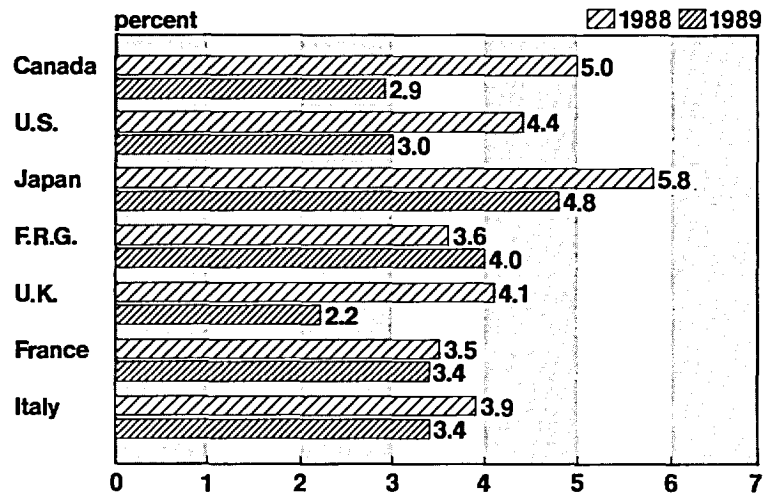


In 1989, economic growth moderated somewhat from the rapid pace of 1988 in all of the G-7 countries except the F.R.G., but nevertheless continued at a healthy pace. Japan remains the fastest growing economy of the G-7 countries. The F.R.G.'s economy grew at a real rate of 4 percent in 1989, stimulated in part by the demand for investment goods caused by developments in Eastern Europe and the prospects of "Europe 1992."

Chart 7
Growth of Real GNP/GDP in 1988 and 1989



Though factors such as growth differentials and exchange rate movements cause considerable fluctuations in annual measured trade flows, the chart provides an indication of the relative importance of international trade in the economies of the summit countries. The chart shows clearly the large external sectors of the Canadian and European countries, and the smaller volume of external trade (as a percentage of GDP) in the U.S. and Japan.

The importance of international trade in the economies of the G-7 as a whole increased in 1989. In fact, trade volumes expanded by 7.5 percent in 1989 — more than double the average rate of growth of the G-7 economies.

Chart 8
International Trade in 1989
(Exports plus Imports)

