

of a ship or two to meet the necessity for an inter-island shipping service. Aid to shipping would be in keeping with Canada's traditional ties with the West Indies, which were based on Canadian east-coast shipping and trade, as reflected in our pre-war trade agreement with the BWI. Perhaps more important, ships would make a real contribution to the strength of the Federation, in that it would help tie the scattered islands together. Further, the contracts for the proposed ships would be welcomed by Canadian east-coast shipyards. It has been suggested that two ships of 1,500 tons each be provided, costing \$2 1/2 million each. These would be able to provide an inter-island service of the desired frequency. Unfortunately, they would operate at a deficit of about \$300,000 to \$500,000 per annum, (depending on the number and frequency of ports of call) about one-tenth, we guess, of the Federation's budget. The ability of the West Indies to meet this deficit needs to be investigated. Further investigation would also be required of the need for two ships and the proposed frequency of service, bearing in mind the growth of air travel facilities within the area. Possibly one ship, which would involve a deficit of the order of \$150,000-\$250,000 per year, would be sufficient to meet the West Indies' most important requirements and would not impose too heavy a burden on current revenues.

19. In any event, it would not be wise to assume that the gift of one or two ships — large as the gift will be — will ensure that we will not be asked for other types of aid. Although these requests might be held off for some indefinite period of time, they could not be ignored for long. The West Indies needs are real, and their financial resources inadequate. They will appreciate how real our interest is in the success of the Federation: like *Oliver Twist*, they will ask for more. It is worth considering then if we would not be wise to plan now for a limited amount of money spent on a broadly-based technical assistance programme as suggested above.

20. If, for purposes of discussion, it was decided that Canada would make available \$10 million over the next ten years, expenditures might take the following pattern:

<u>Year</u>	<u>One Ship</u>	<u>Technical Assistance</u>
1	\$2,500,000	\$ 100,000
2		300,000
3		500,000
4		800,000
5		1,000,000
6		2,000,000
7		1,200,000
8		1,000,000
9		400,000
10		<u>200,000</u>
	\$2,500,000	\$7,500,000
		<u>TOTAL: \$10,000,000</u>

Alternatively, a gift of two ships, costing \$5,000,000, would enable the technical assistance programme to rise to around \$750,000 at maximum, but this would not enable any significant Canadian contribution to building costs etc., and to projects of any great size.

21. If these ideas carry your judgment we shall try to obtain the concurrence of other departments concerned.⁹³ You may also wish to discuss these proposals with your col-

⁹³ Note marginale :/Marginal Note:
Yes [L.B. Pearson]