
I INTRODUCTION

Canada has always maintained special links with the nations of the Caribbean Basin. There is a substantial two-way community of interest, developed through strong historical, political and economic ties. While the Caribbean is first known as a winter destination for Canadian tourists, other factors, such as recent migration from the region into Canada, operations by multinational corporations, the common heritage of both areas as former British colonies, trading patterns dating back two hundred years, and a mutual anxiety over the enormous and geographically intervening American market have resulted in unique economic and political relationships. Through positioning itself as a middle power with a distinct foreign policy and political philosophy, as exemplified by its willingness to trade with Cuba, Canada has gained additional exposure in Less Developed Countries including those of the Caribbean.

The nations of the Caribbean, while possessing stable political institutions and relatively strong economies, have experienced their share of difficulties in such areas as volatile commodity prices, high interest rates, exchange rate fluctuations and high energy costs. The growth in economic trading blocs, as exemplified by the Canada-US Free Trade Agreement and the 1992 dropping of intra-European tariffs are of concern to the Caribbean nations. They must also be ready to exploit new opportunities for economic development resulting from the global optimization of production by multinational corporations.

This study is intended to support market-driven economic development programs to enhance both the Caribbean nations and Canada. One product of existing economic links between Canada and the Caribbean has been a comprehensive network of airline services connecting the two parties. While the existing airline services are primarily intended to support north-south travel by inhabitants of both regions, they offer opportunities for developing a greater flow of goods. Flights between the two regions, despite heavy passenger loads, offer considerable empty belly space which can be marketed for air cargo. Since few additional costs result when it is marketed for air cargo, and since it would otherwise generate no revenue for the airline, it can be sold at highly attractive by-product rates. The cheap yet rapid transportation can then be used as a means to stimulate additional trade between the Caribbean and Canada.

Air cargo as a tool of regional economic development has several unique advantages. First, as long as passengers fly between Canada and the Caribbean, capacity will be available. Second, air capacity will be particularly large to regional sunspots. These communities may perceive an acute need to diversify their economies away from tourism. The greater the tourist traffic to an area, the greater the air cargo capacity, and the greater the opportunity for use of air cargo as an economic development tool. Third, the airline revenues provided by air cargo may improve the carriers' income statements