

PART B

Chapter 2: LATIN AMERICA AND THE CARIBBEAN

Central and South America

Events in Central America dominated the Latin American political scene. The significant event in Nicaragua was the overthrow of Somoza's dictatorship by the Sandinista National Liberation Front. Canada recognized the new *régime* on July 24, 1979, and contributed to the reconstruction of this country devastated by civil war by providing free of charge an airlift of goods gathered by the Canadian Labour Congress, contributing \$355,000 to the International Red Cross Society and \$200,000 to the fund administered by the Canadian Embassy (located in San José), as well as supplementing the funds collected by non-governmental organizations. The civil war brought incalculable loss of life and a 25 per cent drop in the gross national product. Somoza's overthrow was seen as a major victory by champions of human rights and social justice.

Political instability grew worse in El Salvador, and the new *junta* formed after the *coup d'état* of October 15 did not succeed in gaining sufficient control to make the reforms that were considered indispensable, hard-pressed as it was by both the right and the left. Occupations of embassies and public buildings became common occurrences, and there were a great many political assassinations. In Guatemala, political violence continued unabated.

The members of Somoza's National Guard who had fled to Honduras caused a certain degree of tension between that country and Nicaragua. On the other hand, Honduras made progress toward settlement of its long-standing dispute with El Salvador. The political instability in the area, which brought the temporary closing of some borders, did nothing to help advance the goals of the Central American Common Market. Further south, in Panama, the approval by the American Congress of regulations on implementation of the Canal Treaty, was interpreted as a forward step toward improved relations between the United States and Latin America.

The Latin American economy improved appreciably in 1979, and the gross domestic product increased by 6.5 per cent in 1979. The three strongest economies, those of Brazil, Mexico and Argentina, contributed largely to this growth, and Colombia and Chile also experienced a strong economic growth rate for the second year in a row. In foreign transactions, the current-account deficit in the balance of payments rose sharply, reaching an unprecedented \$20 billion. Latin America's external indebtedness increased substantially again and inflation accelerated in

most countries; the regional average inflation figure rose from 41 per cent in 1978 to 51 per cent in 1979.

Canadian exports to Latin America reached \$2.4 billion in 1979. Venezuela, which remained our fifth largest market in the world, absorbed almost \$700 million, of which more than 60 per cent was in automobile parts. Brazil was our second Latin American market, with \$417 million, followed by Argentina (\$280 million), Cuba (\$257 million) and Mexico (\$236 million). Besides automobile parts, our chief exports are wheat, aluminum, asbestos and newsprint. A mission from the Department of Industry, Trade and Commerce went to Panama, Costa Rica, Honduras, El Salvador and Guatemala in January for the purpose of promoting development of trade with the region.

Our imports from Latin America in 1979 came to \$2.7 billion; 60 per cent of this figure was for Venezuelan oil, which represents 40 per cent of our total oil imports. Other significant imports were Brazilian coffee, Mexican fruits and vegetables, and Cuban sugar.

Canada followed closely human rights developments in various Latin American countries. In view of the importance Canada attaches to increased respect of human rights throughout the world, its representatives spoke out on the question in various international forums and made representations to Latin American governments when such action seemed warranted.

During 1978-1979, Latin America received 9 per cent of CIDA's bilateral disbursements, or a total of \$47 million in loans and grants. In line with CIDA's policy of assistance to the poorest countries, Haiti received \$11 million, most of which was used to fund an integrated rural development program. Honduras was the second recipient of Canadian aid in the region, with \$9.9 million devoted chiefly to a forestry project. Colombia came third with \$8.8 million for rural development projects.

Canada has maintained a high degree of participation in the Latin American organizations that are part of the Inter-American system. As a permanent observer in the Organization of American States (OAS), Canada was able to follow developments and contribute to the co-ordination of activities in the specialized regional organizations of which it is a member. In 1979, Canadians filled senior executive positions in the Pan American Health Organization, the Pan American Institute of Geography and History and the Inter-American Institute of Agricultural Sciences.