Inflation continues to retreat; only five countries experienced significant increases when compared to 1991, and only Brazil posted inflation over three digits. Fiscal austerity is being pursued as government budget surpluses are realized. Brazil remains the subject of contrary scenarios. On **debt**, negotiations with the Paris Club and private bankers are in various stages.

The value of the region's merchandize exports increased by 4%, reaching US$126 billion. Though modest, this expansion was accompanied by a significant net inflow of financial resources for the second year in a row, surpassing US$ 57 billion in 1992 (compared with US$ 40 billion in 1991, and US$ 13.5 billion in 1990). Key contributing factors include the widening differentials between the real interest rates and those prevailing in the United States, and the extraordinary rates of return derived from the economic recovery and privatization processes. Still noticeable is the increased commitment to alleviate **poverty, illiteracy and corruption**, though again more in some countries than others.

LATIN AMERICA AND THE CARIBBEAN HIGHLIGHTS

Optimism about Canadian export and investment prospects in Latin America is increasing. It is based on indications that Latin America is making clear progress in addressing the economic problems that plagued the region in the last decade. Positive signs include:

- debt reduction plans with Mexico, Venezuela, Costa Rica, Uruguay, Brazil and Argentina;

- Chile, Venezuela, Dominican Republic and Nicaragua along with Bolivia, Mexico and Panama have relatively stable currencies. Argentina, Mexico and Venezuela have virtually abandoned exchange controls. Chile, Colombia, the Dominican Republic, El Salvador, Guatemala, Nicaragua, Peru and now Jamaica all have substantially convertible currencies;

- market-based economic reforms including liberalized import regimes are well underway; Argentina, Bolivia, Venezuela, Chile, Mexico have average tariffs in the 9-12% range; inflation is being reduced (e.g. Argentina from 1344% in 1990 to 20% in 1992);

- the successful re-entry of some countries, notably Mexico and Chile, into international capital markets. Mexico and Chile, with several others, have raised over $5 billion mainly through bond issues of private and state-owned companies;

- in August 1992, Chile became the first of Latin America's 1980s problem debtors to meet international standards of creditworthiness (Standard and Poor BBB investment grade). Last year **Mexico was removed from Canada's list of countries requiring risk provisional financing, as was Chile early in 1993.**