

49-member Commonwealth Heads of Government Meeting in Vancouver in October. These two meetings helped to advance the international agenda in a number of key areas: debt forgiveness; improved co-operation and consultation between developed and developing countries; and promotion of human rights, especially opposition to *apartheid*. The Francophone Summit followed up the earlier Paris Summit by putting La Francophonie on a firm and enduring basis, and symbolized a new co-operative relationship between Quebec and the federal government on the international stage.

Canada remained in the forefront of efforts to strengthen the United Nations and its constituent agencies by introducing sounder principles and practices for administrative and budgetary accountability. The Canadian policy of trying to reform the UN agencies from within, rather than following some other major donor countries by withdrawing support as a sign of protest, has had a slow but beneficial impact on the operation of some but not all of these institutions.

World economic growth continued at a moderate pace in 1987 in most developed and developing countries, but with marked regional differences and with some signs of market uneasiness, notably the sharp price declines in world stock markets in October. Trade volume expanded at a somewhat greater rate than anticipated, and there was a recovery in many non-oil commodity prices in the latter part of the year. Imbalances among the major market economies remained at the centre of attention, particularly at the Venice Summit in May, where Canada stressed the need to achieve improved macroeconomic co-ordination. The debt problems of a number of developing countries also remained a concern throughout this period, emphasized by Brazil's suspension of interest payments to commercial bank creditors early in the year.

Canada participated in a number of rescheduling agreements, and took the lead in moves to reduce the debt burden on the poorest countries of sub-Saharan Africa through writing off official development assistance debts. The year witnessed an expansion of market-oriented economic mechanisms, as both the U.S.S.R. and China increased the role of markets in their economies, and structural adjustments programs in developing countries also emphasized market solutions. Trade liberalization proceeded within the Uruguay Round of Multilateral Trade Negotiations (MTN).

The signing of the Canada-U.S. Free Trade Agreement in October was a major step forward in combating protectionism and expanding international trade. The Free Trade Agreement covered both merchandise trade, investment and trade in services, and was the result of an intensive and protracted negotiating process. As a result of the Agreement, access to markets in both countries is to be significantly widened, tariffs between the two countries are to be eliminated over a 10-year phase-in period, and a dispute settlement process is to be put in place. It is calculated that every major sector of the Canadian economy will derive net benefits from the Agreement and that these benefits will be distributed among all regions.

The Agreement, which is consistent with Canada's international obligations and with Canadian policy objectives in the fields of culture, social policy and national sovereignty, will assist the Canadian economy to become more internationally competitive and to attain sustained economic growth in the years ahead.

The Canadian economy achieved an above-average performance in 1987, with real Gross Domestic Product expanding by 3.9 per cent, unemployment dropping from 8.9 to 7.5 per cent, and inflation contained at 4.1 per cent. This success owed something to favourable trends in commodity prices, increased investor confidence in Canadian prospects and policies, and the competitive performance of Canadian industries.

During 1987 Canada's development assistance program and its management underwent extensive internal and parliamentary review and a new Canadian development assistance strategy was announced in *Sharing Our Future* (see Chapter 1). This strategy confirmed the government's commitment to develop human potential, promote social change and improve living standards, and to stimulate economic growth and productivity on a sustainable basis. To achieve these objectives, the government has stated that official development assistance will be directed even more towards the poorest countries, to human resource development, to women who need to be involved more in the planning and implementation of programs, to structural adjustment needed to improve economic performance, to food security, to environmentally sustainable projects, and to the development of much needed energy resources. In addition, assessment of human rights policies and practices will be made concrete factors in decision-making on aid eligibility and the level of assistance.

Canada has joined forces with other concerned nations in the search for international solutions to the spread of AIDS, to the safety of travellers who are threatened by acts of international terrorism, and to the growing illicit trafficking in drugs. Canada welcomed and endorsed the emphasis of the report of the World Commission on Environment and Development (Brundtland Commission) on the importance of linking environmental considerations with economic policy-making. Significant steps were taken to protect the environment in the Montreal Protocol on Substances that Deplete the Ozone Layer and the completion of negotiations on a protocol on emissions of nitrogen oxides. Canada continued its efforts to achieve agreement on outstanding issues relating to the law of the sea and space on which international consensus has not yet been reached.

During the fiscal year 1987/88 the Right Honourable Joe Clark was Secretary of State for External Affairs. On March 3, 1988, the portfolio of the Honourable Monique Landry was renamed Minister for External Relations and International Development to reflect the growing importance that the government attaches to development assistance in an increasingly interdependent world of burden-sharing. On March 31, 1988, the Honourable John Crosbie was appointed Minister for International Trade, replacing the Honourable Pat Carney.