

Brazil

Events in Brazil focused on the transition from 20 years of military government to democratic institutions and on the challenges of economic and social development. This transition was complicated by the sudden death of the popular President-elect Tancredo Neves and the unexpected succession of Vice-President José Sarney. Despite this difficult start President Sarney has effectively established his hold on the government, most recently demonstrated by the implementation of the "Plan Tropical" which has significantly dampened Brazil's inflation.

Canada-Brazil relations continued to grow, particularly in the area of trade. Brazil has now moved into a surplus position, with Brazilian exports to Canada exceeding \$800 million in 1985, against Canadian exports to Brazil of \$664 million. Brazil remained a focal point for Canada's economic interests in South America, both as a market for Canadian goods and services and as the recipient of substantial Canadian investment. Trade relations were further enhanced by the signature of a double taxation agreement in December 1985. Negotiations on a new bilateral air agreement were also completed, with regular air service by Canadian and Brazilian carriers scheduled to begin in 1986.

The Andean Group

Although the Venezuelan economy suffered economic stagnation during the 1985-86 fiscal year, coupled with rapidly declining oil prices, the bilateral relationship was active and benefited from a number of senior official visits, including the second meeting, in Canada, of the Canada-Venezuela Joint Consultative Committee. By virtue of its active participation in international affairs, including membership in the Contadora and Cartagena Groups as well as the Organization of Petroleum Exporting Countries (OPEC), Venezuela continued to be an important interlocutor for Canada. While Venezuela remained Canada's largest offshore oil supplier, overall two-way trade in 1985 dropped slightly from the previous year to \$1.4 billion. Venezuela became an increasingly attractive destination for Canadian tourists during this period.

In Peru, the historic win of the American People's Revolutionary Alliance (APRA) party in general elections led to the inauguration of Alan Garcia as President on July 28, 1985. The transfer of power to the Garcia government marked the first transition in 40 years between democratically elected governments. President Garcia capitalized on his government's extraordinary popularity to institute social reform and a strict economic stabilization program. He also adopted an aggressive approach to foreign policy, including initiatives to lower tensions with neighbouring countries of the region and promote regional disarmament and a controversial position on Peru's foreign debt. In February 1986, Luis Alva Castro, Peru's Prime Minister and Foreign Minister visited Canada for discussions on economic and political issues. Trade between our two countries declined during this period, primarily due to Peru's severe economic crisis.

In Bolivia, three-time former President Victor Paz Estenssoro was chosen by Congress to succeed President Siles Zuazo after inconclusive general elections. Faced with chronic economic and social problems President Paz imposed a stiff austerity program to confront Bolivia's economic decline but despite some success in halting hyper-inflation the country's problems

remain formidable and were exacerbated by the collapse in tin prices.

In Ecuador, President Febres Cordero consolidated his government's influence in Congress after months of turbulent political and constitutional wrangling. Free-market policies and continued modest economic growth have contributed to a more positive economic outlook. However, oil price declines in early 1986 have severely dampened Ecuador's economic growth prospects in 1986.

In Colombia, President Betancur's administration continued to play an active role in hemispheric affairs, notably within the Contadora process and in efforts towards reforming the Organization of American States (OAS). Although the Colombia Revolutionary Armed Forces (FARC) guerrilla group continued to respect its truce agreement with the government, the core of Betancur's domestic policies, the peace process, was dealt a major blow by stepped-up activities of the M-19. The seizure in October 1985 of the Justice Palace and its bloody outcome shocked the country which was confronted shortly afterwards by the Nevado del Ruiz volcano tragedy which claimed some 23 000 lives. The Colombian economy performed well during the last half of 1985 and forecasts into 1986 are positive. Although our trade with Colombia fell during 1985, reflecting Colombia's economic restraint program, increased exports and high prices for Colombia's major export commodity, coffee, have resulted in a relaxation of import restrictions. Colombia and Peru remained countries of concentration for CIDA bilateral aid programs.

The Southern Cone

In the southern cone of South America, Argentine President Alfonsín continued to rebuild democratic institutions. The "Austral Plan," announced in June 1985, was seen as a bold attempt by the government to come to grips with the hyperinflation which threatened the economic and social fabric of the country. The government continued its prosecution of members of the former military junta for human rights violations. In the area of foreign policy, Argentina began to play an active role, once again, in regional affairs, although prospects for an early settlement of the Falklands-Malvinas dispute between Britain and Argentina remained dim.

Relations between Canada and Argentina continued to develop across a broad spectrum. During the first meeting of the Canada-Argentina Joint Economic Committee held at Buenos Aires in August 1985, a number of areas were identified for future collaboration and co-operation. In September, Argentine Foreign Minister Dante Caputo and Secretary of Energy Conrado Storani paid official visits to Ottawa; in November, the Honourable Charles Mayer, Minister of State Responsible for the Wheat Board, visited Argentina. Other senior Argentine officials who visited Canada in the course of 1985 were Secretary for Mines Juan Barrera and the late Minister of Public Works and Services, Roque Carranza. There were also a number of trade missions which reflected a growing interest in Argentine commercial opportunities among Canadian firms. In October Canada hosted the Transfer of Technology Fair, TECHNOCAN, which was accompanied by a cultural festival, in Buenos Aires.