

ment. However, a substantial outright grant on the occasion of federation might be desirable. A particularly useful field in which this could be used was shipping. A gift of \$2.5 million would suffice to provide the right type of ship to help improve the inter-island transportation service and make a real contribution to strengthening the federation as such. However, operating deficits would be a problem and would necessitate subsidies. Another problem was the high cost of supplying a ship from Canadian yards.

The Canada-West Indian Trade Agreement would have to be re-negotiated, but this would take some time and it would be undesirable to delay consideration of an aid programme until it could be appraised within the context of a new agreement.

Mr. Pearson recommended in the memorandum:

(a) that certain decisions in principle be made for the provision of aid during the five-year provisional period of the federation's constitution;

(b) that officials undertake discussions with representatives of the federating colonies, with a view to formulating specific proposals for consideration of the Cabinet and in these discussions certain specified considerations should be kept in mind; and,

(c) that the U.K. be advised that the government would be glad to exchange information on the question of providing aid to the federation.

The memorandum had been circulated.

(Memorandum, Secretary of State for External Affairs, April 10, 1957 — Cab. Doc. 82-57†)

22. *During the discussion* the following points emerged:

(a) From the trade point of view, it was highly desirable to assist the new federation.

(b) The possibility of providing a direct subsidy should not be ruled out. It was important to Canada that the federation should hold together and succeed as such, but it would be in some danger of bankruptcy and might need financial aid to get established. Moreover, we should treat these people as our equals who could decide on matters for themselves.

(c) The Colombo Plan approach was strictly a one-sided programme of help and was perhaps not suitable for the West Indian problem. If there were a new trade agreement, it would be easier to justify subsidizing the federation because this would strengthen it, which would be in Canada's best long-term interests. It was argued, on the other hand, that direct bilateral assistance, as provided by the U.S. for many countries, was resented and would not be apt to be appreciated in the West Indies. It had been pointed out to the U.K. Prime Minister at Bermuda last month that Canada's primary interest in the Caribbean was trade, and assistance to the area could best be justified as an investment in future trade.

(d) The West Indies resented the present Canadian immigration arrangements and would welcome a quota agreement similar to those with India, Pakistan, and Ceylon. The Minister of Citizenship and Immigration indicated this would be proposed once the federation was formed. It was not in our interest or to the advantage of the West Indies to encourage large scale immigration to Canada. On the other hand, Canada should do everything possible to encourage trade, particularly the export of fish.

(e) It would be desirable to encourage the new federation to come within the Canadian monetary system.

(f) It was desirable not to take definite decisions at this time but to authorize discussions to proceed. There would be great dangers in paying fiscal subsidies to the new federation, which should be carefully considered. It would also be desirable to defer discussion of the nature and scale of assistance until Mr. Winters as well as Mr. Pickersgill could be present.