aircraft and of additional CF-18 aircraft. The project for the main battle tank will be put on hold.

However, Canadian Forces will remain in Europe and the current level of stationed forces will be maintained. Our policy in the short-term will be to pause. We will not continue with our programs to build up our military strength in Europe. We will ensure that we have the resources to respond to appropriate requests for peacekeeping forces whenever they arise, and wherever they are needed.

The pace of rebuilding Canada's military will have to proceed more slowly than we had hoped. But the principles of the Defence White Paper remain the defence policy of the Government, and we remain committed to an improved rate of real growth in defence expenditures over the longer term.

As you will hear in more detail from my colleague, the Minister for External Relations and International Development, another program that the Government decided, reluctantly, must contribute to our deficit reduction is the development assistance program.

There will be reductions in our ODA budget, because the Government has had to examine all programs. Our official development assistance has been the Government's fastest growing program increasing by 7.4 per cent per year over the past four years.

However, I want to assure both our development partners and fellow donors that the Government continues to be firmly dedicated to the delivery of a substantial, high quality development assistance program. We are committed to working with developing countries to help improve the lives of their people.

The only way in which we can continue to more effectively reach out and assist countries of the Third World is if our own economy is healthy and growing from a strong and solid foundation.

Indeed, despite the immediate reductions, our aid budget will continue to grow by as much as ten per cent next year. Most importantly, it will be linked by a formula to the growth of the Canadian economy. Once again, a healthy national economy will enhance our contribution to international development.

We will continue to be one of the more generous donor countries. Our aid program will continue to be one of the very highest quality, reflecting faithfully the new aid strategy the Government published last year. And we will continue to play a role in the UN system, in the Bretton Woods institution, in the Commonwealth and in La Francophonie.

I, therefore, would like to leave with you three messages on the overall budget, on our defence policy, and on our contribution to world development. The first is the Government's unshakable commitment to attacking the deficit, because this is the way in which we can not only renew the basis for a strong Canadian economy, but also contribute to the overall global economy.

The second is that while there will be delays in implementing some defence policy goals, the principles of our policy remain and there will be real growth in the defence budget over the next five years.

And the third message is our continued dedication to international development. The fact that we have had to revise our volume targets for ODA is temporary. We are committed to continue the growth of our high quality program beginning next year.