

The Peruvian government is facing hyperinflation, a drop in GDP and a worsening security problem caused by spreading guerilla insurgency. Canada continued to demonstrate its support for economic and social development in Peru through CIDA and the IDRC. Food aid and development projects in the fields of energy and agriculture combine to make Peru the largest recipient of Canadian bilateral assistance in South America. Despite Peru's parlous economic situation, Canadian exports reached almost \$55 million in 1988.

Mme Landry visited Ecuador in August to attend the inauguration of Ecuador's new president, Rodrigo Borja Cevallos. Mme Landry officially opened the new premises of the Honorary Consulate in Quito. Ecuador, which closed its embassy in Ottawa in 1987, has announced its decision to reopen it, a welcome development for Canada-Ecuador bilateral relations.

The public order situation in Colombia continued to deteriorate with left-wing guerilla movements, right-wing paramilitary groups and the narcotics trade all serving as sources of violence and instability. Despite these circumstances, the economy prospered with Colombia remaining the only Latin American country to pay back both principal and interest on its external debt.

Canada supported the Colombian government's initiatives in the field of human rights, offering funds for a network of municipal human rights ombudsmen and sponsoring visits to Canada and consultations with the Colombian Presidential Advisor on Human Rights and his colleagues.

Carlos Andres Perez won the presidential elections in Venezuela in December and assumed office for a second term (he was President during the 1970s) in February 1989. Canada was represented at his inauguration by Jean-Guy Hudon, MP, Parliamentary Secretary to the Secretary of State for External Affairs. The Governor General also visited President Perez on her way to Brazil and Uruguay in February. The President stated his wish to develop closer relations between Venezuela and Canada.

Mexico

Canada continued to enjoy excellent relations with Mexico on a variety of levels. Carlos Salinas de Gortari, who was victorious in Mexico's presidential election in July, was inaugurated President on December 1. Canada was represented at the inauguration by Mr. Guy Charbonneau, Speaker of the Senate. President Salinas identified Canada as a country to receive priority attention in Mexico's foreign affairs. The first ministerial-level contact with the new administration occurred when Pedro Aspe, Secretary of Finance, visited Ottawa in February.

Economic difficulties continued in Mexico during the past year, exacerbated by low oil prices, but the government scored some successes in its efforts to open the economy and make it more competitive. Some improvement was made in both the internal and external debt service situations, but this remained a critical economic and political problem, with implications for some Canadian banks. Trade missions and seminars reinforced efforts to promote Canadian exports of agricultural products, livestock, telecommunications equipment and mining machinery. Two-way trade reached \$1.8 billion, the largest Canada achieved with any country in Latin America.

Organization of American States

The Organization of American States (OAS) faced two major difficulties during the year. The first reflected widespread dissatisfaction by member states with the organization's incapacity to address adequately many of the key problems facing the region. The second was the organization's serious financial plight, due mainly to large arrears in members' assessed dues. The OAS General Assembly in November decided to initiate a review of the OAS mandate and to reduce its staff to avoid bankruptcy.

Canada maintained its Permanent Observer status at the OAS as well as full membership in three of its specialized organizations: the Pan-American Health Organization (PAHO), the Inter-American Institute for Co-operation on Agriculture (IICA) and the Pan-American Institute for Geography and History (PAIGH).

CIDA initiated assistance programs with the OAS, PAHO and IICA amounting to over \$10 million.

Central America

The efforts of the five Central American presidents to keep alive the spirit of the 1987 Esquipulas accords seemed to be moving positively as the year under review came to a close. Canada's offer to provide support and assistance to a practical security verification mechanism came into focus at the end of March, as the five Central American countries formally asked the UN Secretary-General to call upon Canada, Spain and the Federal Republic of Germany to take part in a UN Observer Group. Canadian officials consulted regularly with the UN and the other concerned parties to try to ensure the success of the peace process. Canada welcomed the public commitment of the United States Administration and Congress on March 24, 1989, to support the Central American peace process.

At the request of the Salvadoran government, Canada sent an official observer to El Salvador to observe the presidential elections, which took place on March 19. His findings indicated that, even in the midst of a civil war, Salvadorans exercised their right to vote in large numbers. The outcome of the election seems to be an accurate reflection of the will of most of the Salvadoran voters.

Armed conflicts in the region continued to be a preoccupation, particularly because of the heavy toll they inflicted on the population and their destructive effect on the economies in the area. As a direct result, 3 484 Central American refugees were permanently resettled in Canada in 1988, fleeing either the hostilities or persecution. Meanwhile, the flow of illegal migrants and improperly documented visitors accelerated during 1988. As a result, visitor visa requirements were imposed on Panama and Nicaragua. Canada continued to provide economic assistance to all governments of Central America, much of it channelled through Canadian and local NGOs.

Canadian exports to the region increased by over 18 per cent to \$145 million in 1988. Canadian firms participated in a major international trade fair in Panama, which attracted a number of potential buyers and investors from throughout Central America.

The Caribbean

As a consequence of its special relationship with the Commonwealth countries of the Caribbean, Canada has been taking a leading role in helping to alleviate the serious economic and financial burden created by indebtedness. In