

3. *Capital aid.* There has been general agreement that a distinction should be made between Capital Aid and Technical Assistance. Finance and also Trade and Commerce have warned against embarking upon a Capital Aid programme which could easily become a bottomless commitment and which might imply willingness on our part to underwrite the Federation's economic viability on a continuing and long-term basis. It is pointed out that although the U.K. has stated that it would expect to carry the major burden, it is naturally anxious to promote the concept of "burden sharing". (Exact figures as to the size of the U.K. burden are not available but their capital and technical assistance, in the form of grants and loans, apparently exceeds £4 million annually, or £8 million if aid to British Guiana and British Honduras is added.)

4. The Group has considered that the special problems and circumstances which have justified capital expenditure in Asia under the Colombo Plan apply only to a very limited degree in the Caribbean. Moreover, were Canada to agree to a Caribbean Plan, we could well expect to receive requests from other areas of the world (and indeed from other countries in the Caribbean area itself) which have needs fully as urgent and claims quite as deserving. In any event we have been handicapped through lack of firm information about the capital assistance needs of the Federation and the sort of priorities which it would put on these needs: we have not been able to advance considered proposals for a capital assistance programme for the Federation.

5. As a consequence there is emerging a consensus that such Capital Aid as may be provided to the Federation should be in the form of a once-and-for-all project in which the extent of our commitment could be defined and limited in advance to the fullest extent possible. In line with this approach broad support has been given to the suggestion that we should provide one or two new, small (1500-1600 dwt. tons) cargo-passenger ships which would be built in Canadian yards, at a cost of approximately \$2 1/2 million each. Such a project, it is thought, would be appropriate to the needs of the Federation, and for historical and other reasons could suitably be offered by Canada.

6. The Group, however, have not committed themselves to such a recommendation pending a study of probable operating costs for the ships. Some members have expressed the fear that even if such ships were presented as a gift, the Federation or its agents could not operate them other than at a loss and hence (a) the Federation's financial deficit, inevitably appreciable for several years since its revenues are to be strictly limited by the terms of the Constitution, would be further increased; (b) the U.K., with continuing financial responsibility for the Federation, might have to shoulder a still heavier burden; and (c) Canada might find that the extent of her commitment was not so definite as had been supposed and we might have to consider a request for operating subsidies for the ships.

7. The factual study of costs referred to above has been completed but has not yet been considered by the Group. The study estimates that each ship would operate at an annual loss of \$175,000 to \$250,000 depending on the extent and regularity of its services. Too little is as yet known about the likely size of the Federation's revenues to measure the significance of such deficits. It is clear, however, that the operating deficits would be burdensome, particularly since it is known that the Federation's revenues will not be high; we understand that the likely inadequacy of these revenues is giving some cause for concern about the Federation's future.

8. *Technical Assistance.* Canada already extends technical assistance to the British West Indies, but on a very limited scale. (The greater part of this aid is provided indirectly through our contribution to the U.N.) The Group would probably be disposed to increase the amount of our direct technical assistance and to arrange for some planning and organi-