

## CHAPTER 2 CANADA AND WORLD TRADE

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### *Highlights*

- *Canada serves on board of European Bank for Reconstruction and Development.*
- *First annual report on export of military goods.*
- *Canada controls exports to Iraq.*
- *Houston Economic Summit launches economic dialogue with the U.S.S.R.*



*A ceremonial drum dance performed by natives of the Dene Community of Dettah for delegates at the Arctic Environmental Protection Initiative of the eight circumpolar nations meeting in Yellowknife — April 1990.*

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### THE INTERNATIONAL ECONOMIC ENVIRONMENT

Following a slowdown in the latter half of 1990, economic growth in the industrialized countries stagnated in the first half of 1991. Restrictive monetary conditions and a sharp decline in consumer confidence in reaction to the Gulf War resulted in average economic growth estimated at 1.5 percent for the latter half of 1990, and 0.3 percent for the first half of 1991. This compared with an estimated 4 percent in 1989. The United States, the United Kingdom and Canada entered recessions. France and Italy saw their rates of growth decline to near zero while the growth rates of Japan and Germany slowed. By the end of the period under review, however, there were clear signs that growth had returned to industrialized countries, although in some cases that growth was still tentative.

The countries of Eastern and Central Europe suffered real declines in their economies of an estimated 10 percent for the region, as a result of the impact of a shift to world prices and convertible

currency settlements as well as the loss of the dominant Soviet market. In the first half of 1991, there were signs that internal restructuring and external financial flows were, to some extent, offsetting these negatives.

In the developing world, growth rates fell as a result of the decline in the industrialized countries. The exceptions were oil-exporting countries, which benefited from a brief period of high oil prices following the invasion of Kuwait by Iraq, and some economies in Asia which continued to register relatively strong growth. African countries continued to face enormous economic difficulties due to declining terms of trade in resource products and continuing difficulties with high levels of debt. In Latin America, the introduction by some countries of reform programs to remove trade impediments and attract external financing began to have an effect, but the burden of debt continued to restrict investment and growth.