same period. Moreover it is not easy to establish how much of this trade loss can be directly attributed to the plight of indebted developing countries and how much is a result of other economic or trade factors. What is clear, however, is that substantial trade has been lost due to declining demand in Third World countries.

There has also been a significant indirect impact on Canadian exports. Reduced exports by other OECD countries to the Third World have led them to cut back on their purchases of Canadian commodities and components used in the manufacture of their exports. To give some idea of the scale of this reduction, it has been estimated that in 1984 the decline in U.S. exports to Latin America alone accounted for the loss of 440,000 U.S. jobs.

There has also been increased competition in exports generally. Developing countries, desperate for foreign currency, have cut prices in an effort to increase their sales abroad. Where Canada competes with Third World producers, which is mainly in the export of commodities, the effect on Canadian producers has been serious.

Dangerous Implications for Democratic Debtor Countries

The debt crisis involves political dangers as well. During recent years a number of military governments have been displaced by democratic governments in the Third World. In Latin America, democracy has been restored and elections have been held in Uruguay, Argentina, Brazil, Ecuador, Peru and Bolivia. A number of these countries are heavily indebted, due in part to the inappropriate policies of their former leaders. For instance, in Argentina, the democratic government is faced with the problem of servicing the excessive debts incurred by previous military governments not for the creation of economically productive infrastructure but mainly for military purposes.

People in these newly democratic countries not unnaturally have higher economic and social expectations of their elected governments. When asked by their new leaders to support austerity programs, the people expect, after a year or two, to see some positive benefits for their belt-tightening. Instead, they are faced with reduced real incomes and higher unemployment rates. Already the decade of the 1980s is being termed "the lost decade" as far as economic growth of these debtor countries is concerned. In Latin America, real GNP per capita that had been growing continuously since 1950 fell by nearly 10 per cent during the first half of the 1980s. Despite economic constraints and debt-servicing efforts, the debt-export ratios in Latin America are, except for Brazil, higher in 1985 than they were in 1982. Forecasts indicate that 1980 per capita income levels will not be regained until at least 1990. In such a setting, disappointment and unrest grow, threatening the recently elected leaders.

Governments in established democracies in the Third World as well are undermined by the debt problem. Steadily mounting unemployment, high inflation, and rising consumer prices overburden their existing social welfare systems. Income distribution frequently tends to become more inequitable in economically strained situations. History demonstrates that a causal relationship exists between political change on the one hand and economic growth and social welfare on the other. Even firmly entrenched democratic leaders find their