First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS

OF THE

SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 1

THURSDAY, FEBRUARY 6, 1969

THURSDAY, FEBRUARY 13, 1969

Respecting

THE CARIBBEAN AREA

WITNESS:

Mr. Willis C. Armstrong, Associate Dean, School of International Affairs, Columbia University, New York City, U.S.A.

The Queen's Printer, Ottawa, 1969

29795—1

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird
Belisle
Cameron
Carter
Choquette
Croll
Davey
Eudes
Fergusson
Gouin
Grosart
Haig
Hastings
Laird
Lang
Macnaughton
McElman
McLean
O'Leary (*Carleton*)
Pearson
Phillips (*Rigaud*)
Quart
Rattenbury
Robichaud
Savoie
Sparrow
Sullivan
Thorvaldson
White
Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

6. The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

   (i) Treaties and International Agreements.
   (ii) External Trade.
   (iii) Foreign Aid.
   (iv) Defence.
   (v) Immigration.
   (vi) Territorial and Offshore matters.

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

29795–1½

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and–

The question being put on the motion, it was–

Resolved in the affirmative.

ROBERT FORTIER
Clerk of the Senate.

MINUTES OF PROCEEDINGS

Thursday, February 6th, 1969.

The Senate Committee on Foreign Affairs convened this day pursuant to notice at 2.00 p.m. in camera for the purpose of organization.

Present: The Honourable Senators Aird (*Chairman*), Cameron, Carter, Davey, Fergusson, Gouin, Grosart, Haig, Hastings, Lang, Martin, McLean, Pearson, Phillips (*Rigaud*), Quart, Robichaud, Savoie, Sparrow, Sullivan and Thorvaldson.–(20)

Present, though not of the Committee: The Honourable A. H. McDonald.

In attendance: Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

The Chairman made an opening statement in which he referred to his speech in the Senate Chamber on the 4th February, 1969, in the debate on the motion which framed certain terms of reference for the Committee. The immediate inquiry would be into Canada's relationship with the countries of the Caribbean area. The framework of the study would be in two parts: an examination of the general background of the area; and Canada's relations with the Caribbean countries. About five or six witnesses would be heard on Part I before the Easter recess and a similar number on Part II before the summer prorogation. A report of the Committee to the Senate might or might not follow. The Chairman would welcome suggestions from Committee members at all times. The Committee might feel it would be a useful procedure to have several members briefed in rotation to interrogate successive witnesses.

The Chairman said the first working papers of the Committee would be:

1. Monthly review of the Bank of Nova Scotia for August, 1968;
2. The Economics of Development in Small Countries with Special Reference to the Caribbean, by William G. Demas; and
3. Canada-West Indies Economic Relations, by Levitt & McIntyre.

Copies of these documents would be distributed to members.

Mr. Dobell, at the Chairman's request, then addressed the Committee. He explained the manner in which the Parliamentary Centre, if retained by the Committee, would provide services in respect of the Caribbean inquiry. He outlined a proposed scheme for the inquiry and referred to several witnesses the Committee might wish to hear.

It was agreed by the Committee that each witness should be asked to supply a summary of his statement in advance for distribution to members of the Committee.

The Committee authorized the printing of 800 copies in English and 300 copies in French of its proceedings.

The Committee appointed a Steering Committee composed of the Honourable Senators Aird, Grosart, Robichaud, and *ex officio* Flynn and Martin.

The Committee authorized the Steering Committee, subject to confirmation by the Committee, to negotiate contracts and agreements for goods and services reasonably and necessarily required for the purposes of the Committee.

It was agreed the Committee should meet on Thursday, 13th February, at 10.00 a.m., to hear its first witness, Willis C. Armstrong, Associate Dean, School of International Affairs, Columbia University.

The Committee then adjourned at 2.45 p.m.

ATTEST:

R. J. Batt,
Acting Clerk of the Committee.

Thursday, February 13th, 1969.

The Senate Committee on Foreign Affairs met this day, pursuant to adjournment and notice, at 10.05 a.m.

Present: The Honourable Senators Aird (*Chairman*), Carter, Davey, Ferguson, Flynn, Haig, Martin, Pearson, Quart, Robichaud, Sparrow and Thorvaldson.–(12)

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

The Chairman outlined briefly the Committee's plans for forthcoming meetings. He emphasized that the Committee would restrict its initial studies to the Caribbean area, and then introduced as the first witness on this subject:

Willis C. Armstrong,
Associate Dean,
School of International Affairs,
Columbia University.

The witness made a statement; he was questioned thereon, and thanked by the Committee.

At 12.30 p.m. the Committee adjourned until 11.00 a.m., Tuesday, February 25th, 1969.

ATTEST:

E. W. Innes,
Clerk of the Committee.

Note: A map of the Caribbean area is appended to this day's proceedings.

BIOGRAPHICAL INFORMATION

Mr. Willis C. Armstrong is an Associate Dean of the School of International Affairs of Columbia University.

Before joining Columbia Mr. Armstrong had a twenty-eight year career with the United States Government. After some years of graduate study in Russian history at Columbia, he went to Moscow as an Embassy translator in 1939. During the war he handled problems related to Shipping land-lease supplies to the USSR, and later served as Director of the Russian area of the War Shipping Administration. He returned to the State Department in 1946, and held a variety of positions in the Economic Area, dealing with commercial policy, commodity problems, and security controls over trade. He was the U.S. Delegate to International Rubber Study Group Meeting in 1950-1958, and he also was on various U.S. delegations to meetings on other commodities, and to inter-American economic meetings. In 1957 he served briefly as Acting Assistant Secretary of State for Economic Affairs.

Mr. Armstrong became Counselor for Economic Affairs at the American Embassy in Ottawa in 1958 and in 1960 was made Deputy Chief of Mission and supervisory consul general. In 1961 he was given the personal rank of Minister. In 1962-64 he was Director of the Office of British Commonwealth and Northern European Affairs in the State Department. He went to London as Minister for Economic Affairs in the Embassy in 1964, and he retired from the Foreign Service in September, 1967.

Dean Armstrong received his B.A. from Swarthmore in 1933 and his M.A. from Columbia University in 1934. He was briefly a lecturer at the American University in Washington, and for twelve years was lecturer on Soviet affairs at the School of Advanced International Studies of Johns Hopkins. He received a Rockefeller Public Service Award in 1956.

THE SENATE

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Thursday, February 13, 1969

The Senate Committee on Foreign Affairs met this day at 10 a.m.

The Chairman: Honourable senators, this morning we begin a series of meetings in which the committee will examine Canada's relations with the Caribbean region.

Before introducing our witness for this morning, Mr. Willis Armstrong, may I take the opportunity to report briefly on the discussion in our organizational meeting last Thursday when the committee decided how it should function in the months ahead.

We have decided that the Senate Committee on Foreign Affairs should henceforth undertake a regularly scheduled program of work, involving serious in-depth examination of foreign policy issues of concern to Canada. There seems to be general agreement that it would be in the best interests of obtaining an effective result if this committee were to focus on a specific area so that Canada's relationship thereto could be particularly examined. In other words, the committee should address itself to areas of study that are of prime importance to Canada, but on an overall and long-term scale.

We see the expanded role for this committee as being one of the means through which senators can play a continuing and active role in the Parliament of our country. We recognize in full that the approach we have decided to follow is necessarily experimental and that we shall have to be prepared to be flexible and to adapt our practices as the program unfolds. In trying to work out a program for the Senate, I think it important to bear in mind that our work and the work of the Committee on External Affairs and National Defence in the House of Commons should be mutually complementary.

In order to provide support for our work, your committee has authorized the entering into of an agreement with the Parliamentary Centre for Foreign Affairs and Foreign Trade. The Director of the Parliamentary Centre, Mr. Peter Dobell, who is on my left, will act as adviser to the committee in developing its program. He has also recruited to his staff Mr. Bernard Wood, now at Carleton University, who will act as the full-time research assistant to the committee after his comprehensive examinations for his M. A. have been completed in early May. We believe that these arrangements should contribute to the effective work of the committee.

I have already mentioned that the committee has decided that it should begin its work with an examination of Canada's relations with the Caribbean region. As you may recall in the Senate on the evening that this motion was presented by Senator Martin I made some remarks from which I should now like to quote because I think it more or less summarizes what I have in mind. As I said in the Senate on February 4:

> I believe that the Caribbean area presents to Canada a particular challenge inasmuch as most of the problems plaguing the peace of the world are there present—the problems of size, of race, of economic need and of differing political and social goals. Inasmuch as Canada cares about these issues, the Caribbean allows a unique opportunity for Canadian involvement. Not only is the region of a size to attempt considerable and perhaps decisive impact by a Canadian program, but there is already a predisposition in the area for a Canadian presence. Furthermore, Britain's withdrawal and the apparent disinclination of the United States to increase its commitment in the area, leave a neat geographical sphere of influence where Canadian effort will not be overshadowed.

I would like to speak briefly about the program. The committee's program of work is divided into two main phases. Prior to the Easter recess the committee will hear expert witnesses who will discuss the region and its problems. This will provide the background for the second phase of our examination, which will involve considering in detail Canada's relations with the countries of the region.

We have already arranged for three witnesses. In addition to Mr. Armstrong, the committee will hear on February 25 Mr. William Demas, now Economic Adviser to the Prime Minister of Trinidad and Tobago, who will be appearing in his private capacity as the

author of a very interesting study "Development Problems of Smaller Nations", copies of which are being circulated to all members. I understand copies have now in fact been distributed to all members of the committee. He will talk about development problems in the region. The following week, on March 3, the committee will hear Mr. John Plank of the Brookings Institute in Washington, who will talk about the problem of political development in the region. He will give particular emphasis to radical movements, consider the impact of Cuba on countries in the region, and examine the prospects for Cuba's possible reintegration into the inter-American system.

I have mentioned that committee members are being encouraged to read Mr. Demas's book. They have also been provided with copies of an excellent study by the private planning association entitled "Canada-West Indies Economic Relations" and a useful monthly letter for last August by the Bank of Nova Scotia entitled "Spotlight on Development in the Commonwealth Caribbean".

I turn now to today's witness, Mr. Willis Armstrong, presently the Associate Dean of the School of International Affairs at Columbia University. As Mr. Armstrong's biography has been circulated to members of the committee, I do not propose to review his most distinguished career. On this occasion I think it important to note only that he has held a number of senior positions in the State Department. He was at one time responsible for British Commonwealth Affairs which, of course, includes the Commonwealth Caribbean countries. As a specialist in economic questions, he has also had considerable experience with Latin American countries and has had personal experience in a number of countries in the Caribbean region. Mr. Armstrong by his own admission is not an academic specialist on the Caribbean, but there is no doubt that he is extremely well qualified to open our examination of this complex region.

At short notice, following the request of members of the committee last Thursday, Mr. Armstrong has provided a brief outline of the main points which he wishes to cover. Mr. Armstrong will now make some introductory comments and will, I hope, focus in his concluding observations on some of the specific problems which governments face in dealing with the Caribbean region. I believe that this type of background will be invaluable to us ultimately in assessing Canadian policy toward the region.

As decided by the committee, we will follow the procedure of two senators taking the lead in any questions that may be presented to Mr. Armstrong after he has completed his remarks. Senator Thorvaldson, the former chairman of this committee, and Senator Fergusson have undertaken to lead the questioning and, of course, when they are finished the meeting is open to all senators present to participate in questioning and in the general discussion that no doubt will follow.

Mr. Willis C. Armstrong, Associate Dean, School of International Affairs, Columbia University: Mr. Chairman and honourable senators, it is a privilege and pleasure for me to be with you. It is always nice to get off campus for a day.

I can sympathize with people in other universities who have problems. I thought, when I came to Canada yesterday, that I was coming to a place of great serenity; but someone handed me the Montreal *Star* on the plane and I noted how people at Sir George Williams University feel. We did not have quite such damage at Columbia, but we did have some.

The Caribbean area is, of course, a fascinating and colourful place. I suppose one must think about it historically, in terms of its Europeanization, from Columbus down.

What happened in the Caribbean in the sixteenth, seventeenth and eighteenth centuries reflected European politics and European expansion.

The area is full of the wrecks of sunken ships and evidences of arguments between the British, the French, the Spanish, the Dutch and other maritime explorers.

The independence of some of the States came in the early nineteenth century–the Spanish speaking states, Colombia and parts of Central America, but not Cuba.

French speaking Haiti also became independent, but Cuba and Puerto Rico remained Spanish until the end of the nineteenth century. Because of that fact and because of a good deal of American interest in the area, you find Cuba and Puerto Rico at the moment in the odd position of being at the opposite ends of the spectrum, so to speak, of Spanish-speaking areas in the Caribbean, with Cuba being under the Castro regime and Puerto Rico being part of the United States, although not a state.

Of course, most of the people in the Carribbean are descended from immigrants. The original inhabitants mostly died off as a result of contact with the Europeans. In many cases it was a simple matter of lack of immunity to European diseases, particularly children's diseases. There were not many Indians left, at least in the coastal areas, after extensive contact with the Europeans.

The Europeans brought in large numbers of African slaves. Apart from ports, navigation, and the strategy of sea power, the area has been dependent upon tropical agriculture, which paid well under slavery or under low wage conditions.

The termination of the slave trade into the area still meant a very low standard of living amongst the people, because there is little or no alternative to working on a sugar plantation in an island that has little or no other economic activity.

Sugar, coffee, and bananas are the staples of agriculture in the area. Almost any area in the Caribbean will grow bananas. Sugar is suitable for many of the areas; coffee in the more temperate highlands is also an important crop.

Mining and mineral products became, after the beginning of the twentieth century, a very important item. Oil was a great discovery in Venezuela and later iron ore was found in vast quantities. Oil in Trinidad has been a source of growth. There is not much in the way of minerals up through Central America.

The other part of the economy depends on geographical location. A Panamanian diplomat told me once: "We do not need to worry about economic development; we have the Canal and you need the Canal and we will make you pay for it enough so that it will take care of our development problems." This illustrates the simple fact that the Republic of Panama has its own special economy built on the need of others for the geography of the area.

Cuba has again a similar strategic interest for the United States or for any country with major, shall we say, global strategic interests. It is worthwhile remembering that the United States still has a navy base in Cuba, which is still functioning and which was a part of the transaction whereby Cuba's independence was assured. There is not much conversation between the United States and Cuba about the base. Sometimes somebody gets over the barbed wire somewhere or other, or gets through it. Some people do not make it, trying to get in. But the base is still there. This illustrates the point that, as long as sea power is important, the Caribbean is likely to be of interest to countries with large navies and global interests and, as they see it, responsibilities.

One of the functions of course of areas with strategic importance is to make them pay something for the benefit of the countries that process them, and to gain income out of the people who are interested in the area for that reason. In this sense, the Cubans are in a position under present management of being able to get a good deal of, shall we say, investment from the U.S.S.R., economic investment, simply because it is politically useful to the U.S.S.R. to have Cuba maintain its economic stability and political strength in the context of the current global political situation.

This does not mean that the Russians control the Cubans, but Cuba is very much of interest to the Russians and the Russians put quite a bit of money in it.

The Caribbean area is a real patchwork of great variety. Jamaica is an independent country with political institutions inherited from the British. So is Trinidad and Tobago. So are, in effect, all the little Leeward and Windward Islands, which were or are still British. So in effect are the Bahamas. Technically, the Bahamas and the Leeward and Windward Islands are not independent of Great Britain, but they are in effect little countries with their own character. The other day Anguilla declared itself an independent republic—probably the smallest independent sovereignty on record. I see that the British are sending someone to talk to them, and I suppose there is some problem of whether he gets ashore or not. But this is not the first time the British have had rebellious colonies.

Down in the middle of the Windward and Leeward Islands, there is Guadaloupe and Martinique, as French or as French creole as any territory you can find. It is fascinating to visit those places and to discover that they are departments of France, administered by prefects, just as any department of France is administered.

The same thing applies to French Guiana, which is as far off that map as you go before you reach Brazil down to the southeast. This is also a department of France. France pays substantially to keep these three departments functioning. They are afflicted by overpopulation and lack of resources.

There are some Dutch islands mixed in, too. The Dutch settled Surinam, or Dutch Guiana, which is an extremely colourful and interesting place.

The Prime Minister, at the time I visited Surinam, was a 305-pound gentleman, of a very high level of pigmentation, who spoke only Dutch. You rather wondered whom he would talk to, and about what, outside of the Dutch.

In the Dutch territory, or what was Dutch territory, a large number of people came from Indonesia, as in Trinidad and Tobago a large number of people came from India. You also find a very substantial admixture of Asians, especially Indians, in Guyana, with Mr. Jagan and his followers, and in Trinidad and Tobago. Going to a dinner party in Surinam is like being at the General Assembly of the United Nations: There are people from absolutely everywhere, who are all part of the population of Surinam, who are all happily speaking Dutch together and all seemingly getting along very well together. It is a little island of a country set against a jungle and bush background.

When you come to Venezuela you find a very modern and prosperous country. It is probably the most prosperous Latin American country. It is rich in oil and other resources. It has a low ratio of population to resources. It has made good progress in representative political institutions, and has a high degree of political stability, despite its long history of very dictatorial regimes.

As you work your way around you come to Haiti, which is probably the most hopeless place in the Caribbean. It has a population of about three million people who speak only French and who do not have any place to go, so to speak, if they wish to improve

their lot. They have no economy, in effect. A friend of mine once assigned there as an economic officer in the U.S. embassy wrote me saying that it was silly for him to be there; the embassy did not need an economic officer because the country had no visible economy.

Puerto Rico is an interesting example of a prosperity which is dependent in large part on the fact that it is in effect outside the United States income tax area, but inside the United States customs area.

This has been a device which has created a great deal of economic opportunity in Puerto Rico, and has really been responsible in large part for the enormous growth in the Puerto Rican economy which has occurred in recent years.

The Dutch territories do pretty well. There is Aruba and Curaçao, islands off Venezuela which have practically no visible resources other than their geographic location. They do well as free ports and as oil refining areas. The theory was that you took the oil out of Venezuela and refined it in territories where you were less likely to have your refineries nationalized. The Venezuelans got around this, eventually, by providing that a certain share of refining had to take place in Venezuela as a condition for concessions granted; a sort of stand-off arrangement developed between the people who refined in Aruba and the people who control Venezuelan oil.

Over at the other end of the Caribbean you have another fascination situation in British Honduras. I am one of the few people who have visited British Honduras. By chance I was there on the day that the Guatemalans broke off relations with the British, in 1963. Our consul, and I were sitting on top of a Mayan ruin looking out into Guatemala. We saw a lot of military planes taking off and landing and we wondered what it was all about. We drove back and found that the Guatemalans had broken off relations with the British. The dispute arises from the fact that they claim the entire country, and consider Belize as a part of Guatemala. This is not quite the way people in British Honduras wish to see it. They are mainly Negro, English-speaking, with British political institutions and education. They number about 90,000, and they are not interested in being dominated by the three and a half million Guatemalans, most of whom are of Indian origin and Spanish-speaking. They are trying to maintain a precarious independent existence there, but against considerable odds.

A fair amount of Canadian investment in citrus is to be found in British Honduras; there is also some foreign investment in sugar plantations. But British Honduras is an example of a very remote and out-of-the-way place. The only way to get there from Jamaica in 1963 was to take the weekly plane which leaves at four o'clock in the morning, on a Tuesday, as I recall it. The theory seemed to be that if one really had to go to British Honduras one could not mind taking a palne at four in the morning. Apparently the thought was that nobody would go voluntarily.

The British have a commitment to defend British Honduras from the Guatemalans, but there are few roads on the Guatemalan side, so that the Guatemalans would have trouble getting at British Honduras. The British troop detachment is very small.

These are just samples of the kinds of diversity and separation one finds in the area. There are divisions of language, with four main languages in the area. There are divisions of distance. Inter-island communication and inter-country communication is very poor, and was almost non-existent before the airplane. Although airplane does provide links all around, it is nevertheless not a means of communication that is within the income capabilities of most of the people of the area.

There is very little trade between these countries because who wants to buy somebody else's bananas when he has bananas of his own—or coffee or sugar. Nearly all the countries depend on the sale of these or other products to industrialized areas.

The most important growth industry for the small countries is, of course, tourism. In this there is a real future. They have a lovely climate most of the year and they have beautiful beaches. They have no vast stretches of real estate, but they do have some, and they will be glad to sell you a place for a winter home or a hotel. The real economic growth in the small island has to be, I think, in the tourist field. This is a hard thing, however, when you talk about indigenous political institutions, because a tourist economy is a satellite economy which becomes too dependent on the customer and his goodwill. They are having some problems in the Bahamas where for the first time the descendants of the original pirates, or the "Bay Street Boys" as they are called, have lost their political power to an essentially Negro group based on popular support. And this Negro group is doing a very responsible job, it seems to me, in realizing that the Bahamas have no future except in terms of tourism and finance, and at the same time maintaining their own political integrity and their own ideas. And this is a hard thing to do.

The British have not abandoned their territories, nor their interest in independent Commonwealth countries, but their contributions are now very limited. They still spend money on the little islands, but not much, and they do not have much to spend. There have been special problems in Guyana and British support has been needed, for political stability and economic growth, and here the United States has helped. The Venezuelan claim to a chunk of Guyana, or most of it, creates a problem of a special nature.

There are any number of conflicts between Caribbean countries, and one must remember also that islanders are notoriously suspicious of people from

other islands. This is even true down on the coast of Maine where I have spent a lot of time. I have seen a Maine town divided down the centre on the question of whether a school should be built on one island or another. The islanders of the Caribean are similarly disinclined to co-operate with each other. They will tell you gruesome stories of people on other islands. People from Barbados were experts in administration, and the British used a number of Barbadians for administrative work in the other islands. Resentment followed, not against the British, but against the Barbadians who came to govern them. Now of course Barbados has become an independent country. I suppose one should remember also the West Indies Federation which was an interesting and encouraging idea and one which was supported enthusiastically by Britain, the United States, and Canada. However, it foundered partly because it involved differences between the peoples of the different islands and territories.

The Chairman: I think the Barbadians are going to be particularly upset because they didn't get onto this map.

Mr. Armstrong: They are just off the map which is before us. Guyana also is not on their map, as you can see, it is quite a long way from Guatemala in the west over to the Guianas in the east.

I think that perhaps I should conclude my presentation by pointing out that there is a question of the attitudes of these people and to whom they look outside. They no longer look to Europe, except as, in part, a market for some of their produce, and as a small source of development capital. There is some European Common Market capital which goes into Surinam and there is some French money going into French territories and some Dutch money. There is some British private capital and a fair amount of British public funds. A lot of British private money goes into the Bahamas, not for the development of the Bahamas but because of the favourable climate of operation in the Bahamas as a centre for corporate activity and finance. The people in the area cannot help but look to the United States as the nearest and biggest power influence and economic influence in the area. This is bound to happen whether the United States likes it or not.

I want to emphasize that I am not speaking on behalf of the United States Government; I am expressing my own entirely personal views. Historically the United States has been involved with Cuba since the Spanish-American War, and since that time it has had Puerto Rico as a possession. It has the Virgin Islands as a possession, having bought them from Denmark. The United States in the course of time has intervened militarily and politically in a number of Caribbean countries, notably in Haiti, the Dominican Republic, Nicaragua and Honduras, and in Panama. United States companies have substantial investments in Venezuela and Colombia, and the United States cannot help but get interested, from the standpoint of strategy, naval affairs, or navigation, in anything affecting the Panama Canal. This leads to an awkward relationship. The people in the area look to the United States as a possible customer and as a possible investor, as a political influence and as somebody from whom they try to get something. If you list all the individual independent and semi-independent sovereignties in the area, each involving something different, you will conclude that the person in charge of Caribbean Affairs in the State Department has his hands full, particularly since Mr. Castro took over in Cuba. I am not trying to deal with the rights and wrongs of the situation or how we got this way, but the fact is that the United States cannot avoid being involved in all of these areas, simply because of its geographical location and because of the fact that we have some 200 million people with enormous economic and military power, and we are talking about an area which is seen to be in the front-door yard, at least by strategists.

At the same time the people in the area look to the United States as customers or as investors and also look to the United States as a potential problem for them because it is so big and powerful. They wonder how they can maintain their own integrity in the circumstances, take advantage of the situation, and yet not lose any control of their own affairs.

Now the question arises: does the United States have a Caribbean policy? I think it is fair to say the United States does not. The United States does have a military-strategic policy in the Caribbean; this much is clear. The United States has a general political policy in the sense that it hopes there won't be any more Cubas in the area. It has begun to pay some attention to the reasons why there should have been a Cuba in the first place and what could cause another one. And these causes are all there; under-employment, overpopulation, inadequate resources, inadequate capital, political despotism of one kind or another. When one looks at the despotism in Haiti one cannot help but recoil in horror from it. In political terms, the United States has policies which are intended to be individually tailored for the individual country. In general the United States has stopped intervening militarily in Caribbean countries. The recent exception of the action in the Dominican Republic has been rather difficult to explain, both in Latin America and elsewhere.

Senator Martin: Would you mind repeating that last statement? I did not hear you.

Mr. Armstrong: The policy of the United States from the beginning of the Roosevelt administration was expressed as a good neighbour policy. The United States said it wasn't going to intervene militarily in the

affairs of nearby countries in the Caribbean, the only case since that time in which the United States has intervened in internal affairs with military force was the case of the Dominican Republic in 1965. This is something that has needed an explanation to many people. But certainly there is no strong interest in the United States Government that I am aware of in a policy of such intervention. One always gets far more in the way of trouble than it is worth.

The United States has tried in the economic field to encourage more integration within Central America. There is the Central American Common Market of five countries from Guatemala down to Costa Rica; President Johnson last year offered very substantial aid to this group of countries if it would be of assistance in helping them give substance to their plans for a common market, so that their industrialization could take place on the basis of the unit as a whole. But this project has thus far been delayed by individual national suspicion, one country seeking advantages over the other, and the common market has not got very far forward.

The United States has a policy towards Venezuela, it has a policy towards Colombia, it has a policy towards Haiti. The United States has a policy towards Cuba which has one current expression in a lack of direct air transport. This was one reason I decided to come to Canada by Air Canada rather than Eastern Airlines, because I did not have time for an enforced Caribbean holiday.

Senator Martin: You do not think that Air Canada would have flown into Cuba against one's will?

Mr. Armstrong: This could happen to any air line but it has not happened yet, whereas Eastern Airlines has been quite vulnerable.

The policy of the United States towards the Castro regime has been a matter of great attention in the United States Government and great attention within the Organization of American States. It has been based on certain assumptions which do not over time seem to have been proved entirely correct.

There is an atmosphere of real mutual hostility. It may be that steps can be taken to modify it. I think that there are possibilities that the United States might begin to change its outlook a little, but I am not at all sure. We now have so many Cuban refugees in the United States that they constitute a political force of their own. They and others can bring pressure on the government, in terms of its policy towards Cuba.

Frankly, I think the United States wishes it did not have to worry about all the little islands and little sovereignties in the Caribbean, but every so often it stops and thinks that maybe it should, for reasons of strategy, reasons of general well- being in the area.

It is difficult to have a successful society, as we have in the United States, with highly unprosperous ghetto areas in big cities; in the same sense, it is really in the long-term not thinkable to have amity in the Caribbean when there are some really outright poorhouses so close to our shores. One cannot help but have the course of events in the area influenced by the fact of the enormous poverty and backwardness in some parts of it.

One thing that is clear about United States policy is that it wishes there were more countries from outside the Caribbean who were more interested in the area than they seem to be. One of the depressing things about British retrenchment has been the fact that the British are no longer a factor of major importance, so to speak, in the Caribbean. In general, the Europeans are not a factor. What the Soviet interest in the Caribbean may be, how positive it is, is hard to tell. There is a certain nuisance value to the Soviet Union in its relations with Cuba but I imagine that the Soviet Union has some problems in dealing with its Cuban client and may find itself a little baffled on occasion to know what to do about it besides paying some more money. But what this leads to, I am sure, is that a formulation of Caribbean policy in the United States Government would say that it hoped Canada would be more interested and active. It would also hope that by saying so it would not drive Canada away. Mr. Chairman, I will stop there.

The Chairman: Thank you very much, Mr. Armstrong, for your very informative survey. I would like to thank you not only for the content of your remarks but also for the delightful and frank manner in which you have expressed your own opinions, loaded with some amusement, particularly your reference to the "Bay Street boys of the Bahamas"–and of course the Canadians have a similar problem of their own located in Toronto.

I would call on Senator Thorvaldson to lead the questioning.

Senator Thorvaldson: Mr. Chairman and Mr. Armstrong: I am positive that everybody around this table is fascinated with what you said and with the original manner in which you have been able to compress a tremendous amount of information into a few words and into less than 45 minutes. I am going to express the hope that the clock will not press too heavily on this meeting, because this is tremendously interesting as well as an important subject.

First, I would like to make a facetious remark in regard to Puerto Rico. I have been wondering how it is year after year, particularly this year, I am finding more of my friends particularly from the United States taking winter holidays in Puerto Rico, but when you made a remark about Puerto Rico being within the customs area but not the income tax area of the United States, I think that was a fairly good indication perhaps of the attraction for tourists and others.

The first question I would like to submit to you is the question of stability of government in those areas and particularly in the Jamaicas and the islands which were under British supremacy for all those years and which are now republics.

I think we as Canadians recognize that probably the basic factor in whether we can establish quite strong and profitable associations with them in business trade as well as in tourism, is the question of whether there can be political stability. I am not speaking necessarily in the case of complete democracy such as we have, because that is pretty difficult in those countries. But even if there is a form of dictatorship which we may have to tolerate, for instance, is the power to maintain public order liable to be sufficient to give us an opportunity to make successful contacts and greater contacts particularly in trade and tourism and so on. I think political stability is one thing that I am most interested in hearing about.

Mr. Armstrong: I think that in the British territories, the former British territories and present British territories, you have a pretty good prospect for political stability. Jamaica and Trinidad have been cruising along reasonably successfully since they became independent. Barbados has, too.

The real troubles have been in some of the smaller islands, where there was some problem about the access to public funds for private use by some of the local officials. There was a problem in either St. Vincent or St. Lucia . . .

The Chairman: St. Vincent.

Mr. Armstrong: St. Vincent. There has been a problem off and on in the Virgin Islands, the British Virgin Islands, and there is yet–but these are very tiny comic opera situations usually and in the long-term the British will carry out their responsibility for maintaining law and order, and for encouraging a reasonable political process. I do not feel badly about it in those terms.

Guyana is in a somewhat different situation, because of the division between the Negro group and the East Indian or the Indian group. Mr. Jagan has a philosophy of Government very much on the left side. If he gets back into power, he will obviously pursue a course not too favourable to private investment and that sort of thing. On the other side you have Mr. Burnham who, in effect, is the leader of the Negro group. He controls the Government, and he just won re-election. But the birthrate figures are against Mr. Burnham in the long term. There are going to be more people of Indian background than Negro background in the area, and in due course the election could go the other way. That does not necessarily mean that Mr. Jagan will come to power, because Mr. Jagan may pass from the scene as a political leader. There might be another Indian leader who might not at all be a leftist. The Indian population is not necessarily leftist, but the one leader around whom they coalesce happens to be a leftist. He is a very attractive and intelligent man. I had an hour's conversation with him once and found him a very interesting person indeed.

I think the Venezuelans have done remarkably well in respect to political stability. I was in Venezuela in 1958 on a short mission, just after they had overthrown the Jiminez dictatorship. The Junta of moderate conservative people was in charge, and it was interesting to meet with the Junta. This situation resulted in no police force in the country, because they had all been agents of the Jiminez regime and had been hunted down by the population as soon as the regime was overthrown. There were literally no police in Caracas. Every thing seemed to be quite serene, but it did make you wonder what could happen.

It was following that, I think, that the difficulties occurred when Vice-President Nixon visited Venezuela. Generally, the Venezuelans have since that time done remarkably well in maintaining democratic institutions and having free elections, against a background of real tyranny for 100 years in Venezuela.

Columbia is more complex politically and there are still some serious difficulties there. But it is a country with an elite of a high level of education. There are several reasons to be fairly optimistic about Columbia.

Panama, of course, is in a state of some political instability at the moment. This is a fairly normal type of Panamanian political instability. It consists of arguments among the elite as to who is to be in charge of the Government, and it does not seem to have much to do with any basic social movements.

Costa Rica has had a good functioning democracy for a long time. Nicaragua is a family-operated Government, pretty much. Honduras is pretty backward and primitive in its economy. Guatemala is riven with strife of left versus right. The American Ambassador, who was assassinated there, was a man I knew quite well in the foreign service. He was a fine, reasonable, gentle man, who was trying to help Guatemala.

There are endemic Latin American problems of military versus civil leaders, with efforts at democracy often defeated. Central America is no different from other Latin American countries in this respect. The Dominican Republic had a record of instability, as we are aware, following a long period of the most oppressive kind of dictatorship, when the roots of democracy tend to dry up.

As I say, Haiti is under a dictator who is particularly unpleasant. The Haitians apparently accept him because, as they say, "Papa Duvalier has the big magic", and, since they still seem to believe in voodoo and magic pretty much, they accept what he does.

I would say that the Cubans have achieved a reasonable stability of their own in their form of Government, but hardly of the kind that encourages private trade or private investment, shall we say.

As one can see, political stability prospects are a very mixed bag all the way around the Caribbean.

Senator Thorvaldson: Just following that up, Mr. Armstrong, in regard to the ballot or suffrage in the Caribbean, in Jamaica, for instance, is universal suffrage exercised to any extent such as we know it in Canada or the United States, or are there other political pressures that create governments?

Mr. Armstrong: In all the territories that are not independent, that is, still colonial territories, I think they have suffrage for local purposes. They elect some part of their Government. The British colonial system has a great deal of variety in it, but in some cases they have what is called a legislative council in which half the members are appointed by the British Government and half are elected. They have been moving steadily, in these little, tiny legislatures on these islands toward totally elected legislatures. I do not think there are any suffrage problems there, but what can they do for themselves? There is not much they can do. They can deal with local police matters and that sort of thing, and they can have land laws that will encourage people to invest and buy property and develop it, but that is about all.

In the French territories they have suffrage, but they vote in the elections in France. But you know what that is; you vote for the power in the centre and then you wait to see what comes back. They do not have much control over their local affairs.

The Dutch territories have full suffrage. That is, the former Dutch territories, Surinam and the Antilles. I do not know of any limitations on the exercise of suffrage in either Trinidad or Tobago.

Senator Fergusson: Mr. Chairman, first I would like to say that this committee certainly owes a deep debt of gratitude to Mr. Armstrong for coming to us. Certainly, if the rest of our meetings of this committee on this special project are anything like this one has started to be, we will have every opportunity of becoming experts in the field. Mr. Armstrong is so very knowledgeable and has referred to so many things which I would like to know more about that I find it difficult to pin down just what I would like to ask about. However, I will start with one or two questions and then give someone else a chance. I would like to know if the gap between the very rich and the very poor, which I have seen down there, is lessening at all. Are the social conditions for the poor people improving? It seems to me that they have to have more education before this can be so. My question is really on education. It seems to me that it is basic both to economic and social improvement of the life of the country. What is the standard of education? Is it improving? Are the Americans helping with education as Canada is trying to do by sending teachers down to many places in the West Indies and by bringing students back.

Mr. Armstrong: Well, in the first place I would say that the system in Venezuela is a pretty good educational system for a Latin American country. They spend a lot of money on it. One of the difficulties is again endemic in Latin America. The universities have lost control to the students, and this is the great weakness of Latin American universities—this student power, in effect, to hire and fire professors and dictate grades, for all practical purposes. They are totally out of control in that sense. This is just one reason why for higher education of a genuine nature people often go to Europe or to North America. But at the elementary and secondary level it is not too bad. I think Colombia has a fairly good standard, but it is a country so badly torn up geographically with high mountains and inaccessibility that this makes for difficulties. The Costa Rican system is all right. The others, I would not think amount to very much in terms of ordinary education. The Cubans have done much for education since the Castro regime came in. The University of Puerto Rico tries to do a great deal in terms of contact with the other Spanish-speaking people in the area. It aspires to be a centre of technological training in contact with the Latin American countries, but of course Puerto Ricans and the people of the nearest islands—the Windwards and Leewards—do not have a common language. Puerto Ricans mostly speak Spanish; a lot of them speak English, but essentially their normal language is Spanish. One of the difficulties in this area has been that the United States policy in aid has been in terms of the Alliance for Progress, and the Alliance for Progress was within the framework of the Organization of American States. All the aid and technical assistance available was essentially for Latin American countries and not for the ex-British or present British territories because the assumption was that the British would take care of their own. It was a relatively small area and the British were looked upon as the people who could do this. One thing was done, however; the United States had an aid program to the West Indies Federation, but when the federation broke up several development projects failed, because they were geared to the Federation. Institutionally the United States put its money on the Alliance for Progress, and this left out other areas.

Senator Fergusson: Did the United States put money into the University of the West Indies?

Mr. Armstrong: I think so; there was certainly support for it in principle. There are a number of private university interests in the area. We have a substantial aid program now running in Guyana which

is not unrelated to university work there, and I would say in general terms our aid program puts a heavy emphasis on education. Certainly education is a great need.

Now, as to social betterment and the gap between the rich and the poor, it seems to me this relates to how fast the population is growing and how can the economy possibly keep up with it. In many of these countries the best you can do is to have an annual rate of G.N.P. increasing as fast as the population, if you even want to keep in the same place. In Haiti you cannot even do that because there is not much basis for growth. So there has to be an outlet for people to move from the area especially in cases where the country or unit is too small to expect industrial development. Countries of the Caribbean need both economic development and places to which their people may emigrate. They are all right for entrepot, trade, plantations and tourism, but they cannot support a growing population. Thought has to be given to emigration from these territories to somewhere else where they can get into the industrial process. New York seems to have half the Puerto Ricans, and they are presumably part of the industrial process.

Senator Fergusson: Taking the question of tourism, and the possibility for its development, it seems to me that what is happening is that they are catering to the very wealthy people. They have these beautiful plush hotels. Could not this be developed on a medium level for middle-class people who would be able to travel and stay in the West Indies?

Mr. Armstrong: I think this is happening. It is happening in many places. Certainly it is happening in Puerto Rico, where you can have quite an inexpensive holiday. However, we must remember that fundamentally after a while you run out of beaches and space. With the level of affluence in North America, if everybody in North America were to decide—those who could afford it—to have a Caribbean holiday all in the same year, you would have the world's worst traffic jam. The number of people in the world is increasing by leaps and bounds but the available seacoast is not, and certainly the available attractive seacoast is not, so that there is a real limitation on this. But you can find a good many very modest establishments where you can have an inexpensive holiday in places like Grenada and Dominica and so on. In the Bahamas, for example, Nassau is overbuilt with relatively modest establishments. For example, there is a Howard Johnson's there.

Senator Fergusson: Yes, but in many cases you run into Hilton hotels and hotels of that type.

Mr. Armstrong: Yes, they come first. But then you get smaller ones coming later. One country in this situation is Malta, with 300,000 people on two islands. Tourism is the main economic growth feature. They are starting with some big hotels, and smaller hotels are following. Of course, they are in the sterling area and get a lot of British traffic, but the same situation can develop in the smaller islands here. I think more winter home building is also in order where people could have a cottage.

Senator Fergusson: That is increasing too. People are going to stay there permanently.

Mr. Armstrong: Yes. And you could have this happening in Haiti, the Dominican Republic and other places if you had any feeling of political security, which you don't fundamentally get there, as you do in the British islands. Then some of the islands are themselves too crowded. Martinique is a beautiful island, but it is packed with people and the towns are not particularly attractive. There are a few lush hotels on the shore and there is room for more, but they need capital to build roads and other necessary community services. Most of the islands are not in a position to provide this infra-structure themselves.

The Chairman: In the interests of order, I notice we have present two *ex-officio* members of the committee; there is the Government Leader in the Senate, Senator Martin, and Senator Flynn. I think if Senator Martin has any questions he could ask them now and then we will come to Senator Flynn.

Senator Martin: I have some question that I would like to ask, but I am prepared to defer to others. In fact I have a number of questions but I am prepared to wait until some other senators have spoken.

Senator Thorvaldson: We would certainly like tc hear your questions, Mr. Leader.

Senator Martin: May I say to Mr. Armstrong that I am very happy that the chairman of our Committee, in whom we have great confidence and whom we all want to support, has been able to arrange for your appearance at this committee, in being the initial witness in the new reorganized committee that he has established. I recognize in you, of course, a great friend of Canada and one who has had a very distinguished record in the field of American foreign policy.

Would you care to say something about the relationship of the Caribbean countries, particularly the British Caribbean countries of Latin America, bearing in mind their interest, their growing interest in the Organization of American States?

Mr. Armstrong: Yes. I recall that when the West Indies Federation broke up and Jamaica applied to the OAS in effect got blackballed for quite a while and did not get in. It is now in. I think that Trinidad is applying or has applied. I presume Barbados will.

My contact and experience in dealing with the OAS as a member of American delegations on various occasions made me realize that the British territories have an enormous institutional obstacle to overcome in the minds of the Spanish and Portuguese speaking Latin Americans. I found a most extraordinary set of prejudices in the minds of Latin Americans to the effect that, for example, the Jamaicans and Trinidad were not really going to be independent but were going to be agents of British Imperialism or something of the kind. Even to speak of "British Imperialism" under present circumstances sounds rather amusing.

There has nevertheless been a real sort of mental block on the part of a lot of Latin Americans who have deliberately excluded the former European territories. For example, the OAS has never had representation from British, French or Dutch territories, whereas the Economic Commission for Latin America, a United Nations regional organization, always had British, French and Dutch representation, because they were part of the hemisphere.

I feel it will take time for the Latin Americans to get a little more used to having the Jamaicans and Trinidad and the Barbadans and other countries in.

Senator Martin: What is the status now of the Jamaican application?

Mr. Armstrong: They are in, to the best of my knowledge.

Senator Martin: What is the state of the Trinidad application?

Mr. Armstrong: I am not sure. They are not in yet, but I have heard that it looks promising.

Senator Martin: Have any other American countries applied for membership?

Mr. Armstrong: I do not know whether Barbados has applied or not and I am not sure about Guyana.

Senator Martin: Does the new Venezuelan dispute with Guyana constitute a constitutional difficulty for Guyana?

Mr. Armstrong: I would think that the Guyanians would assume that it would, because they have no reason to feel very enthusiastic about Venezuela at this point. I think they would assume that they would not get in if they applied and therefore probably they have not applied. I am not sure of the exact status.

Senator Martin: Are you in a position to say what would be the attitude of the Government of the United States towards a Caribbean country's application for membership?

Mr. Armstrong: The United States Government's position has been, as far as I know, always in favour of it and the United States Government has sought to persuade Latin American countries that they should let the British Caribbean countries in. This has been standard policy, to the best of my knowledge.

Senator Martin: There is no difficulty in this context as the result of the relations between Cuba and the Caribbean countries?

Mr. Armstrong: I do not think so. Of course, the Cubans have, in effect, been expelled from the OAS. Whether, over time, there is a prospect of their return to the OAS is of course a policy question that probably would have to be considered.

I do not think there is a special relationship of the Cuban matter to the membership by the other countries. Mr. Burnham in Guyana might feel that there was, because Mr. Burnham might feel Mr. Jagan is too friendly with Mr. Castro and therefore Guyana might have problems in the OAS not only from Venezuela but also from Cuba. He might feel that way. I do not know.

Senator Martin: You mentioned the extent of British interest in the Caribbean and you noticed—I want to be very fair to what you said—a lessening of British economic and subsidy interest in the Caribbean. You note that the British are less interested in terms of friendship and collaboration but there is as you say a waning of British responsibility.

Mr. Armstrong: I think that is correct. I think the British expect that Jamaica and Trinidad will take care of themselves. The British have the residual responsibilities in the small islands but they are not about to put any significant part of their foreign aid budget into those islands. There is some British overseas investment going in. There is no lack of general political interest in Latin America. There has been, I woul say, in the past five years, in Britain, an increased interest in the commercial possibilities in Latin America. There have been visits of members of the British Government to Latin American countries and an encouragment of British investment in the area. A lot of British people seem to feel that in the territories which have been British they were somewhat stuck with spending money and not being able to make much, whereas if they expanded their interests and got into the Argentine and Brazilian and Venezuelan markets a little more they would have a chance to expand their exports and improve their trade generally. So the commercial opportunities of the rest of Latin America look more interesting than the increasing responsibilities for spending money which appear to develop in the British Caribbean area.

Senator Martin: I am trying to lead up to your view about the Canadian role in the Caribbean. You have

made a comment about British political interest in the Caribbean, which is understandable and desirable. What have you to say about the United States political and economic interests in the Caribbean and the reaction to that by Caribbean countries generally.

Mr. Armstrong: Well, I think you know that it is a very intricate relationship and in each country there is a particular problem of United States relationship. On a general basis, what the United States policy would like to see is countries which are able to govern themselves with stable political systems and have a reasonable rate of economic growth and have a strenghtening of regional organizations, the OAS and other organizations. This is a general interest.

Of course, there are American commercial and investment interests in the area, but I think the political interest, in a way, is how can we avoid getting ourselves quite so enmeshed politically as we have been in some places in the past—such as the Dominican Republic, for example. I would think that there was a good deal of American public reaction against the extent to which we were involved in the Dominican Republic. That was a special case where one could argue about how good the intelligence was and all that sort of thing, but the general American current attitude, as I see it, is to want to be somewhat less dangerously engaged. This one finds in studies in the field of foreign policy in the universities and in observing what people say publicly. I think there is a general feeling that we are interested in the rest of the world; we know it has problems and we want to help with the problems, but we do not want to get ourselves quite so entangled as we have been in some places in the past. This is now a basic public attitude: A sort of restraint in terms of commitment.

Senator Martin: Could you tell us what is the level of American foreign aid now to the Caribbean countries?

Mr. Armstrong: All around the Caribbean?

Senator Martin: Yes.

Mr. Armstrong: It does not amount to much. I do not have any numbers in mind. There is no aid to Venezuela; there is no significant aid to Colombia; there may be some technical projects in Panama. Aid to the Central American area does not amount to a great deal in terms of its share of our aid program.

Senator Martin: They do not share in the March of Progress?

Mr. Armstrong: They do share in the Alliance for Progress. We have also promised some aid to the five Central American republics to help them go on with their common market.

Senator Martin: Yes.

Mr. Armstrong: But I do not think they have done all the things they are supposed to do to qualify for the aid which was offered to them. That was for a major development projects. Through the Inter-American Development Bank there is a lot of fairly soft loan business that goes on in Latin America.

Senator Martin: Soft loans?

Mr. Armstrong: Fairly soft loans. And also through the IDA. The IDA replenishment is at issue in this case, and I suppose we need more money for that. Our general aid budget got cut very badly by the last Congress, and I do not know that the new administration has yet developed any policy on aid, let alone enunciated one. They have just selected an administrator and he has not yet taken office.

Senator Martin: Generally speaking, is it not a fact that there is a reduction in the volume of American aid not only to the Latin American Caribbean but to all of the countries in the Caribbean area itself, including the Bahamas?

Mr. Armstrong: Well, I think we do not give any aid to the Bahamas.

Senator Martin: But there was a joint program between Britain, Canada and the United States with regard to the smaller islands.

Mr. Armstrong: I am not sure. I know there was a sort of joint survey of what was needed.

Senator Martin: Yes.

Mr. Armstrong: And I think there was a general hope on the part of the British and Americans that the Canadians would pick up the tab, so to speak.

Senator Martin: Yes.

Mr. Armstrong: We think this is a fine thing for you to do with your aid money, speaking frankly.

Senator Martin: You are aware, of course, that the Canadian aid program has been considerably increased.

Mr. Armstrong: Yes, I am aware of that.

Senator Martin: And that Britain's contributions in the external aid fields have been reduced, because Britain has felt that she had other heavier obligations.

Mr. Armstrong: Yes.

Senator Martin: What indication do you, as a student of this whole area, see as the result of these

developments for the United States and more particularly for us here in Canada?

Mr. Armstrong: Well, I think that the area needs outside interests because it needs money, as capital, and it needs customers. It needs tourists. In part, the United States cannot avoid being a major factor in this, but there is plenty of room for other people, and I would think that the Caribbean area is sufficiently interesting, sufficiently rewarding, sufficiently stable so that it would be natural for the more affluent countries in the hemisphere to help. And I do not mean only Canada and the United States. Venezuela should also help. I would like to see the Venezuelans take a less chauvinistic attitude than they have towards some of their neighbours, because it is a country which can afford to help other countries. They have a good standard of living, basically, and they have money. They could help some of these other countries, if they could do it in a disinterested fashion.

I also think that the multilateral device of the Inter-American Development Bank is very important. I believe there is also a project for a Caribbean Development Bank–I would hope that these things could also be moved along to help.

We have always tended to look towards our Puerto Rican people as the ones who might take a lead in various of these activities, because they have done a lot in technical development and education and that sort of thing and their example is a good one. On the other hand, they are not always regarded as sufficiently kosher by the other Latin Americans, shall we say. They are regarded as United States "tame" types, who are not really Latin Americans. The rhetoric and vocabulary sound about the same, if you are listening to a Puerto Rican or a Chilian, but this is not the way a lot of Latin Americans see it.

I have been in delegations where we have had two or three senior Puerto Ricans, perfectly splendid people from the Puerto Rican Government or from the universities, and they were masterful in their efforts in dealing with the Latin Americans about a whole range of social, economic and other questions. I think that because of Puerto Rico and because of the close involvement of many parts of the United States with the Caribbean, this is something on which one can build.

The Chairman: Is there not a commitment, Mr. Armstrong, by Puerto Rico, as it relates to this Caribbean Development Bank, of $6 million from the $60 million capital?

Mr. Armstrong: I feel sure there is such a commitment. In any project of this kind the United States, and Puerto Rico as part of the United States, will be in the act. But one of the objectives of American policy would be for all of us to do more for all of the area on a multilateral basis and so avoid some of the specific political problems that the United States gets into in a strictly bilateral relationship with each individual country in the area. You know, it has not always been very satisfying as an experience for the United States to get involved in some of these places in the ways we have, and I think a lot of people feel we ought to get this program on a more multilateral basis just as we would like to get aid in general on a more multilateral basis. This, of course, does not mean that the United States would stop making a contribution.

Senator Martin: You don't have the figures of the respective investment interests in various countries of what we call the British Commonwealth Caribbean area? The level of American investment, the level of British investment, the level of Canadian investment? We have them ourselves, of course, but you don't have them?

Mr. Armstrong: I don't have them, but I would say American equity investment in Jamaica and Trinidad and the smaller islands is pretty small. There is some in oil in Trinidad and some in bauxite in Jamaica and there is Canadian investment in Guyana in bauxite. I have visited the mine in McKenzie and it is a very interesting place.

Senator Fergusson: So have I, and I agree.

Mr. Armstrong: There is some American money in Surinam in bauxite, but outside of bauxite and oil and a few hotels–we have a Hilton in Trinidad–outside of those I don't think there is any extensive amount of American equity investment. If you look at the area as a whole, all the American equity investment, probably 90 per cent of it is in Venezuela in oil or iron ore or something like that. British investment is not large. Probably they have more equity investment in Venezuela in oil than they have equities in the former British territories.

Senator Martin: What is the position of the United States towards sugar policies as it affects Caribbean countries which in terms of aid is one of our great problems?

Mr. Armstrong: Of course sugar in the United States is a completely controlled commodity. The Government controls how much should be grown in the United States in cane and in beet, how much of it may be imported from non-continental American territories, such as Hawaii and Puerto Rico. Then we have quotas for practically every other sugar-producing country in the world from Taiwan and the Philippines to Brazil and South Africa. The argument over who gets a quota is good for a political exercise at almost any time. What I think people may not

realize is that when we stopped buying sugar from Cuba, we did not go into an immediate increase in domestic sugar production. We resisted the temptation to expand domestic production and we reallocated the Cuban quota to other sugar-exporting countries. I thought this was basically broadminded because there was a lot of pressure from domestic interests who said we could make up for that shortfall in Cuban sugar. So we redistributed the quota substantially in Caribbean and Latin American countries where we were able to provide an assured market to a number of countries that they hadn't had before. We thus expanded their market. Of course the world sugar market is a fairly soft one, and the United States is not the only buyer. I believe the countries concerned have renegotiated the International Sugar Agreement now so that it is functioning again. For a while the renegotiation was blocked by the Cubans who were insisting on so large a quota, an export quota, within the sugar agreement as to render the agreement non-negotiable. I recall one sugar meeting in London about three years ago where we listened to the Cubans as they stated their terms, with the result that everybody looked at everybody else and said "That means no agreement this year." Obviously there must have been some adjustment. It is in the interests of all sugar-producing countries to try to stabilize sugar on an international basis, because anybody can grow sugar anywhere, and everybody does, for all practical purposes. I think the United States has handled its sugar policy as rationally and as liberally as one could expect, maybe more rationally and more liberally than some people expected.

Senator Martin: I have some other questions. But I shall defer to other honourable senators at this stage.

Senator Thorvaldson: Mr. Armstrong, I wonder if the USSR has taken the place of the United States as an importer of Cuban sugar.

Mr. Armstrong: To a certain extent it has, but the USSR is itself an exporter of sugar and it has taken on a commitment to import Cuban sugar as a form of support. In all probability it re-exports or resells some to other places. Now what the financial terms are I don't know, but it is conceivable, based on the Soviet record of bilateral trading, that the Cubans are not getting the price for their sugar that they would get if they sold it on an open market for convertible currency. I am not saying that that is the case, but it is conceivable.

Senator Carter: I would like to follow up that question on sugar. I have other questions to ask as well, but this one is related to sugar. When the international agreement is worked out, what factors determine the price? I remember hearing over the radio sometime ago an official or a member of one of the governments down in the Caribbean who was here and he complained that Canada was buying their sugar from his country at less than what it cost them to produce it. Now is this international price related to production costs or to supply and demand?

Mr. Armstrong: There isn't any fixed international price. The international agreement deals with export quotas and import quotas so that countries commit themselves to allow the import of so much and on the other hand other countries commit themselves to export so much or to limit their exports. There are many variants in the sugar price. There is a Commonwealth sugar price under that agreement under which the British take sugar from the West Indian islands at a higher price which presumably in part covers the higher per-unit cost factor. I also understand, and I could be wrong, that when people in Canada buy sugar they buy at the world market price. There is an artificially high price within the framework of the British arrangement with the West Indian islands but it doesn't cover all the sugar. The United States pays more for sugar than the world market price. We support domestic sugar in the United States. Our own agricultural system results in an effective support for the sugar industry, and the sugar we import naturally benefits in price from market support offered by the domestic program. I must say I am some distance away in point of time from familiarity with the details of the sugar program, so I could be wrong on this, but this is my impression.

The market has a number of sectors. The French have their own market system on sugar prices, because they take the sugar from Martinique and Guadaloupe and they also have a domestic sugar industry.

Of course, within the Common Market there is a price support system in Europe, so there are many different sugar prices around the world.

I assume that when Canada buys sugar, since it is not part of any preferential arrangement, it buys at the world market price.

Senator Carter: Some of the underdeveloped countries, mainly in Africa, have complained that when the West gives them aid in the form of handouts it would be much better if they gave them aid in the form of a higher price that the world market price for the product that they can produce. In the Caribbean area we are talking about sugar as one of the main supports of their economy. Would you think that that would be a good plan to help those countries, to pay a higher world prices for their product, or would that have repercussions that would cancel it out?

Mr. Armstrong: The reason I believe in the necessity for an international sugar agreement fundamentally is that the world's capacity to produce sugar greatly exceeds its tendency to consume it. Sugar is relatively storable and therefore you can pick up quite a stockpile and this depresses the price.

I think that an international agreement to stabilize the sugar market is a good thing. I think that this ought to be enough to carry most of the Caribbean sugar producing countries. But there are probably some sugar producing countries that really ought not to be producing sugar or depending heavily on it, because the plots of land are too small. In order to produce sugar efficiently one needs to have an optimum size of unit. If you have only a few acres you are probably not in efficient operation, and it will be high cost. Obviously, people in such a case should be doing something else; they should move somewhere else or get into some other business, because it is not economically sound to continue as an inefficient producer. So I would not think you ought to support the sugar industry in small Caribbean islands to the point where economic change to a more desirable type of activity was precluded.

In general, in this business of commodity prices, one often hears the Latin Americans saying to the Yankees: "Look, you know that another three cents on a cup of coffee would solve all our problems." But it is not that simple.

There is a coffee agreement, a stabilization effort, and governments have gone to great trouble to try to stabilize the market, but the Latin Americans and the African countries have no control over production, and much depends on the consumer and total demand.

Coffee is again fairly durable as a commodity. You can store it and keep it, and there is a great over-supply, which can overhang the market. The coffee agreement is an imperfect thing. It helps stability, but doesn't really balance supply and demand.

The United States cannot say to Brazil: "We will pay you more for your coffee than the market price," because the United States Government cannot commit its citizens, so to speak, to do this. The only way you can get around it would be for the Government to go in and do the buying of coffee. When you consider that the United States spends more for coffee than for any other single import, you see that as a project, Government buying simply would not do.

There is something to this point that these countries depend on primary product sales. The markets fluctuate, the terms of trade tend to turn against the less developed countries and they get poorer or they do not get richer fast enough. This is one of the great problems of the disparity between the industrialized countries and the less developed countries, which is illustrated in the Caribbean area. It is also true in Africa, it is true in Asia and it is true throughout Latin America.

In the Caribbean it looks as if you ought to be able to solve it, because the countries are small, with not very many people, and nearby is one of the most affluent areas in the world. Somehow or other enough of this wealth ought to get around to take reasonable account of these people on these little islands.

Senator Thorvaldson: I might remark to Senator Carter that I lived in western Canada in the twenties and thirties, the problem involved in sugar was pretty identical with the problems we had with wheat, particularly in western Canada, which resulted in the wheat agreement which was negotiated after many years of struggle and which agreement is not a bit of trouble now.

However, the principle is identical with our problem in western Canada with large crops, as growers of wheat.

Mr. Armstrong: I remember one illustration in Washington, in an administration which I will not identify, where people said: "We have a firm policy—no international commodity agreements, we are absolutely against them on principle—except for wheat and sugar."

Senator Carter: I would like to return to the question raised by Senator Thorvaldson at the beginning, about political stability. In your reply, Mr. Armstrong, you said that was pretty much of a patchwork, that some people were stable and some countries were not stable. Among the stable countries you mentioned Cuba. If you look into the future, can you really expect very much stability in the Caribbean as long as Castro is there and is determined to create instability? I mean, that is part of his job.

Mr. Armstrong: He is a factor for instability in other countries while he maintains a pretty strong level of stability in his own. The thing you wonder about with Castro is, what will follow Castro in Cuba. Who will be in charge, will it be the same type of thing or will it not?

The Cuban efforts at subverting other countries in the Caribbean or in the hemisphere have not been very successful. Practically all the agents they have put into Venezuela, for example, have been caught or taken care of in one fashion or another. Their effort in Bolivia was obviously, no matter which version you read of Che Guevara's diary, not very well organized and highly inefficient. One may of course hope that they do not get any more efficient.

I think that in most cases of questions of instability or revolution versus evolution, it is a question of what happens in that country itself. Usually, a country is not likely to be too much affected by what somebody from outside tries to do to it. People, particularly in these insular little countries–and they really are very insular–will tend to reject outside pressures pretty much, no matter where they come from, and say: "We want to solve our own problems our own way." So I do not think that the outside pressure is going to work very well, except where there is some strong local group that can use outside help.

I suppose one of the worst examples of instability is Guatemala where there has been a polarization of political pressure, right and left, and a tendency to kill each other off on occasion. There has been some of this in Colombia, too.

Senator Carter: Do you attribute Castro's lack of success in the co-ordination of his efforts and the alertness of the countries in which they have tried to operate? Would you say that his success, his lack of success, would be due to some extent to his lack of economic success at home.

Mr. Armstrong: Oh, yes, his regime has not been as successful as he said it would be, and the word gets around. They even ration sugar in Cuba for the consumers and they ration practically all the other food, and there really is not too much to eat. There is no milk, or there is not enough milk. They are under a real squeeze.

But I think there is also recognition that Castro has built a lot of schools. He has created probably a fairly good level of support from a large part of the Cubans who have remained. A great many of the people who did not like it have got out of Cuba. Probably half a million Cubans have come to the United States. I do not know the number. That is just a rough guess. But it has got the the point where Miami has become a partly Cuban city, which it certainly was not before Castro's regime. The people who would object most vigorously are not there, and what they have to say outside about what goes on inside Cuba tends to diminish the lure of the Cuban regime.

I do not know whether you remember a cartoon which showed Mr. Mikoyan in the Kremlin. Having come back from a trip to Cuba, he was reporting, and sitting down next to Brezhnev or someone like that. He was talking, and the caption was, "Of course, the first thing you have to remember is that he is a nut."

As I said earlier, I think the Russians may have their problems in dealing with the Cubans. The Cuban revolution, so to speak, in its internal regime, in its emphasis on certain goals, looks very much like the Soviet Union's in its earlier days in the twenties, where the rations got pretty low and the industrial output was not good and things were pretty rough. This is perhaps not the best way to go about engaging in economic development.

But I do not really think that the Cuban example is going to result in any direct change in some other country in a short term, unless there are some really pretty good reasons within that country. I think almost anything could happen in Haiti, but this could happen regardless of there being a Cuba.

Senator Thorvaldson: You would say, then, Mr. Armstrong, that the Cuban pressure on subversion in that area was much greater two or three years ago than it is now. At least, from my reading it seems to me that the pressure is getting less and less, particularly since Ché Guevara was caught. May I remark, sir, that I think one of the most delightful phrases you have used here today was when you were talking about Cuban subversives and mentioned that either they have been caught or dealt with in another way.

Mr. Armstrong: You know, when you see how this works, why it is a little harder for the Cubans to get the volunteers.

Senator Robichaud: Mr. Chairman, first may I make a brief suggestion that might be of interest or advantage to some of us on the committee to have smaller versions of the large map before us.

The Chairman: Thank you very much for the suggestion, senator. We are working on that now and hope to have such maps in your hands quite soon.

Senator Robichaud: Mr. Armstrong, you referred on different occasions to United States policy on foreign aid programs, particularly as related to Puerto Rico. Is it a fact that in recent weeks the United States Government has announced a major or substantial aid program for Puerto Rico? If so, could you give us some details as to its application? Is it a matter of loans or direct grants? I understand it has to do in large measure with the storage of food products and the development of the fishing industry around Puerto Rico.

Mr. Armstrong: This is a domestic program. Whatever is done in connection with Puerto Rico is a domestic program and not part of the foreign aid operation. There are a number of programs that function there.

Senator Robichaud: With United States Government assistance, however.

Mr. Armstrong: But in the same way that we have a program of aid for, say, Appalachia, or a program of aid for disaster victims after a Texas hurricane or a California flood. There are specific programs, fisheries and that sort of thing, in Puerto Rico, but the essential boost to Puerto Rico's economy started from assist-

ance tax, and this encouraged people to go there and go into business. The business climate is very satisfactory, but this is not part of any foreign aid program. If you were to go back to the Roosevelt administration and recall the stories that were written then about Puerto Rico, you would remember that the American people were horrified to realize what a poor house they had in Puerto Rico. It was really a slum. A sort of general social consciousness was awakened on this in the 1930's and a tremendous effort has since then been made to assist Puerto Rico and to encourage Puerto Ricans to assist themselves. In fact, they have done very well indeed.

They have, of course, another escape valve that other countries do not have in the Caribbean. They can export, so to speak, their surplus population. It comes mostly to New York. This opportunity does not exist for Haiti, for example, because the places to which Haitian immigrants might choose to go are not as open as the United States is to the Puerto Ricans.

Senator Davey: Mr. Armstrong, one point that interested me was the number of Cubans in the United States. You referred to them in your speech and then mentioned a figure a few minutes ago of about half a million. Presumably these would not all be classified as refugees. The question I want to ask is what is their influence? Is it a meaningful factor in the United States? What is their purpose, what is their object and are they advocating invasion?

Mr. Armstrong: There are probably 15 or 20 different shades of opinion among the Cubans in the United States. There are a lot of Cubans who have been coming in for years, into Florida in particular. These people are part of the expansion of population in the United States. Then there are a lot of Cubans who came specifically since Castro got into power. Some of them are relatives of people who are here already. Some of them are genuine political refugees who got out. Some of them, you know, rowed across from Havana to Key West.

I was down in Key West in 1962 and there could be seen a lot of the small boats that people had used to get across. There is a regular refugee air lift now that moves people out at a regular rate. It takes about a year and a half to get in line for it, but it does come and there are large numbers of Cubans who desperately want to get out of Cuba.

This is another thing that diminishes the attractiveness of Cuba, because word gets around about these people. Recently, a group made a run for it and made its way into Guantanamo, and they were flown out to the United States.

There is a terrorist wing, or pretty rough wing of the Cuban refugee organization which has made some threats and has done some unpleasant things to representatives of countries that trade with Cuba, such as the British or Canadian establishments. We have taken in the United States some pretty severe police measures with respect to these people and provided extra guard services and that sort of thing. That radical wing is not being encouraged at all. We had of course the unfortunate episode of the Bay of Pigs in which a lot of Cuban refugees volunteered for service. It was something less than efficiently handled, and it didn't work. I think no political figure is going to get up and say out loud that we are not interested in a possible change in the future in the political management of Cuba. On the other hand, nobody is going to organize anything to do anything about it, as far as I can see. It has been tacitly acknowledged that the Castro Government has survived and that it has the support of most of the people. They are not very well off but some of the ones that don't like it have a way of getting out, and they are still getting out. Most Cubans coming to the United States settle down and become Americans like everybody else.

Senator Davey: What is the essential reason for all this hijacking?

Mr. Armstrong: You know there are always some nuts and some psychological cases, and there are people who somehow want to get out of the United States into some other environment. A lot of them really don't know what it is like in Cuba, and probably most of them when they get there are pretty miserable. But if you assume that a man is not a nut and he does hijack a plane, what is the reason? Well, if he wants to go to Cuba by commercial aircraft on a regular basis he has to go to Mexico and take a plane from Mexico to Cuba. It is a long way. You have to go down to Mexico and then over. It costs a good deal of money. It is cheaper to buy a revolver. Of course, it costs the airline money because they have to pay landing fees and they have to buy fuel and things like that. Personnally I think we ought to try to work out some way of normal air traffic between the United States and Cuba and then this would not happen. If we had regular flights from Miami, as we used to have in the past, this could be done on a carefully controlled basis and you could control who came in and who went out. I would hope eventually we could get into this position, because the present situation is absolutely ridiculous. The Cubans apparently don't care much for it either, and I would just hope that some day it could be improved. One of the things the United States has to look for now is some form of normalization of its relations with the Cuban regime. The regime is not going to disintegrate, or blow up or blow away. It is there, and if we don't wish to indulge in ordinary business, that is our choice, but we could at least try to establish an air link of some kind so that people could get back and forth.

Senator Davey: I have a question, which perhaps is not a question at all but a comment. Relating to the

comment that Senator Fergusson made earlier about tourism in the area, could you describe now, and I appreciate it varies in different parts of the area, what the total percentage contribution of tourism is to the economy of the area as of right now?

Mr. Armstrong: I think in Puerto Rico and most of the little islands down the chain there it is a very high percentage of their G.N.P. It is probably the major element in their foreign exchange earnings.

The Chairman: I can give you a partial answer on that. In Barbados it has now become greater than the sugar cane production.

Senator Davey: Would it be half?

Mr. Armstrong: It might well be half in these tiny countries. What you haven't got to yet is tourism in places like the Dominican Republic and Haiti. The scenery is there and there is a lot more space than there is in the little islands, so that there is room for expansion, but because of the political conditions it has not happened. There used to be a lot of tourism in Cuba but that is unattractive now. Jamaica has a fair amount and so does Trinidad. Of course, the farther away the islands are the more air fare one must pay.

Senator Davey: Following on what Senator Fergusson was saying earlier, and this is merely an observation, it seems to me that this is not the place to go for a middle-class vacation. Perhaps this is an area in which greater attention should be directed.

Mr. Armstrong: Of course air fares tend to decrease, certainly in relation to general price levels. And the thing that made possible the immigration of so many Puerto Ricans to New York and the flow of American tourists to Puerto Rico was the cheap air fare. And as you know the moderately affluent go to Puerto Rico for a holiday and the indigent Puerto Ricans can save up enough for a one-way ticket to come to New York where they can go on welfare if they can't find a job. The cheaper air fare is coming. I must say that Air Canada fares to Barbados and Trinidad are quite low. I think you can go more cheaply from Montreal to Trinidad than you can go from New York or Miami; probably because it is part of the Commonwealth or something like that. It is like British air fares to Malta, by which you can travel for half the cost of going to Italy or Switzerland.

Senator Pearson: I have a question about Honduras. Can you make a comment on why it is in such poor financial condition and why people there are as they are? Is it due to the topography of the country or the soil or what?

Mr. Armstrong: Is this Honduras or British Honduras?

Senator Pearson: British Honduras.

Mr. Armstrong: British Honduras has a very tiny population, only 90,000 people, and it is simply a situation where few people ever got around to living there. It is not a bad place to live; it has good soil for sugar and citrus and other crops. It is underutilized and underoccupied, and the climate is not bad. However, it has one significant disadvantage in that it is in the path of hurricanes, and twice, I think, its capital town has been practically obliterated by a combination of hurricane and tidal wave, and this has set it back. Now they are building a new capital which is away from the waterfront, up about 10 miles. Once they get that as an administrative center they will presumably not have the damage which they had before. Most of it came from sea water, because of the tidal wave following the hurricane. I had a friend, an American consul, down there during one of the hurricanes and he had quite an experience—so had everybody else. It killed a lot of people, demolished buildings and it blew off half the governor's house and things like that. When I was there and had dinner in the governor's house we had it in the hall, because one wing had been blown away three years before.

Once they can protect themselves against this sort of thing a little better, they can go on and grow. They need quite a lot of outside capital. I think some people have an investment in citrus in British Honduras and I do not see why they should not go ahead. The climate seemed to be good and it is quite a pleasant place.

The Chairman: Several Canadian banks are moving agencies into British Honduras, too.

An Hon. Senator: This would be a good place, then, for Canadian investment?

Mr. Armstrong: I do not want to get into Canadian internal matters.

An Hon. Senator: If we get into these internal matters, why should'nt you?

Mr. Armstrong: In order to qualify for tariff preferences, I think products have to land in a Canadian port. Shipments from British Honduras are most efficiently made through the United States, because they are directly south of the middle of the United States. I think that this is an administrative matter. I noticed that people spoke to me about that when I was down there, complaining that Honduran products did not qualify for Canadian Commonwealth preferences because of the port requirement. I do not know whether this is still true or not.

Senator Quart: Mr. Chairman and Mr. Armstrong, just on the question of tourism, would you agree

that Venezuela is the most expensive place. It seemed to me when I was there a few times in all that area that it was the most expensive one. I well remember being in the Tamanaco Hotel at Caracas and they charged about $3.50 each for a drink. I remember that and there was complaint about it at the time.

Most of the people in Venezuela want to go in for oil rather than farming. We happened to be there at a particular time when I remember many Italians were going back home. They imported this labour from Italy to work on the farms, while the idea the Italians had was that they were going to work in oil. There was a terrific protest on the dock that day. Would you not say it is the most expensive place for tourists?

Mr. Armstrong: Yes, I remember Venezuela as long as fifteen years ago when the cost of a vital necessity like a martini was $1.50.

Senator Quart: Yes I remember it was terrible.

Mr. Armstrong: I am sure it is $4 now. This is inhibiting tourism, but then the Venezuelans do not need tourism to make money. They have oil, and iron ore. They are terribly high cost economy and of course the way they get around that themselves is that for the most part for Venezuelans is that they have a flat 10 per cent income tax, or they used to.

I suppose that, with more diversification of their economy, more manufacturing, more things like that, it will help to cut down the high cost of the imported goods, but these will still be very high cost industries, because they have a high cost base. It is the most expensive place I have ever been in. Once you get up that high you cannot well go backward, so that this will mean that ordinary tourists do not go there.

Senator Quart: There is one other thing we objected to. When we were going to Buenos Aires, our plane refuelled twice. I am talking about Caracas, where it was frightfully warm and we were herded in the airport. This was an official mission for the US-UN status of women. We left our things on the plane. The American delegate was very much annoyed because she said if anything happened to her briefcase it would be awful. However, we were herded in just like cattle at the airport and were not allowed to move around. Yet we saw that the Venezuelans who were standing around were allowed to get on to visit the jet. We had almost to apologize if we wanted to go to any other area. We were all piled in together. That seemed rather strange.

Mr. Armstrong: The ways of airports are always strange.

Senator Fergusson: May I ask one question? If in connection with Puerto Rico the Americans deal with it the same as some other regions, such as Appalachia, why is it that they do not have an income tax there?

Mr. Armstrong: Tax concessions were figured as simply a system for encouraging investment in Puerto Rico. It is much simpler and less expensive than it would be to appropriate money for specific purposes to give to, say, Puerto Rico. The use of tax incentives for development is a normal thing in many countries and this was a particular form of tax incentive.

Senator Martin: I would like to start where we left off, if I might. We were talking about the reduction in British economic aid to the Commonwealth Caribbean, the extent of American aid, and the increase in the Canadian program.

Have you any comment to make, Mr. Armstrong, on the suggestion Canada made when it met with the Commonwealth countries in Ottawa two and a half years ago, in connection with the economic assistance from Canada to them, as to the extent of that assistance, and their concern that with what we could do to help them in the most important area that concerns their economy, that is, their sugar trade. Are you familiar with this?

Mr. Armstrong: I am not familiar with it. I recall that there was such a meeting and I recall that there were offers of aid and I recall also the Caribbean countries' reaction, which was that they would like a guarantee on the sugar.

Senator Martin: Yes.

Mr. Armstrong: I think that in sugar again, it is wrong so to protect a small group of producers at a high level that you make economic change unfeasible in that small economy. If you take, for example, one of the Caribbean islands, say Granada, and it costs twice as much to them to grow sugar there as in the Dominican Republic, say, or Puerto Rico, if you set the price so high or protect the market so much, then you get a whole group of people with a vested interest in the maintenance of something which is basically unrealistic in the long-term economic sense. I think you have got to allow for more change. I do not really like this sort of specific preferential arrangement on sugar, because it makes a patchwork quilt out of the world sugar market. I believe more in a general sugar arrangement in terms of promoting stability.

Senator Martin: Could we have international agreements without the participation of Cuba?

Mr. Armstrong: You could not have a good one without Cuba, but now, apparently, it has been renegotiated, with Cuba in it.

Senator Martin: When was this?

Mr. Armstrong: Last year, I think. I am a little out of date on sugar. I never found sugar an awfully attractive subject to deal with as an official. As soon as I stopped being an official I tended to forget about it, frankly, because it is not a very enjoyable subject. To the best of my knowledge an international sugar agreement was renegotiated and Cuba must have changed its basic position to bring this about.

Senator Martin: I understand the agreement was renegotiated, but that there is still some complaint by the Caribbean countries as to the price. Is that not so?

Mr. Armstrong: Well, I think the smaller Caribbean countries, the British islands and so on, will continue to camplain for a very long time because their sugar is probably of a higher cost and world market prices are not particularly renumerative. They have not succeeded in getting the British to commit themselves to buy an increasing quantity of their sugar at a higher price. Naturally, they would turn to Canada to see if Canada would buy some portion of their sugar at a higher price.

You know, I can see how it might be a good policy to do this on a short-term basis, but the trouble is that the short-term always turns into the long-term, and the long-term can freeze a set of relationships which are not fundamentally sound in their economics and which therefore are not really necessarily in the interests of the little country that wants to get twice as much for its sugar as anybody else. You can feel sorry for them. I have had such a discussion with the Government of Mauritius, which is about to become an independent state, and they have got nothing but sugar and people out there. There is no place for the people to go and there is not enough market for their sugar. You cannot help but feel sorry for a tiny country that has nothing to sell but sugar, but guaranteeing them twice what somebody else can raise sugar for is not necessarily in the long-term a service to them. But you do not have the heart to turn them down. You hate to say this to them.

Senator Martin: Mr. Armstrong, you spoke about the normalization of relations with Cuba. Cuba, of course, plays a very important part in this whole area. Would you care to say anything about what Canada, for instance, might do to help in bringing about normalization of these relations?

Mr. Armstrong: Well, I do not know. Concerning normalization in this context, I want to make it clear that I am not advocating anything in particular at the moment for the United States Government. All I am saying is that over time there will become apparent a need for more normalization. I think this is something that Americans have to resolve for themselves and that Cubans have also to resolve for themselves, because it is not all on one side, you know.

I think that the time for a dispassionate discussion, shall we say, of United States policy towards Cuba has not come yet. I feel that this is an emotional problem. It is loaded on all sides and I do not think that the time has come for a dispassionate discussion. However, I think one should encourage this.

I am now an academic. I have always believed in dispassionate discussion, especially with students, but the problem sometimes is to get a little reciprocity. We need dispassionate discussions on all aspects of difficult problems, and Cuba is not the only one. But I think it is too early yet on Cuba; there are too many Cubans who have come to the United States and who are presumably going to become good Americans and who will be better Americans if this issue does not become exacerbated within the society at the moment. That is the way I feel.

It takes time for this kind of thing to change, and maybe there will be a different manager in Cuba and some of the emotion will come out of it on that side. It takes awhile, I think.

Senator Carter: I would like to return to the question raised by Senator Fergusson about education. You said that universities have a lot of student power down in the Caribbean, and you spoke particularly of Venezuela. How many countries have universities down there? Is there one in each country? What I am most interested in is, if there are universities in the Caribbean, what do they do? Do they just cater to and train the elite of the place, or do they have extension programs?

Mr. Armstrong: In Venezuela the universities are pretty accessible to a large part of the population. I think this is true in Colombia as well. Columbia has a pretty good standard of education. There are universities in the little countries in the Caribbean. I was talking to somebody the other day who was teaching in the university in Managua in Nicaragua, and I asked him who attended the university and he told me that only the elite did. But then, that is the way Nicaragua is; that is a reflection of Nicaragua. Costa Rica would be quite different, because that is a very democratic country with a high standard of education.

You know, it is very hard to generalize about these things, and you have to be very careful in judging universities. For example, at Columbia University we have a certain amount of experience with foreign students from Latin America and elsewhere, and we have our own system of evaluating their records. If a man comes in and says he has a Ph.D. from such and such a university, we tell him that that is fine, but then we do our own calculations and we might find that his education is equivalent to a B.A. from a second-rate college, or something like that. But you cannot tell the man that. You just have to make your own judgment and then tell him that you think he

ought to build up in this, that or the other field, and you prescribe a program for him. You have to do this in order not to disadvantage your own students, because you have got to maintain your standards.

But there is a great deal of variety in Latin America in the quality of education. Of course, in the British-based countries such as Trinidad and Tobago the education systems are part of the general British standard, and this general British standard has been maintained quite well. And you can see that the students you get from West Indian or African universities which are in former British territories make a real effort to maintain a good standard, and it is not unsuccessful. I think one of the great contributions the British have made to territories where they have governed has been in the educational field as well as in the area of political institutions, and while one may feel rather depressed that the British don't have the money to put into those places, we should not overlook the fact that what they have put in is qualitatively very important, and may be more important in the longer term than some infusion of capital in a narrow sector.

Senator Carter: Would you say that this would be a very rewarding field for foreign aid? Would that be one of the best ways we could help these countries?

Mr. Armstrong: I have always believed that education is one of the best forms of foreign aid, but it must be useful to the people in the country concerned. You don't want to take people and turn them into atomic physicists. That is not the object. You want people capable of doing something in their own country when they go back, or if you are training them there. I think what many universities are doing all over the world is terribly impressive. There are quite a number of American universities who have big projects of this kind in many places. There is enormous scope for this and the rewards are incalculable. I think one of the best programs the United States has had in any field has been the Fulbright program for the exchange of scholars and students. I was with the Fulbright Commission in our embassy in London and I saw how this worked. I don't think there was ever a more worthwhile expenditure of public funds in the foreign field than in the Fulbright program.

Senator Carter: Do you think it is better to bring them out and train them on the continent rather than give them training in their own country?

Mr. Armstrong: You need both. You need to bring people up and also to send people down. there are advantages in doing both, I think.

Senator Fergusson: Are they doing a lot of technical education too?

Mr. Armstrong: Probably. I don't know. I think they should. Yes, certainly the Alliance for Progress program involves a lot of technical education. And also in the British aid programs—the British have a very good aid program, qualitatively.

Senator Fergusson: I remember on our Manpower Committee we had people who told us that a large number of technicians are coming from the West Indies to Canada. I think this is too bad, because they need them down there.

Mr. Armstrong: That is the trouble. If people get training in a field then the tendency is that they don't want to stay home. In Britain if you didn't have the Indian and Pakistani doctors you would have to close the hospitals. At the same time they need the doctors back in India and Pakistan. That is the reason why under the Fulbright program when somebody comes to the United States to study we arrange it so that his visa is no good for him to stay after his study. When he has finished his studies he has to go back or go somewhere else. We will not allow him to stay. We will not consider him for an immigration visa to the United States for another several years. We use our immigration law to push the people back to where they are supposed to be when they have had their training. What happens in the interim, of course, is that they marry an American and then you get Congressmen into the act and then a waiver is applied for.

The Chairman: Senator Thorvaldson.

Senator Thorvaldson: Mr. Armstrong, it is my great privilege to express to you the very deep appreciation of this committee for your appearance before us here. I know that you have realized the tremendous interest that you have created in this subject for all of us. We have been drinking your words; they have been soaked up as if we were sponges.

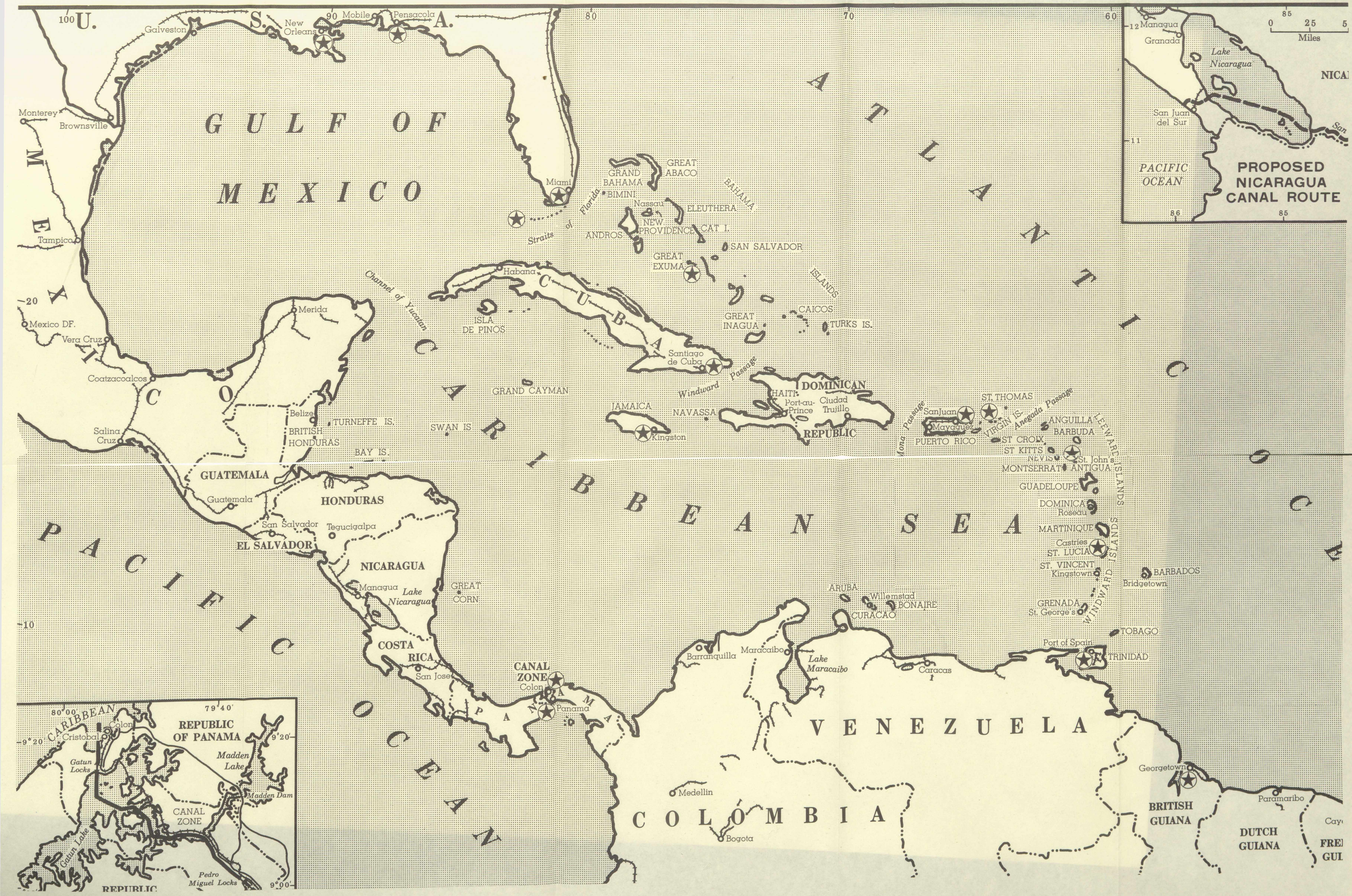
As the chairman said at the outset this is the first meeting of this committee for the purpose of studying the Caribbean problem, and I don't know through whom else we could have got the tremendous and wide range of information that we have got from you. I know we will probably be concentrating to a certain extent on the former British possessions like Jamaica and so on, but to have the information in regard to the other areas such as Venezuela, Colombia and others will give us a tremendous background for the work of the committee.

On behalf of all of us I wish to thank you most heartily for coming all the way from New York to talk to this committee. Thank you.

The Chairman: Thank you very much, Senator Thorvaldson. This meeting is terminated.

The committee adjourned.

CARIBBEAN AREA



First Session—Twenty-eighth Parliament
1968-69

THE SENATE OF CANADA

PROCEEDINGS
OF THE
SENATE COMMITTEE
ON

FOREIGN AFFAIRS

The Honourable Gunnar S. Thorvaldson, *Acting Chairman*

No. 2

TUESDAY, FEBRUARY 25, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:
Mr. William G. Demas, Head of Economic Planning Division, Office of the Prime Minister of Trinidad and Tobago, West Indies.

The Queen's Printer, Ottawa, 1969

First Session—Twenty-eighth Parliament
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29797—1

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (*Rigaud*)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (*Carleton*)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

(i) Treaties and International Agreements.

(ii) External Trade.

(iii) Foreign Aid.

(iv) Defence.

(v) Immigration.

(vi) Territorial and Offshore matters.

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

29797—1½

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

Alcide Paquette
Clerk Assistant

MINUTES OF PROCEEDINGS

TUESDAY, February 25th, 1969.
(3)

Pursuant to adjournment and notice, the Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Belisle, Carter, Choquette, Croll, Davey, Eudes, Fergusson, Gouin, Grosart, Haig, Laird, Martin, McLean, Pearson, Quart, Rattenbury, Robichaud, Sparrow and Thorvaldson. (19)

Present but not of the Committee: The Honourable Senators McDonald (*Moosomin*) and Prowse. (2)

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

Upon motion, the Honourable Senator Thorvaldson was elected *Acting Chairman.*

The Acting Chairman announced the names of prospective witnesses to appear before the Committee during its studies of the Caribbean area. He then introduced as today's witness:

Mr. William G. Demas,
Head of the Economic Planning Division,
Office of the Prime Minister of Trinidad and Tobago,
West Indies.

The witness made a general statement respecting the Caribbean area; he was questioned thereon and then thanked by the Committee for his presentation.

At 1.00 p.m. the Committe adjourned until 11.00 a.m., Tuesday, March 4th, 1969.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

Mr. William G. Demas was born on November 14, 1929, in Trinidad. He received his education at Tranquillity Boys' Intermediate Government School and Queen's Royal College in Trinidad. He later read economics at Emmanuel College, Cambridge University, and received his M.A. in 1955. While at Cambridge, Mr. Demas assisted Dr. Prest of Christ College in preparing "A Fiscal Survey of the British Caribbean".

Later appointments of Mr. Demas included:

Research Officer at Queen Elizabeth House, Oxford (1955-57)

Adviser on "Effects of European Integration on West Indian Trade" in West Indian Commission, London (1957-58)

Representative of West Indies at GATT meetings in Geneva (1958)

Temporary Technical Adviser, Minister of Finance, Trinidad and Tobago Government (1959)

Acting Assistant Economic Adviser, Ministry of Finance, Trinidad and Tobago Government (1959)

In 1960 he was appointed Head of the Economic Planning Division, Office of the Prime Minister, in the Government of Trinidad and Tobago, the position he now holds.

In 1964 he served as first Research Fellow at the Centre for Developing Area Studies at McGill University, and in 1966 served as Visiting Professor at the same institution.

THE SENATE

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, February 25, 1969

The Senate Committee on Foreign Affairs met this day at 11 a.m.

The Acting Chairman (Senator Gunnar Thorvaldson): Honourable senators, thank you. I would like to say, first, that it is with much regret that we heard that the distinguished chairman of this committee, Senator Aird, is ill in Toronto, and consequently is not able to be with us this morning. I am sure every member of this committee recognizes the tremendous amount of organization work which Senator Aird has already done in regard to getting these studies under way.

This is the second of this committee's series of meetings to examine Canada's relations with the Caribbean region.

The Senate Committee on Foreign Affairs is honoured today to have appearing before it as a witness Mr. William Demas, Economic Adviser to the Prime Minister of Trinidad and Tobago. I would like to add that Mr. Demas has travelled to Canada specifically to appear as a witness before this committee. I am sure the committee very much appreciates this contribution of his very valuable time.

Mr. Demas has been asked to speak on the general problems of development which prevail throughout the region. For this he is extremely well qualified. His present position in the Government of Trinidad and Tobago has given him firsthand experience with these problems from a government's perspective.

His appointment as the first Research Fellow of the Centre for Developing Area Studies at McGill University in 1964, and later as visiting professor at the same institution in 1966, has given him the opportunity to reflect about and examine in further depth these problems from a more detached position.

Some of his conclusions have since been published in his book *The Economics of Development in Small Countries, with Special Reference to the Caribbean.* Copies of this book have already been provided to members of this committee. Mr. Demas is particularly knowledgeable about the development problems of Commonwealth Caribbean States; and it is principally about them that he will speak.

I should add that Mr. Demas is appearing before this committee in his personal capacity as a scholar, rather than as an official of the Government of Trinidad and Tobago. In order to protect his position in this latter capacity, Mr. Demas has been told that he is free to refrain from commenting on any questions which may cause him embarrassment. I am sure honourable senators will respect Mr. Demas' situation.

Before calling upon Mr. Demas, I might report to the committee the names of future witnesses. Following the appearance of Mr. John Plank on March 4, whose theme has already been noted, the committee will have on March 11 Mr. Alex MacLeod, a Canadian national who is Governor of the Bank of Trinidad and Tobago. Mr. MacLeod will talk on "The Prospects for Political and Economic Co-operation in the Caribbean region". On March 18, the committee will have as its witness Professor George Doxey, a Canadian now doing research in Barbados. Professor Doxey will talk on "External Trade and Aid Relations of the Caribbean Countries". We may have one more witness before the Easter recess, but the arrangements have not yet been made.

The Clerk of the Committee has already circulated to you a brief outline of the main themes which Mr. Demas plans to raise. To refresh our memories, I shall note them again. They are the historical development of the Caribbean economy; the contemporary features of the Caribbean economy, comprising (a) institutional heritage and (b) small size; and the impact of external economic forces on the Caribbean today.

For the record, I will read out the brief list of books which Mr. Demas has recommended:

Gordon Lewis: *The Growth of the Modern West Indies*

Brewster and Thomas: *Dynamics of West Indian Integration*

Lloyd Best: *The Caribbean—an Over View:* Social and Economic Studies (Special Issue on Canada-West Indies Relations)

Dudley Seers: *Cuba—an Economic and Social Study*

Gordon Lewis: *Puerto Rico*

A. McIntyre: *Aspects of Trade and Development in the Commonwealth Caribbean* ECLA (1965)

Eric Williams: *Capitalism and Slavery*

Government of Trinidad and Tobago: *Draft Third Five-Year Plan,* 1969/1973, Chapter 1

And now, Mr. Demas, would you like to make an introductory statement before the members of this committee ask you their questions?

Mr. William Demas, Economic Adviser to The Prime Minister of Trinidad and Tobago: Thank you very much, Mr. Chairman. I would like to say how happy I am to be able to speak to this very august body this morning, the Canadian Senate Committee on Foreign Affairs. I think it is a very good opportunity for someone from the Caribbean to give a point of view on Caribbean problems, which is, so to speak, an indigenous point of view.

As the Chairman has pointed out, I shall speak on three main themes: The history of the Caribbean—that is, the economic history mainly; the contemporary features of the Caribbean economy; and, finally, the impact of external economic forces on the Caribbean economies today.

Let me clarify the scope of my remarks. I am going to talk this morning mainly about the Commonwealth Caribbean countries. However, I am prepared to answer questions during the question and answer part of the proceedings on other Caribbean countries such as the non-Commonwealth islands and the mainland territories of Venezuela, Colombia and Central America.

I think it is extremely important to start by looking at the historical development of the Caribbean economy, because one cannot understand the present economic position of any country without knowing, if only broadly, how it has got to its present position. I think this is true of the West Indies or the Commonwealth Caribbean more than of any other country or set of countries in the world, because the Caribbean economy has not, and I repeat not, changed very much since it was established about three centuries ago. I shall not go into details, since I assume most of you are familiar with broad outlines of this economic history. The main point to note is that the Caribbean countries never had any separate autonomous economies of their own. From the very beginning they were extensions of the metropolitan economy. In fact, the West Indian colonies were brought into being to serve the purposes of the British mercantilism.

If one looks at the 17th century at the British occupation of the West Indian islands, one will see first of all that an attempt was made to establish an economy similar to that existing in New England at the time. An attempt was made to start an economy of British small farmers producing crops such as cotton, indigo and tobacco. This was true of Jamaica, which was taken by Britain at the time of Cromwell—I think it was 1665, St. Kitts and Barbados. This economy was manned by people who left Britain mainly for political and/or religious reasons. You know all about that.

What caused the decisive change, however, in the character of this economy was the introduction of the crop, sugar, from Brazil. The Dutch brought it in from there. Once sugar was introduced into the British West Indies, the whole character of the economy changed. From a New England type of economy of independent small farmers, the islands moved to a situation where their economic life was dominated by the sugar plantation and where the manpower for producing sugar consisted of slaves imported from Africa—against their own will, of course.

Now, the sugar economy of the West Indies flourished in the later part of the 17th and during the 18th centuries. In fact, the 18th century was the heyday of the West Indian sugar plantation economy. It brought great wealth to the owners of sugar plantations and the people who were dependent upon them, and, in fact, it made a substantial contribution to the financing of British economic development in the second half of the 18th century.

This theme of the contribution of the West Indian sugar colonies to financing the industrial revolution in England at the end of the 18th century has been developed in one of the books I mentioned, Eric Williams' *Capitalism and Slavery*.

Incidentally, Eric Williams is now the Prime Minister of Trinidad and Tobago. He wrote that book more than 20 years ago.

One feature of this early sugar economy that I would like to stress is that it did not serve to develop the West Indian colonies as autonomous economic units. In fact, the West Indian colonies, as they then were, remained a place where England found it convenient to produce sugar. This led to the development of certain characteristics of the West Indian economy. One of these characteristics was that all the decisions about investment in the West Indies were not made within the West Indies but in London, in the metropolis, by the merchant firm, which played a very important role in the financing of sugar production at the time. It was a merchant house that decided whether to expand production, whether to lay out more working capital for the purchase of slaves from Africa, whether to cut back production and so on and so forth.

Secondly, the existence of the sugar plantation, which was absentee-owned, meant that the priority was on consumption rather than on investment in the West Indies. The sugar planter, once he became wealthy enough, retired to live in England and enjoyed a very high level of consumption. Also, he had several relatives to whom he made rather generous endowments and bequests, and, of course, they all had to share in the profits before there was any consideration of plowing back of profits.

This was a very, very important feature of the West Indies, historically, this priority given to consumption rather than to investment. Moreover, to the extent that attention was given to investment, the decision to invest was made not within the West Indies but in the metropolis. In other words, from the beginning of the sugar plantation in the West Indies, the West Indies were not an autonomous economic unit. This is probably the central point.

The sugar economy started declining at the end of the eighteenth and the beginning of the nineteenth centuries. You all know the story of the movement in Britain away from mercantilism towards Free Trade. By 1800 Free Trade was in the air; there was the thinking of Adam Smith, David Ricardo and so on, who attacked the old restrictive system which had collapsed in relation to the American economies.

You know about the American War of Independence in 1776, one of the main factors in which was the restrictions imposed by British mercantilism.

The West Indies sugar planters, however, reaped a benefit from mercantilism in that they were able to get their sales of sugar protected, receiving preference in the British market as against newer competitors like Java, in the East Indies; but the rising industrial class in Britain at that time wished to have free trade in all agricultural products, and they wished to abolish the West Indian monopoly.

The attack against the mercantile system, and particularly the West Indian interests, resulted in the emancipation of the slaves, the abolition of slavery, in 1834, and the establishment of free trade in 1846. These two acts dealt the old West Indies sugar economy a shattering blow. Its economy survived, nonetheless, largely because of the importation of cheap labour from India—at first it was Africa, and then India—and for about 70 years, from about 1847 to about 1917, the indenture system, under which labourers were imported from India under contract to serve on the sugar plantation for a number of years. This system continued, particularly in Trinidad and Guiana, and it was largely because of this system of forced labour from India that the sugar economy was able to survive.

It went creeping along, and was faced with another very severe crisis just before the Second World War, in 1938, when the world depression led to a fall in the price of sugar and when the rising political consciousness of people in the West Indies found expression in demands for greater recognition for labour and trade unions, and self-government.

It was clear to Britain in 1938, then, that the events of the first part of the nineteenth century—that is, the emancipation of slavery and Free Trade—had not really resulted in any fundamental economic, social and political reconstruction of the West Indian society. The system had revealed its bankruptcy almost a hundred years after the breakdown of the old slave plantation economy.

Of course, the usual response of Britain then, and now, when faced by a crisis either in Britain or in one of Britain's possessions,

was, and is, to appoint a royal commission. This was done, with the result that the 1938 Royal Commission on the West Indies, the Moyne Commission, named after Lord Moyne, the chairman, has become one of the best-known documents in West Indian history. The commission stated quite emphatically that the economic future of the West Indies lay in building a strong class of small farmers, a strong peasant proprietorship, and felt the sugar industry did not really hold out much hope for building up a sound economic basis in the West Indies. It also recommended a more positive role for Britain in terms of social expenditure in the West Indies. The second rather than the first part of the recommendation was accepted, with the result that after the war, from 1945 on, Britain introduced the colonial development and welfare policy into the West Indies, and began spending more money than it had spent before on things like social and welfare projects and infrastructure projects. At the same time, after 1945 there was a greater degree of popular representation in the political process accorded the people, with the result that industrialization came to be stressed by many of the popular governments which were coming into power. In fact, there was a large measure of self-government which was being achieved progressively, before full independence, a few years ago. But once the popular representation began having any say in the formulation of policy, they thought in terms of industrial development. They felt it was the thing, and to a large extent they were influenced by the kind of industrial development policy that was being carried out in Puerto Rico. This policy was based on giving generous fiscal incentives to attract foreign capital to set up manufacturing facilities within the islands.

What has happened, then, since 1945? The large islands have tried to industrialize, particularly Jamaica and Trinidad and Tobago. There has been a fairly rapid rate of growth of the manufacturing sector. Unfortunately, it has not had a large impact on the local economy. For one thing, the bulk of the raw materials used has been imported. For another thing, the processes of production used have been highly capital intensive, highly mechanized, with the result that very few jobs have been created. And, finally, the impact of the income created by the new industries on the domestic economy has not been particularly great because of the large amount of profits leaking outside to the people who own the plants.

So, for these three reasons, industrial development, although it has gone fairly far in Jamaica, Trinidad and Tobago, has not had a very big impact on the local economy in terms of either employment, using local materials and other inputs, or retaining a large part of the income generated within the country.

At the same time the population has been growing quite rapidly, and unemployment as a percentage of the labour force has been increasing. Again, domestic agriculture, as against export agriculture, has not been as successful in its performance at it could have been.

Let me explain what I mean by the term "domestic agriculture" in relation to the West Indies. From the time of the abolition of slavery there grew up side by side with the plantation system another system of small holdings which was set up by the ex-slaves and by the indentured Indians after they had served their period of indentureship. They produced export crops—sugar and bananas, cocoa and coffee—as well as the local food requirements of the country, the root crops, and so on. But, this sector has never been characterized by high efficiency in that cultivation has taken place without the use of modern techniques, without much skill, and, perhaps most fundamentally of all, without a great deal of official encouragement and support.

The domestic agricultural sector as distinct from the organized plantation sector became the neglected child of the economy, and it is only recently, with the rise of popular governments, that some serious attempt has been made to deal with this very, very important local food producing sector. Efforts are being made now, but there is still a long road to be travelled before this sector is fully transformed and this bottleneck in the economic development of the islands is overcome.

Finally, in some of the smaller territories, especially the Windward and Leeward Islands, and also in Jamaica and Barbados, the tourist industry has expanded. I personally, in common with many other people in the Caribbean, have very mixed feelings about the tourist industry. When one takes into account the fact that many of these islands are very small in physical area, especially the Leeward and Windward Islands, it is not difficult to see what an impact a tourist industry can have on the entire social structure and social climate. In a larger country

where you have a lot of tourism, such as Switzerland or Italy, it is in a sense possible to isolate the tourist industry from the main stream of life. But, in an island such as a West Indian island, where you have lots of tourism in one particular country, then that tourism tends to dominate the whole country and set the tone for the whole social life.

This is a social criticism, and not an economic criticism. There are economic criticisms to be made of the tourist industry, and perhaps when you are asking questions you may wish to inquire about those, but I consider the social deficiencies of the tourist industry much more fundamental, and before it is too late serious thought has to be given to ways and means of having a tourist industry which avoids many of the undesirable social consequences which have been the result of a large tourist industry operating in the context of small islands.

In looking at the contemporary West Indian economy, then, we can see two very important sets of characteristics. The first is what one might call the historical legacy. Today, after three-hundred years during which the West Indies have been brought into contact with the modern world economy, their economy still remains extremely dependent. In fact, they are not autonomous economies; they are not even viable economies. They depend overwhelmingly on external factors. In the field of trade they depend on the continued receipt of preferences for sugar, citrus fruits, and bananas, principally from Britain and also, to some extent from Canada. In the field of investment many of the productive assets of the West Indies are owned not by West Indians, but by outsiders or foreign corporations. In fact, in so far as the ownership pattern is concerned, there has been no change at all in the West Indies over the last three hundred years or so.

In fact, the sugar industry is still to a large extent foreign-owned, and so are many of the new industries, that have been attracted by the new incentive policies. Even the financial system and the financial institutions are to a large extent foreign-owned. Commercial banks and insurance companies are for the most part foreign-owned. Even the press and mass media are foreign-owned.

Again, if one looks at the techniques of production being used, one finds the all the important technologies are highly capital intensive, and are, therefore, not suited to the West Indian situation where there is an excess of labour in relation to capital.

In brief, the economy remains as dependent as it was before, and is apparently incapable of generating autonomously from within any dynamic for change. We can see very clearly therefore, the historical legacy operating today. On the other hand, it becomes difficult in many areas, particularly in the manufacturing sector, to effect a transformation of the economy because of the small size of most of the islands. This clearly raises the necessity for some kind of economic co-operation, or economic integration of the several units. In fact, a scheme of economic integration has just been put into effect, The Caribbean Free Trade Association, which is usually referred to by its initials CARIFTA. It is too early yet to judge how well CARIFTA will develop, but at the moment high hopes are being placed upon it.

I do not think I need to go on any further. I have given you enough material to provide a basis for questions, and I welcome the opportunity of answering your questions.

The Acting Chairman: Thank you, Mr. Demas. Senator Grosart, I know you are one of the persons here who has read Mr. Demas' book, and I see a copy of it in front of you. Perhaps you would like to commence the questioning of our guest.

Senator Grosart: Thank you, Mr. Chairman. Let me say that after having read the book, it is my view that you need not have introduced Mr. Demas as a scholar. I found his book heavy going. Indeed, after reading halfway through it I decided I had better consult a dictionary of economic jargon in order to make sure that I was getting the message Mr. Demas was puting across. I am sure we are all very grateful to him for coming here and giving us this very useful background of the contemporary economic situation in the Caribbean.

I shall confine my questions, Mr. Chairman, if I may, to the Commonwealth Caribbean. This has been the main focus of Mr. Demas' book, and it is the area with which I am personally most familiar. My first question arises out of the last comment made by Mr. Demas about CARIFTA. Almost everybody who has examined the economy of the Commonwealth Caribbean countries seems to have reached the conclusion that the essential starting point is economic integration or the development of a viable system of economic

regionalism. Can you tell us the present status of CARIFTA in terms of, say, the Commonwealth Caribbean countries that have joined it, its prospects as you see them for the solution of some of the problems, such as domestic agricultural self-sufficiency, export substitution and intra-regional trade, and what it would mean in terms of encouraging foreign investment.

Mr. Demas: CARIFTA now consists of eleven members—the ten members of the former West Indies Federation, Jamaica, Trinidad and Tobago, Barbados, the Leeward and Windward Islands, as well as the new member, shall we say, a country that was not in the federation, namely, Guyana, the former British Guiana. British Honduras, now known as Belize by the government there, has expressed its intention of studying CARIFTA to see whether it is worth while joining it.

CARIFTA at the moment is only a free trade area. All tariff barriers and quantitative restrictions on trade among member countries have been completely removed, but each unit retains its own tariffs against other countries. It is not a customs union; it is only a free trade area. Although the heads of governments of the countries have declared their intention of studying the feasibility of a customs union—that is a common external tariff—the big problem in CARIFTA at the moment is the incidence of benefit as between the more developed countries and the less developed countries. I use the word "developed" here in only a relative sense, because all the West Indies are very undeveloped. On the one hand, Jamaica and Trinidad, and to some extent Barbados and Tobago, are industrially more developed than the Leeward and Windward Islands, and naturally the Leeward and Windward Islands would like to get as many benefits as the more developed countries can expect to get. Therefore, a number of instruments have been built into the CARIFTA treaty to insure opportunities for the less developed Leeward and Windward Islands.

One such instrument is a special agricultural marketing protocol under which the member countries of CARIFTA are committed to accepting imports from regional countries of certain commodities before they import from the outside world, from third countries. This agricultural instrument has been drawn up with a view to the needs of the smaller countries to make sure that they can benefit initially by exporting agricultural and food products to the larger territories.

Another instrument is that, in respect of the reserve list, the less developed countries have a longer period of time within which to remove tariffs. Let me explain what I mean by the "reserve list". All trade has been freed except in respect of 20 odd products. All tariffs on these 20 odd products will be phased out gradually and not immediately. This reserve list has been drawn up again largely with a view to meeting the problems of the smaller islands, either revenue problems or creating a situation in which they have an opportunity of producing industrial products. That is another instrument to help the smaller islands benefit.

A third instrument, which is not really part of the CARIFTA treaty, is a proposed Caribbean Development Bank, which would have a capital of about U.S. $65 million, in which it is proposed that Canada and Britain should participate as non-regional members. This bank would have a soft loan fund, and it is envisaged that a large part of the money from the soft loan fund will go to the less developed countries.

Those are the three principal ways in which it is hoped the less developed countries of the Leeward and Windward Islands would benefit from CARIFTA. At the moment, though, there has been quite a large expansion of intra-regional trade in industrial products within CARIFTA, and apart from the usual stresses and strains inherent in any kind of free trade relationship it is working quite well so far, but it is only a beginning. For integration in the Caribbean to have any real meaning, a free trade area is insufficient; there must be a common external tariff, and there must be provision for what has been called regional integrated industries; that is to say, industries that draw their raw materials from within the region—and need at least the regional market to produce on an efficient scale. Studies are now taking place on regional integrated industries, and studies are about to take place on a common external tariff.

At the same time, too, it is necessary to harmonize fiscal incentives among the member countries, because one of the problems of West Indian development now is that each island tries to compete with the other to give away its badly needed revenue in the form of tax concessions to both local and foreign investors. These concessions have proved extremely expensive to the exchequer, with the result that the governments have had to raise indirect taxes, which would be on the consumer, and of course have become even

more dependent on external aid for financing capital expenditures. There is evidence that the foreign investor has been exploiting the situation by playing off one island against another. For any meaningful economic integration there must be some overall agreement among the units on the maximum level of fiscal concessions they will be prepared to give to the foreign investor.

I think the way ahead for CARIFTA is clear. At least, it is clear intellectually. Of course, when there is a large number of units trying to work out common policies together, there are always difficulties, but it is possible that the unfortunate experience with the federation will have taught a certain measure of wisdom, and it will ease some of the difficulties one can expect.

Senator Grosart: Would it be fair, then, to describe CARIFTA as a very limited form of economic integration at the moment?

Mr. Demas: Yes, that is perfectly correct.

Senator Grosart: How far advanced are the plans for making it a common market?

Mr. Demas: The plans at the moment are taking the form of studies. The governments have asked the Economic Commission for Latin America (ECLA) to conduct a number of studies on things such as regional integrated industries, the harmonization of fiscal incentives and the establishment of industries in the less developed countries. The governments are also making arrangements for a study of a common external tariff. At the moment, therefore, studies are taking place, and more studies will be taking place, with a view to strengthening CARIFTA and making it into a real common market.

Senator Grosart: As CARIFTA is presently structured does it have a capability for regional economic planning, particularly in the location of industries?

Mr. Demas: Many heads of governments who met in 1967 to consider all of these questions of economic integration passed a very important resolution. One of the clauses in the resolution said that every effort should be made to locate viable industries in the less developed countries, so one can say there is a commitment to locate industries in these countries.

Now, the decision to locate specific industries is awaiting the outcome of studies now being carried out by ECLA, the United Nations Economic Commission for Latin America.

Senator Grosart: Do you see regional integration as being the main instrument for the transformation and restructuring of the Caribbean economy, which you stress so strongly as the future need for the region?

Mr. Demas: It is a very important instrument. I do not say it is the main instrument and for two reasons. First of all, one cannot build up a strong industrial sector on the basis of each island. The markets of each island are far too small. The largest island is Jamaica, which has two million people, and the per capita income is about $400 U.S. dollars. The wealthiest are Trinidad and Tobago, which have a per capita income of nearly $600 U.S., and a population of one million.

Guyana has a population of 700,000 only, and Barbados 250,000. The Leeward and Windward Islands have, between them, about 450,000 people. Each unit even the larger units is too small to support a highly industrial economy. One needs the combined market of about five million people to get on the road of sound industrial development.

The second reason is that the smaller islands have no real hope of economic transformation unless they are integrated with the larger units, Otherwise, all that the small islands can do, on the basis of the present policy, is to have more and more tourism.

Tourism can bring wealth and higher incomes as well as employment. I do not deny that, but I think that the tourist economy is a very peculiar kind of economy and it raises some very disturbing social questions. In fact, I am inclined to believe that the smaller islands, in concentrating too much on tourism, are taking the easy way out and are not really looking at the central question which is raising their agricultural productivity, especially in that part of the agricultural sector which produces food for the whole market. None of the West Indian countries have been able to break this bottleneck of having a viable domestic agricultural sector. I think, myself, that ought to be the main priority.

Senator Grosart: Along the lines of the recommendation of the Moyne Report.

Mr. Demas: That is a bit outdated, now, but I certainly think that efforts should be made to build up a small and medium sized viable farming sector. I think that the West Indies have had far too many unfortunate

experiences with the large plantations. Certainly, this is true in Jamaica, Trinidad and Guyana. An attempt is being made to build up the small and medium sized farm sectors. Of course, it takes a long time and it is difficult because the small farmer needs all kinds of services. He needs long-term credit, extension services, marketing facilities and a whole complex of services. It is a difficult job, but it has to be done.

Senator Grosart: Are there restrictions at the moment on labour mobility and immigration generally?

Mr. Demas: Yes, there is. Each of the island countries has got its own immigration laws and a work permit is required for any non-national, whether he is from the West Indies or from the outside world.

Senator Grosart: Is the permit on the basis of job availability?

Mr. Demas: It is on the basis of shortage. The permit is based on the criteria of shortage of technical skill in the particular countries.

Senator Grosart: Are there any shortages?

Mr. Demas: There is a tremendous number, especially in the technical fields. This raises a question of the brain drain. I forgot to mention that. I think it is particularly important to the West Indies today, because we are exporting a very large number of trained people, particularly to North America—Canada and the United States. What makes the West Indian brain drain different from the brain drain of the other developing countries is the fact that it consists, not only of high powered people like doctors and engineers, but also of the middle level people, or what you might call the N.C.O.'s of development, such as nurses, primary school teachers and technicians. We have a government technical institute in Trinidad and for the last two years about 80 per cent of the new technicians that graduated have immigrated to North America.

Senator Grosart: You refer quite frequently throughout your book, Mr. Demas, to the slowdown in the economy from the fifties and early sixties to the present time. You indicate that the reason is the falling off of the natural resources in export trade. Is this because some of your natural resources are being mined out?

Mr. Demas: Yes. Well, the picture has changed somewhat since that book was written. That was printed in 1964 and this is now 1969. Since 1964 there has been an upsurge of oil production in Trinidad.

One has to be a bit careful on basing oneself on Trinidad's experience in regard to predicting an exhaustion of crude oil reserves, because looking back now one has found that since oil was first produced in Trinidad in 1911, every five years or so there have been fears and apprehensions that oil is running out, yet more oil has been found at the moment. There are prospects of finding more oil off the east and north coasts of Trinidad and they are fairly favourable. This is true for oil as well as natural gas. I think that this particular apprehension about the running out of reserves of oil in Trinidad and Tobago has turned out to be not very well founded.

Senator Grosart: What about bauxite?

Mr. Demas: As far as I am aware, there are no immediate prospects of bauxite running out in Jamaica or Guyana.

Senator Grosart: Is the market diminishing?

Mr. Demas: By no means, because aluminium is perhaps the fastest growing market nowadays.

Senator Grosart: If these two basic resources hold up in international markets, do you see a prospect of a high rate of GNP growth being resumed currently?

Mr. Demas: This depends on a number of factors, namely, two things, on the tax arrangements which the governments of the Caribbean countries can make with large international corporations and also on the possibilities of further processing in the Caribbean of these materials. To the extent that the production of a mineral increases, the country where the mineral is located benefits the more, the better tax arrangements it can make. It is very important for all the Caribbean countries which have minerals to be able to bargain effectively with international corporations and to make the best type of income tax and royalty arrangements. In many of the countries with minerals, it is fairly clear that so far the optimum arrangements, from the point of view of the host country, have not been arrived at.

Again, I think it is important for more processing to be done to those raw minerals produced in the Caribbean. In the case of oil,

for example, refining is done in Trinidad. Refining is now extremely important. But I think one can go further and that it is possible to build up a petro-chemical industry based on the feedstock produced by the refineries.

The government at the moment is working on plans for this in Trinidad and Tobago.

In the case of bauxite, it is important to produce not only bauxite but also alumina as well as aluminium. This is the way in which the presence of these natural resources will bring the maximum benefit to the Caribbean, by more processing being done within this region, therefore more value being added within the region.

Senator Grosart: That is what Canadian economists have been saying about our own problem for a hundred years. I have one final question to ask on this very interesting talk and this very scholarly book.

You referred quite often to the problem of preferences. There seems to be very general agreement amongst all the developing countries, not only in this area, that a viable system of preferences is essential to the development of these countries.

Canada at one time was inclined to advise you not to get too involved in preferences, because it tended to structure your economy in a much too inelastic way.

However, the developing countries seem to be insisting on preferences. One point that you make is that, in relation to Canada, there is a problem of transportation, that is, that products from the West Indies which might be eligible for preferential treatment in Canada are trans-shipped through the United States and therefore, under our regulations are not eligible for the preference.

Would this indicate that a very important requirement in Canadian Commonwealth Caribbean relations is a better system of transport between the Caribbean Commonwealth and Canada direct?

Mr. Demas: Yes, I would certainly agree with that. Before the Second World War, in the 1930s, for example, the West Indies exported a large quantity of fruits—bananas, citrus, and so on to Canada and enjoyed preferences. But exports have fallen to almost zero now, mainly because of lack of transportation facilities or arrangements for transportation facilities.

I think this matter was discussed at the West Indies Canada Conference in 1966 and I think the Canadian Government undertook to carry out a study of this question. I assume the studies have been carried out, but I do not know what has happened since.

Senator Rattenbury: I was taken with one remark made by Mr. Demas, in regard to the meeting of the Heads of States which took place last year—and I am voicing this prior to my question, Mr. Chairman—wherein the thought was voiced that it might be desirable to steer industry into the less developed islands.

This could very well be a recommendation to the premiers in Canada, to have the "have" provinces steer into the "have-not" provinces of Canada—because of the similarity of the problem there.

However, to come back to CARIFTA for a moment, if I may, is there a problem arising with shipments from one island to another? For example, from the Eastern Caribbean to Jamaica—in the establishment of a product in so far as it comes under the terms of CARIFTA—is there a basic requirement of the country of origin of the ingredients to make up that finished product?

Mr. Demas: Yes, there is. In any free trade area, as you know, you have these origin rules. We have used as a basic origin rule the 50 per cent of value as a criterion. Fifty per cent of the export price of the product must be produced locally. In other words, if more than 50 per cent of the export price of the commodity consists of imported materials, then the product would not qualify for free trade treatment in the other territories. That is a basic rule, but it was also supplemented by two sub-rules.

The first sub-rule is that certain basic materials are deemed to be of area origin whether in fact they are produced within the area or outside. This of course recognizes the fact that in many industries we must use imported materials.

The second basic sub-rule is the process list. That is a list of industrial processes which, once they have taken place within the region, confer area origin on the product. The process list has not been quite worked out as yet. It is about to be worked out.

Senator Rattenbury: There is a bit of a row going on now. Shipments are held up.

Mr. Demas: Yes, that is right. All sorts of allegations were made. It is a rather complex system to administer. This is one of the ar-

guments for a customs union. Under a customs union, it is not usually necessary to have the question of origin criteria.

Senator Rattenbury: May I ask another question? You mentioned tourism and the social impact and, if I am correct, the economic impact, and you agree with one and not the other, or you have reservations. Would you care to expand?

Mr. Demas: Yes. Let us take the economic aspect of tourism, which I did not deal with, really. The economic problem with tourism in the West Indies is that a large part of the income spent by the tourists in the Islands leaks out abroad. For example, a lot of the food served by the hotels is imported, a lot of the building materials used in constructing hotels is also imported. So a great part of the gross receipts from tourism does not remain within the country but leaks out, so the true impact on the domestic economy is only a fraction of the total expenditure of the tourist.

This means, in policy terms, that one has to supplement the tourist program with an agricultural program, so that more of the food requirements of the hotels are produced locally.

I think this problem can be dealt with by proper policies. This is a question of increasing the local content of tourist expenditures.

Then there is the social problem, which it is more difficult to deal with. For example, most of the best beaches in a small island can be pre-empted by hotels. Again, in some of the smaller islands, many of the hotel developers require exclusive beach rights. This means that the local populations cannot really go to their own beaches, they are kept out.

Senator Rattenbury: This is only in the smaller islands?

Mr. Demas: Mainly in the smaller islands.

Senator Rattenbury: Certainly not in Barbados and Jamaica.

Mr. Demas: I do not know much about Barbados and Jamaica in this respect but in Trinidad we have resisted this very strongly. We do not think that is it is worth the economic benefit of tourism to have this system applied.

Again, tourism leads to the establishment of casinos, which could carry all sorts of implications, not simply in terms of morals or of people gambling, but because of the kinds of things you have with the kind of people who come in for casinos and the kind of people who come in when you have casinos, and a lot of the kinds of things that go on in that case. I will not go into detail.

Senator Rattenbury: You do not need to.

Mr. Demas: This is a social problem in the West Indies, but I think the real problem is to have some kind of policy to minimize the adverse social effects of tourism. This is a very important practical problem which very few of the West Indian countries have even begun to think about, let alone solve.

Senator Grosart: May I ask a supplementary question? Is there any substantial number of tourist facilities owned by citizens of those countries?

Senator Rattenbury: Yes, there are.

Mr. Demas: I think in Barbados there is quite a lot of local ownership because a lot of hotels are really guest houses which have been converted from ordinary houses. But where you have a luxury-type of hotel, it is usually owned by an international chain. Most of the investment in the tourist industry originates externally.

Senator Rattenbury: But your largest hotel in Trinidad is locally-owned, is it not?

Mr. Demas: Yes, the Hilton Hotel is owned by the Government 100 per cent, but it is run by the Hilton chain under a management contract.

Senator Davey: Perhaps, Mr. Demas, you could give us some advice on our own very real problem of foreign ownership. What is the extent of foreign ownership in the Caribbean? Who are the foreign countries controlling the economy, in fact? I understood you to say that there were virtually no regulations to control foreign ownership. Presumably some have been considered. Have any been tried? How could the economy subsist without the massive amount of foreign capital? Finally, just a tag-on-question, Mr. Demas, I would be most interested if you would say something more specifically about the foreign ownership of the mass media, which I believe you said was total.

Mr. Demas: This is a very fundamental and wide-ranging question. The problem of the West Indies is that foreign ownership, non-West Indian ownership, has always, as I

tried to point out, characterized the economies. The economies have always been what one might call satellite economies, extensions of economies outside. For a large part of the economic history of the West Indies, the dominant economic institution was the sugar plantation owned by British residents or by British firms and later on by British companies.

Two developments in the 20th century have strengthened this trend towards foreign ownership. The first has been the exploitation of minerals, oil in Trinidad and bauxite in Jamaica and Guiana, by overseas international corporations. The second has been the industrial development policy of regional governments, which has placed emphasis on attracting branch plants of foreign companies through tax concessions. So that whereas in the 17th, 18th and 19th centuries the typical West Indian unit of production was the foreign-owned sugar plantation, today it is becoming the large international corporation.

Now, the pattern of foreign ownership has been evident in the type of development which has occurred in the West Indies from the 17th century on. This raises the question whether there has been and whether there is any real alternative. It seems to me here that one has got to be very careful. If you take a big company today in any country, by definition that company started very small. A company today which has got, let us say, a net worth of $100 million must have started some time ago with a net worth of, say, $1,000.

Growth takes place through compound interest, the process of plowing back profits and expanding, and one of the reasons for the continuing pattern of foreign development in the West Indies is simply the fact that foreign ownership has always existed and that it feeds upon itself: The more profits are generated, the more profits are plowed back. Therefore, foreign ownership becomes intensified.

A corollary of the pattern of ownership and the dependent pattern of the economy has been the failure in the West Indies to build up institutions for mobilizing domestic savings. Only in the last few years have we been thinking of things like financial reform and the establishment of industrial development banks and so on and so forth. But the whole institutional framework for mobilizing savings and plowing back savings domestically has not existed so that the pattern of foreign ownership has become self-perpetuating and leads to questions such as the one you have asked, namely, what alternative form there is.

I think that, clearly, there are alternatives. One is that the governments and the public authorities have, deliberately, to build up institutions for mobilizing savings for investments, not only in fixed-interest securities, but also in risk capital, share capital. The institutional part is extremely important, and the governments have to play an extremely important part in this, either in setting up institutions or supporting institutions or through their budgetary policies, by using surpluses of tax revenues over current expenditures for financing industrial, agricultural and tourist development.

I do not think it is a question of "either-or". I do not think one should cut off foreign investment completely, but one should concentrate on policies which build up local sources of investment. Personally, I think this is the best form of outside economic aid in any situation, particularly in the West Indies. I think, if the outside agencies and countries which are giving aid to the West Indies really want to see the West Indies become more autonomous in terms of their economy, they should think of ways of building up these institutions which can generate domestic sources of capital for domestic owners.

Senator Grosart: Would you hazard a guess as to whether the percentage of foreign ownership of the components of GNP or DNP in the West Indies is higher or lower than it is in Canada?

Senator Prowse: Let him give us his percentages and then we can make the calculation ourselves.

Mr. Demas: I would just like to finish answering Senator Davey. One of the features of the present pattern of West Indian economy is that only very recently has the question of foreign ownership been considered a problem. Therefore, no official statistics have been collected on the subject. In fact, a study is now taking place on this question in connection with CARIFTA.

One of the decisions taken by the ministers in CARIFTA was to study the impact of foreign ownership on the economy in CARIFTA countries as a basis for drawing up coordinated policies, so a study is now proceeding on the subject. There are no hard data at the moment, and one has to rely only on qualitative impressions.

If one looks at countries like Trinidad and Tobago, one finds the oil industry foreign owned, the sugar industry foreign owned, and that most of the new manufacturing plants which have been established are foreign owned.

Senator Davey: Do you mean 100 per cent foreign owned?

Mr. Demas: Most, not 100 per cent. Most of the money invested in manufacturing has come from outside corporations.

One of the daily newspapers in Trinidad is owned by the Thompson chain. I think that Lord Thompson is, or originally was, a Canadian. One part of the television station is owned by the Thompson chain, and another English, with a 10 per cent Trinidad and Tobago government holding. All the commercial banks in Trinidad and Tobago are foreign owned, and all the life insurance companies except one. So, when one looks around qualitatively, one finds the dominance of foreign ownership of the economy, and only now an attempt is being made to measure it precisely.

The Trinidad and Tobago government has recently formulated certain policies in relation to foreign ownership. First of all, the government is going to establish a national oil company which will have holdings in a number of operating fields, and the first holding will be in respect of certain oil properties now owned and run by British Petroleum. That will be the first holding of the national oil company.

In the area of sugar, the government of Trinidad and Tobago has recently acquired a rather small sugar estate owned by a British company. In the field of the mass media the government has decided to acquire one of the radio stations owned by Lord Thompson, and it will also acquire majority ownership in the television station in which the Thompson holdings have participated.

So, certain policies are now being put into effect to have a greater degree of national ownership and, therefore, national direction of the economy and of the society.

I know that the figure for foreign ownership in Canada is rather high. I read the recent report of the task force on foreign ownership, but I cannot recollect the figure.

Senator Grosart: The Watkins report.

The Acting Chairman: Does that answer your question, Senator Davey?

Senator Davey: Very well, thank you.

Senator Prowse: Mr. Demas, I assume the value of the export to any country is the value added you are able to retain in that country. Would you agree with me on that premise?

Mr. Demas: I fully agree with you, and it is very important in the West Indies. The figures on exports are quite misleading because you may have figures on a certain commodity, say, oil, which look extremely large on paper and in the trade returns, but when you analyze it and look at the income obtained from oil within the country, then you find only a fraction of the gross earnings are retained within the country. In fact, oil contributes to the economy of Trinidad and Tobago in two ways: through the wages and salaries paid locally; and through the taxes paid to the government. When you add the two together, you find the contribution to the economy is much less than the export figures suggest. You find this in many other industries. On the national level there is a big gap between the national and domestic product in all the countries.

Senator Prowse: Off hand, could you give us what is the proportion of your oil exports that go out as crude for processing elsewhere and the proportion you are able to send out as refined or finished or semi-finished products, with a value added?

Mr. Demas: The oil industry of Trinidad and Tobago has gone a very long way to refining local crude. Only a very small percentage, something of the order of 5 per cent, of crude oil produced locally is exported in the form of crude, and that is to Canada, for some reason. There is a B.P. arrangement under which a certain amount of crude has to be delivered to Canada, but, apart from that, all the crude oil is refined locally and a lot is imported for refining locally.

Senator Prowse: Do you import for refining as well?

Mr. Demas: Yes, we do.

Senator Prowse: Would that offset your 5 per cent export?

Mr. Demas: No, the arrangements made for refining imported crude oil are rather peculiar. The earnings from the refining locally of imported crude oil are not really part of, or treated as part of the domestic economy.

There is one large international company which imports crude from Venezuela and the Middle East, which refines it in Trinidad at a refinery and delivers it to the head office in New York, for a fee. So, the country gets the processing fee minus the cost of the production of the oil at the refinery. This is a special processing arrangement.

Senator Prowse: So, where the refinery is externally owned, then it is a highly capital intensive proposition and, as a consequence, a great deal of your value added leaks away?

Mr. Demas: Yes.

Senator Prowse: What about bauxite? Do you have a processing plant down there?

Mr. Demas: Bauxite is found in Jamaica and Guyana. At one time the percentage of alumina was rather small in both countries, but greater in Jamaica. More recently Jamaica has made new arrangements for a greater amount of refining of bauxite into alumina. It was quite a big achievement, really. However, neither in Jamaica nor Guyana is aluminum the final product produced; it is alumina. If aluminum were produced, a large amount of additional value would be added to the local economy.

Senator Prowse: And jobs, presumably.

Mr. Demas: Yes.

Senator Prowse: Are the refineries pretty well modern, automated plants, with relatively low labour costs?

Mr. Demas: Yes, indeed, highly capital intensive. They employ very few people indeed. That is why the tax payments of these mineral corporations are so important. They do not generate very much labour income, so the taxation part is what the country really gets.

Senator Prowse: We have problems there too. What are your royalty and taxation arrangements in so far as oil is concerned?

Mr. Demas: Trinidad is the only country producing crude oil significantly or at all in the West Indies, and our royalty is 10 per cent of the field storage value based on the Gulf price.

Senator Prowse: That is on the price delivered to the American gulf ports?

Mr. Demas: Yes, it is the posted price, 10 per cent.

Senator Prowse: And then your taxation?

Mr. Demas: The income tax is at a rate of 45 per cent on the net profits of the corporation. That is the general income tax for oil, and everybody else—45 per cent.

Senator Prowse: That is on the net?

Mr. Demas: Yes.

Senator Prowse: Do you have a depreciation allowance as well?

Mr. Demas: Yes, we do.

Senator Prowse: At what rate is that?

Mr. Demas: That is rather flexible. Normally the guaranteed allowances are the subject of negotiation between the particular company and the inland revenue authorities. Then there are other special allowances for the oil industry. There is a submarine well allowance which, in respect of a marine well, is equivalent, I think, to 20 per cent of the value of the crude oil.

The Acting Chairman: That would be a depletion allowance?

Mr. Demas: Yes, it is what is called a depletion allowance, but it is not really the same as a depletion allowance in the United States, because in Trinidad and Tobago it is the Crown which owns the resource, and it is the Crown which gives a lease to the company. I really do not think, Mr. Chairman, that one could call it a depletion allowance, because a depletion allowance in the United States, as I understand it, is meant to compensate the owner of the resource for a wasting asset, whereas in the case of the allowance that is negotiated in Trinidad it is the Government which owns the asset. It is purely an incentive in the case of Trinidad, and not a strict depletion allowance.

Then, in addition, one has an initial allowance. When one makes either a new or a replacement investment he gets 20 per cent of the investment in a particular year offset against his income tax. So, there are very generous capital allowances.

Senator Prowse: And how often are these allowances negotiated? Are they negotiated annually, or at the beginning of the lease term?

Mr. Demas: Well, you see, oil allowances are set out in the law. The only allowance which is negotiated is the wear and tear allowance—the annual wear and tear allow-

ance. All the other allowances are set out in laws.

Senator Prowse: You do not recognize as a principle in respect of your allowances the fact that you have a wasting asset, and that is because it is the Crown's asset to begin with.

Mr. Demas: That is right

Senator McLean: In answer to Senator Rattenbury's question on the economics of tourism, you said that there was a leak because the hotels were importing food. Are we to understand from that that the islands are capable of producing that food, but that that capability is not developed, or is it that the hotels just do not purchase the local food?

Mr. Demas: It is really both. First of all, the islands do not produce enough food to meet the needs of the hotel industry, but, at the same time, where the food is produced the operators of the hotels feel that the tourist should get what he is accustomed to and he therefore continues importing the stuff from Miami, California, and so on. In other words, the hotel operators tend to play it a bit too safe, and they feel they should give the visitor what he is accustomed to in Canada or the United States, rather than the local fare.

So, I think both factors come into play. In Trinidad and Tobago we have been trying, through the government marketing agency, to persuade the hotel interests to buy more local food, and there are signs now of some slight positive response, but we still have a long way to go.

The Acting Chairman: Senator Martin, do you have a question?

Senator Martin: Thank you, Mr. Chairman. What is the extent of Canadian importation of bauxite from Jamaica and Guyana as compared to United States' imports? Do you know that offhand?

Mr. Demas: I know that ALCAN operates in Guyana, and they also operate in Jamaica, but Jamaica has also Kayser and Reynolds. I think in Jamaica most of the bauxite goes to the United States, whereas in the case of Guyana most of it goes to Canada. But, I cannot give you the exact figures offhand.

Senator Martin: But the Canadian operation in Guyana is bigger than the American operation?

Mr. Demas: That is right.

Senator Martin: I was wanting to know the comparison, because you did raise the question of possible greater rationalization for home purposes.

You spoke about the tourist industry with mixed feelings. You spoke of its social as well as its economic consequences. How far would you go, Mr. Demas, in meeting what you would regard as the negative aspect of the social implications? Would you limit the tourist industry?

Mr. Demas: Well, in Trinidad and Tobago, the Government has been accused by the local private sector of being somewhat lukewarm about the tourist industry. I do not think that that is really so. But, we have insisted on certain safeguards for the local population. For example, our policy is as follows:

(1) No casinos under any conditions;

(2) No exclusive beach rights;

(3) No exclusive tourist colonies or tourist residential areas;

(4) No discrimination in hotels against the local population.

Once these conditions are satisfied we can accept a fairly large expansion in the number of hotels, and a fairly big increase in the number of visitors. I think that they are sensible conditions.

Senator Grosart: What is your definition of "exclusive" in that context?

Mr. Demas: Exclusive beach rights?

Senator Grosart: Yes.

Mr. Demas: Exclusive in the sense that the operators of the hotel can keep out people from the hotel premises and the beaches. That is what we mean. There must be open access to the hotels and open access to the beaches.

Senator Rattenbury: Why does this take place in Trinidad, and not in any other island?

Mr. Demas: I cannot answer that question. This is how we feel in Trinidad.

Senator Rattenbury: But this does not exist in the other islands.

Mr. Demas: What?

Senator Rattenbury: The exclusive clause. I know the islands very, very well, and I do not know of any exclusive clause by which

the local populace is excluded from the beaches.

Mr. Demas: Yes.

Senator Rattenbury: Where?

Mr. Demas: I shall not mention names because that might be invidious, but there are certain places where only one or two selected persons of local origin can get in. In fact, a subtle exclusivity does exist. I shall not give names, but this is a fact, and every West Indian knows it. I am not quoting the name of the any particular island or hotel because that might be invidious.

Senator Martin: What proportion of the GNP—of course, you have been speaking primarily of Trinidad and Tobago, but I am thinking now of the Commonwealth Caribbean as a whole. Can you give us an indication of what proportion of the GNP the tourist industry would be? For instance, in this country one of our main exports, objectively at any rate, is the tourist industry, and it forms a very great part of our GNP. What proportion, roughly, is it of the GNP in the Commonwealth Caribbean?

Mr. Demas: Of course, it varies from island to island. In Barbados, say, it would be rather high. I am guessing here, but in Barbados it would contribute 15 to 20 per cent, probably 20 per cent of the GNP, whereas in Trinidad and Tobago it is a much smaller percentage. However, for the whole Commonwealth Caribbean, a very crude guess would be about 10 per cent. That is very, very crude.

Senator Martin: You are not objecting to that, but what you are insisting on is the establishment of certain guidelines that would avoid discrimination against the local population?

Mr. Demas: That is right.

Senator Martin: The encouragement of the use of local products, things like that?

Mr. Demas: Local products.

Senator Martin: You are not opposed to the tourist industry as such?

Mr. Demas: No, I am not opposed to the industry as such.

Senator Martin: Is it not a fact that economic studies show that within the next decade the industry will increase tremendously?

Mr. Demas: Yes it will. It will increase at about 14 per cent per annum, which is very high, because of rising incomes in North America, the availability of the jumbo-jet and so on.

Senator Martin: You spoke of CARIFTA. Here I have in mind particularly the failure of federation. Is there any political basis to CARIFTA, such as for instance the analogy provided by the Treaty of Rome? Is there any indirect objective?

Mr. Demas: No, no indirect political objective has been written into the CARIFTA agreement. It is merely an economic document and talks about the ultimate objective of building up a viable Caribbean economic community. At the same time there is, especially in the eastern Caribbean, a certain amount of sentiment about closer economic co-operation. Even though the motives at this time appear to be hard-headed economic motives, in the eastern Caribbean there is a certain amount of sentiment attached to the idea of the various countries coming together, even for purely economic purposes, but there is no formal declaration of political objective, long-run political objective, set out in the treaty.

Senator Martin: Is there any economic objective in the growing support by sovereign states of the Commonwealth Caribbean for participation in the Organization of American States?

Mr. Demas: At the moment two countries are members of the OAS, Trinidad and Tobago, and Barbados. Jamaica has made no decision. Guyana probably would not be able to get membership even if she applied.

Senator Martin: Because of the boundary dispute.

Mr. Demas: Because she has a boundary dispute with Venezuela. Certainly in Trinidad and Tobago most people have taken membership of the OAS as a natural matter, a matter dictated by geography more than anything. else, more than political sentiment; it is a natural step arising from geographical factors, geo-political factors, but at the same time there is no sort of strong political commitment or political antagonism to the idea of the OAS.

Senator Martin: My question was whether there was an economic motive as well as a political motive.

Mr. Demas: Yes, there was an economic motive in the case of Trinidad and Tobago, which has access to the Alliance for Progress funds, especially through the Inter-American Development Bank, and at the same time possibilities for trade in the future with the Latin American Free Trade Area and the Central American common market. So far Trinidad and Tobago has been concerned only with financial matters, especially with membership of the Inter-American Development Bank. Nothing concrete has emerged in terms of realizing the possibilities of a relationship with the Latin American economic bloc or the Central American common market, but the long-run possibilities are there.

Senator McDonald: Mr. Demas, you were discussing the tourist industry in the Caribbean area and made reference to the fact that a lot of the tourist dollar leaks out into other parts of the world, especially through the purchase of food to provide the tourists with the food they are accustomed to at home. It seems to me that the Caribbean area is able to produce most of the fruit and vegetables needed by both the local population and the tourist industry. Is that correct?

Mr. Demas: The operative word there is "could". If you say "could produce" I would agree with you. I think that the agricultural potential of the Commonwealth Caribbean has not been fully utilized and there is great scope, not only for supplying more of the tourist food requirements, but also more of the needs of the inhabitants themselves for food. There is great scope for food import substitution throughout the whole West Indies. I think I indicated the historical reasons why the food-producing sector of the economy still remains so underdeveloped. The simple answer is that historically throughout the centuries colonial governments concentrated their research activities and their assistance on the plantation sector, particularly sugar. It is only recently, say in the last ten years, that a serious attempt has been made to tackle the problem of developing the local food-producing sector. It is a slow task. Some results are being shown now but we still have a long way to go.

Senator McDonald: What are the economics between the production of sugar cane and the production of vegetables from an acre or plot of land?

Mr. Demas: It all depends on the crop. Vegetable cultivation is very land intensive and a small amount of land under vegetables can yield a very high income. Generally speaking, though, there is one thing to be said in favour of sugar—and this is generally speaking—which is that it does tend to be fairly labour intensive. This state of affairs, however, will soon disappear because the sugar companies, in an effort to cut the costs of production, are thinking of introducing mechanical harvesters. They started in Trinidad but they have been stopped by the government pending the recommendations of a commission of inquiry into the mechanization of sugar harvesting. In many of the other territories they have not been allowed to start, and they claim that it is the only way to cut down their production costs so that they can become more competitive. To the extent that the sugar companies are allowed to mechanize, one of the main economic arguments in favour of the sugar industry will tend to be seriously weakened.

Senator McDonald: What percentage of meats, whether red meats or poultry, would be imported into the Caribbean area, or the area we are discussing?

Mr. Demas: In the Commonwealth Caribbean there are very large imports of red meat—beef, mutton and so on. Whereas in one or two islands self-sufficiency in poultry has been obtained, I do not think that most of the islands will ever be self-sufficient in meat and we will have to rely on Guyana or British Honduras (Belize) for beef if the regional integration movement gets going. It is possible to become self-sufficient in poultry fairly quickly, but the problem of self-sufficiency in poultry is that it is only an apparent self-sufficiency because most of the feed stuffs for the chickens has to be imported. In fact, although Trinidad and Tobago has eliminated practically all imports of poultry, at the moment we are spending about 80 per cent of the value produced by the poultry industry on imports of feed. Unless we do something about this feed problem, import substitution in livestock will be apparent rather than real.

Senator McDonald: What is the comparison in cost between imports and local production with regard to red beef?

Mr. Demas: I cannot say offhand, but we—that is, Trinidad—could import a lot of beef from Guyana at an economic price, except that there is a problem of foot and mouth disease, especially in the highlands near the Brazilian border. As far as I am aware, regarding beef from Guyana, it can be landed competitively in Trinidad. I cannot give the exact figures.

Senator McDonald: Competitive with whom, New Zealand and Australian production?

Mr. Demas: New Zealand and Australia.

Senator Gouin: I have listened with great interest to the remarks of Mr. Demas. There is no doubt that he has an excellent education and training, but I would like to ask him a question about education and social welfare in Trinidad. Before studying at Cambridge, Mr. Demas graduated from Queens Royal College in Trinidad. Is that the University, or is that the equivalent of an arts course, and in all events, are there universities in Trinidad or in the West Indies? If there are no universities for the study of engineering or medicine, for instance and concerning hospitals, where do people from Trinidad go to obtain that training?

Mr. Demas: To answer your first question, first, Queens Royal College is a secondary school. It is a high school, as you would say in Canada. It is not of university level. Now, if you look at the educational system in the West Indies, you will find that it is modelled to a large extent after the British system. There is a primary school for people aged from five or six to 11. The secondary school is what you would call the high school here for those aged from 12 to 17 or 18, and then there is the university. At the moment, primary education is free and compulsory all over the West Indies and in most of the islands I believe nearly everyone goes to a primary school.

Primary education is more or less complete in the sense that practically everyone attends a primary school free of charge. The secondary level remains selective in that entrance to secondary schools depends, in most of the territories, on one's passing a special entrance examination. After that, of course, it is the university. There is a University of the West Indies, with branches. The main centre of the university is in Jamaica, but there are campuses in Trinidad and Barbados. At one time Guyana participated in the University of the West Indies, but a few years ago, under a previous government, Guyana decided to set up its own University of Guyana. Now, the educational system is not very well suited to West Indian conditions. It is still largely British oriented. If one takes, for example, the secondary school, one finds a predominance of the academic subjects, the scholastic subjects.

The big deficiency in West Indian education at all levels is that there is not enough being done for vocational and technical education. This is perhaps the central weakness. However, at the university level there is a faculty of engineering and agriculture located in Trinidad, and a faculty of medicine located in Jamaica. However, both the engineering and the agricultural faculties in Trinidad, as well as the science faculties, find that they are not getting enough applicants. Too many of the graduates in the secondary school system still prefer to go and do a degree in arts and arts subjects rather than sciences or technical subjects. This is because of the weaknesses and orientation of the secondary school system. We are still putting too much stress on the traditional arts and there are not enough facilities for training in science. From an academic point of view, I think the level of the education is fairly high, but in terms of turning out trained manpower it has not really begun to meet the real needs of the area. Furthermore, even when the new technical institutes are turning out trained craftsmen, many of them have recently been tending to emigrate to North America—Canada and the United States.

The Acting Chairman: In regard to timing our adjournment the CBC people are waiting outside and we have told them we would have Mr. Demas available shortly before 1 o'clock, therefore, we might close with questions from Senator Martin and Senator Fergusson.

Senator Martin: I have just one question. We have been privileged to have a very authoritative voice from the Caribbean this morning. The questions and the answers have been directed generally to the matters that are not necessarily related to the relationship between Canada and any of the Commonwealth Caribbean countries. I am sure that Mr. Demas is aware of the rise in Canadian official interest, particularly in the Commonwealth Caribbean as represented by the conference of two years ago. What would Mr. Demas ask of this committee as an indication of what he believes should be the developing relations between Canada and the Commonwealth Caribbean countries in economic, including aid as well as in political terms, generally?

Mr. Demas: This is a very far-reaching question, Mr. Chairman. However, I shall try my best to answer it as briefly as I can. I would say that in terms of economics, and

speaking generally, Canada could make its greatest contribution to the Commonwealth Caribbean countries in the following ways: first of all, the brain drain. As I said, we are very much concerned with this question. Even though I am not sure whether there are any practical answers, certainly I think a considerable amount of thought has got to be given to ways and means of halting the outflow of trained people from the West Indies to Canada. As I said earlier, the brain drain affects us more than most other developing countries because it is not only the top level people, the high level skills, it is also the middle level skills of which we are being drained. One also has a problem of people studying abroad in North America—the United States and Canada—and then deciding to stay on to get experience in the particular field. Of course, very few of them return because they get used to a certain level of salary and so on and so forth.

It is an extremely difficult problem, but I feel that it is not in principle insoluble, and I feel that Canada can make a contribution to the development of the West Indies, by giving thought, jointly with the West Indies, to ways and means of halting an excessive outflow of trained manpower from the West Indies into Canada, while at the same time providing opportunities for emigration, for the not so highly trained. In other words, the brain drain problem in the Caribbean, is, in a sense, a migration problem. It can be described as a structure, a skill structure of emigration, which is very different from the skill structure of the population of the West Indies, because any representative group of emigrants from the West Indies to Canada will be found to have a much higher proportion of skills than any representative group of people within the West Indies. This is a major area of weakness in the economy. The economy cannot retain its skilled people, it loses them both to the U.S.A. and Canada.

It seems to me that this is probably just as important and probably even more important than the receipt of economic aid by the West Indies. I think, therefore, in the first place, something will have to be done about this difficult problem of the brain drain.

Secondly, Canada can certainly increase her aid to the West Indies, but in my opinion should increasingly relate it to the purposes of economic co-operation and economic integration in the area. May I emphasize, Mr. Chairman, that these are all my personal views, these are not the political views of the government. These are personal views of one who is interested in West Indian economic development.

And in the area of aid, I can suggest, again personally speaking, certain technical improvements. For example—personally speaking—I see no reason why Canada could not experiment with program aid as distinct from project aid, to a selected area such as the Commonwealth Caribbean.

I know all the arguments against program aid, namely, that the donor country has not as great an opportunity of supervising the use of its aid funds as it would under aid given for specific projects. I take that point. But I see no reason why, as an experiment, for say a five-year period, a period of a development plan, in a Commonwealth Caribbean country, Canada could not experiment with giving program aid, with looking at the development plan of the country as a whole, looking at its needs for external financing, deciding to finance a proportion of those needs for external financing, and simply making the money available over the five-year period.

Of course, there can be provision for review to see how the money is being spent, how well the plan is being implemented and so on and so forth.

Of course, if the Government of Canada is not satisfied with the operation of program aid, it can always terminate it and revert to project aid. This is just one example of experimenting with ways and means of improving technically the aid effort. As you all know, and this is not true only of Canadian aid, project aid, whether it is given by a country or whether it is that of an international organization, is very time consuming for both sides, and involves both on the donor and on the recipient a lot of paper work, a lot of supervision and so on. Therefore, I think this is one example of one area in which the aid effort might be improved on, technically.

Senator Grosart: Has not Canadian aid moved rather significantly in that direction, in the last few years?

Mr. Demas: No, it is still project aid, really.

Senator Martin: The dollar value is away up.

Mr. Demas: Yes, the dollar value is away up, but it is still tied to specific projects. It is not given to finance the general program of the country.

Senator Grosart: We have a good many "programs" in the Caribbean in our general aid mix.

Mr. Demas: Yes, this is a semantic question. When I say program aid, I do not mean aid for a sector of the economy as against a specific project. I did not mean aid for an education program as against one school. I think Canada is moving into that now, looking at the whole sector. I am thinking instead of a broader connotation of program aid, giving aid for the entire program. For example, if over five years a Commonwealth Caribbean government decides on plans to spend $100 million on capital development works and it can provide, let us say, $50 million from its own resources, from taxation and from local borrowing, and it has a gap of $50 million, which can be covered or which remains to be covered by foreign sources of funds. Of that $50 million it can borrow, let us say, $10 million in loans on the private capital markets and it can get, let us say, $30 million from, let us say, multi-lateral and bi-lateral sources. What I am saying is that Canada should then chip in and provide the remaining $10 million to finance the general development plan of the country. That is what I mean by program aid, so that is a semantic problem.

Senator Grosart: I think our department uses "program aid" in a different sense.

Mr. Demas: Yes, it is a semantic problem. Finally, Mr. Chairman, in the field of capital investment, between Canada and the West Indies, as distinct from aid, I think that in Canada, in so far as it is possible for the Government to influence the activities of private firms, it would be important for private capital to flow from Canada to the West Indies, in such a way as would not perpetuate the traditional character of West Indian economy, as would not lead to exclusive ownership of productive assets in the West Indies by Canadian firms and Canadian residents.

For example, joint venture operations would be a very useful and progressive form of Canadian private investment in the West Indies.

At the same time, I see no reason why the Government of Canada could not give aid to governments to enable them to participate, along with private capital, in productive activities.

In other words, I feel that Canada's programs in the West Indies should be geared to diversifying the economy and to changing the traditional pattern of foreign ownership in the West Indian economy.

Senator Grosart: Are you saying, in effect, that our aid should be untied, Mr. Demas?

Mr. Demas: No, that was a different issue. I was not talking about tied aid as against untied aid. I was talking about air in support of general development plans, as against aid that is related to a specific development project. I was not referring to the issue as to whether Canadian aid should be tied to Canadian goods and services or should be used for any purpose. I am not prepared to comment on this question, as to whether it should be tied to Canadian goods.

Senator Grosart: Is it not so that there is far less of an element of tied aid in program financing than in project financing?

Mr. Demas: No, I think this is true of the specific project.

Senator Fergusson: Honourable senators, Mr. Chairman, I have a few questions but I know the time has gone. I am sure Mr. Demas must realize, from the absorbed attention which has been given to him this morning, that Canadians are deeply interested in trying to learn what they can do to help with the development the West Indies.

I am happy to have an opportunity to express our appreciation for the time and the detailed information which Mr. Demas gave us this morning and the very excellent replies and explanations he made to our questions. It is easy enough to make a speech; it is not always so easy to give clear replies to questions, especially when you do not know what they are going to be.

Because of his book, which we are very happy to have as a reference and which I know will be most useful in our study, we felt we knew Dr. Demas, and we realized the extensive knowledge he has of economics generally and especially of the economics of the Caribbean.

Everyone who has listened to him this morning, I am sure, feels with me that the Government of Trinidad and Tobago is most fortunate to have as head of its economic planning division in the office of the Prime Minister such a very knowledgeable person as Dr. Demas. I am sure that that country will benefit through his knowledge and the

progressive ideas and plans that he will no doubt suggest. We thank you very much, Dr. Demas, for coming to us and giving us this wonderful morning.

The Acting Chairman: The meeting is terminated.

The committee adjourned.

First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS

OF THE

SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, Chairman

No. 2

TUESDAY, MARCH 4, 1969

Respecting

THE CANADIAN-U.S.A.

WITNESS:

Mr. John N. Plank, Senior Policy & Briefing Officer,
Washington, D.C., U.S.A.

The Queen's Printer, Ottawa, 1969

First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS OF THE SENATE COMMITTEE ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 3

TUESDAY, MARCH 4, 1969

Respecting

THE CARIBBEAN AREA

WITNESS:

Mr. John N. Plank, Senior Fellow at Brookings Institution, Washington, D.C., U.S.A.

The Queen's Printer, Ottawa, 1969

29799—1

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (*Rigaud*)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (*Carleton*)	White
Gouin	Pearson	Yuzyk–(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

(i) Treaties and International Agreements.
(ii) External Trade.
(iii) Foreign Aid.
(iv) Defence.
(v) Immigration.
(vi) Territorial and Offshore matters.

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Belisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

29799–1½

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and–

The question being put on the motion, it was–

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada–Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and–

The question being put on the motion, it was–

Resolved in the affirmative.

Alcide Paquette
Clerk Assistant

MINUTES OF PROCEEDINGS

Tuesday, March 4th, 1969.
(4)

Pursuant to adjournment and notice, the Senate Committee on Foreign Affairs met at 11.05 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Carter, Davey, Eudes, Grosart, Haig, Lang, Macnaughton, Quart, Robichaud, Sparrow and Thorvaldson–(13).

In attendance: Mr. Peter Dobell, Director of the Parliamentary Centre for Foreign Affairs and Foreign Trade.

On motion of Senator Haig,

RESOLVED: That the Senate Committee on Foreign Affairs enter into an agreement, with the *Parliamentary Centre for Foreign Affairs and Foreign Trade*, for the provision of research assistance and other services; such agreement to be effective as of February 6th, 1969.

The Chairman of the Committee (Senator Aird) thanked Senator Thorvaldson for having acted as Chairman during the Committee's meeting on February 25th, 1969.

The Chairman then introduced the witness:

Mr. John N. Plank,
Senior Fellow at Brookings Institution,
Washington, D.C.

The witness made a statement respecting the Caribbean area with particular attention to Cuba; he was questioned on that statement and on related matters.

The Chairman drew to the attention of Committee members the presence of the Honourable Eric Gairey, Premier of Grenada, West Indies.

The Committee thanked Mr. Plank for his contribution to the Committee's studies.

At 1.05 p.m. the Committee adjourned until 11.00 a.m. Tuesday, March 11th, 1969.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

John N. Plank, a Senior Fellow at the Brookings Institution in the program of Foreign Policy Studies, is former Director of the Office of Research and Analysis for American Republics in the State Department's Bureau of Intelligence and Research. Before entering government service he had served as Professor of Latin American Affairs at the Fletcher School of Law and Diplomacy and had taught political science at Harvard and Northwestern Universities. Holder of an A.B. and a Ph.D. from Harvard and an M.A. from Haverford College, he is responsible at Brookings for planning of research and related activities concerning non-economic aspects of development in emerging countries. Mr. Plank is the author of articles and essays on inter-American relations, and editor of the book *Cuba and the United States: Long Range Perspectives.*

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John N. Plank, a Senior Fellow at the Brookings Institution in the program of Foreign Policy Studies, is former Director of the Office of Research and Analysis for American Republics in the State Department's Bureau of Intelligence and Research. Before entering government service he had served as Professor of Latin American Affairs at the Fletcher School of Law and Diplomacy and had taught political science at Harvard and Northwestern Universities. Holder of an A.B. and a Ph.D. from Harvard and an M.A. from Haverford College, he is responsible at Brookings for planning of research and related activities concerning non-economic aspects of development in emerging countries. Mr. Plank is the author of articles and essays on inter-American relations, and editor of the book Cuba and the United States: Long Range Perspectives.

THE SENATE
THE SENATE COMMITTEE ON FOREIGN AFFAIRS
EVIDENCE

Tuesday, March 4, 1969.

The Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, first of all, I ask the indulgence of the witness while we do some housekeeping. Your steering committee has recommended that the Senate Committee on Foreign Affairs enter into an agreement with the Parliamentary Centre for Foreign Affairs and Foreign Trade for the provision of research assistance and other services, such agreement to be effective as of February 6, 1969. This matter has been discussed fully in committee, I believe, and the steering committee makes this recommendation in the interests of having it on the record. I would entertain a motion for the adoption of this recommendation.

Senator Haig: I so move.

Senator Lang: I second the motion.

The Chairman: Is it agreed?

Hon. Senators: Agreed.

The Chairman: I apologize for my indisposition last week. I had a severe attack of bronchitis, and I thank Senator Thorvaldson very much for taking on the role of acting chairman, and also for the excellent way in which he conducted the meeting. The transcript that I read is first rate, and want to record here my thanks to Senator Thorvaldson.

Last week this committee heard evidence on, and discussed at some length, the economic characteristics and problems of the Caribbean region. Today we will be discussing the region's political characteristics and problems.

The committee is privileged to have before it Mr. John Plank from the Brookings Institution in Washington, D.C. As can be seen from the biographical sketch that has already been distributed, Mr. Plank has been actively involved in the investigation of political problems in Latin America and the Caribbean. It is, therefore, most opportune that he has been able to come to Ottawa to give us the benefit of his knowledge and experience at this particular stage of our deliberations.

I understand that the Clerk of the Committee has already sent to each member of the committee a copy of M. Plank's paper "Neighbourly Relations in the Caribbean", which outlines the widely divergent political philosophies and systems that exist in the region. It describes the problems of political development, giving the region's unique geographical features, and, most importantly it includes ideas about suitable policies that Canada and the United States might adopt to assist in the region's political development.

I was discussing this paper with Mr. Plank this morning, and although it is several years' old I think those of you who have had an opportunity of reading it will agree that it is still very topical. I am confident that it will have generated a number of questions in your minds. In the interests of order, and following the instructions of the steering committee, I have asked Senator Lang if he will lead the questioning after Mr. Plank has concluded his introductory remarks, after which we shall carry on in the usual manner.

Mr. Plank?

Mr. John Plank, Brookings Institute, Washington: Thank you very much, Mr. Chairman. Honourable senators, I am indeed pleased and truly honoured to be here. I will qualify that only by saying that, because I seem somewhere during the last two days to have picked up the granddaddy of all colds, I wish we were *in* the Caribbean region instead of just talking about it. I know that I am not in a position to suggest that we adjourn to Anguilla or something of that sort; and I am indeed delighted to be here, I hope you will forgive the hoarseness of my voice.

In preliminary discussions with Mr. Dubell about what would be most appropriate for me to deal with here it was agreed that I might consider with you in a preliminary form, looking toward a substantive discussion among us, three themes: the problem of political development in the Caribbean; the prospects for revolutionary violence in the region; and, of course, related to that second point, Cuba, the role

of Cuba in the Carribbean today, the prospects for the reincorporation of Cuba into the more narrowly defined Caribbean family, the more broadly defined western hemispheric family.

Because you have the paper I prepared a few years ago, I want this morning to spend more time on the Cuba question than on the other two topics on our agenda. However, let me give a moment or two to the first two points, namely the political development question in the Caribbean region and the nature of violence as it seems to be emerging in that area.

The political development challenge of the Caribbean, of course, is to be looked at from both the internal perspectives of the independent countries themselves and in a broader regional sense. Internally the societies face all the problems that developing countries around the world face, although evidently in very markedly different degrees.

Here let me interject just one or two comments. Like most Americans, I come to the Caribbean from Latin America. That is, until the winds of change wafted the British dependencies over our way, the Caribbean from the point of view of the United States pretty largely stopped at Hispaniola or Puerto Rico, and we were not prepared at the time Trinidad and Tobago, Barbados, Jamaica and Guyana achieved independence, psychologically or intellectually really to incorporate them in the Caribbean. This has been an intellectual problem for us. It is just the reverse of the problem I have reason to believe confronts most Canadians, who when they think of the Caribbean tend to think largely in terms of British or former British dependencies.

The diversity of the area is evident when in the Caribbean we see societies as different as Haiti on the one hand and Barbados on the other, one by most conventional standards a fairly highly developed society, the other by any set of indices one of the most backward societies in the world. Nevertheless, in Barbados as in Haiti there are all of the standard problems that confront developing countries today—the problems of population pressure, of mass unemployment, of rising expectations and demands for education and services, the whole lot.

The political development challenge confronts political authorities in these societies with their very limited resources in the form of a demand that they meet simultaneously three, not necessarily compatible, and frequently only very awkwardly compatible, requirements: the requirement for domestic peace; the requirement for progress, economic advance, which is the hallmark of a successful society today; finally, and increasingly, the requirement or the demand coming up from below for meaningful popular participation. The stresses and strains and demands placed upon political leadership in the face of these requirements are immense.

In the region, as you know from your firsthand observation, from your reading and from those who have appeared before you, the former British dependencies come to this challenge with a substantially better endowment of leadership skills, institutional order, habits and behaviour appropriate to the demands of modernization than do the countries of the Latin Caribbean. Barbados, Trinidad-Tobago and Jamaica, while having very serious problems, which undoubtedly will become more serious, are still in a much better situation to cope with those problems in their political aspects than are the remaining territories of the region. I am sure you have discussed at length at your previous meetings the fact that Guyana has a very special situation deriving from the complicated overlay of ideological division upon a racial division. Haiti is probably the only society in the world which has had a fairly consistent negative growth rate since 1804, really an extraordinary republic. The Dominican Republic, next to it, falls somewhere between Haiti on the one hand and the more highly developed societies like Jamaica on the other.

We can in the discussion period go into as much detail as seems desirable and useful about the specific political development challenges in the area, but I want to pass now to what I really think is at the root of our concern here, which is that even if on the internal side these societies are able to maintain order, it is almost impossible for them to look forward to meaningful advance of a material sort, or meaningful sovereign independence as conventionally defined, because of their tiny size, because they are effectively mini-states. The political development challenge, therefore, at the external level is a regional one: what can be done to enable these culturally and otherwise diverse heterogeneous entities to make a sort of political accommodation, both among themselves and with the more powerful states around their periphery—Canada, the United States, Mexico, Colombia, Venezuela? What kind of political adjustment or political arrangement can be achieved that will at once permit them to maintain their cultural integrity, to maintain their autonomy, to maintain their sense of national purpose and national identity while at the same time allowing them to achieve adequate economic advance, to move toward adequate welfare for their citizens?

It is easy enough for us to bypass the question and say that CARIFTA or a free trade association will take care of the problem. It is easy enough for us to say that there are no political problems here, or that the political problems in any event need not concern America or Canada, or citizens outside the immediate territory. In point of fact, as we know, in today's world economic decisions of the kind that are

being called for under CARIFTA, under the previous federation efforts, under LAFTA, (if CARIFTA ever does enter into a meaningful association with LAFTA,) carry immense political implications; and even harder political decisions will lie ahead.

I have no pat answers. But I do think the challenge has to be recognized for what it is and constructive thought has to be given to this challenge, not only by the United States, not only by Puerto Rico but also by the other states in the area that conceivably could play a constructive role.

Moving on very rapidly to the second area, that is, the possibility for violence and the possibilities for revolution that are present in the Caribbean area today, again, the situation varies markedly from society to society.

Duvalier is now in charge in Haiti, a man in his seventh decade. He has maintained control through weakening Haitian institutional linkages and structures, particularly those that are important to the functioning of a modern nation-state. When he goes he will leave behind him presumably a heritage of chaos and anarchy. There is very little likelihood that a shattered society, such as the Haitian one is today, will provide good hunting for idealogues of Communist persuasion, but the possibility of a blood bath is very real in Haiti, something hideous to anticipate.

The Dominican Republic is very precariously reembarked on a course of institutional development. At the moment the citizens of the Dominican Republic are tired of strife and are marginally content with the tranquility that the Balaguer dispensation is providing, but basically theirs is still an unstable situation.

Moving over to Jamaica, again we know the potentiality for violence that exists in that society. On the basis of the information I have, however, that violence would reflect the standard kind of social unrest stemming from such causes as unemployment, and overcrowding: it seems to have no significant ideological roots. The Guyanese situation has already been mentioned. The possibilities for civil strife are real so long as the confrontation between Jagan and his followers on the one hand and Burnham and his followers on the other, persists.

Cuba is regularly introduced into almost any discussion of the Caribbean. But it does not play a really significant role in the unrest that we see in the Caribbean today, or are likely to see in the future. This was not always true for certain of the states of the Latin Caribbean, the Dominican Republic and Haiti. During the years immediately following his accession in 1959, Castro did try to start uprisings in the Dominican Republic and Haiti, as well as in Panama, some of the other countries of Central America, and Venezuela. Between 1959 and 1962, at which time he was read out of the Organization of American States for this kind of behaviour, he was flagrant in his violation of national sovereignties in his efforts to export subversive insurrectionary activity, activities which reached their climax in 1964, which was the year, as you recall, that a massive cache of Cuban arms was discovered in Venezuela. Fidel's behaviour since then has been much more moderate. Even when he was making his most substantial efforts to export violence, however, his actual effect and actual ability to control and direct insurrentionary developments in the countries in which he was active were very, very reduced.

Moving over to territories like Martinique and Guadeloupe, or for that matter, Haiti itself, I think it is worth keeping in mind, if my informants are correct, that the Communist apparatus in these territories depends upon Paris, not upon Havana.

Cuba, of course, simply by the fact of its existence is a constant irritant, particularly to the United States and the states of mainland Latin America. There is a constant nagging awareness of Cuba and of its affiliation with two powers, the U.S.S.R. and Red China, outside the western hemisphere, economically dependent upon the first, ideologically associated with the second (as well as with North Korea and North Vietnam.) As long as that situation is outstanding it is going to be an irritant. But we should not exaggerate Castro's role in the unrest we see or are likely to see in the Caribbean.

What I should like to do now, is make as persuasive a case as I honestly can for an accommodation with Castro and the reincorporation of Cuba into the western hemisphere.

Let me start off by saying that, as seen from the perspective of Washington today, our present hemispheric Cuban policy is recognized to be awkward. It is regularly criticized for being either too soft or too hard or alternatively for being sterile and static. Nevertheless, from the point of view of the President, there are all kinds of reasons why this is not a good time for the United States and its hemispheric allies to move toward a change in our Cuban posture. Public interest in Cuba, except for that aroused by the spate of hijackings is reduced. Fidel's hopes of transforming the Andes into a Sierra Maestia have been blighted, Cuba is quite effectively isolated from the rest of the hemisphere, and the island's economic prospects have been dimmed. Since the policy was designed primarily to frustrate Castro, not necessarily to topple him, it has not been unsuccessful.

Also, Washington must keep in mind that Cuban policy is a hemispheric policy, not just that of the United States alone; and since the United States worked very hard to persuade a number of other Latin American countries to adopt and implement this policy, to get a revision of the policy that would look toward reincorporation and reintegration of Cuba would be difficult. The effort to do so would raise all kinds of issues in the hemisphere today, precisely at a time when there are all sorts of issues that are plaguing inter-American relations–rising nationalism and anti-Americanism, an upsurge of authoritarianism, the Peruvian imbroglio. Why raise anew the Cuban question?

Finally, what acceptable alternative policy might be devised? Perhaps our present one is the best we can achieve, all things considered.

Nevertheless, I think it would be worthwhile to consider the desirability of bringing Cuba back into the hemisphere and to speculate about how that might be accomplished. There does seem to be, in Washington as well as elsewhere in the hemisphere a growing (if far from overwhelming) awareness that we are paying an increasingly heavy price for the maintenance of our present policy. This is a policy we have been pursuing since 1962, and the resolution of the missile crisis. It is a policy that reinforces many of those aspects of Fidel's regime that are least attractive to us and most damaging to the Cuban people.

On one plausible reading, for instance, the present policy is almost ideally suited to Fidel's needs and intentions. His accomplishments he can take credit for himself; his defeats or frustrations or disappointments he can lay to the account of the United States. Moreover, to the extent that he is a man of totalitarian pretensions, who is trying to make "a new Cuban man", his locking the door from the inside can be the more easily justified by his noting that Cuba is besieged from the outside–primarily by the United States.

Secondly, of course, our present Cuba policy–and here I am talking about the policy of Washington–is out of phase with what this administration seems to be trying to accomplish elsewhere in the world. The Nixon approach to the world is one of friendly outreach, of encouraging international understanding. Nixon's is not a stance of truculence. We are moving now towards trying to settle a number of outstanding issues with the Soviet Union.

There have been indications that we are not any longer going to stand in the posture of intransigent, unremitting hostility towards Red China. We are trying to work out a more effective relationship with our European and other allies. Is only Cuba to be excluded from this approach of outreach, this effort to achieve understanding and accommodation?

Thirdly–and this is the last point I would like to make on this particular topic–the effectiveness of the policy is in process of eroding. I know that you Canadians have been extraordinarily co-operative with the United States in the implementation of a hemispheric Cuban policy. I am also aware that there has been some restiveness up here on that score. Europeans seem to have been constrained from trading with Cuba less by protestations that Cuba is militarily allied with the Soviet Union, or committed to the export of a revolutionary ideology and violence, than by Cuba's inability to pay.

It is eroding–there is no doubt of it. The Japanese, as announced the other day, are moving into more substantial trading relationships with Cuba. In general, I think, the policy is going to become increasingly embarrassing to us. It is costing us more than the commensurate return.

What would we gain from the re-incorporation of Cuba, whenever and however that could be achieved? The re-incorporation would carry a number of substantial benefits.

The first and most obvious would be the resolution of the hijacking problem, which is a problem not only to the United States, as you know, but also a problem to Colombia and Venezuela and, even on marginal occasions, to Mexico. It has not happened yet, to my knowledge, as far as Canada is concerned.

The Chairman: Just once, Mr. Plank, indirectly, on a flight from Moncton to Montreal, we had one instance of it, of a very minor nature.

Mr. Plank: Did they get the plane down?

The Chairman: No. It stopped in Montreal.

Mr. Plank: Good piloting.

The Chairman: They did not have enough gas.

Mr. Plank: Secondly, of course, it would contribute to the general alleviation of cold war tensions; it would remove a point of potentially serious friction and misunderstanding with the Soviet Union. Obviously, no one expects to see a repetition of the horrendous situation we confronted in October 1962. An accommodation with Cuba would be part of a very large process of amelioration of tensions around the world.

I think there can be little doubt–and this is something on which I would be most interested in getting the views of honourable senators–I think Canada

would be happy to have a normalization of relations, that is, I think the Canadians would be more comfortable if trade policy were divorced from ideological questions.

I know that the countries of Western Europe would be more content; I believe that Japan would be. I think that a normalization would benefit the United States in its relationships with these countries.

In the Third World, our policy towards Cuba has tended to bolster Fidel's image as a leader of a weak power trying to assert its independence against the great might of the United States, a picture of the situation Castro assiduously tries to promote.

For reasons of history, culture and geography, it is abundantly clear that Cuba does belong in the western hemisphere. Cubans, as Cubans, know that this is so and recognize the unnaturalness of their present situation, both vis-à-vis the hemisphere and vis-à-vis the Soviet Union.

You will be interested to note that in countries where, two or three years ago, you could not hear a responsible voice even raising the possibility of coming to some kind of understanding with Fidel, you now will hear it. That is so not only in Chile, where it has been going on for a long time–or in Uruguay, or in Mexico–but also in countries like Peru, Colombia, even in Venezuela, which was the prime target of Fidel's hostility for many years. You hear responsible voices now at least raising the question of whether or not to accept Fidel, communism and all, back into the hemisphere. The hemisphere is not less anti-communist than it was. What is being questioned is the efficacy of present policy.

What would be the cost, if we were to see Cuba reincorporated into the hemisphere? The cost of an accommodation would be substantial, although not the kind of cost that is often mentioned by some elements in Latin America and in the United States. That is, strategic costs to us in terms of our national security would be minimal.

Most of us would agree that the strategic threat from the Cuban quarter was practically eliminated with the resolution of the missile crisis in October, 1962.

Those who do not agree with that–large elements of the Cuban refugees and some convinced cold warriors–have been telling us for many years that every cave in Cuba is already full of intermediate range ballistic missiles. It is hard to see that this threat would be increased by a normalization of our relations with Cuba. Nor, let me say, do I think that if we were able to bring Cuba back into the hemisphere, that would mean that the hemisphere would suffer from an opening wide of the flood gates to subversive and insurrectionary activity by Fidel and his cohorts. In the first place, we should not exaggerate Fidel's capacity for mischief in this hemisphere. Nor should we exaggerate the amount of real attention and hard resources he really is prepared to commit to the export of subversion. Che Gluevara's melancholy experience in Bolivia illustrates this. There were 20 Cubans with him, in what was to have been a major effort to spark a Vietman situation in Latin America. The support Che received–those of you who have read his diary will be aware of this–that support was minimal.

Fidel's 10th anniversary speech of January 2, 1969, was marked by its moderation, its inward orientation. It was mostly a call for Cuban discipline, dedication, effort directed toward internal Cuban challenges; it was not a call for hemispheric adventurism.

Moreover, the roots of subversion and insurgency in the Latin American countries lie overwhelmingly in the countries themselves, not in Havana. I believe, therefore, that there is little likelihood that our accommodation with Fidel would increase significantly his ability to spark revolutions around the hemisphere.

The real costs of an accommodation, it seems to me, are political and ideological, both to Fidel and to us. The political costs to us, of course, would be very substantial indeed, in that since 1961–or 1960, really,–we have been openly committed to the failure of Fidel Castro's regime and what it stands for.

Any movement on our part, however carefully conceived, however carefully implemented, would be interpreted, both in the hemisphere and at home in the United States, as a truly radical shift, a truly major change in posture, and it would be attacked from the left as well as from the right–from the right, of course, as perhaps not treason but certainly as being in gross violation of the Monroe Doctrine, and affront to the American Flag, and so on.

From the American radical left–from students for a Democratic Society, from our Black Panthers–there would be many who would be dismayed to see any move toward accommodation, insisting that no honourable accord could be reached between Fidel Castro's Cuba and a society as corrupt and rotten as the United States of America. There would be regimes in Latin America, too, like those presently in power in Brazil, Argentina, Paraguay and Honduras that would be upset. And established groups–landowners, some businessmen, some churchmen, some military–would be alarmed by moves toward normalization.

Many Cuban refugees would probably become almost hysterically anxious, seeing in any accommo-

dation the erosion of their last hope for a massive military invasion against Fidel.

We would, let us admit, have to accept many of Fidel's terms, if we were to reach accommodation. We would have to accept the fact that he has established a durable regime; we would have to accept the fact that his variety of communism would have to be tolerated in this hemisphere into the indefinite future; we would as part of the cost of a normalization have to respect the integrity of his regime. These would be his conditions. These would also be, I am sure, the conditions upon which the Soviet Union would insist, if we were to move toward an accommodation.

If we were prepared to move toward an accommodation, I believe we might be able to get the help of the Soviet Union. Over recent years the Soviet Union has dropped hints here and there that it would like to see a normalization of relations between the hemisphere and Cuba, and the Soviet, in its own policy, as you are aware, is moving to regularize its telations in all corners of the hemisphere in both trade and diplomacy. The Soviet Union has indicated in many contexts its unhappiness with Fidel's revolutionary rhetoric, his Peking orientation towards the requirements of rapid and radical change in Latin America.

From Cuba's point of view, the cost would be very substantial, too; that is, as I indicated earlier, there are respects in which the present policy is ideally suited to Fidel's requirements and Fidel's intentions. We have in the past insisted, as conditions for Fidel's re-incorporation in the hemisphere, upon two things: First, that he surrender his military alliance with the Soviet Union; second, that he abandon his efforts to export revolution and revolutionary violence.

Since 1964, there has been, so far as is publicly known, no expression of interest on Fidel's part even in talking about these conditions, or for that matter, about other matters that divide the hemisphere from him.

Movement toward accommodation for Fidel would mean a psychological cost which, after all these years of assiduous work to build and maintain his reputation for being an ultra-radical of the third world, he would be loathe to pay. He certainly could not be expected to grovel on his way to the table at which he would sit down with us. Therefore, it would seem to me, we should have to permit him, rhetorically, to maintain his revolutionary stance, and we should simply let his actions speak louder than his words. I think his January 2 speech may be symbolic or significant in this respect; I think the minimal quantity of support of training, materiel, money and other things that he has been providing revolutionary movements in Latin America recently may also be significantly taken into account.

I think, if we were to be able to move toward a meeting with Fidel, and that would be the fundamental first step, and were we to let it be known to our OAS partners that, so far as Washington was concerned, a fundamental re-evaluation of hemispheric Cuban policy was underway, we would meet with much more OAS support than we might, before the fact, have supposed we would. For it is very much my impression that there are all kinds of stirrings up and down the hemisphere arising from the increasing feeling that our present policy is sterile, counter-productive and getting us nowhere; that the better course would be to bring Cuba back and, rather than shouting imprecations at one another across the water, we should see if we could engage in meaningful conversation rather than try to bring Fidel's regime down; we should try to engage Fidel in constructive conversation and negotiations.

We should be aware that Fidel feels that time is very strongly on his side. He knows that so long as hemispheric policy toward him is as openly hostile as it is, he can count on the support of the Soviet Union. They will not let him down. A million dollars a day is a substantial sum, indeed, but it is not, in fact, much more than the United States transfers through direct federal payments to Puerto Rico every year. It is not anything that the Soviet Union would regard as being an intolerable burden. Moreover, I am persuaded that Fidel believes that time is on his side and not on ours, in that he feels that the hemisphere, most specifically the United States, is in a cul-de-sac and that with the passage of time the erosion of the economic denial policy will proceed apace; that while Canada will stay, presumably, with the United States on this policy, it is extremely unlikely that other countries of Europe, of Asia, Japan specifically, will stay; and, over time, as the United States tries desperately to maintain the policy of exclusion, of isolation, Cuba when it reaches its ten million ton sugar production mark,—which it will before much more time has elapsed,—will be entering increasingly into trade relations not only with Britain, but with France, Italy and all the countries of Western Europe as well as those of Eastern Europe.

I come out, then, recommending that we take advantage of the hijacking problem, a problem of substantive importance to both parties—and I am talking of the United States and Cuba—and really sit down to open up a candid dialogue with Fidel. If this should be the entering wedge whereby discussions might proceed to a much broader range of issues, then, ultimately, after a long, excruciatingly painful and very difficult process, it might lead to the re-incorporation of Cuba.

One point that I did not mention, and one with which I should like to conclude, one point in favour of working fairly rapidly toward the re-incorporation of Cuba, has to do specifically with the Caribbean.

You have heard Mr. Demas talking about CARIFTA, and, of course, in your own acquaintance with the region, you have seen the efforts of the Caribbean federation and have seen suggestions made for true economic integration of the area. If we can get back into constructive dialogue with Cuba, then Cuba can be factored into the long-range economic planning for the region. I believe that it is critically important that Cuba be embraced within such regional planning.

Prime Minister Barrow said several years ago and it bears repeating, that it is nonsense to talk of a federation of the Caribbean area when you have a sleeping giant there which, from one day to the next, may be dumping $10 million of sugar on the world market, in direct competition with the other states of the area which still lack adequate diversification of production. Cuba, moreover, has substantial capacities in manufacturing and processing as well as in its mineral wealth. Cuba's re-entry into the hemisphere and into increased trading relationships with other countries of the West would distort whatever regional agreements had been made, unless Cuba had been taken into account all along in Caribbean planning. Everywhere in the Americas it is assumed that one day or another Cuba is coming back into the hemisphere. I think planning for Cuba's future incorporation should proceed apace, that we should get on with the effort to reach an early accommodation with the island. I think we should get started. This is a propitious time, with the outstanding hijacking problem, and I very much hope that official Washington will begin to share this view and will try to take advantage of the opportunity for discussion the hijackings may provide. I do not presume to suggest what role, if any, Canada might play in this. But here again my own predisposition, as far as things Canadian are concerned, is to believe that Canada is generally best advised to avoid direct involvement in situations in this hemisphere where the United States is a party to a conflict. However, I think that is something we can discuss in detail in our discussion period now.

Thank you very much for your attention.

The Chairman: Thank you very much, Mr. Plank, for your very full and frank dissertation.

Before calling on Senator Lang I would hope in the course of answering the various questions put to you by the senators, that you might be able to give us some description of the Brookings Institution and its relationship with the powers that be in Washington. Obviously, a number or perhaps all of the opinions given by you here this morning are made in your capacity as a private citizen and as a member of that institution, but inasmuch as there is renewed interest in Canada as to the functions of institutions such as the Brookings Institution, I think it would be very useful if you could provide us with some information in that regard.

Mr. Plank: Shall I take five minutes to do that now?

The Chairman: If you would.

Mr. Plank: The Brookings Institution is peculiar in the United States in that it is self-defined as a bridge between the world of academia and the world of policy. The criteria of our scholarly work at Brookings are those of the university to the extent that they can be, but at Brookings, and in this we do distinguish ourselves from the universities, there is no "art for art's sake." The kind of questions towards which the Brookings Institution directs itself are the sorts of questions that are of immediate concern or longer range concern to the policy-makers, to the politicians, and to those who have responsibility for government in our society. We are divided into three sections or programs. First, we have our program of economic studies; the program which has largely made the reputation of the Brookings Institution. It has a very substantial output of studies in tax policy, in fiscal management, in national income analysis, and matters of that sort. Second, we have a program of government studies, by which we mean a program to study directly the political and governmental problems of the United States, national, state, local and increasingly "megalopolitan"—to use the current expression—the problems of our cities, problems of migration, problems of welfare, et cetera. Finally we have a program of foreign policy studies which is primarily concerned with policy questions that concern the State Department or Agency for International Development, the Defence Department and Congress, and the rest of it.

Another interesting feature of the Brookings Institution is that it is to the extent of 80 per cent of its income privately financed. We have a self-imposed limitation that prevents our accepting more than 20 per cent of our funding from the United States government, or any governmental source; nor do we accept funds from private business for the conduct of private, corporation studies. Our funds, to a great extent, are from our own endowment. We now have an endowment well in excess of $20 million. Additional funds come to us in the form of grants from the foundations for the carrying out of specific projects.

Incidentally, the Institution does no classified research. It reserves the right to publish all the products of its research efforts.

The Brookings Institution, although it has the reputation of being an "establishment" institution, has also the reputation for objectivity and for being willing to take controversial positions in its publi-

cations and in the public statements of its members. Few people attack the Brookings Institution as being beholden to the United States government; but neither is the institution regularly accused of being in a constant position of opposition. It has managed to maintain this balanced situation over the years.

Many of us in Washington are pleased to learn that there is some thought being given here in Ottawa and elsewhere in Canada to the possibility of setting up a corresponding institution. If you do find it possible to proceed with thinking about setting up a corresponding institution here, I wish you all the luck in the world. I think it would be wonderful if you could do that.

The Chairman: Now I would entertain questions concerning the Brookings Institution?

Senator Laird: May I ask who is the present head of the Brookings Institution?

Mr. Plank: His mane is Kermit Gordon. He is a former professor at Williams College and a former director of the Bureau of the Budget.

Senator Grosart: How long has the institution been operating?

Mr. Plank: Well, in its various forms, for quite a long time. Its predecessor organization dates from 1916, but in something like its present form it has been operating since 1927.

Senator Belisle: You said earlier you have an endowment of $20 million. Is that money from private sources or from government?

Mr. Plank: Private. I should say that two years ago we got an additional grant of $14 million from the Ford Foundation which got us to the range that I have described. Our operating budget is about $5 million, I believe, much of which comes from specific grants for specific purposes or projects. The endowment is there not only for studies, but also for expanding physical facilities, and so on.

Senator Carter: How many of a staff do you have?

Mr. Plank: We have about 80 full time professional staff, but the production that comes out of the Brookings research effort is substantially larger, because much of the work is done on contract with people who actually do their research outside. For example, you all know Harry Johnson who did a Brookings study, but he was not in residence at the institution while he did it. He came down there from time to time. We probably produce 20 or 30 publications a year.

The Chairman: Senator Lang?

Senator Lang: Most of the questions I might have raised, Mr. Plank, you anticipated in your remarks today. I think we see very much of the turmoil of conscience that the United States is going through over Cuba from your remarks. Now to get ourselves into perspective in the Caribbean complex, I would solicit your views as to Canada's political position vis-a-vis these countries generally and specifically why our interests should be oriented towards these problems rather than elsewhere. Firstly, I am thinking of the countries immediately concerned, besides the United States, Mexico and Venezuela, that you mentioned, and others, of which, geographically, it seems to me, the Caribbean complex is their problem, and geographically who are more removed. However, we are all very conscious of the necessity of being involved one way or another. Our external aid policy has indicated this pretty clearly. I wish sometimes we had,

> Oh wad some power the giftie gie us
> To see oursels as others see us!

Without the geographic immediacy, what do you think the considerations are which would affect Canada's policy?

Mr. Plank: Well, it is difficult for an American to talk for you . . .

Senator Lang: This is now Mr. Plank of Brookings speaking!

Mr. Plank: I think it is true that since the British moved out of the area–and I am talking now about the Commonwealth Caribbean–I would like to see you involved more intensively, but this is a selfish position. The British did move out rather rapidly, so in a sense you could stand in the relationship of a successor state. These territories, I believe, cannot survive in anything like a prosperous condition without something equivalent to a metropolitan relationship. There has to be some tie to a major power, not only for the market that the major power would provide but also for constructive developmental assistance as among the various territories.

It is an extraordinarily complicated question, but I have given some thought to how, through a pattern of preferential access of products, in the interests of promoting complementarity of production, you could consciously help to encourage trade among the ex-British dependencies, to the extent that that can be achieved among these small islands, in respect of production and distribution. You do not have any serious obligation to do that. That is, if Canada does not pick up a major role in the Caribbean, no overwhelming concern about national self-interest will force you to do it.

Strategically, that area, to the extent that these kinds of considerations have relevance, will be under the gun of the United States. In terms of economics, as long as you can get from them what they have to export to you or as long as you have alternative sources of supply, they are not economically that critically important to you. Tourism is another matter. I think that recreationally Canadians look to the ex-British dependencies as attractive places to go, but I am unable to make an overwhelming case on the grounds of international politics or economic interest for Canada to play a greater role in the region than you are now playing. I think that Canada traditionally in foreign policy, without equivocation, has let humanitarian, ethical and moral concerns consciously reign in her decisions. When you play a peace-keeping role around the world, which you have done remarkably well in the post-war period, this is not done simply because Canada is obliged to do it; it is done because that is a constructive international role Canada can and should play. By the same token, if you watch these little islands in danger of spiralling to disaster–which I fear is almost inevitable unless others in the region get to work and give them help–unless on humanitarian grounds you do not see that disaster as being intrinsically undesirable–I have myself tied up in syntax here. I do think there is humanitarian reason why Canada should play a major role in the area. I believe that would be in the interests of the hemisphere and in the interests of world peace and global freedom over a longer term. In short, I believe Canada should assume some responsibility for the welfare of these little territories.

On the other side of it, it is clear that the United States, in the absence of assistance from Canada, from Mexico and Venezuela, is going to exert its influence over this area.

As was pointed out by Mr. Armstrong, the United States really does not have a Caribbean policy, but to the extent that we have strategic interests there we will safeguard those interests at almost any cost. We have made it a matter of dogma that we will not permit another Cuba to emerge, but in terms of broadly co-operative relationships between the ex-British dependencies, the Latin countries of the region and the countries of Central America, it would be much more comfortable for them if, in addition to the United States playing a role politically, there were a major presence from Canada and the other mainland Latin-American states I have mentioned.

I can see, senator, that Canada's orientation is largely toward the northern hemisphere, not toward the western. I can advocate greater Caribbean involvement by Canada on largely humanitarian rather than on strategic and other economically more compelling grounds.

Senator Thorvaldson: Mr. Chairman, I have one question supplementary to that. When you spoke of Canada taking a major part, were you referring essentially to becoming a greater trading partner of these countries, or as an investor in those areas?

Mr. Plank: I think, both. Of course, much of this needs a great deal of thought and a great deal of exploration, and we are going through the process now of trying to devise forms of investment which will be least offensive and most helpful to the host country, because there is this ambivalence toward investment building up throughout the third world. The peoples of these countries know that they need capital but they are aware that they can be obliged to pay heavily for such capital in terms of what they conceive their national interests to be.

There is a greater complementality between production patterns, particularly in those things the Caribbean countries traditionally have produced, of the Caribbean region and Canada than there is between them and the United States, and certainly more than is among themselves or with the other Latin-American countries. I think changes in trading pattern should be, at least in the short term, in the form of providing preferential acess of their products to your markets. I do not know what other obligations Canada has now to receive products from outside this area of the Commonwealth, but I would certainly hope that special attention and special privileges could be given to these Caribbean territories.

Where I constantly come a cropper on this whole question is, in relation Canada to the Latin Caribbean. I can understand that Canadians might well be prepared to play a successor role in a very constructive way vis-à-vis the ex-Brits or former British dependencies. Where I have trouble is in persuading you Canadians that you might play a broader role in the rest of the Caribbean where you are likely to get into all sorts of difficulties. I am talking of the Dominican Republic; I am talking of Haiti; I am talking of Cuba. But I think that as far as the ex-British dependencies themselves are concerned, Canada would find it in its interest to enter into these special relationships.

Senator Macnaughton: I think this is almost a supplementary supplementary, Mr. Chairman. Of course, Dr. Plank, you know about the CDC, the Commonwealth Development Corporation?

Mr. Plank: Yes.

Senator Macnaughton: I assume, but do not know, that gradually, year by year, less and less support will be given by Great Britain to that organization. It seems to us that that was a means by which a great deal of oil was poured on the wheels or on the

machinery, both the political and the economic machinery of the British possessions. Would you care to say anything about that?

Mr. Plank: In what sense?

Senator Macnaughton: Well, should we pick up the pieces? Should we invest the capital, in other words?

Mr. Plank: I am conscious that on a per capita basis Canada is already carrying far more than its just proportion of the flow of assistance from the more developed to the less developed world.

May I really dilate for a moment on what is on my mind? I am greatly concerned–and I am sure that a number of you are too, although it is easier for citizens of countries like Canada and the United States not be be concerned about this than it is for peoples elsewhere in the world–about the future of mini-states. What I would really call upon Canada and Canadians to do is to think along with peoples elsewhere in the world, and particularly to sit down as the occasion provides and warrants with the leaders of the Caribbean countries to speculate about what new forms of political association or new forms of economic association can be devised that would, as I indicated at the outset, permit these little peoples–little in terms of the adequacy of their resources–to maintain their integrities as societies but at the same time allow them to participate in the benefits of advancing industrialization and advancing welfare.

I do not want to put any emphasis at all on the Puerto Rican experience which is unique, but I would say this about the Puerto Rican experience, that it was derived exactly in this fashion. The United States and the Puerto Ricans recognized that there was an intolerable situation from the American point of view. It was not intolerable from the strategic point of view, but it was intolerable from the point of view of the United States that Puerto Rico would be a vast slum in its own backyard. We were fortunate in having certain persons such as Governor Luis Múnoz Marín of Puerto Rico and Rex Tugwell of mainland United States to think about what kinds of incentives and what kinds of innovations could be introduced that would maximize the benefits to both parties, and that would no more do violence than necessary to the cultural integrity of Puerto Rico and that would at the same time let Puerto Rico participate in the benefits of the mainland economy.

The history of Puerto Rico is written plain. It has been quite a spectacular success story. It does not translate directly to the rest of the Caribbean, but I would call for that kind of imaginative thought which can only be arrived at through conversations over a period of time between imaginative leaders north and south, in maxi-states and mini-states, in order to see what can be worked out, and then there has to be this long process of public education. What I am looking for is some way to transcend the constraints that small size imposes on countries like Trinidad or Barbados, or even like Jamaica.

The wealthiest country in the region about which we are talking now is Cuba. We saw that when Cuba asserted its independence, largely from the United States in 1959, when it cut loose, it had no alternative but to line up in a situation of even greater dependence on the Soviet Union. I am thinking basically that the long-range objective should be a kind of political association among all the states of the Caribbean region, including Canada.

Senator Lang: Dr. Plank, how would you invisage Canada's taking a seat on the OAS in terms of this approach? Would our position be stronger or weaker, or would it be more compromized?

Mr. Plank: Here we run into a complication, in that the OAS is an all-hemispheric organization, except for Canada, of course, and temporarily Cuba. All of the states up from Argentine through the United States are members. The problems that occur here, and that are at the centre of our concern today, the problems of which Canadians are conscious, are not problems that are recognized as of any significance at all by the Argentinians, the Brazilians, or the Chileans–that is, as seen from the southern cone of South America. The Caribbean, while there are remote historic ties and some sentimental ties of culture, is second class territory as seen from much of South America. The Argentinians hardly know where the territories we are talking about are, and they care very little. The Organization of American States as an institution concerns itself with a whole array of problems and issues that need not concern Canada as such. I think that Canada's specific role is in the Caribbean area in terms of its positive and quite deliberate effort in working along with the other countries in order to advance, or make possible the advancement of, the countries of the Caribbean.

I make this preface in order to separate out South America from the area of our concern. Here I speak only as a private citizen, not as a spokesman for the Brookings Institution. I have long felt that, taking hemispheric matters en bloc,–considering hemispheric matters together, Canada is in a better position to play a constructive role outside the OAS than it is in it. Canada is a free agent. Canada can, if it wants to, take an independent position, either associate itself with or dissociate itself from the United States with respect to specific issues and problems, but if Canada were to join the OAS it would be obliged to commit itself on one side or the other of a number of possibly awkward questions, lining up with the United States or with the states of

Latin America. I can see many costs, few corresponding benefits, either for Canada or for the rest of the hemisphere. You have been through this debate so many times that I do not need to repeat it.

Canada does not have to join the OAS in order to play the constructive role on the broader hemispheric plane that I am talking about. I know that Washington would like to see you in, but my own feeling is that you can play a better role, and one that serves your own national interest better, by remaining outside.

The Chairman: Are there any questions supplementary to Senator Lang's question on the Organization of American States?

Senator Grosart: Later.

Senator Lang: Following my discussion, Dr. Plank, the United States experiment in Puerto Rico has relieved a sore problem existing there. Canada may very well take a more active position, say, in the ex-British islands, but the problems of the Caribbean as a whole are still pretty well with us are they not?

Mr. Plank: Yes.

Senator Lang: It is palliative to search for a specific area. Is there an expectation, that, say, the development of Puerto Rico under the American policy has a beneficial effect on other countries, so can we expect that if we contribute to the ex-British islands there will be a fall-out from that which would benefit the area as a whole?

Mr. Plank: Do you mean a fall-out from the ex-British islands?

Senator Lang: Yes.

Mr. Plank: I would hope so. I believe that this was Prime Minister Barrow's hope too. He hoped to get into effective dealings with the Latin Caribbean because first he thought of the long-term interests of Barbados required this and, secondly, he thought Barbados had something important to offer. We are talking about what you might do if you were able to build strong viable economies in some complimentary fashion amongst the ex-British dependencies.

So far as Puerto Rico is concerned, you are undoubtedly aware that the Puerto Ricans themselves do see this role for themselves. They have, in effect, thought of themselves as being the prime movers or the principal agents—the banking agency, the entrepreneurial centre, the centre of managerial and planning talents, etc., for the whole Caribbean region, including the ex-British dependencies as well as the Latin countries. This has now reached the point, because of their propinquity to the other states of the area, that a few Caribbean citizens are talking about Puerto Rican imperialism. Puerto Rico in that regional context is the most powerful single entity.

Here again I would think, if you were to bring the ex-British dependencies up not only through trade but through providing them with the mobility that they require, in respect of migration flows, that some of the jealousy that is now felt towards Puerto Rico would be minimized, and a more constructive relationship established between the ex-British islands on the one hand and Puerto Rico on the other could be achieved, and from that posture of greater balance in the Caribbean we could move on to a better relationship with the Dominican Republic and Haiti.

I have one last point to make on that. The hemisphere stands in dread of the collapse of Duvalier, and worries about what can be done to rehabilitate that place. Here is the horror story of the hemisphere. Here are four million souls on a territory that cannot adequately support two million. If we are to do anything other than simply stave off starvation with a dramatic relief mission, mass migration is required, opening up territories to the populations of the over-crowded areas. I presume both the United States and Canada will have to think very carefully about relieving the population pressures of the islands if those islands are to achieve any kind of viable welfare status measured in economic terms.

Senator Lang: It applies to Barbados too, I imagine, very much.

Mr. Plank: It applies to all. It applies to Trinidad, it applies to Barbados.

The Chairman: I have had notice from Senators Carter and Thorvaldson that they would like to ask questions. I should be pleased to receive notice from anyone else.

Senator Carter: I was rather intrigued by Mr. Plank's proposal that an attempt should be made to reintegrate Cuba into the western hemisphere. While I was listening I was trying to figure out in my own mind the sort of cost benefit to Russia. This is where I perhaps need a little help from Mr. Plank, because I may have missed some of the benefits. The two benefits which stood out, as I listened to him, were: first, perhaps we could clear up this hijacking problem and use that as a spearhead for the total operation; secondly, to forestall any disruption of trade agreements by Cuba dumping sugar or other commodities on the market. Those were the benefits. When I looked at the cost, there was the cost of $1 million a day, which is $365 a year. Even though the Russian economy is huge, yet it is not growing as fast today as it was several years ago. They are feeling the pinch at home much more than before. We would ourselves assume that burden of $365

million, plus perhaps a good deal more if we help the Cuban people to improve their lot. Then it seems to me we would be relieving Russia and China of a great embarrassment, because Cuba must be a tremendous embarrassment politically and ideologically to Russia and China. We would relieve them of that.

Mr. Plank told us we would have several potentially explosive situations in Haiti, in the Dominican Republic, and there is a well organized Communist party in Guyana headed by Cheddi Jagan. If we relieved Russia of this burden of $365 million, how do you know she would not immediately use that money to start operations in these potentially explosive situations in Guyana and so forth? It seems to me that the whole proposal was founded on tremendous faith in Russia. In face of what has happened in Czechoslovakia in recent days, where Russia was regarded as a friend and almost a saviour, I was wondering if you could tell us two things. First, what is the basis of this trust in Russia? Secondly, are there any more benefits to the western hemisphere than the two I have mentioned?

Mr. Plank: In response to your first question, I would think it has to be simply something in the nature of an article of faith. We have in the past assumed that the Russians, via the route of subversion, of armed conquest of those territories close to their frontiers, were out literally to realize Khrushchev's stated aim, "We will bury you."

On the record to date, specifically in Latin America, in recent months and years the evidence is that the Russians are moving away from the notion of insurrection, partly because they recognize that the counter-insurrectionary capabilities are greater, but partly because they now have a different range of interests in Latin America. They have just entered into a trade agreement with Columbia and with Peru; they are now about to enter into a trade agreement with Venezuela; there is also the trade agreement with Chile. I think they are moving away from this notion of supporting insurrection; this is not their route. This is one of the bases of the Peking-Moscow division.

You refer to relieving them of the embarrassment of a $365 million a year outlay towards Cuba. The other day I had occasion to talk with an officer of the Soviet embassy in Washington, who was watching with great interest, as you would imagine, the unfolding of our dispute with Peru. He asked about the sugar quota allocation to Peru in dollar terms; he had the figure, about $45 million a year. He asked about the aid program, $15 million to $20 million a year. In his judgment—and he of course was only one Russian speaking as an individual, not as an official spokesman—the U.S.S.R. not only could but would be prepared to pick that up. He began to worry when the prospect of Brazil moving in the direction that Peru seems to be moving. I certainly do not want to predict that Brazil will move in that direction or, for that matter, that other Latin American countries will. But there is a rise of nationalism in the region which can readily translate itself into anti-Americanism and a desire to reduce regional dependence upon the United States economy. This Russian at least did not relish the prospect of the Soviet Union's being called upon to take the place of the U.S. as the source of capital and economic support for Latin America's development.

At the same time, given the nature of the Soviet economy and of the Soviet totalitarian state, these kinds of decisions—to put $365 million a year into Cuba, to put an additional $60 million into Peru, to increase whatever allocations are now being made to Africa or the Middle East—that they find it necessary or expedient to make for their own political reasons; these kinds of decisions are more easily taken there than in our society. And they can as readily decide to reduce as to expand their involvement in this kind of more or less direct subsidy.

I am not persuaded that if we, through one means or another, were to relieve the Soviet Union of its responsibility for providing $365 million a year to Cuba, that that money would go for the kinds of purposes you indicate in other countries of the third world. I see no reason to suppose that would be true.

Let me take a moment to share an overriding concern with you. In long-range terms the real problem that confronts us in this world is, and I think you in this room would agree, the grotesque, almost obscene, imbalance between the developed north and the undeveloped south, that is between countries like Canada, the United States, the states of Europe on the one hand and the countries of the third world on the other. So long as an inordinate amount of resources, attention and energy is being devoted on both sides—I am thinking primarily of the United States and the USSR, but not exclusively of those two—to actions derived from reciprocated hostility, fear, suspicion, actions having to do with armaments and so on, we in the more highly developed parts of the world do not have recourses available—even on the assumption that we would otherwise be disposed to use them—to deal adequately with the problem of regressing this global inequity, this global scandal. This is the problem that was talked about in New Delhi, the sort of problem that Barbara Ward constantly raises for us, the problem of course to which Lester Pearson and others have directed themselves. It seems to me that somehow cold war tension simply has to be relaxed. I am sure this is President Nixon's position, namely, that we and the Soviets simply have to begin to act in good faith toward one another.

I know that Czechoslovakia terribly complicated all of our lives. Any of those of us who had hoped to see an amelioration of tensions, a gradual rapprochement that was more than purely verbal were terribly upset at Czechoslovakian intervention. There are very few Russians that do not acknowledge this also.

It seems to me that we should continually press in the direction of an amelioration of these divisions, these tensions if we want really to get to work on the problems that ought most to concern us in this world, which increasingly has to be seen to transcend considerations of narrow national self-interest.

Here this morning we are talking about societies for which traditional notions of national sovereignty have comparatively little substance. We are talking about Trinidad, Tobago or Barbados, for example. These are societies that are at the mercies of forces economic and strategic over which they have very little control.

My thought is ranging very far down the pike toward some new form of international dispensation whereby meaningful political autonomy can be maintained within an overarching concept of international organization, international behaviour that will be better suited to serve the true interests of humanity. I do not want to sound romantic, but you ask what really is behind my thinking of wanting to reach an accord with Fidel and the USSR itself. It is this kind of long-range preoccupation–otherwise I see disaster looming in area after area.

Senator Carter: The other part of my question was whether any extra benefits beyond the settling of the hijacking and the forestalling of any disruption of a future trade agreement by Cuba, are these the only two benefits we get apart from this?

Mr. Plank: Again, no. I think two principal benefits would be precisely those. But getting Cuba back into the hemispheric economy is important not only because failure to do so would almost inevitably at some time lead to disruptive consequences for the regional economy, but also because Cuba has a positive contribution to make to the wholesome economic development of the region, and I think that is a very significant benefit.

Another benefit: looking at it rather selfishly from the perspective of the United States, Cuba is an issue in the United States, as you are aware. If a decision were made in Washington to reach some kind of an accord or understanding with Cuba, over the longer term, one divisive issue that separates our blacks from our whites, our young from our old, our so-called reactionaries from our so-called radical progressives, would be eliminated. I think these are important things to be taken into account.

I think an accommodation with Castro would relieve or reduce at least the propensity on the part of some elements in Latin America to credit every insurrectionary act and every plea for radical reform to the malevolence and machinations of Fidel Castro. This has been characteristic of their behaviour in the southern continent among important traditional sectors. If Fidel and his people were once again moving fairly freely around the hemisphere it would be incumbent upon the traditional forces not simply to credit all the difficulties in the area to the kind of revolutionary incitings for which Fidel is notorious. It does no good to say today in Guatemala that the reasons for the uncertain situation there Fidel's intrigues and incitings. It is neither factually true nor helpful. The problems that confront Guatemala have to be faced on their merits as Guatemalan problems, not scapegoated off to the back of Fidel or somebody else. I can see quite an array of benefits that could fall in addition to the two you mentioned.

Senator Carter: I agree with you that we should take the initiative and we should go on the offensive, but I cannot see how you can expect meaningful discussions with a country which uses trade for ideological objectives unless you believe they are going to change their thoughts.

Mr. Plank: The United States does too. That underlies our whole Cuban policy. We have followed this policy in the wan hope that by denying access to our markets to Fidel and by denying him replacement parts, using trade, we would gradually erode his power and might eventually see the overthrow of his regime. The whole premise upon which I base my remarks is that the expectation now has to be recognized as not being altogether realistic.

The Russians are not going to abandon him as long as the cost of abandoning him would be the overthrow of the "first socialist state in the Americas." The economic denial policies are not that effective, either. The Europeans–the Spanish, the Belgians, the Germans, the French, for example–are prepared to trade with Fidel's regime. I say, given that fact, how de we adjust to it in order to maximize our benefits at acceptable cost to us?

Senator Thorvaldson: Mr. Plank, my question is in the context of the economic facts of life in regard to the greater improvement by Canada in the Caribbean area and for that reason I want to refer back again, if I may, to the $1 million a day we always hear about Russia pouring into Cuba and the same amount the United States is pouring into Puerto Rico. The question I want to ask, just what are the economic facts in regard to the Russians? Is it an investment, a charity or is there any *quid pro quo* at all? Does it become a debt or do they write it off? Similarly, about this amount that flows into Puerto

Rico from the United States, is it represented by an underbalance of trade or is it in the form of investment or a gift?

Mr. Plank: That $1 million a day figure has been with us for the last six, seven or eight years. It is a good figure. It was a good figure when it was first constructed. It is also an easy figure to remember. I do not know how recently it has been examined; it is a very difficult figure to factor. The Russians accept it. At least the ones I have talked with do not dispute that it is costing them about $1 million to keep Cuba afloat.

Senator Thorvaldson: And they do not expect to get it back?

Mr. Plank: No, no.

Senator Thorvaldson: It is gone.

Mr. Plank: Yes. How the figure is actually arrived at I cannot tell you. The Russians pay a preferred price to Cuba for sugar which they do not need. Whether that is part of it or other forms of assistance are taken into account, such as transportation, etcetera, I do not know. In regard to the Puerto Rican figure I was only talking about the direct transfer of federal funds. It was done just to provide a general idea, an order of magnitude, so we could have an idea of how much the Russians were actually putting into Cuba. Included in the Puerto Rico estimate is social security payments, direct federal remittances to Puerto Rico. Actually, we transfer from the mainland substantially more than $350 million a year. How much precisely is difficult to calculate. You have to take into account tariff preferences Puerto Ricans have, remittances of Puerto Rican residents in the United States which send so much down to Puerto Rico, special tax benefits and the like.

Senator Thorvaldson: How many people does that affect? What is the population?

Mr. Plank: The Puerto Rican population is 2½ million, and the Cuban is approximately eight million. On a per capita basis, we are putting more into Puerto Rico than the Russians are into Cuba. But that was not really my point, senator. It is just that $365 million to an American sounds like a tremendous amount of money and when it is pointed out that this is what we are putting into Puerto Rico every year, it gets into the realm of being a little more comprehensible, a little more meaningful.

Senator Carter: I would like to make a point–when you consider the size of the two economies, the American economy is three times as big as that of the Soviet Union and there $365 million is only about $120 million in terms of the American economy.

Mr. Plank: That is very true, senator.

Senator Carter: It is quite different in proportion.

Senator Belisle: When I was in Hawaii three years ago it was rumoured there that Puerto Rico was going to be the 51st state and I would ask if this was why the $1 million a year was being spent on that basis?

Mr. Plank: You undoubtedly know the story of Puerto Rico. There are three factions there, one that for many years has been interested in total independence for the island, a very small minority on the island and becoming increasingly small. The second, the Statehood party, which until the last election, was Ferré's party, the man who was elected governor of Puerto Rico last fall. The third and largest is the popular Democratic party of Múnoz Marín. That party, with the United States, worked out this peculiar Commonwealth relationship which has been ratified by plebiscite twice by the Puerto Ricans. Ferré's election was, of course, an altogether legitimate election but it was the result of a schism within the Popular Democratic party. There is no real evidence that I have seen or that my Puerto Rican friends have brought to my attention to indicate that the Puerto Ricans want to move in the direction of statehood.

The statehood party corresponds in Puerto Rico to our United States Republican party, and the Popular Democratic party corresponds to our Democratic party. The majority in Puerto Rico seems to be oriented toward continued commonwealth status. This might change, but the million dollars a day was not directed to Puerto Rico with any thought of bringing it in as the 51st state.

There is not much interest in the United States for bringing in Puerto Rico as a state. I think it is up to the Puerto Ricans. This has been decided twice. If, whenever the Puerto Ricans wish to have another plebiscite, they can. If they want statehood, they will get it. That is what we are prepared to give them, but we are not trying to coerce them one way or the other.

Senator Grosart: Mr. Plank, my first question will be more or less semantic. I notice that you used the phrase "ex British".

Mr. Plank: I am sorry, I hope that really does not come through in the transcript. I certainly did not mean it in any derogatory sense.

Senator Grosart: I would say this, that it is a phrase one would not normally hear that used in Canada, except perhaps in our External Affairs Department. I am a bit disturbed that people are able to get Senator Lang to use it.

We use the phrase "Commonwealth Caribbean". You see perhaps a more likely solution of some of the problems of the Commonwealth Caribbean Islands as members of the Commonwealth rather than as "ex British"?

Mr. Plank: I would much prefer to use the Commonwealth expression, but I think the answer to your question depends to some extent, does it not, on what the future of the Commonwealth is.

Senator Thorvaldson: It is still part of the Commonwealth.

Mr. Plank: Yes.

Senator Grosart: Every international organization in the world depends on what the future of that organization would be.

Mr. Plank: That is right.

Senator Grosart: Perhaps you could be a little more precise in your answer?

Mr. Plank: I am not sure what we would put in the Commonwealth. Obviously, I think it is evident, is it not, senator, that Great Britain for many reasons is pulling away from the area. It is pulling away in terms of the kind of direct financial support it is providing, it seems to be pulling away in respect of migration policy, it is pulling away in many respects.

Senator Thorvaldson: Would you include investments in that category? Are they pulling investments out?

Mr. Plank: I am just not knowledgeable, I really do not know. I cannot say.

Senator Grosart: I think the facts are that there has been a slowdown in the rate of new British investment.

Senator Thorvaldson: Would it also be true that for a period of about two hundred years, where they really formed the governments of those countries, and those investments were comparatively safe and protected and not subject to the exigencies of a popular government–that is, in regard to the past.

Mr. Plank: Yes, this is certainly true, that for many years, as long as there was a direct link to Whitehall and to the Parliament in London, there were ways of controlling the domestic policy.

Senator Thorvaldson: And indeed one would think in that regard in the context of what is happening in Peru, today, in regard to the International Petroleum Company, namely, the British were very safe at one time but now one does not know. Would it be accurate to say that? In other words, would you say that the safety of an investment in those countries, as far as the British are concerned, is not the same now as it was when they were in control.

Mr. Plank: I would agree. I would say that the same thing is to some extent true in regard to any new Canadian investment that goes in, and I think it is true throughout the third world, and that it is true as far as United States investment is concerned. There has been, in the last two or three years, a very large increase in United States private investment in Latin America. But this is understood to be, and it has to be understood to be, an investment of real risk capital, in that there is no security for the investment in those countries today, except for that provided by our own United States tax laws and our investment guarantee programs.

Senator Thorvaldson: In that context, Mr. Plank, there has been considerable Canadian investment lately. You have heard of the people who have been investing heavily down south, and now other people are interested in tourist facilities and in other things.

There is a real problem, of course, as to what may happen to those investments, in the same manner that Cuba obviously defaulted and confiscated.

The Chairman: Before proceeding further, I would draw the attention of this committee to the fact that Prime Minister Geary has come to the back of this room and we welcome him most heartily.

Hon. Senators: Hear, hear.

Senator Grosart: It is perhaps appropriate in the context of my questioning, that Prime Minister Eric Geary–whom I have had the pleasure of knowing–is accompanied by Mr. James Walker the Parliamentary Assistant to the Prime Minister, who is also the Chairman of the Canadian Branch of the Commonwealth Parliamentary Association.

Taking the Commonwealth as it is, without worrying about its future too much, because it does have the heads of state annual conference, it does have some one hundred organizations, scientific, cultural, trade and so on–it is a viable thing at the moment–do you see the Commonwealth playing an important role in the development of the Commonwealth Caribbean? Let me put it this way, the Commonwealth contact, the Commonwealth background, the Commonwealth tradition–which of course brings in Canada in a way that it does not bring in the United States or anyone else–do you see this as an important factor?

Mr. Plank: I must agree that it is. Let me back that up with something I said at the very outset, senator.

I come to the Caribbean as a totality, from Latin America. I have never been a specialist in Commonwealth matters. My own background is in Latin America, with special interests in some parts of Latin America. Its what is implicit here that the Commonwealth countries of the Caribbean relate preferentially and perhaps exclusively to the Commonwealth? What I was suggesting, and what I understood Prime Minister Barrow suggested, was to consider the geographic area to have in its totality, the Latin Caribbean and the Commonwealth Caribbean.

Senator Grosart: These are not mutually exclusive.

Mr. Plank: The disjunctions can be worked out, even though CARIFTA does not yet have a direct tie to LAFTA, except for Trinidad and Tobago. There could be direct Alliance for Progress participation by the Commonwealth countries–once they join the OAS. So these are not mutually exclusive.

I would not like to lose sight of the fact that this may be–you and I may have a point of disagreement here–I think that the future of the Commonwealth countries in the Caribbean lies with the other states of the Caribbean states which are competitive in respect of production, which are servicing the same markets and which are dependent upon the same sources of supply.

I would like to see a broad range co-ordination of effort throughout the whole region. I would not like to see the Commonwealth work at cross purposes, for example, with the other states, the United States, Mexico, Venezuela, Colombia, in pursuit of long-range development. . .

I am not sure if that is a satisfactory answer.

Senator Grosart: I think there is a slight contradiction, because of the fact that in this particular area I am speaking of there was a void that had to be filled, and filled by a metropolitan state.

Mr. Plank: Yes.

Senator Grosart: Now, I would prefer a metropolitan groups of states in any such case, to a metropolitan state.

Mr. Plank: Well, yes, sir. What I said was that in the absence of some kind of co-ordinated effort on the part of such states as Canada, the United States, Mexico, Colombia and Venezuela, the United States will self-define its interests in that region. And you saw in April and May of 1965 at least one expression of how the United States can self-define its interest in the region. It will move unilaterally and will arrogate to itself the responsibility for overseeing the area. If it regards itself as a successor state to Great Britain, for reasons of national security or for other reasons, I think that is to be deplored. If there is an alternative to that situation in which other states can share the responsibility for ensuring the welfare and making decisions with, but vis-à-vis, these countries of the Caribbean, I think that would be much to be preferred.

That is the point I make.

Senator Grosart: Do you think Canada should target its policy toward the Commonwealth Caribbean rather than to diffuse it over the whole Caribbean?

Mr. Plank: This is, I think, a choice that needs to be debated here. The sensible course,–because you already have ties of culture, ties of institutions,–the sensible course is to tie rather directly to the Commonwealth Caribbean. But my disposition–and I made this explicit in my remarks–is to think of the whole area. You should think of the whole area and not really separate out Canada's interest in the Commonwealth Caribbean from the Commonwealth Caribbean's interest in the broader Caribbean. To the extent that your relationship with the region is a preferential one, to the extent that, if investment goes into Jamaica, you feel that discharges adequately whatever responsibility Canada may have for the economic development of Jamaica, that is a judgment that is perfectly understandable. If, on the other hand, it is a Canadian view that there is a responsibility to do what can be done to ensure that this whole region not only survives, but achieves minimal levels of welfare and has a viable future, then I think the combination may be rather different.

Senator Thorvaldson: There would be no purpose in Canada's going into Puerto Rico to take an active part there. Is that not what you are saying? Similarly, we would not want to go into Cuba. I think your question could be phrased in that context, could it not, Senator Grosart?

Mr. Plank: Just reverting to Cuba for a moment, in the event that Cuba comes back–and everyone assumes that it will some day, because there is no thought that Cuba is going to stay out there all by itself forever–I would very much hope that Canada would play a role in Cuba and not permit a return to the pre-Castro period, when a condition of total and degrading economic and other kinds of dependence of the United States existed, a dependence which was one of the factors accounting for Fidel's rise to power. We were talking about this earlier.

Senator Thorvaldson: You are referring to the great economic dominance of the United States.

Mr. Plank: That is right.

Senator Thorvaldson: Prior to the Castro era.

Mr. Plank: And translated not only in economic terms, but in cultural, political, and strategic terms; the United States just took the Cuban's national life away from them. This, for all practical purposes, was a colony of the worst sort, because we had none of the responsibilities of a colonial power.

Senator Grosart: It is not necessarily polarization to take an interest in a specific region and look at the problems as a whole.

Mr. Plank: That is correct.

Senator Grosart: It is not a question of whether Canada should go into, to use Senator Thorvaldson's phrase, this country or that country. What I am concerned with here, is should we have a policy toward, for example, the Cuban situation. I would like to have heard a little more from Canada about international law; the law of the sea; the justification for breaching international law, particularly in the United States in the law of the sea, with its history in that respect. I would like to have had a little more of a comparison between Cuba and Suez. It seemed to me that Canada was in a pretty good position to make such a comparison at that time.

So I come back to my question: Do you think Canadians should have a Caribbean-political policy?

Mr. Plank: If it is appropriate for me, as an American, to say it, I think Canada should have a Caribbean-political policy.

Senator Grosart: One final question. We are all aware of the very close traditional tie of the commonwealth Caribbean countries to what is generally called the Westminster Tradition. Some countries in the commonwealth have found that this does not appear to be viable completely in their present constitutional structure. Do you think the Westminster parliamentary democracy is a viable political structure in these small islands?

Mr. Plank: I think it is in the commonwealth Caribbean, to use that designation.

I think all kinds of efforts have to be made. This is, of course, another reason why Canada, if it wants to see that tradition survive, ought to assume a very conscious and major responsibility for the welfare of the region.

Regrettably, man's wants are scaled: You have to be fed; you have to have order; these are just prime requirements. No one likes to say that democracy is a luxury to be reserved only to those who can maintain certain income levels or who have developed over a number of centuries certain traditions of living with one another. I think there are many parts of the Caribbean, as well as other parts of Latin America, in which the sheer challenge of survival, both at a personal and a national level, are such that the Westminster style of procedure in the political realm is just not going to be appropriate.

If I might move on, just for a moment, the Peruvian case is an illustration of what can happen. Peru had for a number of years, ostensibly, a democratic civilian dispensation which was unable to accomplish a great deal. Chile is in much the same position. It is easy in a rhetorical way to say: "Formal democracy at whatever cost, in terms of efficiency, responsiveness, effectiveness, has to be maintained". That, rhetorically, has been the position of the United States. That whole question, I think, however, has to be examined in the light of the experience of the African states and of many Latin American states. A truly modernizing authoritarian regime may, in fact, really do more for promoting the dignity and well-being of people, bringing people up to the point where they can really realize themselves and be meaningfully human beings, that many of these ostensibly democratic regimes which follow the format of the Westminster tradition or any other such tradition.

It would be a tragedy, if countries like Barbados, Trinidad or Jamaica were to sacrifice this tradition for independence. That would be far too great a price to pay for independence. If the cost of not having to make such a sacrifice is an obligation which falls upon the United States and Canada, and some other countries, to help them through this period as they readjust their economies, as they enter into new kinds of relationships with the economically more highly developed states of the World, then that is a cost we should be willing to assume.

Senator Grosart: I would really prefer to direct my last question to Premier Geary, because I know he has some thoughts on this, but would it make sense, do you think, Mr. Plank, for Canada to suggest the transferance of the present associate stated of five or six of these islands from the United Kingdom to Canada?

Mr. Plank: Mr. Chairman, must I answer that question?

The Chairman: No. Under the circumstances, Senator Grosart, I think we will dispense with that question.

Senator Grosart: Nobody will answer it for me.

Senator Sparrow: Mr. Plank referred to the failure or failures of the Castro regime. I wonder if he could outline what he thinks those failures are, making a comparison, I would suggest, to progress made in the other Caribbean countries in the period of the Castro regime.

Mr. Plank: Yes, senator. Actually, I put that in the context that the original policy was designed in a

very negative narrow way. That is, it was designed to diminish the lustre of Fidel, to make his economic progress difficult and to make it difficult for him to mount revolutionary activities elsewhere in the hemisphere. It was largely negative. Now, within the confines of the policy as defined, it has been successful because it has contributed to his failure in these respects.

On the other hand, I think on any balanced assessment–and this is one of the things that ought to lead us to reconsider our whole Cuban policy–Fidel has been outstandingly successful in a number of areas: In the social sphere, educational sphere, and the health sphere. Most important, we were talking earlier about this degrading condition of dependence on the United States, and what he has managed to do–partly through the export of 500,000 Cubans, people who would be his opponents–he has managed to weld that population into a proud, self-confident, very sharply identified nation. It is one of the very few nations in Latin America. The people have a real sense of national identity, a real sense of who they are. If Fidel were to stand on a platform and say "We shall fight on the landing grounds; we shall fight in the fields and in the streets" he would get the same kind of response that Winston Churchill got in 1940. That is not to say it would solely be attributable to him; it is something that has happened to the Cubans. I am not sure it is not a good thing to have happened. There are other aspects. Let us take the per capita income situation. Now of course the per capita income of Venezuela is higher. The per capita income figure in Cuba today is perhaps lower by $100 a year than it was in 1959, but the distribution pattern is radically different today from what it was in 1959, and certainly different from what it is in Venezuela. Therefore, on the intrinsic merits I am not prepared to say that Fidel has failed. Looking at the thing in proper perspective, I am persuaded that he does not think he has failed. In many ways he feels he has succeeded, he has done much of what he set out to do. He certainly has changed Cuban society.

Senator Haig: But what will happen when he dies?

Mr. Plank: Nobody knows. The judgment is that the succession is something that one cannot predict. A lot will depend on how he dies; if he is shot down from inside Cuba, that will be one thing, but if he were to die a natural death, that would be another. One fairly widespread belief now is that the army would take over and Dorticos would take over as a sort of figurehead president. But I think the continuity would be preserved. Of course a lot of people would wish that that were not so. You will recall the situation when Stalin died. It was thought that it would give rise to unresolvable power squabbles within the top levels of the hierarchy.

There is no question whatever that Fidel runs Cuba today. But, the Cubans have acquired skills, they have acquired organization and institutions; and there is the feeling that the regime will go on, perhaps without the charisma.

The Chairman: You appreciate, Mr. Plank, that the word "charisma" is a dangerous word to use in this country.

Senator Davey: Mr. Plank, do you think the American press fairly reflects the situation in Cuba today?

Mr. Plank: The American press is not at all homogeneous in this and it depends on what parts of the press you read. By that I mean if you read the whole press you will see there is a kind of perspective that will in one fashion or another reflect the complexity of the whole situation.

Senator Davey: To qualify my question, it is my opinion that many Americans, perhaps a majority, have a stereotype of Cuba which is unlike the description you have given in answer to the question asked a moment or two ago. Would you agree with that, and if so, why is that the case?

Mr. Plank: You mean that the press does not give the true picture?

Senator Davey: I think there is a stereotype of Cuba in the United States and it is at variance with the description you have given.

Mr. Plank: That is something in our–how shall I term it–national character. We are locked in ideologically where Cuba is concerned. Cuba is a Communist state and by definition no Communist state can have aspects that are good or helpful to human beings. The American public really knows very little and really cares very little about Cuba. Because it is a Communist state, it is bad. I do not know that I can go much beyond that in answering your question. However, there is one development that may eventually affect the public stereotype. Our State Deparment has loosened up considerably its restraints against Americans travelling to Cuba. It is now possible for scholars, journalists and students to go down there. The result is that they are coming back with a much better picture of what is going on. It is of course a totalitarian state where an immense price is being paid in the terms of human freedoms which are valuable to you and me, but it is not all black. For the average rural Cuban it is a dispensation infinitely to be preferred over that which prevailed under Batista.

The Chairman: I will now return to Senator Lang, but before I do I would like to say that personally, and if I might refer to you as an academic, that one of the characteristics of an academic is that they say " on the one hand this is the situation, and on the other hand. . ." and they very seldom say "I believe". It is true that many of the statements you made this morn-

ing were your own opinions. But on behalf of the committee I am very grateful to have someone before us who is prepared to say "I believe".

Senator Lang: That is what I intended to say in thanking Mr. Plank. There is one matter, a small item of local interest that comes to mind at this stage. We had a riot in Montreal a few days ago and young Jagan was apprehended and there seems to be some suspicion in Canada now that perhaps we are an area considered for revolutionary export from the Caribbean area. Would you credit that sort of suspicion in these circumstances?

Mr. Plank: I think it is very dangerous to think in those terms. I think the thought that there is any kind of deliberate conspiratorial activity emanating from the Caribbean does not carry us very far. We are doing the same thing in United States. It is so much easier if you can get an international conspiratorial twist on student unrest. It simplifies the thinking processes for most of us. There are of course conspiratorial elements in Cuba and in the United States with its numbers of disaffected Cubans who would like to be able to take the credit for causing the sort of thing that happened at Sir George Williams University and Columbia. But I think that gives Castro and the communists an unwarranted amount of credit. They do not have that kind of power and they do not have that kind of following. I do not know specifically about the Sir George Williams' case, but I understand it had something to do with colour and the general syndrome of student unrest about the way universities are run, but I do not think it is warranted to suggest that conspiratorial elements are involved relating back to revolutionary elements in the Caribbean. As I say, I do not think it is warranted to think that, but I would have to know more of the facts in the case. That people identified with communist conspiracy will identify themselves with these movements is perfectly obvious, and there is every reason why they should.

Senator Lang: May I add to the Chairman's remarks in thanking you, Mr. Plank, for being here. You have demonstrated to us and have strengthened my long-held belief that there is a strong element of altruism in the American people. Their foreign policy is often today completely misconstrued and I hope that here in Canada we will never fall into that error and what you have said here today will help us to avoid it. I want to tell you how much we appreciate your being here with us today.

Mr. Plank: Thank you.

The Committee adjourned.

First Session—Twenty-eighth Parliament
1968-69

THE SENATE OF CANADA

PROCEEDINGS
OF THE
SENATE COMMITTEE
ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 1

TUESDAY, MARCH 11, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Dr. Alexander N. McLeod, Governor of the Central Bank of Trinidad and Tobago, Trinidad, West Indies.

The Queen's Printer, Ottawa, 1969

30974—1

First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS

OF THE

SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 4

TUESDAY, MARCH 11, 1969

Respecting

THE CARIBBEAN AREA

WITNESS:

Dr. Alexander N. McLeod, Governor of the Central Bank of Trinidad and Tobago, Trinidad, West Indies.

The Queen's Printer, Ottawa, 1969

29874—1

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (*Rigaud*)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (*Carleton*)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

(i) Treaties and International Agreements.
(ii) External Trade.
(iii) Foreign Aid.
(iv) Defence.
(v) Inmmigration.
(vi) Territorial and Offshore matters.

* * *

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

* * *

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of

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travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,
The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

MINUTES OF PROCEEDINGS

TUESDAY, March 11th, 1969.

(5)

Pursuant to adjournment and notice the Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Carter, Davey, Eudes, Fergusson, Grosart, Haig, Laird, Macnaughton, Martin, McElman, McLean, Robichaud, Sparrow and Sullivan. (16)

The Committee continued the study of the Caribbean area.

The Chairman (Senator Aird) introduced the witness:

Dr. Alexander N. McLeod,
Governor of the Central Bank of Trinidad and Tobago,
Trinidad, West Indies.

Dr. McLeod made a statement; he was questioned thereon and thanked for his contribution.

At 1.10 p.m. the Committee adjourned until 11.00 a.m., Tuesday, March 18th, 1969.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

ALEXANDER NORMAN MCLEOD

Citizenship:

Canadian citizen by birth. Born in Arcola, Saskatchewan, 6th May 1911.

Education:

Bachelor of Arts, mathematics, 1933, Queen's University, Kingston, Ontario.

Bachelor of Arts with Honours, economics, 1940, Queen's University, Kingston, Ontario.

Master in Public Administration, 1946, Harvard University, Cambridge, Massachusetts.

Doctor of Philosophy, economics, 1949, Harvard University, Cambridge, Massachusetts.

Prizes: Adam Shortt Scholarship, Queen's, 1938; University scholarship, Queen's, 1939; Medal in Economics, Queen's, 1940; Littauer Fellowship, Harvard, 1945-46 and 1946-47.

Thesis (Ph.D.): *Maintaining Employment and Incomes in Canada,* Harvard University, 1949, published on Microcards by the University of Rochester Press, Rochester, N.Y., 1955.

Experience:

Since May 1966, Governor, Central Bank of Trinidad and Tobago, Port-of-Spain, Trinidad, W.I.; December 1955 to April 1966, Chief Economist, The Toronto-Dominion Bank; June 1947 to December 1955, economist, International Monetary Fund, Washington, D.C.; previously, economist in the Canadian Department of Finance, Ottawa, Ontario.

Missions:

Haiti, 1948. Member of the United Nations Mission. See *Mission to Haiti,* a United Nations report published in 1949. Honduras, 1949. Establishment of the Central Bank of Honduras. Costa Rica, 1949. International Monetary Fund Mission. Libya, 1950 and 1951. Advising the U.N. Commissioner on the establishment of a new currency system on the independence of Libya. Nicaragua, 1952. International Monetary Fund Mission. Saudi Arabia, 1952 to 1954. Director of Research of the newly-formed Saudi Arabian Monetary Agency (i.e. the central bank), with the rank of a deputy governor. Guatemala, 1954 and 1955. International Monetary Fund Mission.

Publications:

"A Problem in Philosophy", *Journal of Philosophy,* 19th November 1936. "The Financing of Employment—maintaining Expenditures", *A.E.R.,* September 1945. "Proportionality, Divisibility, and Economics of Scale: A Comment", *Q.J.E.,* February 1949. "Local Currency Proceeds of an Import Surplus", *I.M.F. Staff Papers,* February 1950. "Trade and Investment in Underdeveloped Areas: A Comment", *A.E.R.,* June 1951. "Currency Unification in Libya", *I.M.F. Staff*

Papers, November 1952 (with G. A. Blowers). "Agenda for a National Monetary Commission—Discussion", *A.E.R.,* May 1958. "Canada's Industrial Opportunities", *American Banker,* October 1959. "The Mysteries of Credit Creation", *The Canadian Banker,* Winter 1959. "Security-Reserve Requirements in the United States and the United Kingdom: A Comment", *The Journal of Finance,* December 1959. "What Management Should Know About Interest Rates", *The Business Quarterly* (University of Western Ontario), Spring 1960. "Credit Expansion in an Open Economy", *The Economic Journal,* September 1962. "New Challenges For Central Banking", *The Commerce Journal* (University of Toronto), 1963. "Tight Money—Easy Money—What Do They Mean?", *The Canadian Chartered Accountant,* October 1963. "The Canadian Dollar and Its Role in Canada's International Trade", *International Business* Management Lectures 1962 (Waterloo University College). "Capital Mobility and Stabilization Under Fixed and Flexible Exchange Rates: A Comment", *The Canadian Journal of Economics and Political Science,* August 1964. "Some Observations on Trade Credit and Monetary Policy", *The Economic Journal,* September 1964. "What is Banking?", *The Canadian Banker,* Autumn 1964. "Offshore Banking", *The Canadian Banker,* Spring 1965. A CRITIQUE OF THE FLUCTUATING-EXCHANGE-RATE POLICY IN CANADA, The Bulletin of the C. J. Devine Institute of Finance, New York University, No. 34-35, April-June 1965. "Technical Controls over Bank Deposits in Britain", *Oxford Economic Papers,* July 1966. Contributions to *Encyclopaedia Britannica.*

THE SENATE

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, March 11, 1969

The Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, today our committee is privileged to hear evidence from Dr. Alexander McLeod, Governor of the Central Bank of Trinidad and Tobago. Dr. McLeod will be making an introductory statement on "The Prospects for Political and Economic Co-operation in the Caribbean Region," and particularly he will be discussing past schemes and arrangements for such co-operation, in other words, history; and the existing arrangements for co-operation, and the prospects for future development. He will be able to give the committee some insight with regard to the difficulties and limitations of political and economic co-operation in the region.

I might say in passing that one of the advantages of being a chairman of this committee is that one has the privilege of having an hour or two with him before the meeting begins; and I feel very strongly that one of the best pieces of Canadian aid to the Caribbean area may have been the expatriation of Dr. McLeod to Trinidad. I think it is going to be a most useful and informative meeting for you.

I would like briefly to mention Dr. McLeod's distinguished career leading to his present appointment. A native born Canadian, he has held positions as an economist with the Canadian Department of Finance; the International Monetary Fund and, as my notes say, a Canadian chartered bank. I have no hesitation in naming it as The Toronto-Dominion Bank. He has also participated in many missions, national and international, dealing with the establishment of monetary institutions and systems in developing countries.

His most impressive biography has been circulated to all members of the committee and I hope you have it with you.

Dr. McLeod has prepared a very informative background paper entitled "Political and Economic Co-Operation in the Caribbean Region" specifically for the committee. I realize that this paper has been somewhat late in arriving on your desks but I hope to improve on this performance in the future.

On the other hand, I think you will agree that this paper will be most helpful, both in giving precision to our questioning today and in our future work. He has also submitted the text of a speech he gave in 1964 entitled "Helping the Developing Nations to Enter the Twentieth Century." Both of these documents have been circulated in advance by the Clerk.

Sir, it is with great sincerity that I would like to take this opportunity to say how much we do appreciate the fact that you have come all the way from Trinidad to assist us in our examination of Canada's relations with the Caribbean.

Following our usual procedure, and the instructions of the steering committee, I would ask Senator Robichaud to lead the questioning today; and of course I am hopeful that all honourable senators will participate in the questioning and the discussion.

I have had one further suggestion from the steering committee, that is, that perhaps we should allow the lead questioner somewhat more freedom and that possibly we could keep our supplementary questions, relating to his questioning, to a minimum. Dr. McLeod.

Dr. A. N. McLeod (Governor, Central Bank of Trinidad and Tobago): Thank you very much, Mr. Chairman. For my part, I can say with every sincerity that I am very pleased to be able to be present here and to participate in the work of this committee. Perhaps, Mr. Chairman, you will forgive me a little plug for my particular area, if I point out the ruddy countenance that I am displaying here. This is owing to the fact that I was in a sailing race last week-end. You can realize that, if you come down to our area, you can enjoy that sort of thing all year round, too.

Mr. Chairman, I would propose to give a little run-down on certain more general considerations that did not find their way into

the background paper, and then to cover in summary form some of the material in the background paper with perhaps some elaboration here and there. I should say immediately that a good deal of the credit for the material in the background paper goes to a number of my colleagues in Trinidad. Well, indeed, one of them is a Jamaican who is presently helping us out in the central bank. To them must go a great deal of the credit for anything of use that will be in the paper; I, of course will take the blame for any shortcomings or omissions.

In looking at the problems of any developing region, one can see both important similarities and important differences among the various areas of the world. For developing countries in Latin America, the Caribbean, the Middle East, or anywhere else, you find that fairly parallel problems obtain. At the same time, there are important differences—and I will come to those in a moment—which are important to understanding the problems that you people are grappling with here.

One other general comment I would like to make before turning to that, however, is to point out that in this particular region of the Caribbean, not so many generations ago, the relative wealth was much greater than it would seem to be now. That is to say, these were the sugar islands, the spice islands, where there were many exotic products grown or produced and brought to the European market. There were various things, such as indigo, dye wood, and cotton, and many other exotic products. At one time the area was really considered very rich. In fact, in France, referring specifically to Haiti, which was one of the richest areas, there was an expression, "Riche comme Creole". Now, in the fullness of time, this region has experienced a decline.

By the way, I should also remind you that Canada has a certain association with Guadeloupe and Martinique in this area. You remember at the peace treaty—I think it was the treaty of Brussels, about 1775, although I may be wrong and must confess to not being an historian—when New Canada was ultimately ceded to Britain and certain other possessions that had been taken and exchanged in those wars were handed back to France, Guadeloupe and Martinique were given back to France. They were rich sugar islands, wealthy, and considered important. If I am not mistaken, that was the event which led to a famous French writer's dismissing Canada with some such words as: "Well, what have we lost? A few thousand acres of snow." If changing conditions have brought changing circumstances, with the development of synthetic substitutes for many of these products and with the development of competing sources of supply, it may be rather important to keep that background point in mind.

I would like to say something about some of the differences among developing countries, just looking now at the Caribbean area. I would say there are three sets of differences: Historical differences; cultural differences; and political differences. Perhaps within the cultural differences one could include some economic factors which are nevertheless part of the culture of the society.

Historically, you might, without being too arbitrary, divide the area into three quite different groups. The first is a group of one: Haiti. I mentioned that in earlier times Haiti was one of the wealthiest islands; it is now one of the poorest islands of the region. Haiti had one of the earliest revolutions, and quite bloody. I am not sure of my dates; our historians can help us out on that, but it was around 1790 that troubles began, and there were two men who rose as leaders of the slave revolt: Toussaint l'Ouverture and Henri Christophe. I believe independence was formally declared in 1804, but this was after quite a few years of struggle.

The important thing is that it was a successful slave revolt which drove out most of the administrative skills and professional skills and the whole range of "the establishment," as we would say nowadays, I suppose. This meant, you see, that they had to start further back beginning anew and having to replace those skills.

The second group would be the Spanish and Portuguese colonies, which became independent around 1810 to 1820, with some exceptions. Cuba, for example, did not achieve independence until nearly 100 years later. But there is an important difference between these colonies and Haiti in that, although there was prolonged and bloody fighting in some cases though not in all, nevertheless, the administrative and professional people for the most part remained. It was, at any rate by comparison with the Haitian situation, a much more peaceful transition to independence. Perhaps "peaceful" is not the word I should use; but it was less disruptive.

Now, the third group would be the British colonies which came to independence much

later and more peacefully. "More peacefully" really applies in this case. But even within this group there are important contrasts. Jamaica, for example, was predominantly under British influence from about 1655 on. Trinidad, by way of contrast, was taken from the Spanish in 1797. Actually, Trinidad had a French culture for a hundred years. The Spanish had not really settled Trinidad very effectively and, under the pressure of the wars and differences among the imperial powers, the Spaniards began to feel that they were rather vulnerable to attack. They therefore invited in many of the people from neighbouring islands, particularly from the French islands, so that for perhaps 100 years the real language of Trinidad was not Spanish—and certainly not English—but French or French patois.

All these things have made differences in the patterns of these countries which you can identify today, and they have a bearing on the problems we are dealing with.

There are important cultural differences. In many parts of South America, Central America, and Haiti you have substantial amounts of subsistence agriculture: People who are only on the margin of the market economy; people who raise food crops primarily for themselves, even though they may take some of the crop to the local market, sell it for cash, and immediately buy something else with it that they cannot grow themselves. It is quite a different type of operation from what is found in most of the Commonwealth Caribbean, for example, and most of the islands.

Another important difference is the existence of latifundia—large plantations. This varies substantially from country to country. By way of contrast, you have Costa Rica where there is a substantial volume of production even in coffee and things like this—and coffee is the principal export crop—but a substantial amount of the production remains in the hands of relatively small independent producers, but in the rest of Central America you have a predominance of large estates or latifundia. In the Caribbean islands you had substantial plantations too, though they differed in many respects from the latifundia of Central America and there has of course been more of a transition to other crops.

There are important differences also as to whether the cultural mix in a particular country is mainly the result of the impingement of a European culture on an amerindian culture, which is the case in most of Central America, or whether it includes African culture such as in the Caribbean area where, as you all know, there was a substantial importation of slaves from Africa, and later in many of the countries the importation of indentured labourers, particularly from India.

In some of these countries there are largely unintegrated amerindian communities. In other countries, such as Ecuador, which does not come within the scope of the matters being discussed here, you find similar situations. These people have proud cultural traditions of their own. They resisted the inroads of the Spanish by military means at first and peacefully afterwards, and you find in running these countries for example that they use the term "indio" and "ladino" meaning people, not particularly of a racial origin, but of cultural patterns "indio" means somebody who continues to follow the traditions he inherited from his Indian ancestors. Ladino means somebody who has accepted western culture. I can show you a picture of people of Chichicastenango in Guatemala where you will see people who are clearly identical in racial origin. But some are dressed in western clothes and have clearly followed western traditions, and the others are dressed in traditional clothes and clearly have not.

There are also some important differences of national characteristics in countries that are close neighbours. Again to use Central America as an example, in most of the area people live in the highlands where it is healthier and where they tend to be more active. In Nicaragua in contrast most people live at a relatively low elevation; nevertheless they are quite active and cheerful and quite outgoing in their approach to life, whereas some of their neighbors are quite reserved. There are thus important differences among people whom superficially you would expect to see showing similar characteristics.

Political differences are also quite important. One of the things that I think it is important to keep in mind is that democracy is largely nominal in many of these countries. That is to say the real effective power is in the hands of a relatively small "establishment". These people, nevertheless, do use domocratic terminology; they know the language; they speak in these terms; and they have many of the trappings of democracy; but it is not necessarily to be interpreted in the same sense as we are accustomed to thinking of it or where there is really a basic understanding among the people and a willingness to accept the decision of the ballot as a way of settling certain disputes. In others of

these countries democracy in a much more meaningful sense does exist. It is for the most part somewhat different from what we know under the British system, but it does exist and is making important progress.

I would have to add, having said that democracy in many cases is largely nominal, that you have to understand the situation. There is a reference to it in the talk which I gave almost five years ago, which the chairman mentioned. Even with the best will in the world, a group of people coming to power and wanting to improve things meet with such difficulties in moving the whole society forward that it is perhaps understandable that in their frustration many resort to undemocratic means of getting things done. I am not defending this; I am merely pointing out that it exists.

I would now like to focus your attention on the Commonwealth Caribbean. For a variety of reasons Canada's connections with the Commonwealth Caribbean are, I think, particularly close. It is also, as it happens, a region that is relatively well off economically. You will notice that I said "relatively". You find very little subsistence agriculture there. The average per capita income is relatively high. I am sure you appreciate the difficulties of making really meaningful effective comparisons with something like this where you have to take intangibles into consideration, but within the limitations of statistical measurement this is the case.

Another most interesting thing about the Commonwealth Caribbean is how unselfconsciously British the people are in many respects. I think the way Britain has managed its affairs in its colonies and other dependencies certainly leaves room for improvement. Let us however remember to judge people's actions by the standards of their time and not by the standards of our time, just as we hope the future will judge us by the standards of our time and not by the higher standards that will presumably have developed in the future. I think it is a very real credit to what the British have done in their colonies to find them, as I say—and I find this word perhaps the most descriptive—so unselfconsciously British. We drive on the left-hand side of the road. If you go past Queen's Park Savannah in Port-of-Spain on a Sunday at this time of year you will find probably 20 cricket games going on. Very many people have gone to Britain for their education; Canada is quite a favoured place, in spite of our cold winters; and many have gone to the United States. The British political institutions have been adopted and followed, I think with understanding and—shall I say—devotion.

I was quite impressed to come upon two or three people at a cocktail party once not very long ago in earnest conversation. One of them turned out to be a man who had been a member of Parliament but who was not presently in Parliament. He was talking to a cabinet minister and was giving him quite a bit of fatigue, as we say down our way—quite a bit of—well, perhaps there is not a better word.

The Chairman: A hard time?

Dr. McLeod: Yes, giving him a hard time about some of the areas in which he felt his government was not giving due consideration to things like its relationships with the press, principles of parliamentary democracy, and so on. These people clearly had debated this, they had an understanding of what was involved, an appreciation of and a devotion to these things. I do not think there are many places in the world today where you would find people in developing countries discussing that sort of thing.

I am sorry if I have departed a bit from—Well, I am not sorry for that, but I am sorry if I have taken a little longer than I had intended on it, but those are considerations I think are probably important to you in appreciating the problems of the area and the differences among the various members of the area.

I would like to go over, fairly quickly, then, the essential points I have tried to make in the background paper submitted to you.

I begin by pointing out that there is indeed a very widespread and pervasive interest in integration of various kinds, both political and economic, in the whole area—not just in the Caribbean area, but in the whole hemisphere. Some of this can be traced back to the very earliest days. The Organization of American States, for example, can trace its parentage back to the very far-sighted views of Simon Bolivar; and even in these very early days, almost 150 years ago, they did envisage the importance of economic, social, and cultural relationships.

Other international organizations very active in this area include the Economic Commission for Latin America, which has been quite active in the formation of various regional economic associations such as the Latin American Free Trade Area and the

Central American Common Market, and the Inter-American Development Bank, a relatively new organization, being founded in 1959. Also, we must not forget the importance of many businessmen's organizations working more or less quietly at mutual understanding and co-operation.

However, there is no doubt that the greatest public attention has centred on organizations such as the Latin American Free Trade Area and the Central American Common Market and, now, CARIFTA, the Caribbean Free Trade Area. These are essentially economic in their orientation, though they do have some political aspirations and implications.

Notwithstanding the fact that technicians can make quite important distinctions between free trade areas, customs unions, and common markets, it is pretty clear that most people involved in these various groupings I have mentioned are looking to a fairly complete economic integration, at least ultimately. It may be a matter of tactics whether it is better to start at the free trade area level of these groupings, but another group may feel they have more in common, and they may start at a more ambitious level for a smaller group.

Senator Martin: I wonder if the witness would list the names of the countries involved in CARIFTA?

Dr. McLeod: Yes, I think I can. It was begun by Guyana, Barbados and Antigua. In fact, I think I mentioned them here.

Senator Martin: Yes, on page 3.

Dr. McLeod: Practically everybody is in it, with the exception of British Honduras, the British Virgin Islands, and so on.

Senator Martin: Does it include Guatemala, for instance?

Dr. McLeod: No. At present CARIFTA is essentially a Commonwealth grouping, but they have raised the question of the possible admission of non-Commonwealth members.

Presently it is Trinidad and Tobago, Jamaica, and all the Windward and Leeward Islands, as well as the three founding members, Guyana, Barbados and Antigua. The Windward and Leeward Islands, Jamaica, and Trinidad and Tobago make up the ten originally in the federation.

In all of these cases the vision of what they could accomplish has run ahead of what they have been able to accomplish, so far as the speed with which they have been able to accomplish it is concerned. It is a very human situation and, indeed, is surely a desirable one, that our desires should exceed our reach.

There are discussions among the members of these areas, attempts to co-ordinate them, and some of the smaller groupings, such as the Andean Group, mentioned on page 2—which includes Bolivia, Chile, Colombia, Equador, Peru, and Venezuela—have made an effort to get together, because they were disappointed with the slow progress being made in LAFTA. There have been overtures to Trinidad and Tobago to join this group, and there are also others—the LAFTA and the Central American Common Market people, for example—who are endeavouring to co-ordinate their activities too. There has been at least some consideration given to the possibility of interconnections between practically any two of these groups that you could mention.

The Central American Common Market is widely acclaimed as the most successful among the attempts at regional organization among developing countries. There is certainly quite an impressive array of joint institutions, and great progress has been made in many areas in terms of trade, financial interrelationships, joint planning, and so on.

I did not say very much here about the difficulties they have encountered, but even this group which has, as I mentioned, a considerable degree of historical association and compactness—and this has been undoubtedly a factor in their ability to make more rapid progress—and other advantages, has run into troubles, and they are troubles at which you could guess. Perhaps they were fortunate in that the degree of industrialization at the start was relatively small, so there was relatively little fear that an industry established in a given country would have to be sacrificed. But, they have run into such problems as the degree of local content that is required to qualify an item for acceptance as a regional manufacture. There have been allegations such as that one country had imported shirts from Hong Kong, and had taken off the labels and had put on its own, and that that was the extent of the local fabrication. There have been difficulties over revenues, because when you start increasing your regional trade on a free trade basis, and displacing trade from abroad, that has effects on revenues. There have been differences over

the location of industries. This, by the way, concerns one of the major things that the Central American Common Market has attempted to do. It has attempted to make regional decisions such as locating this industry in one country, and that industry in another country, in order to give a balanced effect.

In the field of international trade theory you might criticize this as being unrealistic. You might argue that the country which has the greatest natural advantage should have these industries, even though you would end up by having all the industries going to one country. But what advantage would that be to the others? It is of no particular advantage to Honduras to import goods from El Salvador instead of from the United States unless there is some *quid pro quo* there; the whole point of the operation is to develop new skills and to change the structure of relative skills and the comparative advantages, and so on. Nevertheless, they have run into troubles.

I should like now to move over to some of the points I discuss later in the paper concerning objectives, problems, and instruments, and to come back to the Caribbean area after.

Looking at the experience of these various groupings I think one has to say that the inspiration that started them off is still valid. There is surely an opportunity to raise the standards of living of all members; and, of course, you raise standards of living by first raising production or output. There is a real opportunity for raising the volume of production and the standards of living of these countries by developing more fully the potential of the population by training and education, by drawing presently unemployed resources into production, by the adaptation of already known techniques, and, of course, with the assistance of outside capital and know-how. Indeed, the costs of this program should be basically self-liquidating, because you will be adding to the capacity of the population to produce and, therefore, to consume.

The making of this vision a reality is where the troubles come in. You have, of course, the very obvious set of problems having to do with just the physical productive processes such as the assembling of the factors of production, the training of people, getting the capital, and getting a going concern operating, which are really the keys to obtaining an operation that can produce efficiently and sell competitively.

Those problems are difficult enough, in all conscience, but I think a review of the experience in this area and other areas would support the thought that what I have called the behavioural problems are much more important. It is a complete social change, and a change in every other way that is involved in this. This is really a much more difficult change to make effectively than that concerned with the purely physical aspect of things.

You may remember novels and social discussions of an earlier generation concerning the problems of new immigrants to the United States and Canada—although I think most of the writing was done about the United States—and the difficulties involved in people making a transition from a European environment to a North American environment. That was a transition that was, on the face of it, relatively simple. The differences between the circumstances in which these people lived and those in which they now found themselves did not seem to be that great. Of course, they were coming to greater opportunities because the opportunities they were leaving behind were not satisfactory, but they suffered what we would now call "cultural shock". It was quite startling for these people to make the change. The older generation had inherited established values to which they were able to hold, but the new generation tended to reject those traditional values which their parents had observed in their homes in Europe, and yet they had not really a clear set of values to which to adhere in the new environment. This involved great difficulties. We talk about the generation gap now, but it certainly existed then. It was a very difficult problem that the second generation immigrants, in particular, faced when they tried to adjust to a new environment.

In the face of that, if you think of a society that in about a single generation we are trying to move over a social gap that Europe took 200 years to bridge, then you will understand that this is where the real problems come in. These are the problems that have slowed down the existing efforts at integration on the political side, the economic side, and all along the line.

Thus there are major economic problems in any attempt at integration especially where you have countries that have already made an attempt at economic development; they have invested a good deal of time, trouble and money in a certain area that maybe would not look so economic on a regional basis if put

into a wider context. There are also all the social problems I have mentioned of adjusting ideas and moral values. And, of course, there will be special and privileged interests with positions to defend—economic interests, political interests, social interests. However, it is not fair, I think, to blame everything on obstructionism and vested interests—and I tend to use the expression "vested interests" in a non-pejorative sense, meaning simply established positions. There are many courageous men who will look ahead at what is involved there and quail at the prospect. It certainly is not easy. Even where these costs and risks of transfer are readily accepted, there are all sorts of real problems in making a fair distribution of the incidence of these costs on the participants and a fair distribution of the benefits among the participants.

Looking back to the West Indies Federation from this point of view, there is a book I suggest you might find worth some study, because I think you will see documented a good many of these problems I have described. I mentioned to your secretary a book by Mordecai called *The West Indies, the Federal Negotiations*. I do not think many of you would want to read it all, but at least a glance at the first two chapters will show some of the problems involved. This is an area in which you can trace back efforts at federation even for a couple of hundred years or so, for the main part coming from the administrative side, from the commercial and plantation people in the islands themselves, or from the Colonial Office in London, pirmarily from the point of view of administrative simplicity and economy. That is certainly logical enough in itself; there is nothing wrong with efficiency and there is nothing wrong with economy.

However, in the inter-war years a new phenomenon arose in that local political leaders were beginning to arise and espouse federation. Their approach was linked with their efforts towards increased independence and increased political self-determination. This was seen as the most hopeful medium of advance there, the Colonial Office tending to resist it on the quite reasonable grounds that they wanted to see some progress towards experience in management and some degree of the ability of these economies to support themselves financially. I do not mean to defend entirely these views, but they were not without some reason behind them. There were conflicting feelings within the colonies themselves as between the establishment—if one can use that term again—that is the responsible commercial and business leaders and so on, and the mass of the population, who still had no franchise or a very limited franchise.

During the Second World War there were some beginnings of real contact among these islands through the Colonial Development and Welfare Organization and the Anglo-American Caribbean Commission. It must be realized at this point, that the contacts were much more direct and immediate between each island or each individual country and Britain, or in some cases New York or North America, than with one another. This is still true of communications. It is much easier to get from one of these islands to New York or to London than to get to another island, unless it happens to be very close by, even by plane or ship or any other means. There was not much of a tradition of internal connection, with the exception of the eastern area where many of the islands are fairly close to one another. The approach to federation at this time from the islands' point of view was really linked to political aspirations and not particularly to economic realities, although the benefits of economic integration were recognized.

At the end of the war there was a rather sudden change of attitude in London because of the many problems Britain had to deal with at that time, and a recognition of the changed thinking in many parts of the world. This combination of factors meant that Britain was suddenly prepared to move much more rapidly on federation and not to insist as strongly as before that advancement towards political independence must be linked with federation.

At the same time there was within the area the development of national feelings, and the beginnings of individual development programs. In most of these countries "pioneer industry" legislation dates from about this time, and things began to move forward rather quickly. Many of these countries still had only a limited franchise and a limited degree of self-government. As these things moved forward together rather fluidly, constitutional advances in some of the units were going ahead much more rapidly than seemed to be in prospect for federation. There were all the pulls and tugs of established political interests in individual countries established economic interests, the recognition of the desirability of working together towards integration into a larger area, and yet at the same time

there were the very human limitations of the day-to-day problems involved in getting there.

I think that that is in many ways a very sobering assessment of the problem. I often say that the trouble with us humans is that we are so very human. We have all the human frailties, and we have the hopes of advance and the aspirations, but our human frailties often get in the way of achieving our goals.

To return to what I said in my background paper, I think these aspirations are valid. I think there is a very good chance of making a go of it. The difficulty is bridging these very serious behavioural problems in getting there. The available instruments which we have talked of have clearly permitted some substantial advances towards these goals, but it is also equally clear that they are not magic wands that solve all the problems.

Where do we go from here? I think it is very clear that we must expect the developing countries in the Caribbean—again I am speaking of the whole area, not just the Commonwealth Caribbean—to accept a major share in the responsibility for their own progress. I think this is recognized and accepted in the region. Intelligent assistance from friendly countries outside the Caribbean however, can make the difference between success and failure. It is clear that the various forms of aid which are now available, ranging through cash grants, technical assistance, and the provision of know-how and loans, can all materially help, especially in what we now call infrastructure projects, such as things that provide the necessary community services and so on.

Even here I think we have to be wary of suggesting something for an area that is appropriate for a more sophisticated economy. We must not overlook making the best efficient use of local resources. As I mentioned here there is a possibility of making greater use of the sturdy small schooners that have traditionally plied the waters of the Caribbean. In fact, I understand the transportation people are indeed working on the possibility of making better use of some of the small schooners for feeder services and that sort of thing. This is an example of using local resources, local skills, and things on a local scale that would not be appropriate in a more sophisticated economy.

I have also used in my paper the term "suprastructure". I do not know if anybody else has ever used this, but surely it fits in very well with the quite familiar term of infrastructure, because the purpose of providing the infrastructure is to encourage what I call the suprastructure to grow naturally on top of it. That is what it is supposed to do, provide the support for what are sometimes called the productive elements of society, though this is hardly fair. Surely these community services and other parts of the infrastructure are also productive. People are willing to pay for them and they are necessary.

The real object of development is to get the output of end-products on a competitive and efficient basis.

The Chairman: If I might interrupt, Dr. McLeod, I think your definition is quite a good one on page 7, where you say:

> ... I suggest that this word may be used to describe the general body of facilities for the production of goods and services for sale at home or abroad on commercial terms.

I rather think the key words in that are "commercial terms". I think it is quite well defined there.

Dr. McLeod: Thank you, Mr. Chairman. I think it is desirable to put that in the record because I did give some thought to putting those words together. As I pointed out in the paper, there may be some degree of overlapping in coverage between infrastructure and suprastructure because some of the public utilities can quite properly be treated under either category.

Now, to try and be more specific, again I have suggested here the possibility of incorporating more industry in the smaller developing countries into the productive processes by way of producing components. It seems today that industry is tending to develop into ever larger units, and of course it becomes increasingly difficult for a small country to put up the initial capital or the entrance fee into one of these major industries. Decentralized production of some of the parts or components may be one approach. Even the industrialized countries are finding that there is a good deal of scope for this. Many bicycle parts and components from Japan are included in bicycles made here in Canada. I mentioned the automobile industry agreements between Canada and the United States. There are some possibilities there, and some very important difficulties of course.

Senator Martin: What do you mean by that? Possibilities in what way? You mean that you could have something comparable to the Canada-United States agreement, operating between given countries and the Carribbean Commonwealth?

The Chairman: Senator Martin, if I might interrupt. I think that in the interest of time at this moment, sir, I would prefer that the witness finish his statement and we might then proceed with a specific question. I think the quick answer to your question is that he is using this by way of an analogy where the problem of scale is involved.

Dr. McLeod: Thank you, Mr. Chairman. I am just about finished with my formal presentation. I was not meaning to be too precise. How to institutionalize these things has been of course the important problem. In the case of automobile agreements I am fully aware there were some quite difficult negotiations, but they are simply an example of the objective that I have in mind. How to achieve that objective is another matter.

Another point that has impressed me in this situation is that a great many of our trade arrangements are such as to just simply preclude what seems to be the most promising place for the beginning of industrialization in developing countries—that is, the further processing of their own raw materials. This inevitably gets into a situation where even with a slight increase in the degree of fabrication you get into tariff problems. What I think may not be fully realized is the importance of the traditional freight rate structure, because this very much reinforces the tariff factor. We traditionally have low rates on bulk commodities and raw materials, and higher rates on more fully manufactured things. This is simply following the so-called value-of-service principle, which to me seems to be just a euphemism for the old business of charging what you can get. I have elaborated on this at some length on another occasion. This seems to me to be one place we could make a material change, but it is not something that any one donor country could do alone. This will take a great deal of work and effort internationally.

The final point in the paper, which I would like to emphasize again, is that it is surely important to realize that our object must be to promote really independent enterprises in these countries, not merely satellite industries. We should promote industries and enterprises that will actually be owned, operated, and controlled within these countries. This is no disrespect to the important contributions which have been made and which are being made and which will continue to be made by internationally operating enterprises. However, if we really hope to get the acceptance of the way of life which we have in what we usually call the western world, if we wish to get the developing countries to believe in and to operate on these principles, that is, the market system and giving a maximum role to individual enterprise and individual initiative, surely we must do it on terms which will make it clear to them that they do have a fair chance of getting into the swim and participating, with "careers open to talent", as I have said.

If you would look at any of the developing countries, especially one with a high unemployment problem, surely it is going to welcome the establishment of a new branch plant which hires local labour and brings in all the major skills and senior personnel from abroad. It is quite reasonable that such a country would hope to increase the skills of its own people in due course, so that they could take more responsible positions in these industries and in these firms. But even that is not quite good enough. We must give them every encouragement to develop truly indigenous operations.

Mr. Chairman, the only other thing that I would add on this—and perhaps you may feel there is some element of special pleading here for the Commonwealth Caribbean—is that there may be an application here of the military principle of "exploit success". Economic development is an area in which, as many people have very wisely pointed out, the needs are very great and it is quite possible that too great a dispersion of resources applied to it may not help anyone. The Commonwealth Caribbean countries have made some very real and very sensible efforts to deal with difficult problems, to promote racial harmony, to develop and adapt responsible political institutions, and to follow very prudent financial and fiscal policies. I think that these are people who are particularly deserving of support in their efforts to make a go of it. Thank you, Mr. Chairman.

The Chairman: Thank you very much, Dr. McLeod. I am sure I am speaking on behalf of all honourable senators when I say I believe you are speaking to a very sympathetic audience when you made that so-called

special plea, as there is a common feeling with respect to the traditions which have always existed in the Commonwealth Caribbean.

I would turn directly to the question period and call on Senator Robichaud and then I will entertain questions in the order in which you put your hands up or indicate to the secretary.

Senator Robichaud: Thank you, Mr. Chairman. First, may I be permitted to join with you in expressing our sincere thanks and appreciation to Dr. McLeod for the information which he has placed before us this morning.

In addition to his background paper which he has explained and to which he has added certain details, I am sure that he has given us valuable historical information on the political and economic situation in the Caribbean region.

In the first page of your background paper, Dr. McLeod, you refer to the different international organizations and associations which may claim consideration as instruments of regional co-operation with the Caribbean area.

You refer, first, to the OAS, and then to the Economic Commission for Latin America, ECLA, then to LAFTA, the Latin American Free Trade Area, then to CACM, the Central American Common Market, and also to the IDB, the Inter-American Development Bank. The term IDB is one which is well known in Canada and one on which we could comment either favourably or unfavourably, depending on certain conditions.

There seems to be a large number of such organizations, and you state on page 2 that these are "economically oriented associations but they are not without political implications and aspirations."

Is there not a danger of duplication of efforts, particularly due to these political implications which seem to exist within those different countries of the Caribbean? Does it not interfere with the effectiveness of those organizations and does it not create duplication of efforts?

Dr. McLeod: I think there very well may be duplication of effort in this respect, but in view of the magnitude of the problem this duplication is probably not serious. It has to be accepted probably as part of the facts of life with which these people are dealing; but indeed I would feel that, even where there is some duplication, it may mean that their activities may be mutually supporting to a considerable extent. After all, it is pretty much the same people who are working through pretty much the same agencies. In fact, you really have many fields in which there is an unfortunate duplication of effort, in the mere fact of many small countries having to set up the same domestic organizations, for example, to deal with the same problems.

Senator Robichaud: There is one other aspect which you also mention in your background paper and I did not notice that you referred to it specifically this morning. It is the proposed Caribbean Development Bank which you refer to at the bottom of page 3, where you state that, according to the recommendation which was included in their report July 1967,—

> that Canada, Britain, and the United States of America be invited to become full members by subscribing 40 per cent of the equity capital, and that the regional governments should subscribe 60 per cent; membership should be open to all Caribbean countries, not merely those associated with the Commonwealth.

Could you bring us up to date on this report which was made in July of 1967? What has been done up to now in order to implement the recommendations of this report?

Dr. McLeod: Well, I think actually that Mr. Demas dealt with that in his testimony, and he was probably more familiar with the details of that than I am, because he is working fairly directly with it. What I can give you, very briefly, is that there still is some indecision on the membership in the bank. Specifically, the position of Jamaica is not clear nor is the position of some other countries, from the point of view of the possibility of additional countries coming into membership. But the principal uncertainty at the moment is Jamaica. I think there is some uncertainty about the position of the Bahamas and there is also some uncertainty as to the form and nature of the participation of some of the non-regional members or non-founding members, particularly the United States. Until this membership question is settled the allocation of capital among them is also difficult to settle as well as some of the other problems.

Senator Robichaud: In other words, this Caribbean Development Bank is not really in operation yet?

Mr. McLeod: No, it is not yet in operation.

The Chairman: I will now break the rule that I set at the beginning of the meeting by interrupting the lead questioner. I have with me a copy of *The Bajan,* for March, 1969, which contains an article by Professor G.V. Doxey in which he makes the following statement:

> The news that the Commonwealth Caribbean governments have agreed to pursue the creation of the Regional Development Bank without waiting for Jamaica's decision was most welcome. Once again wise statesmanship and quiet diplomacy seems to have been responsible.

I would just like to record with respect, Dr. McLeod, that this sea of indecision seems to be still awash.

Senator Robichaud: You say that this is an instrument that might be used to assist the Caribbean countries. You seem to have given some priority to the development of agriculture, education and transportation. In relation to transportation, what are the domestic goods that could be transported or exchanged among the Caribbean countries? What are the major products?

Dr. McLeod: There are a good many agricultural products, and food crops in particular. This is one of the things that people, in commenting on the developments in this area in the past, have pointed out. The emphasis in the past has been on export agriculture, essentially. This is, of course, a problem not by any means confined to the Commonwealth Caribbean. You find this same problem in Venezuela and other countries, especially where you have relatively highly productive aspects to the economy such as the oil industry or certain agricultural crops. In concentrating on production for export you do have the tendency to drain people away from food crops for reasons that do not have long-run validity but which are understandable enough immediately. These areas tend to import a lot of foodstuffs, and, almost by definition, this opens an apportunity for developing more effective use of local food products.

I think what is involved here, among other things, is the agricultural revolution that has been going on for a long time in other parts of the world, and to some extent in the Caribbean region, too. You have the availability of foodstuffs and so on from abroad in handy and useable form, and you have the problem of getting an integrated, modern production of local foods that will have a co-ordinated approach in terms of the selecting and developing of improved varieties, fertilizing, finding the best productive techniques, processing, transporting, and marketing. In the modern world this seems to require a much more fully integrated operation. This is one of the areas in which there is scope for considerable advancement.

Actually, I should say this goes somewhat beyond your question of merely producing for use within the region. It implies some scope for winning external markets, but even as things are now there is considerable trade in food crops within the area and this could undoubtedly be further expanded. Guyana, for example, is a considerable exporter of rice to some of the other countries of the area. They export bananas and plantains, too. And, of course, there is a growing trade in manufactured goods as well, especially from Jamaica and from Trinidad and Tobago. Quite clearly, one of the objectives of the exercise towards greater economic integration is to get a market in which it will be possible to develop local products. For example, the shirt I am wearing today is made in Trinidad in the garment industry there. There is considerable hope at least that it will be possible to increase regional trade on this basis.

Senator Robichaud: Many Canadians consider that one of the major industries in the Caribbean should be the tourist trade. However, in listening to witnesses who appeared before this committee previously, we got the impression that perhaps we were overrating the importance of the tourist trade to these areas. Could we have your comment on that? I believe the reports will show that the Canadian and American tourist trade is increasing from year to year and gaining in importance.

Dr. McLeod: I think that I would fully support what Mr. Demas said to the committee. I have to be careful that I am not putting words into his mouth, but I believe he would agree with what I will say, too. It is very clear that there is a great potential here for tourism. There is not doubt about it.

Mr. Demas pointed to some of the problems in this connection—the sociological problems and so on. What he was getting at is, I think, that it would be a much more healthy operation if the development of the tourist trade could be linked with the development of

other things. He mentioned in particular the supply of food and other goods to the hotel industry. But I think it goes beyond that. He mentioned the sociological problems, and I can only guess what he was thinking. If we were to put ourselves in the position of somebody on one of these small islands where tourism may seem to be the only immediately promising thing, what would be our alternatives? We might be running a small shop or trying to grow a crop on a small plot of land. We might be in any of the various current employments. Then we would see a big hotel come in with wealthy visitors—and all of us in this room would appear very wealthy in this context—and a standard of living that we had little knowledge of. The very tip that a visitor might give to a waiter or porter out of the kindness of his heart or simple generosity might be rather distorted in terms of the local scales of the value of an honest day's work. Think what that would do to your self-respect.

I think here perhaps is a very great example of the need for co-ordination in this business of planning. You mentioned education which partly brings this to mind. Mr. Demas also spoke of the need for help on program planning as distinct from project planning. Again I want to be careful not to put words into his mouth, but I would link it in this way, that the progress made in one field has to be matched, for a variety of reasons, by progress made in the other field. To some extent they depend on one another. The degree of industrial development must depend on education, and education must be related to the progress of industrial development. If these should get out of step, you are in trouble; if you try to develop an industry before you have people with the potential skills you need, you are in trouble, but if you develop the trained people first and have them educated for opportunities that do not exist immediately, you are in trouble, redoubled in spades.

One must accept, I suppose, a certain amount of imbalance in these things because we cannot keep things that well co-ordinated. Mr. Demas mentioned that about 80 per cent of the graduates of a certain technical school were immediately migrating abroad. This could, perhaps, be more acceptable if we were assured it was simply going to be a temporary thing. We have to have these people with technical skills available before we can expand production. But we don't quite get them in step. Now that might not be too serious because when we get the expansion in production, we can use the people currently being graduated, and if we have lost a few that would be important but not irreparable. We might even be able to attract some of them back in time.

But this problem of co-ordination and planning is very important. A lot of good projects do not make a program. If Canada were to say that what we can do is to give some help in education, and concentrate on that, this could result in an imbalanced situation and add to unrest instead of helping to solve problems. This would be the way in which I would view this problem of program aid as distinct from project aid.

Senator Robichaud: One more supplementary question. What is normally the period of operation of the hotels and resorts? How many months a year are they open?

Dr. McLeod: The big season is from mid-December until the middle of April. There is also a substantial summer season here, July and August. I guess this is simply because our children are not in school during those months. There is quite a surprising amount of traffic down there in those seasons and there is quite an effort to develop a rounded seasonal approach.

The Chairman: I have indications from Senator Carter, Senator McLean, Senator Grosart and Senator Macnaughton. I will now call on Senator Carter.

Senator Carter: Coming from Newfoundland I was very much interested in your reference to the little schooners. That is quite a maritime term.

The Chairman: It is also the name of a beer down there.

Senator Carter: I would like you to elaborate on that a little further. Is the significance of these little vessels that they are something that they can build themselves with their own skills already available? Is it something that is very useful in the coastal trade and in communications between the islands? Could you elaborate a little further and tell us the significance of that reference.

Dr. McLeod: I would be very happy to. I would have to say immediately that I would have to be very careful about what I say from the technical point of view in transportation, transportation costs, and the economics of transportation. But certainly I can testi-

fy to the fact that these schooners are being built in varying sizes. I saw a couple being built when I was on a sailing vacation about the end of December. There were schooners as long as this room, beamy sturdy-looking craft. Others were considerably smaller. Most of them nowadays have diesel engines in them, and my understanding is that the transportation specialists are giving very serious consideration to the effective use of these schooners for serving the smaller islands, partly as feeder services to longer ranging shipping lines such as the federal boats covering the area and also to other ships that travel outside the area. Many of these islands are quite small and there are reefs around them, not all of which have been charted and very few of which have been well marked or well buoyed. But these local schooners can slip in and out of there, do the business, and do it economically. It is most interesting to see the variety of cargoes that are handled, and the passenger service. I think there are some very real specific advantages in making use of these. Perhaps improved designs could be worked out; I would not have any idea of what they should be, but they could be worked at.

Senator Carter: Is that something that can be done by themselves without any aid?

Dr. McLeod: They have traditional skills. They lay down a keel and start building.

Senator Carter: Is there any possibility of developing a fishing industry where you could utilize these?

Dr. McLeod: I think there are very good opportunities for fishing. Some people have been looking into that. The fishing at the moment tends to be in two quite different categories. The first uses quite modern equipment such as shrimpers going after shrimp in the mouths of the great rivers. They travel considerable distances; they use refrigeration, and there is quite a substantial market for their catch. The other category is the use of small traditional pirocques as we call them, which are rather similar to the Newfoundland dories. These again usually have motors in them, it is true. What the fisheries people would tell us, I would not be sure; but I believe there is considerable interest in the developing of improved and more modern methods and the use of larger boats. The extent to which local schooners could be adapted for this purpose, I do not know, but I certainly think it is worth investigating.

Senator Carter: Dr. McLeod, you talked about a common market. I was always under the impression that the economies of these little islands were more competitive than complementary, and that to have a successful common market there should be a fair percentage of supplementary economies, one with the other. What is the situation now? Is that why these free trade efforts are not being more successful, because the economies are too competitive?

Dr. McLeod: It is difficult to say to what extent it is because it is not possible, in fact, to develop this type of production economically within the region, and to what extent it is simply that the inherent difficulties have not yet been overcome. It is perfectly clear that in substantial measure these economies are competing economies in their major economic crops. Nevertheless, there are some substantial specializations among them, even in this respect. Grenada, for example is the spice island, and produces a number of things, such as cloves, nutmeg, and mace. In fact, it is the nutmeg island; it even has the nutmeg on its flag. I think also of St. Vincent, which is quite famous for arrowroot.

However, as I mentioned in answering Senator Robichaud, there is already some trade in local food stuffs, and some possibility of expansion; where one area is not self-sufficient. Economically, however, the fact you can produce a given crop in a given country does not necessarily mean you should. It may in fact be preferable for Trinidad to continue to import rice from Guyana, though rice can be grown in Trinidad.

Really the broader answer to your question is that this is what the regional trade area is all about. It is a major part of the effort to say, "Look, I have a small market; you have a small market; and he has a small market. They are all small. None of them would justify the expense of really trying to get going, even on local food crops, or textiles, or fairly simple things; but if we pool our markets, we have an economic basis to have an efficient operation in several different industries, and we can be a little arbitrary, if need be, in apportioning them among the participants. It will still be a net economic advantage to us all, and will provide a base from which we can hope to sell to broader export markets."

Senator McLean: Dr. McLeod, Senator Carter anticipated my first question with reference to fisheries. Of course, the east coast depends on the Caribbean for a tremendous

market. Our director in charge of sales recently spend a month in the Caribbean market, and he came back with quite a gloomy picture with reference to the future, say in 10 years' time.

Dr. McLeod: You are referring to the Maritime industry in Canada?

Senator McLean: That is right. He said that all these markets could be absorbed by local fisheries production. We know that in Venezuela they have been expanding their fishing to a great extent, with American aid, knowledge and equipment, and they have proved quite a threat to the east coast canned sardines. I refer not just to the Caribbean, but to other parts of the world as well. They have not the quality of fish that the east coast has to offer, but what materials do they have that could be exploited and preserved either in canned, salt or frozen, that would shut out the east coast fisheries? Do they have that type of fishery down there?

The Chairman: Are you answering now as a banker or as a fisherman?

Dr. McLeod: I will have to answer it as a non-fisherman. I would not be able to indentify for you the particular varieties, but people who are interested in this feel that there are varieties that can be popularized and used in various forms of processing, drying, freezing, and so on. I have to say that the Canadian salt cod is still very popular down there, in many parts of the area, especially in Jamaica. I was treated to salt fish and ackee, which is a mixture with a certain locally grown food crop which is grown in the other islands but is more popular in Jamaica than anywhere else.

Senator McLean: You did not see any Brunswick brand sardines down there, did you?

Dr. McLeod: I do not remember, but a great many Canadian food products are found in the supermarkets.

This is one of the problems of co-operation and integration, even if you think of Canada being on the margin in this particular case. It is quite possible that this may have some adverse effect for the Canadian fishing industry. However, the Canadian fishing industry would, I suspect, look to find other markets for its own products or, indeed, if the Canadian fishing industry is ultimately not able to compete in this area, it is in part a measure of the fact that there are other opportunities open to Canadians into which they can shift, that these people in the developing countries do not have.

Again, it illustrates exactly the problem. Even supposing we sat around and decided that this particular industry—I will not say the fishing industry, but any particular industry—in this particular area had to be sacrificed. There is a transitional problem of sharing the burden equitably and assisting in that transfer. This is something we in North America are only beginning to face up to. The Americans recently introduced some legislation for assisting companies and their employees in making transfers to other employment after having been adversely affected by trade agreements. I think that in Canada we have done something on this too. It is only a beginning, but it is the sort of thing which is a very necessary part of adaption to regional economic integration.

Senator McLean: You mentioned Barbados. They have just started up a milk producing plant with New Zealand backing. I understand. Trinidad has started a flour mill with American capital and backing. Canada, of course, put up a kick and said that their contribution would be the supplying of wheat. They looked into that. It was an American controlled firm buying the wheat and sending it down, but the same thing could happen to many products. Apparently, it is an ambition of the local governments to try to manufacture as many products of their own as possible; is that right?

Dr. McLeod: Yes.

Senator Grosart: Dr. McLeod, my questions, incidentally, will relate to the Commonwealth Caribbean. What is the extent of the British financial withdrawal?

Dr. McLeod: Well, I do not think I can really answer that effectively, Senator Grosart. A good deal of this is more or less a matter of the history of the negotiations leading up to federation, and so on, and I do not have this readily at my fingertips. I do know that the British did make some suggestions as to the contribution they felt they were prepared to make, and it took quite a while before they were really persuaded to put something on paper. I think ultimately they were persuaded to make a larger contribution. In a sense, I think, they may have found themselves making a larger contribution initially, rather than a smaller one. I am not sure of this, but this is my impression. So,

their financial withdrawal was more in terms of urging and assisting these countries to become financially independent.

Senator Grosart: Mr. Chairman, in view of the emphasis that was placed by the witness last week on the significance of what he called the British withdrawal, could we get these figures? For example, the last figures I have are three or four years old—they go back to 1964 and 1966—and they show, for example, that a quarter of the total budget of Granada was supplied by grants-in-aid and Commonwealth Colonial and welfare grants. It was about a third of the budget of St. Vincent. St. Lucia came out from under it—about '64, I think.

Mr. Chairman, I suggest these are very significant figures. We in this committee should know just what the British are doing. Are they leaving a financial gap down there?

The Chairman: Thank you very much, Senator Grosart. I think your question is very germane. I agree with the conclusion. It goes back to the original thinking that we had when we adopted the motion for this study. If I recall correctly, some of the previous witness's words, some of the phrases used were "the apparent withdrawal of the British from the Commonwealth Caribbean", and "the disinclination of the United States to become enmeshed". This information would be very much in point, and I will direct the secretary to obtain it for you.

Senator Grosart: On the same subject, Dr. McLeod, perhaps you can give us some broad figures on the magnitude of the total budgetary requirements of the smaller islands of the Commonwealth Caribbean. Perhaps I might suggest a figure. If my arithmetic is correct, the figure in 1966 was $60 million. This refers in a very significant way to what Canada should, or could, or would do in this area. I obtained that figure of $60 million by adding up the total revenues and expenditures of the Little Eight. Would you give us a rough idea?

The Chairman: In which currency is that, Senator Grosart?

Senator Grosart: I did my arithmetic partly in pounds sterling, partly in U.S. dollars, and I translated them as far as I could into Canadian dollars.

The Chairman: So the figure of $60 million that you are using is in Canadian dollars?

Senator Grosart: Yes, approximately.

Dr. McLeod: Senator Grosart, I am unable to help you in respect of these figures. They are figures with which I am not currently familiar.

Senator Grosart: Perhaps it is not a fair question to ask you.

Dr. McLeod: It is a fair question, but I am sorry that I do not have the information to give you.

Senator Grosart: Perhaps I can move to another subject. How does the relationship of population growth to per capita share of increase in G.N.P. in the Commonwealth Caribbean compare, say, to the problem in India: or, to put it in another way, is population growth a serious problem in these islands?

Dr. McLeod: Yes, it is, and it is one of the things that the governments of the area have been facing up to very realistically. I think the approach to this varies substantially from island to island, but many of the governments have had to give it very serious consideration because it is a difficult problem with the many religious groupings in the islands.

In Trinidad, for example, we have Christians of many denominations, we have Hindus, and we have Moslems. Various of these groups see moral questions and moral issues involved in population control. Notwithstanding this the Government, after very careful consideration, has instituded a program of family planning, and is giving it every support. It is going forward with a good deal of public acceptance, and it has aroused very little opposition.

The Chairman: You are speaking now of the Government of Trinidad and Tobago?

Dr. McLeod: Yes, Trinidad and Tobago.

Senator Grosart: Leaving aside the social and moral aspects, is illegitimacy an economic problem, doctor?

Dr. McLeod: Well, Mr. Chairman and Senator Grosart, this is a difficult question to answer...

Senator Grosart: I am really only asking you to relate it to the population growth. I do not want you to go into any other aspects.

Dr. McLeod: Yes. Well, throughout this region—not only in the Commonwealth Caribbean, but elsewhere—the social attitudes are

quite different from what we accept here. In many of the Central American countries, for example, they do not make this simple distinction. Even in their vital statistics they will distinguish legitimate, recognized, and illegitimate children, and the illegitimate in this sense is quite a small percentage of the total. So, these are for the most part common law marriages which are much more stable and much more recognized than we would realize from the simple interpretation of the statistics. For this reason I find it very difficult to answer your question.

You ask: Is illegitimacy as such a serious economic burden? I would not say it is. It is more of a social problem in the relationships involved there, and as part of the general population explosion, if you want to call it that; perhaps we should not use such a dramatic term, but refer to it as the rapid rate of population growth.

The Chairman: Inasmuch as you included me in your answer, Dr. McLeod—

Senator Grosart: How did you get included in the answer, Mr. Chairman?

The Chairman: Dr. McLeod commenced by saying "Mr. Chairman and Senator Grosart..."

Dr. McLeod: Mr. Chairman, I have followed the practice of addressing the meeting through the Chair. If this is not your practice then I accept the greater informality.

The Chairman: The question I should like to ask, the answer to which might partially answer Senator Grosart's question, is: Are you sure generally of the facts of the statistics as to both the legitimate and illegitimate. I mean, is the measurement factor constant?

Dr. McLeod: I am not sure that I follow you.

The Chairman: Well, when you say that there were so many babies born this year in Trinidad, are you sure of your figures?

Dr. McLeod: I referred specifically, when speaking of the statistics, to some of the Central American countries that made the threefold distinction I mentioned. I confess I do not remember looking at the Trinidad statistics in this respect. I do not think they make this distinction. However, I would say the statistical comparisons that would be made would be valid and comparable from year to year in Trinidad; they would not necessarily be valid comparisons from one country to another because they might be prepared on a different basis.

Senator Grosart: In other words, I presume you suggest that the raw figures sometimes given in this connection, certainly in external publications, might be subject to revision if the difference in the social mores is only ceremonial?

Dr. McLeod: I would not put it quite that way. I think it is more a matter of interpretation, what meaning you attach to it. I think the figures are valid enough as figures. I am sure that the statistical officers in these areas do their best. Indeed, I might say that in the Commonwealth Caribbean we are generally fortunate in having quite good and comprehensive statistics; not perfect by any means, but they are generally good and comprehensive.

Senator Grosart: The usual phrase is "born out of wedlock." It really depends on what kind of "wedlock" you are talking about. Why are some of these smaller islands and some mainland territories—for example, British Honduras, the Caymans and the British Virgins—not in CARIFTA?

Dr. McLeod: I am not sure I could answer that. I have indicated that there are various degrees of contact among these regions. At this point some of them simply have not felt the community of interest. I think the British Virgins tend to look rather to the American Virgins; there is some feeling of kinship there.

Senator Grosart: Most of their exports are to the American Virgins, are they not?

Dr. McLeod: Yes, or to the United States economy generally. Of course, this is true in a good deal of the area. Roughly speaking, Trinidad exports are about equally divided between the U.S. dollar market and the sterling market. With other areas I suppose it is partly remoteness. The real feeling of community is only gradually growing.

Senator Grosart: The Caymans have a long association with Jamaica?

Dr. McLeod: Yes.

Senator Grosart: One would have thought they would have come in.

Dr. McLeod: I suppose the situation is still somewhat fluid. After all, CARIFTA began

with only three of the area and most of the others have now come in, except for British Honduras and the British Virgins, and perhaps some of the smaller islands.

Senator Grosart: I was very interested in your use of and your definition of the word "supra-structure". It seemed to me that a very important component of that should be inter-regional marketing. Has anything been done along those lines? For example, prawn fishing in the North Sea is an outstanding example. Only a few years ago the fishermen threw the prawns back into the sea; then somebody decided to call it scampi and it is now a premium food. Is anything like that being done in the Caribbean? Obviously there are products that could be marketed if somebody, CARIFTA itself or external aid, could help them set up a real marketing agency to develop something like guava jelly, for example.

Dr. McLeod: I am glad you mentioned the guava jelly and the scampi, because I think you have put your finger on a quite important possibility, to which I have already alluded. In fact, this refers to a number of points brought out in the discussion today, including the need for an integrated approach. The fishermen who just threw the scampi overboard did not get very far until there was an organization prepared to take the fish and process and market it.

Senator Grosart: In that case it developed in Italy and the chief beneficiary is Ulster.

Dr. McLeod: There are many opportunities like that. Another strand I would introduce here is the question of programs rather than projects. Looking at development from the point of view of the economy as a whole and what can be done, which is what is involved in this integrated approach, is another aspect. I believe there is a great deal of scope for this sort of thing. There are people interested in it and trying to make some progress. With respect to fishing specifically, I know of one group who are quite keen. The leader of the group is an energetic Chinese gentleman of about 76 years of age, who has made quite a bit of money in various commercial enterprises; he is more energetic than many people half his age. He says, "If I think of something I can do for this country and I don't do it, I feel I am a traitor." He is full of new ideas and is exploring new ideas, and marketing fish products is one of his favourites.

Another group of which I have heard recently are doing exactly the same sort of thing in agriculture. They are only just getting started. They have a mind to try to develop local sources of exotic vegetables. To the local people apples are an exotic fruit, but I am here referring to exotic tropical fruits and vegetables that could be marketed abroad. This group is considering an integrated operation which would actively control the experimentation and selection of varieties, growing conditions, processing, packaging and marketing, including marketing abroad. There are activities like that going on, and I think there is scope for more of them.

Senator Grosart: Is your shirt Sea-Island cotton from St. Vincent?

Dr. McLeod: This is cotton and terylene. I am not sure whether the fabric is woven in Trinidad or whether it may have been imported and made up.

Senator Grosart: St. Vincent grows the best Sea-Island cotton in the world, yet one never hears of St. Vincent in that respect.

Senator Robichaud: I have a supplementary question related to the development of processed foods and fishery products. Is it not a fact that one of the main handicaps to the development of the fishing industry or the processed food industry is the lack of refrigeration facilities, warehousing, and so on?

Dr. McLeod: This needs to be part of the whole process of packaging and so on.

One thing I forgot to say in continuing this very same thought is the point I mentioned with respect to the guava jelly. It is most difficult to get marketing of these things exactly for the reasons that I mentioned. I was involved in Guatemala off and on and a few years ago I ran across some packaged Guatemalan instant coffee in a food store in Toronto, as well as some packaged Guatemalan honey. This is the honey from the coffee flowers. It is an example of what I am talking about with respect to further processing. I looked at the label of the coffee and found that is was processed in California. The honey was processed and packaged in Britain and re-exported back to Canada. I used to take these around in talking to businessmen's groups and put them on the table in front of me to show, as a concrete example of this problem what happens when you do try to process even very simple products like that. You get into a situation where the established

commercial firms are in a better position to do it.

Senator Grosart: That is not unusual. Lee and Perrins Worcester sauce is now made in Winona, Ontario and Guiness beer in London, Ontario.

Senator Macnaughton: Mr. Chairman and Dr. McLeod, it is getting late and I will concentrate on two questions. When Canadians go to the Commonwealth Caribbean area many of us are inundated with requests to invest either private capital or to induce the Canadian Government to invest Canadian Government capital. The question is, what security is there for capital in the present political climate which has radically changed? More or less related to the same question, what role do the Canadian banks play in this area?

Dr. McLeod: Well, the security of capital is bound up, as you very clearly indicate, with the question of political stability in the area. I have indicated that the Commonwealth Caribbean has an enviable record in this respect. There have been some undesirable aspects in some countries, but I only mention—and again I hope you will forgive me—that Trinidad and Tobago have I think made a conscious effort to avoid racial problems, notwithstanding the fact there is a very wide diversity of racial groups as well as religious groups represented there. They have been very successful so far. They have dealt very well with it, but I can only throw this back as part of the same problem. We have to exploit success or the success may not remain. These are areas where I think you can say that a very creditable degree of stability has been established. Whether it will remain stable is partly bound up with whether it will get the capital, the investment and the expansion; and whether it obtains these things is bound up with the political stability. There you have one of these chicken and egg situations, and I think they can only be answered together.

Senator Macnaughton: I have several other questions, but it is late, Mr. Chairman.

Dr. McLeod: Excuse me, you did ask me about the role of the Canadian banks. Well, the role of the Canadian financial institutions in general—there are insurance companies, for example, down there but particularly the banks—is essentially that they serve the local community. They in eeffct are repositories of savings within the area and serve to re-employ the savings within the area.

Now, so far so good, but I think we in Canada are very conscious of our pride in our own financial institutions. They are under our control and we have had some squabbles in the past in keeping them that way. I think we should therefore appreciate that the developing countries—certainly this is so in the Commonwealth Caribbean—would also like to develop their own financial institutions and develop some autonomy in this field. I think they are very realistic in this and they recognize that it must depend entirely on the confidence of the depositors and the creditors in these institutions. I think they are looking to Canadian institutions to assist them in making this transition.

Senator Macnaughton: You are saying in effect that the Canadian banks do give leadership as to economic development, economic advice, financial loans and the rest of it?

Dr. McLeod: Yes. There is always the question of scale and the extent to which commercial banks can get involved in medium- or long-term finance, but I think they are making a useful contribution there. I was also referring specifically in terms of Trinidad and Tobago to the last budget speech, the Speech from the Throne, the five-year development program which Mr. Demas spoke of. In all three of these there were references to the desire to develop indigenous financial institutions. There is a specific indication they would welcome the external banks, including the Canadian banks, to incorporate locally and to establish a structure that would have some local participation immediately and at least in principle could eventually develop into fully indigenous institutions.

The Chairman: Inasmuch as we are quite a bit past one o'clock, I would ask Senator Davey to be the last questioner. I believe we still have a number of questions to ask Dr. McLeod, therefore, I would also invite any members of the committee who wish to join both him and me for lunch to do so and we could proceed afterwards.

Senator Davey: I wanted to ask you about the behavioural problems you refer to in your paper. I am wondering if these behavioural problems such as any possible political or economical co-operation tend to diminish with succeeding generations?

Dr. McLeod: I do not see it as a problem of any particular generation. I suppose it is essentially the question of human adaptation. Perhaps I am not really following your train

of thought properly. I see what you are getting at. Yes, once you have got a start on this and begin to make some progress in solving the behavioural problems I would think and hope that it would lend itself to gradual advance. I would have to recognize also the possibility that it might not.

Senator Davey: It is not happening yet in other words.

Dr. McLeod: You take the Central American common market. It got off to a very good start and made some tremendous progress. They have now come onto some problems which have raised some quite serious threats. I suppose we humans would never have made it up from the cave if we had not overcome difficulties like that from time to time. Have I followed the point you were after there, Senator Davey?

Senator Davey: I may pursue it with you at lunch.

Senator Robichaud: Mr. Chairman, before we adjourn, I am sure that all members of this committee wish to extend to Dr. McLeod their thanks and appreciation for giving us the benefit of his wide range experience in the financial and monetary field, particularly as it relates to the Caribbean area.

You have assisted us, Dr. McLeod, in becoming more familiar with the potentials for the development of these areas, and you have shown us what intelligent assistance from friendly countries such as Canada could do to assist the Caribbean. Thank you.

The Chairman: Thank you very much, Senator Robichaud.

The committee adjourned.

First Session—Twenty-eighth Parliament
1968-69

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING SENATE COMMITTEE
ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 3

TUESDAY, MARCH 18, 1969

Respecting
THE CARIBBEAN AREA

WITNESS:

Professor George V. Doxey, Professor of Economics and of Administrative Studies, York University, presently Visiting Professor at the University of the West Indies in Barbados, West Indies.

The Queen's Printer, Ottawa, 1969

27876-1

First Session—Twenty-eighth Parliament

1968-69

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THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (*Rigaud*)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (*Carleton*)	White
Gouin	Pearson	Yuzyk–(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

(i) Treaties and International Agreements.
(ii) External Trade.
(iii) Foreign Aid.
(iv) Defence.
(v) Immigration.
(vi) Territorial and Offshore matters.

Extract from the Minutes of Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Belisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing

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purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and–

The question being put on the motion, it was–

Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada–Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and–

The question being put on the motion, it was–

Resolved in the affirmative.

Alcide Paquette
Clerk Assistant

MINUTES OF PROCEEDINGS

Tuesday, March 18th, 1969.
(6)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Carter, Fergusson, Gouin, Grosart, Haig, Martin, McElman, Pearson, Quart, Rattenbury, Robichaud, Sparrow and Thorvaldson.–(15)

The Committee continued the study of the Caribbean area.

The Chairman (Senator Aird) introduced the witness:

Professor George V. Doxey, Professor of Economics and of Administrative Studies, York University, presently visiting Professor of Economics at the University of the West Indies in Barbados, West Indies.

The witness made a statement; he was questioned on that statement and on related matters. The Chairman thanked Professor Doxey for his contribution to the present enquiry.

On motion of Senator Rattenbury,

Ordered: That the background paper submitted by Professor Doxey, entitled *"Trade of the Caribbean Countries with the Developed Countries and the Aid they Receive"* be printed as Appendix "A" to the printed proceedings of this meeting.

At 12.50 p.m. the Committee adjourned to the call of the Chair.

ATTEST:

E. W. Innes,
Clerk of the Committee.

purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and

The question being put on the motion, it was

Resolved in the affirmative.

Clerk of the Senate

Extract from the Minutes of Proceedings of the Senate of Canada, Tuesday, 17th February, 1959

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Aird,

That the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during

MINUTES OF PROCEEDINGS

Tuesday, March 18th, 1959.

(6)

Pursuant to adjournment and notice the Standing Senate Committee on Foreign Affairs met at 11:00 a.m. this day.

Present: The Honourable Senators Aird (Chairman), Beaubien, Carter, Ferguson, Croll, Grosart, Haig, Martin, McElman, Pearson, Quart, Rattenbury, Robichaud, Sparrow and Thorvaldson—(12).

The Committee continued the study of the Caribbean area.

The Chairman (Senator Aird) introduced the witness:

Professor Cecil V. Doxey, Professor of Economics and of Administrative Studies, York University, presently visiting Professor of Economics at the University of the West Indies in Barbados, West Indies.

The witness made a statement; he was questioned on that statement and on related matters. The Chairman thanked Professor Doxey for his contribution to the present enquiry.

On motion of Senator Rattenbury,

Ordered: That the background paper submitted by Professor Doxey, entitled "Trade of the Caribbean Countries with the Developed Countries and the Aid They Receive" be printed as Appendix "A" to the printed proceedings of this meeting.

At 12:50 p.m. the Committee adjourned to the call of the Chair.

ATTEST:

E. W. Innes,

Clerk of the Committee

BIOGRAPHICAL INFORMATION

George V. Doxey B. Sc. (Econ.), M. A., of Lincoln's Inn Barrister-at-Law. Born Capetown, South Africa, 1926. Canadian citizen.

Member of faculty of York University, Toronto, since 1962. Chairman, Dept. Economics, 1963-67. Presently Professor of Economics and of Administrative Studies, York University, on secondment to C. I. D. A. as visiting professor of Economics at the University of the West Indies in Barbados.

Former member of the south African foreign service and advisor to the British Foreign Office. Previous academic appointments at Universities of Capetown, Witwatersrand, and London. Attended the 1950 Torquay Conference of the General Agreement on Tariffs and Trade (GATT). Member of the Tripartite Economic Survey of the Eastern Caribbean, January-April 1966. Member of the Council of the Canadian Institute of International Affairs.

Has acted as consultant to various bodies and more recently collaborated on the feasability study of Canadian-West Indian Free Trade for the Private Planning Association of Canada. In Nov. 1968, was a delegate to the meetings of the Canadian and Caribbean Chambers of Commerce in Jamaica.

Has written widely, and publications on the Caribbean include–Report of the Tripartite Economic Survey of the Eastern Caribbean, Jan-April 1966. Ministry of Overseas Dev. H. M. S. O. London, 1967. (Co-author) "Canada Takes the Initiative." The Round Table. London, 1966. (Oct.) "Canada and the OAS" The Caribbean and Latin America: Political and Economic Relations Conference, U. W. I. Jamaica, March 1967. "Canada and the Commonwealth Caribbean" Study in progress for C. I. I. A.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, March 18, 1969.

The Standing Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, on your behalf, I would like to welcome Professor George V. Doxey to our hearing. We appreciate very much the fact that you have travelled to Ottawa from Barbados to give evidence here and to aid the committee in its deliberations. It is perhaps an easier trip than it used to be, but in any case we are very grateful.

Professor Doxey has already submitted a written statement entitled, "Trade of the Commonwealth Caribbean Countries with the Developed Countries and the Aid They Receive." The countries outside the Caribbean region primarily involved are, of course, the larger developed nations having traditional links with the Caribbean states–such as Britain, France, The Netherlands and the United States. This written statement has been circulated in advance.

I would like to point out to you this morning that Professor Doxey has participated in two major studies that are of great relevance to the work of this committee. The first study was the Tri-partite Economic Survey of the Eastern Caribbean; and the second the feasibility study of Canadian-West Indian Free Trade prepared for the Private Planning Association of Canada. Other details of his publications and experience are outlined in the distinguished biographical notes that have already been distributed.

As is our usual practice, I will ask Professor Doxey to make an introductory statement, after which he can reply to any questions that may be asked of him; and also following our usual procedure, I have asked Senator Carter if he would be good enough to lead the questioning.

Professor George V. Doxey, York University: Mr. Chairman and honourable senators, I want to say, first of all, how deeply honoured I am in having this opportunity of addressing you in your series of studies. The subject that I have been asked to talk about is probably one of the most complex from both the trade point of view and the aid point of view.

The Caribbean countries are not unique in the sense that their trading relationships are those essentially of colonial possessions. In other words, they have by historical association with the United Kingdom developed trade links with their mother country–the mother country supplying them with their needs in the form of merchandise, and they selling their one or two staples to the United Kingdom, usually with special preferences, and under special negotiated agreements.

Since these countries have begun to emerge as independent countries there is a universal desire in common with all developing countries to attempt to diversify their economies–diversify them for the purpose not only of assuring their independence but of making certain there will be more job opportunities for their populations. One of the great problems in the Caribbean, of course, is that of surplus population, and disguised and undisguised unemployment. In the past it was possible for West Indians to consider a means of escape from this by emigration, but since the tightening up of the immigration laws of the United Kingdom it has been virtually impossible for this to continue, so that the need for more opportunities has become far greater.

At the moment, though, as you have seen from the background paper that I have presented to you, the trading patterns are very similar to what they were in the past. There is still an unhealthy dependence on a few staples. You will see that in the case of most of the territories this constitutes over 80 per cent of their external trade, with Jamaica relying on bauxite, sugar and, to some extent, bananas, and the Windwards relying almost entirely in recent years on bananas, and Barbados and some of the other areas still depend very heavily on sugar.

They are aware of the risks attached to this. The sugar industry in the West Indies is certainly not in a healthy condition. I think there is fairly general agreement among economists in the region that this industry must give way at some stage or other to other industries–to a reform of agriculture, for instance.

The problem is that we are talking in terms of an industry which has an assured market. The bulk of West Indian sugar can still be sold in the United Kingdom at prices substantially above world prices, and at prices which enable the West Indians to average out their costs in such a way that they can still produce sugar in most territories at a profitable level.

But, the future is uncertain. Britain has indicated to these islands that should she enter the European Common Market, which has a sugar surplus, she will have to consider whether she will continue the present sugar preference.

As you know, in Canada we have never offered any of these countries a negotiated agreement. We have offered the Commonwealth Carribean, along with the rest of the Commonwealth and South Africa, special or reduced preferences in tariffs on sugar, but we continue to buy sugar at current world prices. When the world prices reach the levels of recent years, below £20 a ton, at a time when, in some cases, the cost of production of sugar on some estates in Jamaica reaches somewhere in the region of £60 a ton you can see the difficulties of West Indians have in trying to sell in the Canadian market.

In 1966, as you know, the Canadian Government offered a rebate on the duties that were being paid, and this has, as I understand from my West Indian colleagues, helped to some extent, but it is not helping the industry.

Now, CARIFTA is attempting to try to bring about some of these much needed reforms—reform, in the first place, of agricultural diversification, or an attempt to build up a new agriculture based on products which may well sell on the world markets if they can be produced in sufficient quantities, and also based on produce which can supply local needs. Far too much food is imported into the West Indies. As you know, for instance, 52 per cent of our sales to the West Indies consist of primary products and foodstuffs.

Each of these countries is attempting a similar pattern at the moment which is now beginning to be geared in the overall CARIFTA experiment, and which is designed to encourage and hasten diversification through import quotas. You will find that Trinidad, Jamaica and, to some extent Barbados are beginning to apply very strict quotas on the importation of commodities which they feel they can produce within the area, and this is beginning to hit our trade significantly. The preliminary figures for 1968 show quite a serious decline in Canadian sales to the area, largely because of these quota restrictions.

Wheat flour is a good example. The Commonwealth Caribbean constituted our second biggest customer for wheat flour, but this market is slowly disappearing with the building of wheat flour factories in the area by the local countries. This trend is going to continue, and I hope we in Canada will look upon this as a healthy sign. If the moves in CARIFTA bring about a healthy agriculture and a healthy agricultural processing industry, which, in turn, one hopes will give them the degree of economic independence that they seek, we must welcome this, but I also think we must not be too pessimistic about our own prospects. I think that once these developments take place there will be other avenues for trade. Our traditional commodities may suffer. You may well find we can no longer sell flour products down there, and certainly our bacon and pork products will be significantly affected, but other avenues are opening up very rapidly.

Much has been said in your discussions, I notice, about tourism. I feel somewhat guilty in a sense as being one of those responsible for advocating tourism as the mainstay in the future development of a great part of the Commonwealth Caribbean. We looked at the eastern Caribbean in 1966, and we were asked at that time to make recommendations to our governments for the bringing about of an economic viability in the region. We carried out our mandate. We made our recommendations after careful consideration of alternative avenues of development, and we were convinced that tourism could and should become the major generator of economic welfare in the region. We faced very similar criticisms at that time from various groups, ranging from the conservative elements or the people who feared change, on the one hand, to people who had a vested interest against change on the other, and who feared any type of economic development, whether it came about through industrial development or tourism. It is not unlike reaction to change wherever there is fear that on existing pattern of life is threatened. There is also the feeling that the industry is conditioned by the whims of potential tourists.

On the other hand, people had misgivings about the so-called built-in stabilizing effect of tourism. If a country became dependent upon an industry like tourism it might well mean that it had to match its political setup with the needs of the tourists. Alternatively, many people feared the possibility of the demonstration effect of wealthy North American tourists of white origin suddenly converging on poor underdeveloped non-white areas.

We were aware of these matters, and we took some pains in trying to point out that in developing tourism one has to view it as one would view any other industry; that one has to develop that industry in such a way that it will fit into the sociological needs of the community, and that there will be no disruption in the achievement of these ends.

I think that this is very important. One might talk of high density tourism in one area, and of low density tourism in another area. This might be on the grounds that you have alternative sources of income in a particular area. For instance, an island like Grenada, which has a healthy agriculture and which has, at the same time a unique quality of smallness and beauty–one would hardly envisage Grenada's becoming a high density tourist region.

On the other hand, one is aware of the dangers inherent in certain types of tourist development. For instance, there is the emergence of casinos, with the danger that an island's economy may fall into the grip of gambling syndicates of one sort and another. These are things one is aware of, and would certainly try to avoid. However, let me remind you that today tourism is the fastest growing industry in the world. In 1965, $60 billion was spent in this industry alone in the world, and with every one per cent growth in GNP there is something like 1.5 to two per cent growth in tourist expenditures. It is expanding at a rate nobody could have predicted a decade ago.

The objections people have to tourism are based upon the type of person who became a tourist a decade ago. Today it is the middle-class and working man who is becoming a tourist; he is not a jet-set gambling casino type of person; he is a person who is taking advantage of reasonable cost holidays, in both the winter and the summer. This will grow, and I believe it can be made bo be a very important factor in the economic development of the bulk of these islands. I myself feel that objections that may well be valid in some cases can be met by a reasonable approach to this type of development.

But what about other opportunities? We see the CARIFTA experiment. I think with the right good will on the part of the governments concerned this might well be the beginnings of a type of economic union that should have come about during the first experiment with federation. I think there is in the West Indies at the moment a measure of co-operative goodwill that seemed not te exist at any other period. We have seen remarkable statesmanship, both in the handling of CARIFTA–although there are still immense problems to be overcome–and the handling of the Caribbean Development Bank. As you know, there were certain difficulties with regard to the Jamaican attitude, but this seems to have been handled in the best possible way. Rather than having public quarrels, the other countries of the Caribbean are going ahead with the establishment of this bank leaving the doop open, as they did initially with CARIFTA, for Jamaica to join at another stage. I therefore think we can say that the CARIFTA experiment is going to work and will lead to closer economic association and closer integration of their development plans.

A lot has been said about their association with Latin America. As you know, two of the Commonwealth independent countries have joined the Organization of American States, namely Trinidad and Barbados. The Prime Minister of Jamaica is on record that he does not wish to join the OAS, and he is on record that he will seek at some stage hopefully an association with Europe. This could change, As you know, politics change, but this is the present attitude of Jamaica.

Trinidad, I think, can validly say they already have substantial connections with Latin America. The oil industry has given them a very important trading partner, in addition to which a great deal of cultural influences in Trinidad stem from similar sources as in Latin American countries.

Barbados, on the other hand, is in a rather interesting situation. Here is the most British of all the former colonies finding itself in a situation in which she is developing this type of contact. At the moment the contact is being restricted to discussions on ways and means by which the organization can assist educational development, and there is very little in the way of trade links being fostered.

Guyana, one would validly argue, is part of Latin America. As you know, Guyana is excluded from joining the OAS at the moment because of her territorial despute with Venezuela, but the Guyanese are aware that at some stage or other their future will be tied up with the future development of the South American continent. If you look at the map of South America you will see that logistically it is much more convenient for Brazil to import their goods via Georgetown for the hinterland of Brazil than to do it from the Brazilian seaports, and this hinterland has promise of great prospects in the next few decades. There are already informal business contacts taking place for a possible development of the road link from Georgetown to the Brazilian border. I can see this link as possible, and if CARIFTA does lead to an economic unit we will then see the Commonwealth Caribbean opening up direct links with Latin America.

Therefore, I do not think we can ignore the area as a whole. We cannot regard the Commonwealth Carbbean as being in isolation from the rest of the Caribbean Sea. What happens in Cuba does affect them. It may be a very small breeze by the time it reaches Barbados, but they do know about what happens there. Sometimes people have real fears of increased political instability in other parts of the region.

I would say that on the whole the former British territories are conscious that sooner or later they will become much more closely tied up with the rest of the hemisphere and that their links with Britain are

bound to become more tenuous. These links, however, are not gone. A lot of people seem to believe that the British have withdrawn. There are two very important facts one has to bear in mind. One is the continuation of British aid. The other is the existence of the so-called associated state arrangement.

The former colonies of the Eastern Caribbean, with the exception of Barbados, were not given complete independence in 1966. The British devised a political formula by which they have internal self-government, but the United Kingdom, Britain, retains the right to control defence and external affairs. There is an option that any one of these territories can withdraw from this arrangement at any time and can become independent, but the financial side of it is very important. Britain continues to support the budgets of the islands and continues to pour substantial economic aid into the area.

The present Anguilla crisis, of course, is a very good example of the problem Britain is still having to deal with in the area. Anguilla, as you know, seceded, UDI'd, from St. Kitts. This rather interesting group of 6,000 people have now declared themselves an independent state. No one quite knows exactly what is happening there. It is very difficult to get into Anguilla; you have to fly in from St. Martin. There are all sorts of alarming stories, but clearly I would say that most independent members of the Commonwealth Caribbean would like to see an early settlement of this crisis, fearful of what might take place in the future.

Now I want to talk briefly about aid. In my memoranda I have put forward a number of suggestions. When we talk about economic aid we are not, of course, thinking in terms of simply offering charitable assistance to developing countries.

We are offering developing countries aid in order that they may hasten the point in time when their economic growth will be self-generating and will become independent of external assistance. This is why it is so vitally important when one talks about the future of economic aid in any region of the world that we simply not consider how much, but make sure that whatever we are allocating for aid is being utilized in the best possible way.

The Canadian International Development Agency is often accused of being over cautious. I welcome this caution and so do intelligent economists in developing countries. A feasibility study is often worth more than attempts later on to right the mistakes made through hasty decisions in the early stages. I think in the Commonwealth Caribbean the need is for assistance to the people in the area in order for them to bring about development to themselves. They are in a unique position and they have a remarkable level of expertise. They also have quite a considerable amount of untapped savings. I believe that the time has come now for us in Canada to consider a bold new step forward, the creation of a third body, the Canadian Overseas Development Corporation, if you like; in other words, a corporation on the lines of the British Commonwealth Development Corporation which is supported by public funds and which then will enter into association with the private sector in the Caribbean and in other developing countries to assist the private sector to develop projects of their own.

This has the advantage, not simply of providing capital to the people, but also in supplying them with the entrepreneural expertise which they may not have. It also encourages them that the project in which they may well have thought about is a viable one. I think this type of organization can play a unique role in addition to our normal aid programs and the Caribbean Development Bank. It also ensures that we are freed of political accusations.

One of the problems in all countries, our own included, is the so-called foreign control of economies. West Indians are very susceptible and have a variety of developments which are taking place down there at the present time, particularly in the tourist industry.

One discovers constant criticism that the small guest house proprietor, who is West Indian, is unable to develop it into a medium or large size hotel which he would like to do. This is because he either has not the expertise or the capital. This is an example of the sort of undertaking that a Canadian agency of this sort could assist. I think this is very important.

Alongside of this I would put another parallel, which I mentioned in my memoranda where I thought that we should think in terms of trade being linked with aid. I have thrown out the suggestion that we might consider the Canadian West Indian Trade Agreement as an aid agreement, because what I meant by this was that we might well have to consider the possibilities of giving the new agriculture of the West Indies the help that it needs rather than, for instance, offering a sick industry like sugar, subsidization. Would we not be wiser to consider giving West Indians guaranteed markets for selected products which they can produce in that area? For example, tomatoes and fresh vegetables could be geared into our own importation arrangements. I am aware of the difficulties that would arise in this regard, but I think it is worth our considering, and that is to give these people an assured market. In giving them an assured export market I believe that we will make sure that they will be able to develop these agricultural interests. At the moment it is extremely difficult for them to talk in terms of agricultural reform, simply based on the needs of the area. Their entire expertise in agriculture has always been applied to staples, which are being exported and if you move this expertise into

another export sector you may well be achieving a purpose.

It might be necessary for us to extend these special arrangements to the support of some of their clothing industries in Barbados, Trinidad and Jamaica. They do now have a fairly healthy clothing industry which might find a useful market in Canada, but not as long as our tariffs on imported clothing remain as high as they are. In the long run, I think this type of approach is likely to prove much more beneficial to the region, as well as ourselves, than a continual series of aid programs which do not always accomplish the purpose that we set out to do, because as our expenditure becomes greater the difficulties of assuring that the aid is being used in the correct way becomes that much greater.

I mentioned tourism as well. I think that is another area we could assist. I think that we might for instance consider whether we should not grant returning Canadian tourists duty concessions far greater than a tourist would obtain in any other part of the world, so that we could encourage Canadians to visit the area. I think this again is a positive attempt to assist them rather than the indirect attempts in the past.

I do not want to carry my introductory remarks into too much depth. The field that I have been talking about is very wide and I hope the questions will range as freely over this field as possible.

The Chairman: Thank you very much, Professor Doxey. You certainly have raised some provocative thoughts, particularly the suggestion relating to a new agency or entity, Canadian Overseas Development Corporation. I would now turn to Senator Carter and ask him to lead the questioning and the Chair will recognize other senators in the order that they wish to question.

Senator Carter: Thank you, Mr. Chairman. Professor Doxey, may I say personally what a pleasure it is to have you here with us today and how much I appreciate your excellent brief and the presentation that you have just given us. At the end of your brief you raised a number of very interesting questions which I felt would make my task very easy, and these in turn of course are bound to raise a lot of questions in the minds of the committee members. I will not take too much of the committee's time in order that the others will have a chance. There is hardly any need for me to take much of your time, because in your presentation this morning you have answered practically every one of the questions that I had selected. You have pointed out, sir, that the colonial package of trade is still evident in the Caribbean in that they are still exporting staple products and importing manufactured goods from the mother countries.

Yet that pattern is changing, and I gather that it is changing fairly rapidly, as your statistics appended to your brief indicate.

These statistics indicate that, in general terms, trade with Britain and Canada is declining, while trade with the United States and other countries is on the increase. This in itself raises a number of minor questions–to what extent these changes in trade patterns, due to CARIFTA, to the Caribbean common market, to what extent are they due to growth in the economic development taking place in the Caribbean–and how much greater effect they will have in the future, as these processes continue.

It is obvious, from what you have said, that Canada will have to do some new thinking about our trade promotion in the Caribbean, and also about our aid program and its relationship to the trade promotion.

The main question which I wish to put to you, to start off the discussion, is this–if you were in the position of economic advisor to the Canadian Government, how would you assess the various factors involved, and what advice would you give with regard in the Caribbean? I notice you have already mentioned that we should probably turn the West Indies trade agreement into an aid program, and that we should think about a Canada development corporation. I wonder if you would, in that context, care to develop these two points a little further?

Professor Doxey: I hope that I would not get myself in the position where I was trying to talk from two briefs–because I might be retained by CIDA on the one hand and trade people on the other. I would think this is one of the most difficult challanges, to try and bridge our need for obvious trade promotion development and our commercial interests and our growing desire to assist the developing countries of the world.

There is a certain amount of conflict there. It is clear that where we stand most secure in our exports to the West Indies is in commodities which are now being threatened by import substitutions in the islands.

We would not stand much to gain, for instance, in the case of many of these commodities, if there were absolute free trade between the two areas. But we do stand a lot to lose from import restrictions.

I think we have to face this inevitability. I think that I would advise government, in these circumstances, to attempt to pressure the private sector to look at the new opportunities that are opening in the Caribbean. Once they begin to diversify–which is taking place, following on the CARIFTA, they will

begin to look for new imports, starting of course with machinery.

One reason why the Commonwealth Caribbean trade pattern is changing is that many of the new industries are American subsidiaries and, because of the tax holiday benefits usually offered to new industries, it is possible for a new industry to obtain its needs in any part of the world and of course usually it is most convenient for those industries to turn to the United States.

If you look, for instance, at the import statistics of Jamaica, you will find that increasingly more Jamaicans are importing raw materials and machinery, from the United States. This is not the end of the picture. You will now find that there is a market for semi-processed raw materials in the area. Poultry feed, for instance, became quite a big export item of Canada's to the Caribbean. Now, import substitution is beginning to force our poultry feed out of the area.

On the other hand, the Caribbean cannot produce the ingredients of poultry feed, but we can, so we can enter into this type of market.

In the same way, as the income standards rise in the Caribbean, people turn to more sophisticated foodstuffs.

Again, this is an area in which we should be exploiting, but we do not always do that. We have relied for years, for instance, on our traditional cod fish, salted fish, markets, but we have allowed others to enter into the more luxury fish market, the Danes and the British, and increasingly the sophisticated West Indians will be purchasing this type of product.

This is going to increase with CARIFTA. CARIFTA at present has a protocol which lists items which can be produced in the area and, unless the area is in deficit in any given item, there will be a complete import embargo on these products. The most important to Canada, of course, is pork products. There is also a variety of vegetables which we will find excluded—onions and kidney beans are examples and progressively this list will grow, hopefully, as CARIFTA becomes more successful.

Senator Carter: Thank you. I would like to pursue the idea of the development bank, the development corporation. We have in Canada now an Industrial Development Bank which is a branch of the Bank of Canada. Do you think that we could extend that sort of machinery to the Caribbean area or would it be better to have a Crown corporation? We are talking, also, in Canada in terms of a development corporation for Canada, too.

Professor Doxey: I think that because of the external nature of the operation and the problems that will impinge on relationships with governments in the area, it would probably be easier to think in terms of a publicly owned corporation, which is geared solely to operations abroad. This might also overcome problems which might arise over legal difficulties, in these countries.

From the limited experience which I have had of the operations of the British Commonwealth Development Corporation, which was formerly called the Colonial Development Corporation, founded shortly after World War II, they seemed to have not encountered difficulties on the governmental level and their operations, on the whole, seemed to be relatively successful, largely, I think, because of the degree of local participation in the private sector. This is what people want. Gradually, of course, in many cases, the CDC has sold its equity in an enterprise, once that enterprise has been proved viable—and often has sold it at a profit to itself.

Senator Carter: Do you envisage this corporation going into partnership with private enterprise in the Caribbean and, once the industry becomes economically viable, they would sell out the whole interest and start on something else?

Professor Doxey: So that you can have a situation like that in which funds are returned to the corporation and used elsewhere.

Senator Carter: I was most interested in your reference to the sugar industry, and when you questioned the wisdom of perpetuating this industry in its present uneconomic state and thereby perpetuating the problems which go with it. This morning, you elaborated on that more fully.

As I was listening to you, I could not help but see the analogy with the salt cod industry in my own province, which is an uneconomic industry. I suppose it has survived only because it has been subsidized indirectly in various ways, but even with the subsidies it has never provided anything but the barest existence for the people engaged in it. But, when you come to grapple with this, you are up against the problem that you have some 20,000 people involved and some 100,000 people dependent upon it, which is one-fifth of the population, and political implications are such that it is very hard to really come to grips and do the surgery that has to be done on this industry to get it back into a viable state. I was just wondering if you would be up against the same political problems in the Caribbean and whether these political problems are such that it is going to be very difficult for any government to take the steps required?

Professor Doxey: You are quite right. I think the analogy between your island and the Caribbean islands is very real. Sugar is of vital significance in the entire commonwealth Caribbean. It has helped to mould, in

a sense, the character of the peoples; it has moulded the character of the economies; and, of course, it has produced many of the politicians in the area who hold power today, and, in some cases, their resistance to change and diversification may well stem from the fact that their political position may be threatened. In many cases there is an established elite, a plantocracy, who are dependent on sugar for their position, and they have a real fear that diversification will produce new elites which will challenge their position.

So, clearly, there are a number of built-in factors which will prevent change taking place; the most important from our point of view and in trying to develop the region is the fact that sugar does offer, no matter how tenuously, a living to a large proportion of the population.

But let me remind you that a trend away from sugar has been slowly taking place throughout the region. The Windward Islands were almost totally dependent on sugar not many years ago; in the ensuing period they have switched to bananas and are becoming rapidly the most significant banana producer in the area. They are rapidly filling their quotas in the United Kingdom market and are beginning to think of the prospects of entering the Canadian market.

I would see sugar as being slowly phased out largely because one does not want to bring about unemployment. But, clearly, there is a need for phasing out sugar as new industries prepare to take their place. And this may be in one, two or three decades. I imagine that there will still be sugar in the West Indies for many, many years to come, but not an industry upon which the Caribbean is totally dependent.

Senator Carter: I gather from what you said earlier that as the sugar industry is phased out you see it being replaced by different forms of agriculture–the growing of tomatoes and produce of that kind which would have a good export market in Canada as well as supplying local needs. In developing that transition will there be much retraining required, much re-education? What I am getting at is that the people today are oriented to sugar. What is involved in re-orienting them to these other industries? Is that going to be a difficult job? Should Canada be helping? Should we be sending farmers down there to show them how to do that sort of thing?

Professor Doxey: Yes, it would not be easy. For one thing, the agricultural expertise and agricultural technologists are all oriented towards sugar, even in the areas where sugar is being produced very well indeed. In other areas where production is based on peasant production, the peasants will have very little knowledge of any other type of agriculture. I would agree that you would certainly have to have a great deal of retraining and re-education, and, of course, an introduction of marketing expertise and so on. Now, this has been done with respect to bananas. The Van Geests revolutionized the Windwards in a matter of relatively short time. They retrained the peasants to produce bananas instead of sugar, and they are doing it extremely successfully. In Barbados at the moment the British Commonwealth Development Corporation has entered into a partnership with a local group to set up a 60-acre experimental farm with the object of feeling out areas in which new products can be produced for export to the British market. This ranges from fresh flowers to different types of vegetables which are fairly high-priced on the British market. It is a small operation but could well prove to be the beginnings of a much bigger form of agriculture.

Senator Thorvaldson: Are citrus fruits indigenous to the areas?

Professor Doxey: Yes.

Senator Thorvaldson: Can they be grown there?

Professor Doxey: Yes, they can be grown there, but at the moment the production is very haphazard and marketing arrangements are very bad. In Guyana, for instance, every year a considerable part of the production, I understand, is dumped for lack of proper marketing and distribution arrangements.

Senator Thorvaldson: I was thinking of the enormous amounts of citrus fruits that we in Canada import from Florida and California and I wondered, if they can be grown in the Caribbean, just why we do not import them from those islands instead. Is it a matter of freight rates?

Professor Doxey: It is largely a matter of the absence of proper freight transportation and inadequate marketing and distribution arrangements.

I do believe that, if there were an organized attempt to rationalize the citrus industry, as has happened with bananas, it would be possible to supply quite a large part of our needs.

You know, a great deal of the West Indian agriculture is dependent on historical factors. To give you one example, there is very little shortage of limes throughout the islands; this largely stems from the fact that years ago the old British colonial administrations encouraged the planting of limes for the British navy. Limes were issued to navy men to counteract scurvy. So you have there an industry which has continued, although not as an organized industry, and the West Indian limes, I think, are comparable to the best available from the United States and elsewhere.

Senator Carter: In Canada, growers of tomatoes and other vegetables have found it necessary to develop

co-operatives. The same thing holds true in my own province with respect to the fishing industry–salmon and lobsters. Would it be very difficult to develop co-operative marketing in the Caribbean? Would that require very much change in the present system? Would it be a long-term development?

Professor Doxey: I think there is a certain amount of it already taking place in some regions. I would say that probably, depending on which island one is operating on, it could be introduced.

Senator Carter: Do you think it would be necessary, though?

Professor Doxey: It would not be necessary to bring about reform. I think it might help, but I do not think it would be an essential prerequisite for the reforming of agriculture.

Senator Carter: You have dealt with the question of tourism rather fully, so I shall pass over the questions I was going to ask about that except for one. I was interested to see the difference in your opinions, apparently, and the emphasis you put on it compared with the somewhat less enthusiasm on the part of other witnesses who were before us with respect to the tourist industry. I was interested in the form of aid that you have outlined in your appendix, and while I can see that we should be helping in education, transportation and port facilities and even, I suppose, although I have a question mark about this, providing water supplies because that might be a legitimate field, but when you come down to bridges and harbour boats and pilot boats and things like that, it seems to me to be a misguided form of aid because our last witness, Mr. McLeod, told us that there may be a possibility of a shipbuilding industry for small boats. Surely if there is a potential for that, that is where our aid should be going rather than providing boats for them which they can provide for themselves at a much lower cost.

Professor Doxey: I think a lot has already been written about certain aspects of the aid given by donor countries, and this does not refer to ours alone. As you are probably aware most donor countries attempt to spend the greater part of their aid in their own countries. Now some critics of the policies of the developed nations suggest that aid programs are often disguised forms of overseas trade promotion. The danger arising from this is that you may well be supplying a boat to an island in the Caribbean or somewhere else which could be bought locally at a considerably lower cost than from a Canadian source of production. This, of course, has an added disadvantage in that it does not encourage local production. I think this is a valid criticism in many instances, although we are trying as far as possible to avoid this in the disbursement of funds of this sort.

The Chairman: Are there any supplementary questions? If not, I have received notification from Senator Grosart and then I will recognize Senator Rattenbury.

Senator Martin: I would like to ask a question about the Overseas Development Corporation. Would this be a publicly owned corporation?

Professor Doxey: Yes. In thinking about it at first I explored the possibility of a private development corporation in which Canadian parties who might be interested in an area would participate, but I felt that this might lead to difficulties in the foreign relations field and to legal problems which would be difficult to overcome. In addition, I felt that we might not be overcoming the main objections to private investment in these areas and that is that foreign private interests were taking over the economy and this would be nothing more than a disguised form of penetration by the private sector of Canada into the West Indies. I felt that if we were talking in terms of a public corporation it would lose this stigma. In addition, you would not have the same problem with a publicly owned corporation as you would have if you tried to persuade a private corporation which has an investment, say, in Barbados yielding 25 per cent per year to liquidate its assets. This problem would not arise if you had a Crown Corporation there and it was written into the law governing the corporation.

Senator Martin: Would you support this proposal as well as the Commonwealth Caribbean Bank?

Professor Doxey: Yes, because the two would complement each other. The bank would be largely operating in the public sector but in addition to assisting the development of infrastructure, it would also engage in feasibility studies. It may well be that the enterprises of the Canadian Overseas Development Corporation would thus be those already studied by the Caribbean Development Bank.

Senator Thorvaldson: There is a supplementary question which is of tremendous importance arising out of Senator Carter's questioning. That is with respect to the tourist industry. I was comparing your remarks with the remarks made two weeks ago by Mr. Demas. I was rather amazed when he inferred at least that the tourist industry was not good for the country because in the first place food and everything had to be imported and the country itself did not provide anything but the labour force. He made another point which was of great significance and that was that none of it was owned by local capital. That is a very serious situation. Taking Florida, for instance, we know that local capital certainly owns the facilities for the tourist industry there and the same applies to California. Is there any way we can bridge that gap because I would

hope the local people should have a big interest in that industry. Is there any way to help that situation?

Professor Doxey: As I said before, I think that the Overseas Development Corporation could do a great deal in this respect. I would not entirely agree that the entire tourist industry in the Caribbean was in the hands of foreigners. There are a great many West Indians participating, but the problem arises when you examine the reasons why domestic interests do not own their own tourist industry. With a hotel, and by that I mean a facility which provides at least 100 bedrooms, you are involved in an enterprise which is extremely difficult to operate and is extremely risky. When we talk about foreign investments in hotels we overlook the very important factor that many of these sometimes operate from five to ten years at a deficit, and they are supported by hotel chains elsewhere. This plays a very important part in the balance of payments sector for a small island. Each year remittances are coming from abroad to support an industry which is not profitable. Of course in the long term the profits are immense but in the first few years because of teething troubles and problems arising from inadequate infrastructure the situation is very difficult. I could cite an example where a government has entered into this type of operation itself and has found the costs of running the operation staggering. But I do think the local small guest house owner and the small hotel owner would nevertheless welcome an opportunity to participate in a bigger operation of the type that could be supported by this Overseas Development Corporation where, let us say, 50 per cent of the capital is provided by the corporation and 50 per cent by local interests.

Senator Grosart: I would like to pin down if I could a statement which we hear from time to time about the U. K. withdrawal from the Commonwealth Caribbean. You gave us a few figures and others have given us certain figures, but we have not yet had comprehensive figures. Can you tell me what at the moment is the total public funding of the Caribbean Commonwealth by the United Kingdom? You have a figure of 52.5 million pounds for 1945 to 1967 and a figure of $25 million for the dependent and associated states. Is that annually?

Professor Doxey: That latter would be for next year.

Senator Grosart: That is an annual figure. What is EC?

Professor Doxey: That is Eastern Caribbean dollars; it would be about 14 million Canadian.

Senator Grosart: What is the present total? There is CDWA and development grants.

Professor Doxey: I would have to say that I could not answer that question because of the difficulty of sorting out the British commitments. I perhaps should say a word in preface on the type of situation that now exists in this area. You have, of course, Jamaica, Trinidad, Guyana and Barbados being completely independent states. In addition to that, you then have the so-called associated states, and you have one of the eastern Caribbean states, Montserrat, still a colony of Britain. Then you have the Virgins, to the north, if we include them in the Commonwealth Caribbean, who are still completely dependent.

Senator Grosart: The Caymans.

Professor Doxey: Yes, the Caymans, and the Bahamas in a rather twilight position at the moment.

This means that Britain's aid is really taking several forms: the usual bilateral aid to a developing country—this would go to the larger territories; and the other, multilateral aid through various organizations —and I understand the British are contributing funds indirectly, through the Alliance for Progress. In addition, you have your normal budgetary support, as in the case of semi-independent territories. What happens is that the British government allocates funds for the support of the budget, so that if the budgets do not balance the British government will attempt to match them. In addition, the British are providing a variety of technical services; and they have one advantage over us that they do have a substantial development office based in Barbados. The present staffing is about 15, and in the last few weeks both the minister and the permanent head of the Ministry of Overseas Development have visited Barbados for prolonged discussions.

There are other operations which could be classified under aid—the British Council, various links with the university in Barbados, and the operations of the Centre for Multiracial Studies, partly financed by the British government, and the University of Sussex, together with various scholarship sources.

I would say in answer to the original question —and, of course, I can not speak for the British government—that the impression I get is that they are certainly not withdrawing. They are trying to tighten up and, for instance, in the case of budgetary aid they are trying to prevent this becoming an open-ended operation and are trying to suggest to governments that they operate on a five-year formula. They seem to be very much committed to the Report of the Tripartite Economic Survey and, along with us, are trying to carry this out. There is very little American support in this regard. The original report was tripartite, and it has been the British and Canadians who have carried the recommendations out.

Senator Grosart: But, of course, this does not answer my question—Where can we get the figures? —because it is obviously important to this committee that we be able to compare these figures with the level of Canadian aid which we know, for which we have the figures. Surely, the United Kingdom figures must be available and must be important. Where can we get them?

Professor Doxey: The figure I have given you in my paragraph 13, of $25 million Eastern Caribbean, is the actual British expected expenditure in direct aid in 1969-70. This is what has been allocated for that year.

As I say, I am not in a position to speak for the British government, but I imagine a representative of the British government would point out, in addition to that, you have these other figures which are difficult to compute from time to time. But, in drawing comparisons, that $25 million Eastern Caribbean would compare with the sort of direct aid that we give, as shown in the figures I have given in the appendices of Canadian aid, which is increasing at a far greater rate than British aid. This is the second factor we must bear in mind, that we are beginning to take on the greater part of the responsibilities in the area.

Senator Grosart: Our total aid, bilateral aid, to the whole Caribbean is $22 million. You told us the British will spend next year $25 million BWI dollars, in the Caribbean, in a very small part of the area. Surely, these figures must be available somewhere? As an economist, could you tell us where we could get them?

Professor Doxey: I think the United Kingdom Information Services in Ottawa might be able to give you some more concrete figures on that.

Senator Grosart: Mr. Chairman, I suggest we get them, because it is very interesting that Professor Doxey seems to contradict statements we have had from two other economists that the British are withdrawing.

The Chairman: I am aware of this fact, and I am pleased that you have raised it again this week, as you did last week when we had Dr. McLeod here. We will endeavour to obtain these figures for you and for the benefit of the committee.

I would like to carry on with your line of questioning and ask Professor Doxey: What was the level of British aid five years ago, relatively speaking? You say it is at a reasonable constant and even, but it is in this somewhat isolated area.

Professor Doxey: It is a difficult question to answer because how do you compute aid to a dependent territory?

Senator Grosart: The OECD does it.

Professor Doxey: Yes, but I have always been loathe to do it because, remember, a great deal of administrative responsibilities at that time were handled by the Colonial Office. Officials in the area were supplied by the Colonial Office, but that has now been withdrawn, and the local governments have to find the people and the funds. Certainly, part would come through budgetary support, but more often than not the problems are immense, not simply in finding the funds but also all the expertise. It is a very difficult thing to really analyze the extent of a colonial power's aid to its dependencies. This is a personal reflection, but I think a great deal of injustice has been done to many of the colonial powers of the past. It may well be that one could criticize the way aid was used, but a lot was done and a lot of infrastructure was created in these areas. For instance, in Barbados, which is a privileged community where today there is virtually no illiteracy, this is a situation that developed over a hundred years ago, where a large part of the revenue and budget support was put into this very purpose long before people talked about the need for educating people in the colonies, with the result that today you have a highly stabilized society; and if you look at the recent classic by Gunnar Mydral, the three-volume *Asian Drama*, you will see that he has stressed that one of the most important ingredients in the economic development of the developing would is education and expenditure on education.

Senator Thorvaldson: Does the United States supply much or any aid in those particular areas that you are talking about?

Professor Doxey: They do supply limited aid in various forms. Those who join OAS are getting certain American funds in that way. Guyana has specifically had certain American funds allocated in recent years. The Peace Corps operates in the area, so there is a fair amount of United States funds coming either directly or indirectly into the educational field, and certain specific projects have been financed by American funds, but not on any appreciable scale.

The Chairman: If I may stay with Senator Grossart's question for one quick remark, I would like to say that I accept, and I think the committee does, the difficulties that are involved in amassing a specific reply to Senator Grossart's question. The reason for my taking you back five years was to look for a trend. I do not think we are interested in the last dollar and cent, and, of course, it is difficult to measure educational and other intangibles, but what we in this committee are interested in is the trend of British involvement in the Caribbean area, and I think this is what we would like to go into further. I

suppose that this is an area in which we must find our own answers.

Senator Grosart: They are all transfers of funds, and therefore they are all budget items.

Senator Thorvaldson: I agree with Professor Doxey, and the place at which to start getting that information is the British Information Service right here in Ottawa. I would think that they would have accurate information on that point.

Senator Martin: I have a supplementary question, Mr. Chairman. While we ought to pursue Senator Grosart's question I think this very excellent statement we have heard this morning does show that the British participation in the External Aid program in the Caribbean is now being reduced. That is a fact, is it not?

Professor Doxey: Yes.

Senator Martin: There is your trend, Mr. Chairman. This is a matter now of British policy.

Senator Grosart: What is the difference between the reduction of aid and the withdrawal of aid?

Professor Doxey: I think the mere fact that the type of aid that I spoke about that went to dependencies has disappeared. That is one indication of this. The other is that British foreigh aid right across the world is being reduced, and it is Britain's financial situation that is conditioning this. But, I think there is a great difference between what we might describe as a reduction of aid and an actual withdrawal of aid.

If you are asking whether Britain is ceasing to offer any aid to the Caribbean, I would have to say that the answer is: No. The figures for 1967 show that, but the extent of aid is obviously decreasing. I imagive what we are doing is taking up the slack, as it were, with very little assistance from the Americans.

Senator Grosart: Withdrawal, of course, can be gradual. My second question, Professor Doxey, concerns the relationship of CARIFTA to the Eastern Caribbean Common Market. There seemed to be a contradiction in concept here. If the Eastern Caribbean Common Market develops, it is going to be a drag on the development of CARIFTA?

Professor Doxey: It could be. This is actually a historical accident. The original proposals for CARIFTA began to be formulated somewhere around 1956. This was going to be an association between Antigua, Guyana and, possibly, Barbados, and any other country that wanted to join. Very little was done from 1966 until the end of 1967 and the beginning of 1968. Meanwhile, the small territories, encouraged by the Ottawa discussions and the post-Ottawa discussions began to create the regional development agency which the Tri-partite Economic Survey recommended. Alongside this they tried to organize this common market.

Now, neither have really reached the point where one can say they are operating on a very active basis. CARIFTA, on the other hand, shows signs of being a very much more lively animal, and I would think that realistic thinking in the area would, if the common market were seen as a threat, begin to advocate the dismantling of the common market, because the gains the smaller territories would have from a wider area might be greater. But, this is the risk that those people who looked to the Caribbean a few years ago feared mostly, that you would have territorial diversification before people began to think regionally. So, you might have fourteen countries coming along and demanding special treatment for industries which were hardly viable. There is an example of that in the oil refinery that is being built in Antigua.

Senator Grosart: That is the case I am thinking of. It would seem to indicate that the Eastern Caribbean Common Market is pretty lively, if they are restricting the importation of Trinidad oil into that area, and favouring the building of a refinery in Antigua.

Professor Doxey: I think this certainly could become a threat, but at the moment one hopes it will be worked out staisfactorily at some stage or other.

The Chairman: As a result of the Antigua refinery, what has happened to the price of gasoline in Antigua?

Professor Doxey: I understand it has gone up.

Senator Grosart: Are there other examples in the Eastern Caribbean Common Market of restrictions on imports–intra-regional imports?

Professor Doxey: In certain cases they can raise restrictions. So far, I understand, this has not been a problem, but it is a point of discussion. The weaker territories feel that some of their industries might be driven out by the products of the stronger territories. The Eastern Caribbean, and possibly Barbados which has now a growing clothing industry, for instance, would be concerned about imports form Jamaica. There is a fear that one way by which a market may be broken into is by a lowering of standards, and because of a fear of this there is now a special group under CARIFTA studying the possibility of a regional standard of production. If a territory fell below that standard then another territory would be entitled to discriminate against it.

Senator Grosart: Would that include value added?

Professor Doxey: Yes.

Senator Grosart: Are there cases now of some cheating in this area of value added?

Professor Doxey: I would hate to comment on that, because the only reports one gets are those in the newspapers, and more often than not they concern a special interest pleading its case. One does read this type of report. but I have no direct evidence of the occurrence of this sort of thing.

Senator Grosart: Do you see CARIFTA becoming eventually viable if it fails to become a Common Market?

Professor Doxey: I would hope it would inevitably lead to an integration of policy-making and eventual economic union. I think the important thing for us to realize is that increasingly West Indians are becoming aware of the fact that it is very easy to drift aimlessly into a free trade area in the belief that this will lead to something more. I think they are beginning to think beyond the free trade area, but I hope that they do not think of moving beyond that direction too quickly because the problems of getting a free trade area operating are so immense that it will be a decade before they reach the stage of being able to talk in terms of economic union. But, the important thing is that for the first time, certainly in contrast to the previous federation, people at all levels are not simply talking but are having to work with the problems of co-operation–problems which you have raised, for instance–and they are having to find solutions. I think this is a very good exercise.

Senator Grosart: What entity is operating *The Palm* and *The Maple,* the two ships we provided the federation at a cost of $6 million?

Professor Doxey: There is a special regional shipping committee that has been working these ships, and I think there have been discussions as to whether this should fall under CARIFTA, at some stage, or under some special agency of CARIFTA. You know, there has been the suggestion made, particularly by Guyana, that a third ship be added to the fleet to encourage this. On the other hand, there are those who criticize the fleet as being uneconomic, who think it would be best to scrap it. That is one view. You have views on both sides; you have those who feel this could be expanded to become a really effective regional carrier and those who feel that a substitute could be found.

Senator Grosart: What is the deficit on the operation of these two ships, and who is paying it?

Professor Doxey: I am not sure of the exact figure, but the governments of the region are supposed to contribute to the deficit of the operation, all the participating countries.

Senator Grosart: Is it a substantial deficit, do you know?

Professor Doxey: Not too substantial. I hate to quote a figure if I cannot remember the exact figure, but I seem to recall that it is a modest sum.

Senator Grosart: At one time it was the subject of a great deal of criticism down there, that Canada supplied the federation, as it then was, with two ships and the federation had to find the money to pay the deficit. That is not a serious criticism now, I take it?

Professor Doxey: I think the principal criticism seems to arise out of the technical nature of the ships. These ships are getting old. Many people feel there may be newer and more effective methods of transportation in the Caribbean. For instance, the container ship may be the answer to many of the problems of the Caribbean. Container ships could collect small cargo through containers and remove them across the area. These people are also talking in terms of the possibility of some form of hydrofoil operation from territory to territory. However, I am not technically competent enough to comment on the feasibility of these, but this type of discussion is taking place.

Senator Grosart: Do you know if anything is being done at the moment in the way of studies or action taken to provide a practical transportation link between the Commonwealth Caribbean and Canada?

Professor Doxey: As you know, an arrangement has been entered into between Air Canada and Air Jamaica . . .

Senator Grosart: I am speaking of sea transportation.

Professor Doxey: I understand that certain commercial interests are at the moment examining this possibility. I have been told that one thing they have been looking at very carefully is the possibilities of the container ship industry. The type of operation they are thinking of in the Eastern Caribbean, for instance, is to use Barbados as a base for ocean-going container ships, which would pick containers sent from the smaller islands. This would overcome the problem of the ship calling in at all the smaller islands; the containers are gathered in Barbados and placed on to the ship.

In talking about transportation one has the extraordinary dilemma: which came first, the chicken or the egg? If you ask shipping interests why they are not providing a better service between the Caribbean and Canada they will say that there are no goods to

transport. On the other hand, if you ask people in the Caribbean why they are not exploring the Canadian market they will say that there is no transportation. It is a very difficult problem to reconcile. Where does one start?

Senator Thorvaldson: I think there is a complete *Hansard* report on this whole problem, made a few years ago in this committee when we were studying certain aspects of the Commonwealth. I will try to provide you with that.

Senator Grosart: Would you regard providing this sea link as perhaps one of the most important contributions Canada might make?

Professor Doxey: I would say that if we were going to talk in terms of the type of trading arrangements I have in mind, then obviously both air and sea links will have to be developed far beyond what they are today. I stress air as well because the possibility of air freighting many of the commodities is very real. I will give one example. In the banana industry in the Windwards, certain interests are exploring this possibility at the moment, I understand.

Senator Thorvaldson: This was the sort of thing I had in mind when I referred to citrus fruits and ocean freight being cheap. It occured to me that using ocean freight might be one way of being able to compete with California.

Professor Doxey: If I can elaborate, I understand it is far cheaper to take a container ship to the American seaboard and ship the commodity by rail–and I am assured of this by transportation experts–than taking it up through Halifax. There one runs into the problem of port of origin.

Senator Grosart: What is that port of origin problem in terms of the Canadian preferential tariff?

Professor Doxey: It has to enter Canada by a Canadian port. If it enters Canada via the United States they run into difficulties as regards the preferential tariff.

Senator Grosart: You say they run into difficulties. There is no tariff if it does not come through a Canadian port you mean?

Professor Doxey: Yes.

Senator Grosart: I have asked this final question of other witnesses. Is anything being done by CARIFTA to set up a marketing agency for the Caribbean?

Professor Doxey: There are groups involving people at the official level, in the private sector and from universities to study this problem. It is one of the problems being studied at the moment.

Senator Grosart: Is there any survey of the potential of these specialty market items such as you mentioned, like limes? Is any study being made of the total economy of the Commonwealth Caribbean to pinpoint those items?

Professor Doxey: The most significant studies have been done at the University of the West Indies on economic integration. Several of these have looked at certain specific industries, bauxite being one and the banana industry another. In addition to that there have been various privately sponsored studies. For instance, the A.D. Little Corporation made a study in Barbados a few years ago and examined certain possibilities, and I understand that some of these have been carried out. Quite a number of studies have taken place to examine possibilities of one sort and another, but none have resulted in significant changes of any sort.

Senator Grosart: This being the day after St. Patrick's Day, I am thinking in terms of the Irish survey and the tremendous results achieved. In Canada today there are scores of Irish products in specialty shops that were developed as the result of a study and the development of a marketing agency. Surely something like this should be done in the Caribbean.

Professor Doxey: This again is one of the areas in which aid can be usefully expended. Quite a lot of our aid does go towards providing this type of study. There is at the moment, under the auspices of CEDA, a study of the potential of St. Lucia. This began as a feasibility study of the new airport facilities and the possibilities for tourist development. At the request of the St. Lucia government, Canada has supplied a highly competent economist to look at the entire economy of the island and at the prospects for development. I think this is going to be a very significant contribution. Admittedly it is just one island, but it is a contribution nevertheless.

Senator Grosart: I am thinking in terms of the new creation of a demand for available products. For example, the substitution and use of lemon juice for lime juice, will have a tremendous impact on the economy serving the islands. This is not being done systematically at the moment.

Professor Doxey: No, and I would agree with you that this is one area where there is a tremendous need for this type of study. Economists may well say that tomatoes and oranges can be grown, but it requires the expertise of marketing and the developing of links with chain organizations in Canada and the understanding of the supermarket operation. This is some-

thing West Indians can only do themselves with help from others, but it cannot be found in a package.

The Chairman: Senator Rattenbury?

Senator Rattenbury: My question has been answered, Mr. Chairman.

Senator Fergusson: I would like to ask Professor Doxey something about the University of the West Indies. I am sure he is very familiar with it. Has the residence been completed, to which we contributed, I believe, $475,000?

Professor Doxey: The Trinidad one has been.

Senator Fergusson: I am thinking of the one in Barbados. I thought that was where you were.

Professor Doxey: Yes. I am very glad you raised that question. I would also like to make one or two general comments as well.

Senator Fergusson: I have a lot of questions that I want to ask about the university and perhaps the information I want will come out in your answers.

Professor Doxey: We have contributed to a number of operations on the Barbados campus. One of the most successful has been the building of a senior and junior common room for both the students and faculty. This is being used very extensively. The residences that you refer to I understand will be started in the fall.

Senator Fergusson: What are they doing now before the residences are completed?

Professor Doxey: Students from the other islands are housed privately. There seems to be no problem about this type of housing, though of course, one would prefer them to be on the campus. As far as the university is concerned generally, I think this has been one of the most fruitful areas of support by ourselves. It is, as you are aware, the only really viable regional body in the whole area and it has produced, among West Indians, a remarkable spirit of co-operation. As far as the majority of the faculty is concerned, there have been some very good people there. I would say that it is a university of international standing. It is dedicated to the West Indies and they are able to submerge their individual nationalities.

I think one of the things we must be considering very seriously is the possibility of supporting the recurrent budgets and not simply of capital support to the university, so as to counterbalance the pressures towards disintegration of this university. I think it would be a great tragedy for the region as well as the rest of the world, if the University of the West Indies were allowed to disappear, for a university is a very difficult entity to create. Sometimes our students overlook this. Here a university, in a remarkably short time, has acquired a reputation which it can be proud of and it is producing first rate people. From our point of view it is also useful in other directions. The more students you can send to the University of the West Indies the more you will insure their continuing participation in the area. I think one of the tragedies is that so many good West Indians study abroad and remain abroad. There is an understandable temptation when you realize they are offered salaries three or four times larger than would be offered to them in their own area. This brain drain is far more serious to this area than to Canada or the United States. It is very important that we try and prevent it.

Senator Fergusson: If you have them educated at that university it is more likely that they will stay at home than if they had foreign opportunities. You say the university has international standing. What degrees do they grant?

Professor Doxey: They were originally affiliated, as most colonial universities were, with the University of London. At that time they awarded external degrees of the University of London. They have since become independent of the University of London and now award their own degrees.

A graduate of the University of the West Indies is a graduate of the University of the West Indies and not London. They still have an affiliation with London and other universities, but not in any way formal and there is no control from the outside.

Senator Fergusson: What I believe I meant—I have forgotten the expression.

Professor Doxey: Disciplines.

Senator Fergusson: What are the disciplines?

Professor Doxey: Pretty well everything at the moment with the exception of law. The law faculty is expected to be set up in the very near future. They have a first rate medical faculty in Jamaica and a very good teaching hospital there. They also use the facilities of other hospitals across the islands. There is a first rate agriculture sector in Trinidad and the usual arts and science faculties throughout the area. The idea is to try and strengthen each of these three campuses by having an important professional school. One suggestion is that the law school should be in Barbados.

Senator Fergusson: Is it co-educational?

Professor Doxey: Oh, yes.

Senator Fergusson: What proportion of the students would be female?

Professor Doxey: In Barbados I would say roughly between 25 and 30 per cent. I will add that I am delighted, as an economist, to find for the first time of my career at least a quarter of my students are female. Everywhere else in the world girls seem to be frightened of economics.

Senator Fergusson: Are they having any difficulty in the Barbados campus in regard to the student power and the difficulties that are arising in some of our universities?

Professor Doxey: I do not think the university would be a university if we did not have something of this sort. So far it is relegated to dialogue, discussions and interested meetings. Some Barbadians get upset when a visitor is criticized at a meeting. My attitude is that this is the essence of a university and if you come to speak to a university group you must expect that. There is certainly no violence. There is a healthy discussion.

Senator Fergusson: No violence against the administration?

Professor Doxey: No.

Senator Fergusson: I do not want to ask so many questions, but I find this a very interesting field. There is one thing I would like to ask. Is there any technical education going on?

Professor Doxey: This is an area in which the whole of the Commonwealth Caribbean has been sadly in deficit in the past. In recent years there have been strong moves to try and set up technical schools. We have contributed quite considerably in the eastern Caribbean to the staffing and furnishing of these schools. Nevertheless, the technical side is still neglected and hopefully one can see changes taking place. The same applies to commercial education and business schools. Such education has not yet reached a level where one can feel satisfied.

Senator Fergusson: Thank you.

Senator Grosart: Are your labour unions sympathetic with the development of vocational and technical schools?

Professor Doxey: Labour unions are very strong. I have not encountered any objections in Barbados. For instance, the Barbados Workers Union, which is a powerful union, co-operates as much as possible with the universities and other teaching bodies to try and offer their work in special types of training. I do not think in principle that they have objected. One has not seen any signs.

Senator Grosart: There have at times been clashes between the apprenticeship principle and more or less the scholastic type of preparation.

Professor Doxey: Yes, and the unions have very strong views on a lot of these issues.

Senator Martin: I wonder if Professor Doxey—I found it very interesting—would care to say something about his views as to the future relations between Canada and the territories in the Commonwealth Caribbean that do not now enjoy full self-governing status.

Professor Doxey: Do you mean political associations?

Senator Martin: How do you see these relations developing in the future?

Professor Doxey: If I can give a personal view on this, I think that we in Canada are facing a situation where we have to make certain choices, and I am not referring to specific choices in our foreign policy, but in a sense, our desire to be the blushing bride of the international scene.

I think a lot of people were shocked, for instance, by the fact that in Trinidad certain students demonstrated against our Governor General. I think this is part of the process of becoming a great power. I think we will have to adjust to this. I think we will find in the Caribbean that our popularity is going to grow less. In a sense, at the moment we are loved by everybody. One reason for this is that we are not really participating in the Caribbean. I think a great many people in the Caribbean however feel that we should do so, some because they feel others will do it if we do not. So I would say, without our getting into a situation where we become an imperial power—I would hate to think that Canada, for instance, is in the adolescence of becoming an imperial power—I think we could use persuasion, and I think we should certainly think in terms of whether we are committing aid, sometimes, to governments which we might have to question. I am not suggesting that any governments in the Caribbean at the present moment fall into that category. One might, however, have to consider this situation, and not fall into the temptation which the Americans have so often fallen into, that we prop up a government which, for both internal and external reasons, should have long ago been allowed to collapse.

There is a danger that aid is consequently simply given for no reason except that the head of state approaches Ottawa and asks for it.

I think that in talking in terms of the one per cent of our GDP, and we will have to take into account many more factors than simply disbursing aid. I

think we are bound to get into the political scene, and I think that, if we are talking about the Caribbean, the former powers that were interested in the Caribbean would welcome our participation.

The Americans, while realizing that, if there were a vacuum in the Commonwealth Caribbean, they would have to fill it, would prefer ourselves there–and I think the Commonwealth Caribbean would prefer us, as well.

Senator Martin: May I be a little more precise in my interrogation? My question was confined to those territories that are not now self-governing, and the question generally was, how do you see the development of Canadian relations with those territories? Do you see these territories acquiring sovereign rights in the sense that they are possessed by the Barbados, Tobago and Jamaica? Or do you see some other proposal for some political organization as between them? Then, how do you see their relations developing with the other Commonwealth Caribbean sovereign states and Canada?

Professor Doxey: I suppose that it is difficult in this day and age to define what exactly qualifies one for sovereignty.

Senator Martin: Sovereignty in the sense that Canada is sovereign and the United States is sovereign.

Professor Doxey: Then the answer is "no", because in the sense of their being totally economically viable at the moment, I do not see that any of these countries could regard themselves as sovereign.

On the other hand, we have this rather peculiar situation in Anguilla, which does, I think, believe it is sovereign, yet with no resources whatsoever.

I think one would hope that the CARIFTA experiment would bring these territories closer to the richer territories–and I need not remind you that one of the main fears that countries like Jamaica and Trinidad always had of federation, was that they would inherit the responsibilities of those areas, and I think this fear still exists.

I have always felt that one good argument for Canadian aid, economic aid, to be concentrated in the eastern Caribbean, was to try and hasten the point where one could say they were economically viable and then one would lessen this objection of the more wealthy islands to sharing in some sort of responsibility with them.

However, there are all sorts of difficulties when one talks about this, because one really cannot answer the question, as to whether they can become viable on their own, or how fast will they become viable through this common market arrangement they have, or, if they join in with the rest of the islands, would they simply be held back because the other islands are in a much stronger position?

I do not feel that, as some politicians in the area have suggested, they should be included in the Canadian Confederation. I think there we would have very difficult problems to overcome.

The question of migration would be one which we must face up to. There is no good our trying to hedge about that. Many of the people in these islands have always believed that their surplus populations could migrate. Grenada, for instance, has more or less kept its population stable for 50 years, by Grenadians moving out to other parts. The bigger islands have reservations about this. Trinidad, for instance, does not want to see any of these smaller islanders moving to Trinidad. In contrast to many areas, in contrast to our Maritimes, the West Indian is a mobile being. We are not talking in terms of having to take industries to populations that will not move. I am convinced you could very well move out the bulk of the population of these islands, if we encouraged them to move out, and it might be cheaper–I am not suggesting that this is the answer–but it might be cheaper to do that.

Senator Grosart: What would be the response, amongst the associated and dependent states, to a suggestion of associate statehood with Canada?

Professor Doxey: Favourable, provided, I think, that the associated statehood was defined in some way in which it would be advantageous to them. I think a lot of them felt, when the British offered them associated statehood, that this was something similar to what the French worked out in the EEC, and in fact, this was not the case.

I do not think they would be looking simply for political association; they would want an association which would carry with it economic privileges and advantages to them.

Senator Grosart: If Canada were to match exceed the present level of British financial support, would it be attractive?

Professor Doxey: Yes.

Senator Grosart: The offer of associate statehood?

Professor Doxey: A few years ago this would have certainly been the case. Certainly, when we were there in 1966, quite a number of prominent politicians put this view to me.

I would have reservations today, because of the euphoria, let us say, which has developed over CARIFTA. People are now beginning to believe, particularly in the eastern Caribbean, that this may be their salvation. Whether this proves to be right or not

is difficult to say. There is perhaps a little less enthusiasm about joining Canada–not for negative reasons, but because something else is on the horizon.

Senator Grosart: So it may be that we missed the boat but we can still catch the next one.

The Chairman: Are there any other questions?

Senator Grosart: If I may put one question more, Professor Doxey, could you estimate the discount factor in tied aid, to the Commonwealth Caribbean?

Professor Doxey: You mean, to what extent it is spent up here?

Senator Grosart: What is the discount on the actual value of the transfer in terms of international values?

Professor Doxey: It is a difficult one to compute. I have tried lo look at various specific items. I think that where one runs into difficulties in trying to do this is that, if a country is receiving aid from several direction, the problem is exacerbated by the fact that, to give you one example, it may build up a transport system on the basis of German-American-Israeli components. The cost factor in holding spares and in trying to repair becomes immense. Where you can get the donor countries to agree among themselves that "A" will restrict himself to one type of aid and "B" to another type of aid, the extent of the problem is considerably lessened in this way.

If we are talking in terms of purchasing in the cheapest market, then we are faced with all sorts of problems. One hears all sorts of value judgments by people suggesting that they could have extended their aid 50 per cent in this direction or 25 per cent in another direction. I think there is a certain amount of exaggeration in this.

The Chairman: If I may, I will exercise the Chairman's prerogative and go back to ask you one question relating to Canadian and British comparative performance. Do you have an estimate of the capitalization of this Canadian Overseas Development Corporation and what the cash flow might be to the commonwealth Caribbean?

Professor Doxey: No, I have not.

The Chairman: This would be a useful figure for us to have, particularly in the light of your views with respect to the Canadian Overseas Development Corporation.

Professor Doxey: The Commonwealth Caribbean bank feasibility study that was conducted on the area did try to make certain projections as tc what was required in terms of what the needs of the islands would be on an annual basis, allowing for what they called a deficit in funds that could be supplied there locally, and they talked in terms of U.S. $5 million.

It is very difficult, however, to do this exercise for the private sector because one would hope that, if the corporation were a success, the demands for the resources would snowball. So one would have to have it as a relatively open operation, and you might want to have borrowing powers in order to support its operations. It would need a relatively small capital to start off with, but some of its operations might well be financed by bonds of one sort or another. The British have not attempted this, but this might be a novel way of doing the exercise.

Senator Rattenbury: Reverting to the private sector, how do the bank clearances compare? Is Barclay's still a dominant factor?

Professor Doxey: This is one of the closely guarded secrets.

Senator Rattenbury: That is why I am asking the question.

Professor Doxey: I occasionally do a private exercise of my own. The answer, probably, to that is, yes; although, you know, an interesting development has taken place in the last couple of years in the area which is worrying the old established banks, and that is the advent of American banks. The New York and California banks have entered the area and are competing very strongly.

Senator Rattenbury: Not too strongly as yet.

Professor Doxey: They have not made significant inroads, but they are trying all sorts of new approaches. But one will have to see what will happen. It is too soon to predict.

Senator Grosart: Is there a net inflow of capital to the Caribbean through the banks?

Professor Doxey: Oh, yes. The banks, of course, operate on a slightly different cash reserve basis than they would do in their home territories. All the banks operate through London, as you probably know. Their advances down there often will exceed what a bank in Canada might regard as a prudent level, simply because, if in difficulties, they can call in cash from abroad.

One of the problems, which again I hope the Development Corporation may overcome, is the fact that far too many West Indian businessmen rely solely on the banks for capital of all forms, and they do this through overdrafts and loans. Partly because the banks have encouraged this you will find that long-term

capital is thus being financed by bank overdrafts. In a sense this is unhealthy for the businesses concerned, but it has been very profitable for the banks in the area.

Senator Rattenbury: It retains the business in the hands of a few, though.

Senator Fergusson: Professor Doxey, you mentioned that there was a clothing industry that might be increased, if our customs permitted entry. What sort of clothing is involved?

Professor Doxey: It is largely summer clothing by our standards, men's shirts and underwear. The Puerto Rican model is being used, and one is beginning to see indications of the Puerto Rican type of factories. Now that wage levels in Puerto Rico are no longer as advantageous as before for the factory owners to penetrate the U.S. market, they are setting up the foundation garment industry in some of the other islands.

Senator Rattenbury: It is purely an exploitation of labour.

Professor Doxey: Yes, and this brings down the cost considerably. This is the advantage they have.

Senator Rattenbury: None of the cloth is manufactured there.

Professor Doxey: No. It is finishing only.

The Chairman: May I ask a housekeeping question, Professor Doxey? Do you wish to have your background material made part of the transcript? If you do, we have to have a resolution.

Professor Doxey: Yes, thank you.

Senator Rattenbury: I so move.

The Chairman: Is it agreed?

Hon. Senators: Agreed.

(*For text of background material see Appendix "A"*).

The Chairman: Thank you very much, Professor Doxey. It has been a most interesting and stimulating morning and I am sure I speak on behalf of everyone here when I extend our warmest thanks. The meeting is now terminated.

The committee adjourned.

APPENDIX "A"

TRADE OF THE COMMONWEALTH CARIBBEAN COUNTRIES WITH THE DEVELOPED COUNTRIES AND THE AID THEY RECEIVE

Background Paper by George V. Doxey

Present Patterns of Trade.

1. In spite of attempts to bring about a diversification of the individual economies of the region with the aim of reducing imports and enlarging the range of exports, the external trade and payments pattern remains typically colonial. Traditional staples still dominate the export trade and the ratio of exports to GDP remains high while the bulk of exports of most territories are made up of one or two staples which depend on preferential markets. Bauxite and alumina plus sugar and sugar products account for 76% of Jamaica's exports; petroleum and sugar and sugar products represent 90% of Trinidad's export trade; sugar and sugar products constitute 85% of Barbados' exports; over 90% of the exports of the Leeward and Windward Islands are made up of sugar, bananas, arrowroot, and cocoa.

2. Until recently imports were largely made up of manufactures for consumer use with Britain having the dominant share of the markets and Canada and the United States sharing the bulk of the remainder. Intraregional trade, on the other hand, remains marginal, through this may now change rapidly under the impact of CARIFTA. In the case of Jamaica, for instance, in 1964 only 3.3% of exports went to, and 3.2% of imports came from the other parts of the Commonwealth Caribbean; in the same year 4.3% of Trinidad's exports and 2.0% of its imports were intraregional.

3. Changes are however taking place and the close integration of the West Indies trade with markets and sources of supply in Britain has been giving way to a widening of the geographical spread of the area's commercial relations. Of the three principal countries trading with the region, the United States share has increased in recent years while those of Britain and Canada have declined and the other countries have improved their relative positions.[1] The links with Britain however remain strong because of the area countries ties with sterling and their continuing dependence upon British markets for preferential sales of sugar and other commodities such as bananas; while the recent devaluation of sterling appears to have resulted in a marked improvement in Britain's trading position in the area. It would be useful to consider briefly the trade of some of the territories in the region.

Antigua reflects fairly accurately the picture in the *Leeward and Windward Islands* where foreign trade remains essentially that of colonial dependencies exporting staples and importing manufactures. This situation is now changing with the development of the tourist industry and the building of a $40 million (W.I.) oil refinery on the island. It can be expected that the island's trade figures will hence-forward reflect considerable imports of crude oil. This embryonic petroleum industry will be given an added impetus by the fact that the Eastern Caribbean Common Market–which has been set up in the Leeward and Windward Islands–has agreed to place heavy import duties on oil imported from Trinidad and elsewhere, while levying only a consumption tax on Antiguan oil. There is as yet little evidence of import substitution taking place to a significant degree. In fact, the tourist trade is encouraging the import of foodstuffs.

Barbados is witnessing a change in both the direction and the character of its import trade. Britain and Canada have lost portions of their market shares to the United States and other countries. Agricultural products are less important, while the development of local industry is leading to significant import substitution and increased exports of finished consumer goods.

In *Guyana* foodstuff imports remain important, but the Guyanese government is now making determined efforts to find import substitutes. Imports in the main are still from Britain, but the United States and other countries have made gains. Although there has been a steady increase in exports of bauxite and alumina, the over-all export figures dropped from $35.6 million in 1964 to $29.1 million in 1966. Again, this was due mainly to a considerable decrease in sugar sales.

Jamaica has witnessed the most significant changes in the structure of its trade, with less reliance now than in earlier years upon imported food, but increased demand for manufactures from abroad.

[1] See Table in Appendix one.

Trinidad's position has been affected by both increased industrialization and the development of the oil industry, which has lead to increased imports from many countries.

The Impact of Preferences

4. West Indian goods enter Britain under reciprocal Commonwealth preferential arrangements of which the most valuable is the negotiated prices paid for sugar under the Commonwealth Sugar Agreement. In 1968 the Commonwealth Caribbean producers were receiving £47.10 a ton for sugar in the British market compared with prevailing world price of £21. Likewise bananas enjoy preferences to the extent of £7.10 a long ton and are protected by a quota ceiling of 4,000 tons on imports from the dollar area.

5. The annual dollar gains from guaranteed prices are difficult to compute and in the case of sugar are influenced by fluctuations in the world prices. In 1968 a crude estimate for sugar preference gains in Britain would be in the region of £18 million, and £2½ million for bananas.

6. Of much greater importance is the guaranteed aspect of the preferences. Without this the West Indies would be hard put to sell such commodities as bananas. The sugar position is even worse. At present the territories can, to some extent, disregard world prices. Any surpluses over British requirements are sold in Canada and elsewhere and the lower revenue is averaged out with higher revenue.

7. The United States does not offer any special trading arrangements to the area other than quota prices for sugar.

8. Canadian-West Indian trade on the other hand is governed by the Canadian-West Indian Trade Agreements which make provision for reciprocal preferential tariff treatment.[2] The value of these concessions to the West Indies is marginal. Most commodities presently traded are not subject to duty in any case. In 1967, bauxite, sugar and molasses and crude petroleum constitued 79% of the areas sales in Canada. Canada purchases sugar at world prices and admits Commonwealth imports at preferential tariff levels. Since the 1966 Ottawa Conference it has remitted an amount equal to the preferential duty to the West Indian goverments. This reached about $1,000,000 in 1968.

9. Both Britain and Canada do gain from the reciprocal nature of Commonwealth preferences, especially in the case of commodities where there is only a marginal competitive edge over other non preferential suppliers, but the gains are not substantial and are not decisive.

10. The British, for instance, could probably afford to lose their preferences in the West Indies market if forced to do so following entry into the European Common Market. The West Indies sugar and banana industries, on the other hand, would probably be seriously affected by the ending of British preferences.

11. Over half of Canada's exports to the West Indies are made up of primary produce, and sales in a wide range of these are not affected by preferential treatment. The threat comes from import restriction placed by West Indian governments to foster local sources of supply.

This is particularly true in Trinidad, Jamaica, and Guyana. In 1967, for instance, sales to Trinidad, which is Canada's second largest market in the Commonwealth Caribbean, declined to $20.1 million CDN from $23.3 million CDN in 1966, principally because of restrictions on wheat flour, processed foodstuffs, poultry feeds, hosiery, insulated wire and cable, passenger autos and refrigerators. There are indications of a further decline in 1968.

Financial and Technical Assistance

12. While the Caribbean Countries remained dependencies, they received little financial aid from sources other than Britain. Nevertheless they faired well by comparison with other colonial dependencies. During the 12 years following the 1945 Colonial Development and Welfare Act the area received £52.5 million or 10% of Britain's bilateral aid for the period. Aid per person stood at £1.4 million as against £.24 million for Malaya and £.1 million for Nigeria.

13. British aid for budgetary support, capital funds and technical assistance continues at a high level. An office of the British Development division is maintained in Barbados, and aid to the dependent and associated Caribbean territories alone is expected to reach $25 (e.c.) million in 1969-70.

14. U.S. aid on the other hand has until recently been marginal though with the accession of Trinidad and Barbados to the OAS these territories hope to receive more assistance from the Alliance for Progress. The problem is made difficult by the fact that all the Commonwealth Caribbean countries fall within the middle income classification group of the World Bank. It divides up the countries of the world into four main categories with Haiti being the only Caribbean country which falls within the very poor group.

15. Canadian aid to the area began in 1958.[3] From the outset it was designed to stimulate and keep alive the idea of West Indian federation. Cana-

[2] See Appendix Two for details of this trade.

[3] For a detailed breakdown see Appendix 3.

dian assistance to the area at that time was $10 million over five years. It was felt that high priority should be given to providing ocean transportation which would permit regular and inexpensive freight and passenger service between the islands. Accordingly Canada built and equipped two vessels at the cost of $6 million; the Federal Palm and Federal Maple. Aid was also extended to help develop the facilities of the University of the West Indies and Canada undertook to provide a university residence at the Port of Spain campus at a cost of $700,000. The link with the university has continued and aid to the institution as well as to the separate University of Guyana continues to enjoy priority. Following the 1966 Ottawa Conference it was agreed that at least $10 million would be made available over the following five years. The original aid program, in addition included technical assistance, particularly by the supply of school teachers.

16. After the break up of the Federation it became necessarv to consider aid from the standpoint of each individual territory and the Canadian government now sought to concentrate its efforts in those areas where the need for aid was greatest. By the end of 1963 $10 million had been given in aid to the West Indies. In the period following, aid was concentrated in the fields of transportation, education and water storage. By 1965 funds allocated to the "little Eight" were running at a level equal to what had been spent in any previous year for the entire Caribbean. Four primary schools were constructed and equipped on the islands of Grenada, St. Kitts, Antigua, and Dominica, while a vocational training school was equipped on the island of St. Kitts. Two warehouses were constructed on the islands of St. Kitts and St. Lucia to make for more efficient handling and storage, while a variety of port handling equipment was supplied to five of the eight smaller islands. Water surveys were also made in Montserrat and St. Kitts.

17. Trinidad received almost $3.5 million in grants and loans in 1964-65 and a further $3 million was made available the following year. Jamaica received similar amounts while Guyana received $1 million in 1964-65 and a further $1.2 million the following year.

18. Following the 1966 Conference in Ottawa and the report of the Tripartite Survey of the Eastern Caribbean, the Canadian government announced its intention to increase its aid to the area to a minimum of $75 million over the following five years. Subsequently after a meeting of ministers from the Leewards and Windwards and Barbados, it was made known that Canada would concentrate its aid in that area over the next five years in the fields of agriculture, water resources development, education, and transportation.

19. In 1967-68 Canadian aid allocations to the Caribbean totalled $17.2 million made up of $9.2 million in grants and $8 million in development loans. This increase represented an even higher undertaking than was given at the 1966 Commonwealth Caribbean Conference.

20. In 1968-69, Canadian aid to the Caribbean area will total $22 million divided into $12.5 million for grant projects and $9.5 million for development loans.

21. Canada is also participating in the Regional Development Agency in the Eastern Caribbean, and is likely to support the recently established Regional Development Bank.

The Need for Further Aid

22. For development aid purposes the region can be divided into the growing "haves" and the "have-nots". Jamaica, Trinidad and to a lesser extent Barbados are probably in a position where much of their development could be financed from local sources. The other territories are less fortunate.

23. While the need for development aid is greatest in the poorer areas, there is a continuing need for technical assistance of all kinds through-out the Caribbean, especially in the field of manpower development.

24. The major problem may now be that of assuring that aid funds are spent in the wisest manner with objectives clearly defined.

25. There is now a greater relationship between aid and trade.

26. With the growing diversification of the West Indies and hope-fully its acceleration through the work of CARIFTA and the Regional Development Bank, there will be a growing need for new markets. It might well be wiser to examine the possibilities of these rather than supporting outdated industries.

27. Donor countries will have to consider carefully whether the indefinite continuance of guaranteed markets for traditional West Indian exports is wise. Would, for instance, the offer by Canada of special arrangements for West Indian sugar merely postpone the overdue rationalisation of the industry? Would it not be wiser to courage more profitable industries such as vegetable growing or clothing? Should Canada also consider giving tourism a boost for instance by allowing tax concessions for tourists who take their holidays in the Caribbean and by substantial increases in duty free allowances, and the assur-

ance of lower fares? Should aid be directed more to encouraging West Indian participation in local industries particularly in the field of tourism? Should Canada not consider a major overhaul of the Canada-West Indian Trade Agreement with the object of tieing it in with aid objectives? Should it not become an aid treaty rather than a mutual trade agreement?

APPENDIX ONE

THE PRINCIPAL SOURCES OF IMPORTS AND EXPORTS OF SELECTED COMMONWEALTH CARIBBEAN COUNTRIES

(Percentages)

	1938		1954		1964	
	Imports	Exports	Imports	Exports	Imports	Exports
Antigua						
United States	n.a.		20	1	28	6
Britain	n.a.		39	83	26	74
Canada	n.a.		12	0.2[a]	13	0.5
Other	n.a.		29	15.8	33	19.5
Barbados						
United States	12	7	7	1	16	8
Britain	41	47	40	58	30	44
Canada	13	42	18	26	12	10
Other	34	4	35	15	42	38
Guyana						
United States	12	4	14	8	23	16
Britain	52	34	47	37	33	21
Canada	15	53	10	39	9	30
Other	21	9	29	16	35	33
Jamaica						
United States	22	4	16	15	31	35
Britain	34	59	42	53	25	29
Canada	16	27	13	17	11	21
Other	28	10	29	15	33	15
Trinidad						
United States	24	5	8	5	14	28
Britain	37	44	38	40	18	22
Canada	12	7	8	5[b]	5	5
Other	27	44	46	50	63	45

[a]Figures are for 1960
[b]Figures are for 1953

SOURCES: Dominion Bureau of Statistics and The Economist Intelligence Unit.

APPENDIX TWO

CANADIAN TRADE WITH THE COMMONWEALTH CARIBBEAN

The Commonwealth Caribbean ranks 10th among Canada's overseas customers and in 1967 Canadian exports to the area were valued at $108.2 million CDN or about 2% of total exports. On the other hand, Canadian imports from the area amounted to $89.1 million CDN in 1967 or about 13% of the area's total exports.

The following tables show details of recent trade trends.

CANADA–COMMONWEALTH CARIBBEAN TRADE

Table One

Canadian Exports to the Commonwealth Caribbean

(Cdn. $ millions)

	1965	1966	1967	Jan.-July 1967	Jan.-July 1968
Jamaica	30.3	33.5	39.1	22.1	20.1
Trinidad & Tobago	21.5	23.3	20.1	12.1	8.3
Guyana	7.7	9.9	12.1	7.7	4.3
Barbados	6.8	8.1	8.4	4.8	4.1
Bermuda	6.0	7.4	7.4	4.4	3.8
Bahamas	9.3	10.8	10.2	5.7	7.7
Leeward & Windwards	8.0	8.8	9.7	6.0	4.8
British Honduras	1.1	.9	1.2	.7	.7
	90.7	102.8	108.2	63.5	53.8

Source: Dominion Bureau of Statistics.

Table Two

Principal Canadian Exports to the Commonwealth Caribbean

(Cdn. $000's)

	1965	1966	1967
Flour	11,138	10,355	8,413
Fish, Pickled, Salted	7,204	8,105	8,320
Meats	6,013	5,204	5,246
Fish, Canned	3,734	4,245	4,428
Motor Vehicles & Trucks	6,371	5,479	2,634
Drugs & Medicines	1,329	2,411	2,629
Lumber	1,879	2,503	2,560
Textiles	1,908	2,113	2,303
Aircraft & Parts	17	122	2,238
Newsprint	1,749	1,774	2,194
Insulated Wire & Cable	441	1,458	1,583
Tires & Tubes	1,663	1,784	1,497
Milk Powder	1,615	954	1,461
Mining & Quarrying Machinery & Parts	295	520	1,251
Aluminum Bars, Rods and Sheets	739	1,055	1,145
Iron and Steel Pipes and Tubes	626	768	1,120
Poultry Feeds	1,189	1,484	1,046

plus an extremely broad range of fully manufactured products.

Table Three

Canadian Imports from the Commonwealth Caribbean

(Cdn. $millions)

	1965	1966	1967	Jan.-July 1967	Jan.-July 1968
Jamaica	36.0	37.3	31.9	17.2	15.6
Guyana	22.5	29.1	30.0	13.1	13.3
Trinidad & Tobago	16.7	16.0	18.7	11.7	11.9
Barbados	3.0	2.3	3.1	1.9	.6
British Honduras	1.2	1.5	1.9	.7	1.5
Leeward & Windwards	.8	.9	1.4	.4	.7
Bahamas	.5	1.2	2.2	1.3	1.4
Bermuda	.4	.8	.3	.2	.3
	85.3	89.1	89.1	46.5	45.3

Source: Dominion Bureau of Statistics.

Table Four

Principal Canadian Purchases from the Commonwealth Caribbean

(Cdn. $000's)

	1965	1966	1967
Bauxite & Alumina	43,781	49,518	48,300
Raw Sugar	17,151	16,359	11,735
Crude Petroleum	8,917	8,453	9,504
Molasses	2,359	2,944	3,864
Rum	1,052	1,682	2,835
Fruit Juices	1,126	1,391	1,036
Coffee	398	396	505
Nutmegs & Mace	375	258	307
Liqueurs	151	320	280
Vegetables Fresh	178	188	254
Cocoa Beans	281	47	79

APPENDIX THREE

CANADIAN AID TO THE COMMONWEALTH CARIBBEAN

CAPITAL PROJECTS COMPLETED TO APRIL 1, 1968 (Source: C.I.D.A.)

			Total
Jamaica	Vocational training equipment	$ 40,000	$
	Technical school equipment	191,000	
	Pipe for rural water schemes	160,000	391,000
Trinidad and Tobago	Canada Hall, UW 1	700,000	
	Fire-fighting equipment	20,000	
	Canada Law Reports	2,000	
	Prefeasibility studies, water and transport	45,000	
	VOR aircraft guidance system	150,000	
	Rural electrification equipment (loan)	650,000	
	Port equipment (loan)	350,000	1,917,000
Guyana	Front end loaders	30,000	
	Fire trucks; dump trucks	44,500	
	Technical school equipment	2,500	
	Twin Otter aircraft	330,000	
	Two diesel locomotives	390,000	
	Highway equipment	550,000	1,347,000
British Honduras	Equipment for surveying team	54,000	54,000
Barbados	Pilot launch	44,500	
	Port handling equipment	55,500	100,000
Antigua	Jennings primary school	362,500	
	Port handling equipment	2,400	
	Harbour launch	33,265	398,165
Montserrat	Port handling equipment	2,500	2,500
St. Kitts	Vocational school equipment	29,500	
	Port handling equipment	46,200	
	Port warehouse	50,000	
	Water development	575,000	700,700
Dominica	Natural resources survey	34,700	
	Port handling equipment	39,000	
	Goodwill primary school	362,500	436,200
Grenada	Primary schools at Sauteurs and Gouyave	725,000	
	Port handling equipment	33,500	758,500
St. Lucia	Port warehouse	50,000	
	Banana study	50,000	
	Fertilizer	52,500	152,500
St. Vincent	Deep water wharf	1,000,000	
	Port handling equipment	35,500	
	Water supply system for Kingston	16,300	
	Fertilizer	52,500	1,104,300
University of the West Indies	Furniture and equipment for Barbados campus	126,000	126,000
Caribbean Area	Two cargo passenger vessels	5,800,000	
	Film on West Indies Federation	10,000	
	Feasibility studies in small islands	10,200	5,820,200
Total value of capital projects			$ 13,311,265

CURRENT PROJECTS

JAMAICA

Loan Projects

1. *Olivier Bridge*–Construction and supply of equipment. $700,000.

2. *Harbour View Sewerage*–Design, construction and supply of pipe, pumps and fittings for small water projects. $925,000.

3. *Rural Schools*–$1.5 million has been allocated to provide 40 prefabricated rural schools.

4. *V.H.F. Radio Telephone*–System to benefit the Ministries of Communications and Works, Agriculture and Lands, and Local Government at a Canadian cost of $500,000.

5. *Public Works Equipment*–Building material equipment for a youth training camp, a public works workshop, road building maintenance equipment, and airport fire-fighting equipment. $800,000.

6. *Small Bridges*–To improve road communication in the island. $300,000.

7. *Hospital Equipment*–For 150-bed hospital in the town of May Pen. $475,000.

8. *Low Cost Housing*–Rural housing scheme will supply two-bedroom houses. $575,000.

9. *Preinvestment and Feasibility Studies*–To finance studies by Canadian individuals and firms in the industrial, fisheries, agricultural and other natural resources sectors. $1 million.

10. *Eastern St. Mary Water Distribution Scheme*–$1.2 million loan will be used to provide pipes, fittings, pumps, motors and related material for construction of a water supply system in the eastern part of the Parish of St. Mary, in the north-eastern part of the island.

TRINIDAD AND TOBAGO

Loan Projects

1. *Lumber*–$400,000.

2. *Factory Shells*–First three factories now open and delivery of additional shells underway. $1.250 million.

3. *Port Warehouse*–$250,000.

4. *Aerial Survey*–First year's photography now complete; mosaics now being produced. $750,000.

5. *Water Resources Survey*–$340,000.

6. *Dairy Development*–Approximately 1,250 head of cattle purchased and shipped. $900,000.

7. *Transportation Survey*–$400,000.

GUYANA

Grant Projects

1. *Aid to Amerindians*–Project includes water drilling equipment, well-drilling advisers and medical equipment. $170,000.

2. *University of Guyana*–Joint Guyanese/British/-Canadian project. $1 million.

3. *New Amsterdam Vocational Institute*–Canadian contribution of $600,000 for capital project and $1 million for technical assistance.

4. *New Amsterdam Fish Centre*–Design and construction. $150,000.

Loan Projects

1. *Aerial Survey and Mapping*–First season photography and triangulation flying are complete. $1.8 million.

2. *Twin Otter Aircraft*–$500,000.

EASTERN CARIBBEAN REGION

Grant Projects

1. *Water Development–Montserrat*–$380,000
   –Antigua–$250,000
   –St. Lucia–$350,000
   –St. Vincent–$75,000

2. *Schools–Dominica*–$600,000
   –Antigua–$600,000
   –St. Lucia–$200,000

3. *Fish Storage Plant–Grenada*–$235,000

4. *Harbour Launch–Antigua*–$33,265

5. *Air Terminal–Montserrat*–Design and furniture for terminal building. $250,000.

Loan Project

1. *Dairy Development–Barbados*–$250,000.

CONCENTRATION ON AID TO AIR TRANSPORT, EDUCATION, WATER DEVELOPMENT AND AGRICULTURE

The Eastern Caribbean Governments have been informed that over the next five years Canada would prefer to concentrate on aid to air transport, education, water development and agriculture in the region.

Air Transport

1. *Extension to Coolidge Field–Antigua*–$1.674 million.
2. *Jet facilities at Beane Field–St. Lucia*–$2.110 million.
3. *Improvements, Melville Hall Airport–Dominica*–$200,000.
4. *Improvements, Newcastle Airport–Nevis*–$220,000.
5. *Technical assistance, reserve,* etc.–$596,000.

Education

$5 million will be used for capital assistance over the next five years. Financial requirements for the schools now underway for Antigua, Dominica and St. Lucia are expected to be about $2 million in this period.

Water Development

Out of the $5 million allocated to this sector, the proposed first year allocation of $1 million will benefit Dominica, Grenada, Montserrat, St. Kitts, Nevis, Anguilla, and St. Lucia.

Agriculture

Assistance to agriculture will amount to $1 million over the next five years.

BRITISH HONDURAS

Grant Project

1. *Belize Bridge*–$500,000.

UNIVERSITY OF THE WEST INDIES

The University of the West Indies prepared a program to involve the use of the $5 million Canadian grant aid over a five-year period which commenced in 1966. About one-third of the funds will be used for capital assistance, one-third for scholarships in Canada and at the UWI, and one-third for the provision of Canadian professors.

Capital Assistance

1. *Design of buildings*–$90,000
2. *Construction of Barbados Residence*–$475,000

First Session—Thirty-eighth Parliament

1963

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 2

TUESDAY, MAY 7, 1963

Respecting

THE CARIBBEAN AREA

WITNESS:

Right Honourable Lester B. Pearson, P.C., Chairman, Commission on International Development (World Bank).

First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable JOHN B. AIRD, *Chairman*

No. 6

TUESDAY, MAY 6, 1969

Respecting

THE CARIBBEAN AREA

WITNESS:

Right Honourable Lester B. Pearson, P.C., Chairman, Commission on International Development (World Bank).

29878—1

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (*Rigaud*)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (*Carleton*)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

(i) Treaties and International Agreements.

(ii) External Trade.

(iii) Foreign Aid.

(iv) Defence.

(v) Immigration.

(vi) Territorial and Offshore matters.

Extract from the Minutes of Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Belisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

Extract from the Minutes of Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be

29878—1½

required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,
The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

ALCIDE PAQUETTE,
Clerk Assistant.

MINUTES OF PROCEEDINGS

TUESDAY, May 6th, 1969.
(7)

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 11.00 a.m. this day.

Present: The Honourable Senators Aird (*Chairman*), Belisle, Cameron, Carter, Eudes, Fergusson, Grosart, Haig, Hastings, Laird, Macnaughton, Martin, Pearson, Sparrow and Thorvaldson. (15)

Present but not of the Committee: The Honourable Senators Connolly and Leonard. (2)

In attendance: Mr. Peter Dobell, Director, Parliamentary Centre for Foreign Affairs and Foreign Trade.

The Committee continued its study of the Caribbean Area.

The Chairman (Senator Aird) introduced the witness:

The Right Honourable Lester B. Pearson, P.C., Chairman, Commission on International Development (World Bank).

Mr. Pearson made a statement respecting the developing countries. He was questioned on that statement and on related matters. The witness was thanked for his assistance to the Committee.

At 12.50 p.m. the Committee adjourned to the call of the Chair.

ATTEST:

E. W. Innes,
Clerk of the Committee.

BIOGRAPHICAL INFORMATION

Pearson, Right Honourable Lester Bowles, P.C., C.C., O.B.E., M.A., LLD. Born April 23, 1897, at Newtonbrook, Ontario. Son of the Reverend Edwin Arthur and Annie Sarah (Bowles) Pearson, educated at Collegiate Institutes in Toronto, Peterborough and Hamilton, Ontario. Served overseas in World War I, (1915-1918) as Private-Lieutenant-Flying Officer. University of Toronto, B.A.; Oxford University, M.A. Holds doctorates from forty-eight universities. Member of History Department, University of Toronto, 1924-28; Chancellor of Victoria University 1951-58. Married in August 22, 1925, to Maryon, Elspeth, daughter of Dr. and Mrs. A. W. Moody of Winnipeg, Manitoba. Two children: Geoffrey Arthur Holland and Patricia Lillian. Ten grandchildren. Appointed to Department of External Affairs in 1928. In 1935 was appointed to the office of High Commissioner for Canada in London, England. Appointed Assistant Under-Secretary of State for External Affairs in 1941. In 1942 was made Minister Counsellor at Canadian Legation in Washington. Appointed Envoy Extraordinary and Minister Plenipotentiary to U.S.A. in July 1944. In 1945, appointed Canadian Ambassador to the United States and in autumn of 1946 returned to Canada as Under Secretary of State for External Affairs. Represented Canada at meetings of the United Nations, the North Atlantic Treaty Organization and at other international and Commonwealth conferences. Chairman of NATO Council, 1951-52. President of the Seventh Session of General Assembly of the United Nations, 1952-53. Appointed Secretary of State for External Affairs and member of the Privy Council, September 10, 1948. Author: "Democracy in World Politics", 1955; "Diplomacy in the Nuclear Age", 1959; "The Four Faces of Peace", 1964. Awarded Nobel Peace Prize, 1957. First elected to House of Commons at by-election on October 25, 1948. Re-elected at general elections in 1949, 1953, 1957, 1958, 1962, 1963 and 1965. Selected as Leader of the Liberal Party and of the Official Opposition in January 1958. Sworn in as Prime Minister on April 22, 1963. Appointed by the Queen to the Imperial Privy Council, May 13, 1963. Received the Family of Man Award in 1965 and the Atlantic Union Pioneer Award in 1966. In 1967 was made an Honorary Freeman of City of London (England). Resigned as Leader of the Liberal Party and Prime Minister of Canada in 1968 and was not a candidate in the general election that year. Was Reith Lecturer (B.B.C.) in 1968. Created a Companion of the Order of Canada in 1968, and an Honorary Fellow of Weismann Institute of Science of Israel during the same year. Elected to Board of Directors of Crown Life Insurance Company in October 1968. Has recently been designated as Chancellor of Carleton University and, since September 1968, has been Chairman of the Commission on International Development (World Bank); is also President of the Institute of Strategic Studies, (London, England) and Chairman of the National Advisory Council of the Canadian Institute on International Affairs. Party Politics: Liberal, Religion: United Church of Canada.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Tuesday, May 6, 1969.

The Standing Senate Committee on Foreign Affairs met this day at 11 a.m.

The Chairman (Senator John B. Aird): Honourable senators, it is now past the hour of 11 o'clock and I see we have a quorum present. Therefore, I declare the meeting regularly constituted.

As Chairman, I have two courses open to me when introducing a great and distinguished Canadian such as the Right Honourable Lester Pearson: I may make a short introduction, or a long one. With his approval, and in accordance with my inclination, I would like to make a short introduction.

I wish to state that he is appearing solely in his capacity as Chairman of the Special International Committee examining the problems of developing nations. As you all know, he has just completed a world-wide trip in this capacity. It was the feeling of your committee that Mr. Pearson's testimony here today would help us to gain a perspective of the problems that concern the Caribbean countries, in the light of his world travels and, of course, in the light of his own views and experiences.

I would say, sir, that your appearance here today is a great honour to this committee and that it is also a great honour to the Senate. Perhaps for old times' sake we will follow the procedure that when you have finished your remarks I will call upon the Leader of the Government in the Senate, the Honourable Paul Martin, to make a comment or to ask a question. Then I would hope for as wide a participation as possible from other honourable senators present.

Welcome, sir.

The Right Honourable Lester Bowles Pearson: Thank you, Mr. Chairman.

I feel it a privilege, to appear before you and the honourable senators who are here this morning to begin the discussion of a matter which, while perhaps not directly related to those things you have been discussing concerning the Caribbean region, is certainly relevant to those discussions. The Caribbean is an area where there are a good many countries concerned with aid and development and with the help that they may be able to secure from outside their own countries in connection with that development.

As you have said, Mr. Chairman, I am here as the Chairman of the Commission appointed to look into this very important, very complicated and almost overwhelming question of international co-operation in the field of aid and development.

With your permission, I will say a few words about our Commission, what we are trying to do and the problems we face; and then I would hope that you would be able to continue the meeting by asking me questions, which I may or may not be able to answer.

I have on my right my own assistant in the Commission, Mr. Hart, who has been seconded from the Department of External Affairs and who has represented Canada in a number of African countries. He has been taking time off to help me with this work. He will also be helping me this morning, I have no doubt, if there are questions addressed to me.

This Commission is, I think, a unique one in the sense that it really has no direct mandate from any government to do its work. We are a Commission of individuals. Each commissioner is serving on the Commission in his individual capacity. No member of the Commission is responsible in that sense to any particular government.

I was asked by the President of the World Bank—this is the origin of the Commission—with authority from the members of the Bank of whom, I think, there are 107—if I would accept the chairmanship of a commission to examine the experience of the last 20 years or so in this field of international co-operation for development, to analyze what has been done, what has been successful and what has been unsuccessful, and to report with recommendations, covering the next 15 or 20 years,

to the governments who are members of the Bank. Underlying this request was the hope that the work that has been done—and a great deal of work has been done in this field by various governments and international agencies—can be more effectively conducted in the future. For this purpose Mr. McNamara asked me if I would appoint my own commissioners and my own staff and carry on from there.

I was concerned first to secure an expert staff. We are a very international Commission in the sense that the staff and the members of the Commission come from many countries. There is a staff of between 12 and 14—there are one or two who are part-time—who work out of Washington. They are all expert in the field of economic development. They come from all the continents. There are two Americans, and the others come from Latin America, Europe, Asia, Africa, and Australasia.

On the Commission itself there are seven commissioners and a chairman. The commissioners are from South America, the United States, Europe, and there is one from Jamaica and one from Japan. We have met as a Commission three times, when we examined the work that has been done under our direction by the experts. In addition to that, I, as chairman of the Commission, have been travelling around the world consulting with the various governments that are concerned with this matter, and that includes practically every government in the world. As it is not possible for me to visit every capital I have adopted the procedure of going to a particular city, and then inviting the governments in that area to send representatives to that city. In each of these cities I have spent several days exchanging views with government representatives on the problems of development as they see them. This has meant meeting also with representatives of donor as well as developing countries.

As a result of this kind of activity, of these seminars, I have, since I took on this job last autumn, travelled nearly 60,000 miles. This is a fine way to spend your retirement! I have learned a lot about geography. I have also learned a lot about the problems of development, and the importance of development, that I did not know before. There is no substitute for first-hand information.

I have interviewed or exchanged views with—and sometimes I have been accompanied by one or two of the commissioners who were particularly concerned with the problems of a particular area—the representatives of 56 governments, I have about 20 more to go.

When I have finished my travels at the end of June, the commission will have received the views of practically every government concerned, as a donor or a recipient, with this problem. We will then spend the summer writing our report, which we hope to have finished by September. If that can be accomplished in that time, having regard to the nature and scope and complications of the problem it will be a quite unusual achievement. It will be due largely to the kind of men we have in Washington who are doing the research and dealing with the information that we supply them.

I suspect that the main raison for the request of the World Bank that this Commission be appointed to take on this job was to obtain a report with recommendations which would emphasize to everybody the continuing and vital importance of doing something even more effectively than has been done in the past—and a good deal has been done in the last 20 years—to assist developing countries in their economic progress; so that the gap, which we often hear about, between the richer and the poorer countries will be narrowed. At the present time, as you know, it is not only not being narrowed, but, in spite of all that is being done, it is widening, with consequences that can be of critical importance for the world in the years ahead.

It is also hoped—I certainly learned about this in my travels—that our report and recommendations may help to reverse in some donor countries what I might call a weakening of will to continue this international operation. Such a weakening of will has been noticeable in the last year or two in the United States. If I mention the United States it is only because its participation in this international effort in the past has been magnificent and generous, and it is essential to the success of the work in the future. Of the billions that have been allocated for international development by the donor countries in the last twenty years, about half, and perhaps a little more than a half, has come from the United States. Therefore, if the will to continue this work of co-operation and aid for developing countries should weaken, let alone disappear altogether, there is not much likelihood of the results that we hope to achieve being achieved. If I mention the United States I repeat it is because of its particular

significance to the whole operation, and because of its power and wealth.

I have discussed these problems not only with the developing countries but with donor countries. As I see it, there is a kind of weariness with well-doing that is developing in certain quarters, and particularly in Washington. This is understandable if you apply it to the country where the application is most important—the United States. It is not easy for some Americans—and it would not be easy for us, I am sure in similar circumstances—to reconcile the slogans "Yankee go home" and "Send us more dollars".

It is very important to try to analyze the reason for this decline, in certain quarters, in the will not only to strengthen but to maintain this international operation. I believe that it should not only be maintained but strengthened.

In the United States they now have national development burdens greater than they have ever had before. They have accepted the obligation to eliminate want and poverty, to remove discriminations and strengthen civil rights. They have all these domestic problems. They still have Vietnam, with all that that means. So there is a feeling in some quarters there that it is just too much to continue foreign aid let alone increase it. I am not suggesting that that feeling will be the predominant factor in the decisions to be made in Washington, but it is a factor to be taken into consideration by all of us who are concerned with this matter, not only in the United States but in other countries. Because of that feeling there is a greater disposition than there might otherwise be to criticize the results that have been achieved, or the results that have not been achieved, to emphasize the failures over the last 15 or 20 years. Some of these failures may be spectacular and they get more publicity than the successes. If no attempt is made to correct this emphasis, criticism and complaint will continue to increase.

That is the atmosphere, as I see it, in which this international operation will have to be carried on, an atmosphere of impatience that more has not been achieved, and therefore an atmosphere that seems to encourage criticism from those who are worried about other burdens.

I do not think I need say very much about the nature and scope of the problem. I am sure you know already a great deal but I think I should say something. We talk about the necessity of helping underdeveloped countries. One of our difficulties, which has been made very clear to me in my visits to various countries, especially what we call the developing countries, is a difficulty over semantics. What is a developing country? What is an underdeveloped country? The technical definition of an underdeveloped country that has been adopted by the Bank covers those countries with a per capita income below U.S. $500. It is not a very satisfactory definition because development cannot be described in terms of dollars alone.

In my travels I have visited some countries with a per capita national income of under $100, but I have seen some evidence of other kinds of development there which perhaps would not be found in some of our great North American cities. Development is more than gross national income. Yet, one has to take a standard, and a not unreasonable one is a standard of $500 per capita income. On that standard it is found that 77 countries, with two-thirds of the world's population, are underdeveloped in this sense, and 29 of those have a per capita national income below $100 a year. In Asia, with 2,175,000,000 people, the average per capita income is about $100. In Canada our per capita *increase* last year was about twice that. This gives a graphic indication of not only the magnitude but the nature of the problem.

The other day the Secretary General of the United Nations said that half of those now living and two-thirds of those still to be born in this century face the prospect of malnutrition, poverty and despair. I suppose he might have added, perhaps he did later in his speech, "If we do not do something about it." We have done something about it, though we have not done enough; to reverse the process which at present results in the rich getting richer because they are developing relatively faster than the poor, who are getting poorer relative to the rich.

The United Nations target for development in the less developed countries in the first development decade, 1960 to 1970, was a minimum increase in average growth of G.N.P. of five per cent a year. That goal was almost reached in the period 1960 to 1967, because over 20 of the developing countries had a six per cent increase or more. These are the ones approaching economic take-off. However, in the poorer developing countries the growth was less than two per cent, while in the developed countries, in the rich countries, during that period it was nearly four

per cent. By making that kind of comparison you will understand what I mean when I say that the gap, rather than being narrowed, is getting wider.

While the developing countries naturally compare their own development figures with those of the richer countries, a more realistic comparison would be their own development in terms of their own country's experience in earlier years. You can get more encouragement out of that. Perhaps you can also get some encouragement out of the fact that in the 100 years from 1850 to 1950 the North American and Western European countries improved their own standards of living, the standards of living of their people, sevenfold, on an average per capita increase of income of only two per cent. They did that, of course, without the kind of international assistance that is now being given.

If you get some encouragement from that, it will be modified by the fact that it took 100 years to do it. I do not think we are going to be given 100 years, from 1970 to 2070, for these new, impatient countries to increase their standards of living. So we have to operate more quickly now. In any event, with an average per capita income of $100 and a population growth of two to three per cent per annum, which is still about the average in the developing countries, even a five per cent increase represents $2.50 more purchasing power a year.

The role of foreign aid in the solution of this problem is of course important, but it can be exaggerated. Aid from developed countries to developing countries takes many forms. No doubt we will be discussing the relative merits of these various forms of aid. The total has grown from a net of $6 billion in 1956 to $10 billion in 1967. Last year it was more than that. I think it will be about $11 billion. That is a very considerable amount. These are net figures. It is important to distinguish between net and gross in the totals of grants, loans and private investment. Net figures are reached after deducting amortization payments on previous official loans. Such payments came in 1967 to about $1 billion. What is received, thus, amounts to about 4 per cent of the income of the developing countries. In other words, they still depend on themselves for 96 per cent of their gross income. This emphasizes that the problem will not be solved by international action. It can be assisted by such action, but it is up to the developing countries themselves. They appreciate this. It is primarily a domestic problem but they are entitled to get economic assistance from richer and more fortunate countries. That 4 per cent, which may seem very small, may be the difference between going ahead and not going ahead.

One way I have put it is that these countries must haul themselves up by their own bootstraps. That is the only way it can be done in the long run. But they are entitled to some help from us in order to strengthen their bootstraps so they will not break under the strain. That is, if you like, a kind of rationalization of the obligations of richer countries to help. This $10 billion in 1968 and $11 billion or so in 1968 is about 90 per cent of the total international assistance. It came from the 16 states which are members of the Development Assistance Committee of the OECD. About half of the total came from the United States, and this figure of around $11 billion or a little more, whatever it was last year, has to be spread over 2.5 billion people.

Some people say that in this field of aid we have failed in our international duty—by "we" I mean the rich international community—because this amount represents a very small percentage of our own national income. If you recall, the target of 1 per cent of our gross national product has been laid down by the UN and accepted by most of the donor countries as the objective to be achieved. Not only has that 1 per cent figure not been achieved, the official and private flow of aid from the 16 DAC countries is now about 0.75 per cent of GNP, which is three-quarters of 1 per cent. In 1961 it was 0.96 per cent. Instead of making progress towards this 1 per cent, internationally in the last two or three years we are farther away from it and that is discouraging. In order to meet the target 1 per cent of the gross national product, we, the donor countries, would only have to make available about 1½ to 2 per cent of the annual increase in our incomes.

The annual *increase* in real income in the richer countries last year was about $400 billion. That is more than the *total* income of all the developing countries. The United States' annual increase in income alone is greater than the total income of all the African countries and India. Yet we still have some distance to go before we reach the target of 1 per cent.

One thing that struck me in my travels and in the discussions that I have had is the difficulty of trying to establish a mathematical

target of this kind—1 per cent—especially as different methods of calculation seemed to be used by various donor countries in order to reach the 1 per cent. There are some elements of this 1 per cent figure which are of help to the receiving countries, but could hardly be categorized as aid in the technical sense, because they are given, for purposes which may be as advantageous to the donor as to the receiver and sometimes more advantageous. Sometimes the purposes are not always economic, but aid for these purposes is included in their figures by some of the countries that are at the top of the "league" percentagewise. I think Portugal has the highest percentage of international aid to GNP, which is 1.78. It is interesting to examine the details of how the Portuguese Government makes up the 1.78. There is a kind of a competition to get a good place in the "league". This puts a premium on clever statistical work. However, that does not matter much. You must have a target and you have one. It is 1 per cent, and everybody has to give more if we are going to reach that figure. That means in aggregate terms, instead of $11 billion we need $15 billion from the world community this year for aid and development. This is not, I should think, an excessive figure.

Aid has taken a good many forms in grants and loans and other ways. One of the things that has struck us as we have been examining the problem, is the growing importance in the future that will probably be attached to concessional loans; loans through IDA, the soft loan affiliate of the World Bank, and through regional banks. There has been a great deal of capital transferred to developing countries by loans in the last 20 years, and there may be more in the future. This has been of great advantage to these countries, but it has imposed great burdens on them too. The outstanding external public debt of the less developed countries by mid-1967 had reached $44 billion. The annual debt charges, interest and amortization has now reached $4.7 billion. During 1967, their total assistance, aid, transfers and all other forms of assistance amounted to $12.4 billion. Out of that they had to pay back in previous loans interest and debt charges of $4.7 billion so the net help they got was $7.7 billion. Thus and—I think my figure is correct—38 per cent of total assistance flows had been used to pay interest, amortization and other obligations on previous loans. That has constituted quite a problem and is one of the things that will have to be dealt with, of course, in the report of our commission.

There are one or two countries I visited where the repayment of old debts, some of them unwisely incurred, not necessarily the fault of the donor countries, for enormously expensive prestige projects, constitutes a particularly difficult problem. In one or two countries, at the present rate of receipt of aid they will soon, through increased debt charges, be net exporters of capital as developing countries because of what they have to pay back. There are only one or two countries however in that position.

There are other aspects of this problem, Mr. Chairman, which I will only mention because they may come up in discussion. The role of private investment in development is a very important one, not always fully appreciated. It has done quite a lot in the past and I think there is a possibility of doing more in the future.

Senator Connolly (Ottawa West): Would you like to continue on that point, Mr. Pearson before the questions, or do you prefer to have the questions now and continue later?

Right Hon. Mr. Pearson: I think I will finish in about two minutes and then we can deal with questions.

Trade is another subject that probably should be discussed. Very often, especially in the African countries, and in South America, the attitude is "if you would only give us an oportunity to sell our goods in your market you would not have to transfer capital to us." We heard a lot about that.

Then there is the problem of population, which is a very important aspect of this whole subject. In a developing country one does not get much net benefit from an increase in the per capita national income of say 3 per cent, part of which may come from foreign aid, if the population growth in that area goes up by 3.2 per cent.

In some countries we have visited, this is a major problem. I do not propose to mention too many countries individually, but perhaps I could refer to India here. I remember in India receiving a visit from a particular cabinet minister, just as I was about to leave to go to Singapore. He was in charge of population problems and he said: "Why didn't you call on me"? I told him I had carried out an arranged schedule; that I was told to see certain ministers, and I did so. He said, "You

should have seen me. I am by far the most important person. If you had seen me you need not have had to worry about other things because I deal with far and away the most important single problem we have; the problem of population. If we can get the kind of international assistance that will help us to solve this problem, you will find we will be able to go ahead economically in India."

Then there is the problem—and it is a very serious one for the developing countries—of the terms and conditions that are attached to aid. This refers not only to political but to economic terms; tied aid and that sort of thing. There is also the problem how aid programs can best operate; internationally, through multilateral agencies, or by direct discussions with governments, bilaterally.

Then there is the question of the international organization of aid: how can we avoid overlapping and duplication and that kind of thing. There are so many agencies working in this field that in some countries we hear complaints that they are getting in each other's way, and each agency naturally wants all sorts of information before it takes on a project. One cabinet minister in Africa told me that he had two or three people who do nothing but fill in and send out forms to those who want to help them. This brings up the whole question of the best international as well as national structure for aid.

Mr. Chairman, that probably is all that I need say at this point. I will be very glad to discuss with you any of these or other points that the members of the committee may like to bring up.

The Chairman: Thank you very much, sir. At the outset, I indicated that I would call on Senator Paul Martin. I have received indications from Senator Grosart and Senator Carter that they would like to ask questions; and also from Senator Macnaughton, Senator Cameron and Senator Thorvaldson. Of course, as the meeting proceeds, we will entertain other questions.

Senator Martin: Mr. Chairman, I can think of but one reason why you have asked me to put interrogations to Mr. Pearson, and that is to join with you and warmly welcome him back to Parliament Hill.

Hon. Senators: Hear, hear.

Senator Martin: I would say to him that not only his colleagues in the Government of Canada but all of us, all Canadians, are particularly pleased by his assignment by the Bank to this important commission.

It would be unfair for me to ask him questions which arise out of policies in which we both worked over the years, but I would like to ask, in view of the fact that his assignment came from the Bank, does he see any hope, out of his labours, that the Bank might be able to develop the consortium idea, either alone or in conjunction with international organizations, to avoid what he was talking about in the last few minutes, the waste which is inevitable in bilateral giving? For instance, in the matter of aid, and in the making of effective international giving, is it thought that the Bank is prepared to extend this operation?

Right Hon. Mr. Pearson: I would like to thank Senator Martin for his kind words of welcome. He has brought up a very important point, which I just touched on at the end of my remarks. What can be done to our international or national machinery to avoid duplication and overlapping and waste? He has cited the operation of the World Bank in this field. I would like to say one thing at once, that while there is waste, of course, in international aid, you cannot deal with amounts of $30 or $40 billion, which have been transferred in the last few years, transferred to 80 or 85 separate countries, and expect some of that money not to be wasted—money is wasted even by governments of developed countries occasionally—not in Canada of course but in other countries. This will be a waste of some small proportion of total appropriations. Even big corporations find that this occurs in expenditures. After years of expensive research and development, putting a car on the market that is a complete failure, that is waste. This sort of thing happens. Having regard to the circumstances, I do not think that there has been more waste of that kind of international aid than in other forms of governmental and private activity.

A more important form of waste, if I may say so—and perhaps "waste" is not the right word—is the utilization of funds for projects which do not turn out to be very productive from the point of view of development. Money is often wasted in that sense.

That brings up the point as to how we, through international or bilateral action, can minimize that kind of waste, to make sure that our projects are practical and useful and that our appropriations are being well spent on them.

The World Bank has developed machinery which is often complained about in the developing countries because it is so detailed and so precise and so demanding for examination, before it makes loans. The Bank sends out evaluation teams and arranges feasibility studies and similar exercises. The Bank is only one agent, though a very important one. Other agencies do this kind of thing, but perhaps not as effectively as the Bank.

One purpose of our study is to see if we can come up with recommendations for some kind of central, supervisory machinery which will cover not only international agencies but governments themselves in their bilateral aid contacts, if they wish to use such machinery.

We are certainly looking into this and it is a very important part of the problem.

Also there is the question of international machinery to evaluate not only the importance of a proposal that has been made for aid but to examine what has gone on in the last year in respect of the projects that are being carried out; to evaluate, if you like, development performance. The Bank now insists on this. That is why consortia are becoming increasingly important, where groups of donor countries meet with the receiving countries to examine how the money should be spent and has been spent. The fact that both donor and receiving countries have a voice in this examination makes them feel that they are being consulted. There is no longer the feeling in a receiving country that it simply has no voice. I think this technique of consultation should be expanded. There are six or seven of these consortia now in the world and perhaps there should be more.

This question of evaluation, however, is a very sensitive matter. The recipient countries are anxious that the donor countries' efforts should be evaluated and examined as well as their own to see whether they are also discharging their commitments. This is quite right. This is an important aspect of the whole problem.

Senator Connolly (Ottawa West): Did you find much evidence of waste and duplication?

Right Hon. Mr. Pearson: Well, I have talked about waste. There is bound to be some waste. I am not in a position to say how much there has been. A lot of study has been made on this question. You know, if you have some doubt about the wisdom of this whole aid performance—and there are people who have doubts about it and who think we had better leave these countries alone and let them pull themselves up because it only makes them dependent when they are given so much help—if you feel that way, you can find a way to make quite an argument that too much is being wasted. A couple of hundred bushels of wheat down a rat hole will sometimes get more publicity than the fact that, through international assistance, both public and private, new strains of wheat and rice have been developed that have increased the production of food grains in the Indian subcontinent, for instance, almost beyond belief. In fact, when I was in Pakistan, I was told they would be self-sufficient there in wheat production this year and would expect to export wheat in a year or two. Pakistan! Just because of these new strains of wheat, and the fertilizer used (they use a lot of fertilizer much of which they get under aid) and their new methods or irrigation.

You do not hear as much about that sort of advance as about some spectacular incident of waste.

Senator Thorvaldson: I would like to add here, Mr. Pearson, that Canadians have been involved nearly exclusively in the development of wheat that has been developed in Pakistan, and I think it is a great privilege for this country that we took on that project some years ago.

Right hon. Mr. Pearson: Indeed it is. In India they expect to produce 100 million tons of feed grain this year. Compare that to the figures of production before the famine.

Senator Martin: I have two questions I would like to ask Mr. Pearson and then I will give way to others. You said nothing, Mr. Pearson, about your assignment that would indicate whether or not you had taken into account assistance given to the under-developed countries by the communist countries.

The second point is that you spoke of the major responsibility for improvement in their standard of living by the developing countries themselves. In this connection, would you care to comment on the fundamental contribution that must be made to improve the productive processes of the under-developed world through UNCTAD, for instance, or through what George Ball calls the "export of technological know-how" instead of direct grants in aid?

Right Hon. Mr. Pearson: On the first point, the part played by communist countries in aid for development, it is very important in terms of resources transferred. It is very difficult, if not impossible, to get detailed information from those countries as to their aid programs. We know in aggregate terms something about it. You may ask, if this is the case, why did we not associate the communist countries with our commission in some form. The reason for that is that there is no communist country that is a member of the bank, except Yugloslavia. They have all been invited to join the bank but have rejected the invitation. It would not have been possible, I think, to have secured their membership on this commission.

Another reason is that we are all serving in individual capacities and it is not so easy to secure that kind of communist representation on international commissions. But we are hoping to find more information about what they are doing. I hope to get in touch with communist countries before we make our report and at least to explain what we are doing and why we are doing it, in order to remove any impression they may have that we are excluding them through our own desire from our work or that this is in any sense an unfriendly investigation, from their point of view, because it is sponsored by an international organization of which they are not members.

I should point out that in many of the countries I have visited they have asked, what right a commission that is responsible to the Bank, a commission *of* the bank, has to investigate aid activities in the United Nations or in other places? This is an understandable reaction. The fact is that we are not responsible to the Bank. The commission merely reports to the Bank and to its 107 member governments. But we can examine the Bank's operations in the same way that we investigate any other international agency. So we are not responsible to the Bank. We are trying to make a very general investigation.

The bank has one important role, however. They pay our expenses.

Senator Connolly (Ottawa West): But no salary.

Right Hon. Mr. Pearson: The other question, Mr. Martin, was about the developing government's reaction to the kind of aid, if I understood it right, which does not really help development. This is a real problem. It is very often a problem created by developing countries, themselves. In the early days they may want the wrong things at times, from the point of view of economic development. But now they are insistent, so far as my experience is concerned in talking to the representatives of their governments, that aid should be of a kind which will help them to do without such special aid in the future. It must be productive in that sense. The success of this operation will depend on whether in 10 or 15 years they no longer need aid. This is the criterion that should be very much in the minds of those who are allocating funds to developing countries.

There is an impatience in certain donor countries—and I mention that, indeed stress it, because it is very important—with the continuance of this operation without achieving the kind of exciting results they hoped would have been achieved by now. There is also a great impatience in some of the developing countries to get out of a position where they have to rely on other countries for assistance of this kind, have to appear before international or national bodies to explain what they are doing, in return for which they get help. That is the way it looks to them sometimes.

I used to point out to them that even the richest countries must now appear before international bodies to explain what they are doing; that the IMF people come round every year to take a look at their books.

But the relationship of aid to genuine productivity and development is very much in our minds. In the work of the next 10 or 15 years, if this operation continues, and I hope it will, we will have learned a lot from the experience of the last 10 or 15 years. Indeed, in the last year or two, the efforts made have been more and more important from the point of view of productive results. It would be most tragic to give up now, at a time when it is not only so important to continue it, but when we know more about the problem and can work more effectively in finding solutions.

Senator Martin: What I had in mind was to what extent UNCTAD had succeeded in meeting the problem of underdevelopment.

Right hon. Mr. Pearson: Well, the UNCTAD developments which have been rather discouraging from the point of view of developing countries were devoted to ways and

means of increasing their export trade; giving them, if you like, one-way preferences in the markets of the rich countries. Very little has been done in that connection. That is probably due to the fact that some of the recommendations were not very practical; also to the fact that the donor countries often find it less embarrassing to give away $100 million in grants than to open up their markets to $100 million of imports from developing countries.

Senator Thorvaldson: Are you referring now mainly to the results of the New Delhi conference?

Right hon. Mr. Pearson: Yes, they were somewhat discouraging. This question also came up at the meetings we held in Africa and Asia and South America. Most of the representatives of developing countries said that if we would help them stabilize export commodity prices and increase their export trade then they would not need so much help. I can understand their feeling in that regard. Take a country that depends for 65 per cent of its income from one commodity, and I have in mind the case of Senegal which depends for 65 per cent or so of its income on the export of peanuts. Now if the price goes down one cent on peanuts or peanut oil, or what have you, the loss resulting from that might equal the total amount of foreign aid given for that one year. So naturally they are preoccupied with trade instead of aid.

Senator Grosart: I have a few questions, but first, Mr. Chairman, while I know it is not necessary in this committee, I want to assure Mr. Pearson that his welcome is as universal as it is. May I say that all of us endorse the comments of the chairman at the start, Mr. Pearson, and that it is a great honour to this committee, to the Senate and to all of Canada that not for the first time in your distinguished career you have come here to discuss with us this very important world problem.

Now my first question relates to the target of 1 per cent of GNP at market price which you have estimated would this year reach $15 billion instead of $11 billion which would obviously be an on-going figure. If it was met in the next few years would it actually reverse the trend of the gap? Would the 1 per cent actually reverse this widening of the gap of the developed and the developing countries? Secondly, how many countries of the 77 or more might we expect to reach the take-off point within a reasonable time after the 16 or more donor countries had reached that target?

Right Hon. Mr. Pearson: So far as your first question is concerned I do not suppose that an increase of $4 billion of external aid if all of it was used productively in the next year, as we would hope it would be, would necessarily close that gap, because the increase in the production and income of the richer countries notwithstanding their increased allocation of funds for foreign aid would probably keep widening the gap no matter what we did. Building up the income of these developing countries is a long-range process. That is why we must not expect that a gap of this kind is going to be closed in the next year or two because of foreign aid. It will not; any more than in own country the allocation of funds to underdeveloped parts is going to close the gap between the richer and the poorer parts. You never will *close* these gap and you should not try because that will mean equalization throughout the country and throughout the world. Now, you do not need nor want that: absolute equality. However, we do hope that in the long run we can help the less developed countries to narrow the gap themselves. This in turn will give them the feeling that they are going ahead. They now have that feeling in some countries. For example they are not so concerned in the Côte d'Ivoire with the gap between themselves and the United States, but they are concerned with what they have done in the last two or three years as compared with what they had done in the years before that. The farmer in India or Pakistan is more concerned with how he has progressed over the previous year than with how much less income he has than a farmer in Kansas. While such international comparisons may serve to dramatize the problem, they can also lead to a misunderstanding of it. If we can use $15 billion of aid productively, and I am sure we can, we would then give developing people more opportunities and a greater chance to go ahead later on their own.

You also asked me how many are at the take-off stage. The answer depends on how you look at it. About 30 are in the position that in a few years they should be able to look after themselves. Now some of those have received great quantities of aid for reasons that have not always been economic or humanitarian, but political. Some others of them have not received so much aid, but have looked after their own affairs better.

Senator Grosart: What reaction did you get from the donor and donee countries in terms of receptivity and otherwise as to the efficiency of a bilateral as opposed to multilateral aid?

Right Hon. Mr. Pearson: There is no consistent view on this. It depends so much on the experience of the country with aid. Some countries have relied almost entirely on one other country for help. Some countries in Africa, for instance, are quite satisfied with the way they have been given aid and they are all for bilateral aid. They think they can do better that way. Other countries have not done so well with bilateral aid, perhaps because they have been under certain pressures and as a result feel that more should be done for them multilaterally. But there has been no consistent view that I have been able to find.

Senator Carter: Mr. Pearson, you spoke earlier about the weakening will to assist these countries particularly in the United States, and you have intimated that one of the reasons was that their aid was not particularly appreciated. They got kicked in the teeth once in a while, and the hand that fed them got bitten. We hear a lot about greed and corruption, that this aid gets into the wrong hands. I wonder how big a factor that is.

Right Hon. Mr. Pearson: I do not know how big a factor it is. I have heard a lot about it. When there is greed and corruption you do hear a lot about it. Of course, there is a certain amount of corruption. However, you have to remember that the social, economic and political organization of some of these states, especially the social organization, goes back a thousand years. They have their own way of doing things and you are not going to change them overnight. Some of these methods apply to a great many aspects of human activity, not only in the field of foreign aid, so, while there is the unhappy situation that money which is meant for aid sometimes gets into the wrong hands, it is easy to exaggerate the significance of this. If you are indifferent to or are rather hostile to the idea of foreign aid at all, then it is easy to point out examples of luxurious living in some very poor countries which would be quite impossible for any of us in this room.

Senator Carter: You said you had to formulate some sort of rule-of-thumb definition of an underdeveloped country, and you came up with the definition where the income was less than $500 U.S. per year. I gathered from your statement that your terms of reference did not include communist developing countries.

Right Hon. Mr. Pearson: But it did not exclude them. It is to examine the whole aid and development experience over the last 20 years throughout the field. However, it is a little more difficult to examine it in some countries than it is in others.

Senator Carter: I would think that definition would include Red China, and the question in my mind is this: Red China is putting forward tremendous efforts, and there seems to be the possibility that in some lines they may succeed in moving from a pre-industrial economy to a post-industrial economy, by-passing the industrial revolution that the affluent countries went through. I wondered if you had any idea as to the prospects of that happening in the case of Red China, and what the impact would be on world trade.

Right hon. Mr. Pearson: I have not very many views as to the prospects of it happening, because I do not know enough of what is going on in China. But there is no doubt they would like to jump from the pre-industrial age to the technotronic age, without an intervening stage of industrialization. If they succeed in doing that, they will be the only country that has ever managed to do it, and I think they will probably have their troubles. However, were they successful in by-passing or shortening the industrial period and in going into what the experts call the technotronic society, the effect of that on their position in Asia would be very considerable. I think that is a pretty safe statement to make.

Senator Carter: I think Senator Martin asked you a question about the total amount of aid, and I was not quite clear if I took your answer down correctly in my notes, whether the external aid totals now around $44 billion, or was it $10½ billion?

Right hon. Mr. Pearson: These figures are not final. There are difficulties about calculating them because, as I have said, what do you include in aid? However, the figure usually given for 1967 is about $10 billion, $10½ billion, and they expect that in 1968 it will be $11½ billion transferred.

Senator Carter: You are talking about dollars now?

Right hon. Mr. Pearson: Yes, American dollars.

Senator Carter: If Canada, say, gave a gift of wheat, is that translated into dollars and added into it?

Right hon. Mr. Pearson: Yes, we would include that in our aid figures. We would put a valuation on it. It would come out of our aid figures—in Canada, which I am talking about now, and I suppose other governments would be the same. I am not sure what would happen if it were done as famine relief, but I think that such transfers have been included in our figures.

Senator Connolly (Ottawa West): OECD does, in any event.

Right hon. Mr. Pearson: Yes.

Senator Haig: Even export credits.

Right hon. Mr. Pearson: Yes, even export credits, and even short-term suppliers' credits, even for one year, have been included by some countries in their figures of aid. They get a pretty good return from those credits too. There is a good deal of complaint in certain developing countries about being told they are getting a certain amount of aid, when much of it not only helps them but also helps the donor country just as much.

Senator Carter: As an affluent country, we spend a large portion of our budget in non-productive activities. You might take the money we spend on defence. It is not going into the economy, except for what we manufacture ourselves, but usually a lot of that money does not produce any wealth.

Right hon. Mr. Pearson: Neither does an insurance premium!

The Chairman: Agreed.

Senator Carter: These countries want to sell us their goods, and we do not buy them because they are cheap and the quality is poor. We have many reasons, including that it would interfere with our own industries. But if we did buy their products, even if we only burned them afterwards, it would only be another unproductive expenditure. I am just wondering if we should not be thinking in terms of buying what we can from them, even if we give the purchases away afterwards to somebody who can use them.

Right hon. Mr. Pearson: I think we have to be thinking in terms of increasing our imports from developing countries, if we are serious in saying we want to help them develop. I hope we do not have to import things to burn afterwards, because these countries are making very good manufactured products now. One of the ways in which they can look after themselves in the future is by increasing their productivity and export of manufactured goods, and not merely agricultural products.

Senator Carter: They want us to buy to keep up the world price of their goods. This is susceptible to demand, and if we do not buy them, if the demand goes down, their prices go up. You spoke of peanut oil.

Right hon. Mr. Pearson: That is a primary product. We have found out, for instance, in our travels that Singapore, a very interesting country, is at a stage of development in which it is approaching the take-off. It has achieved that position in the last four or five years, which has been a remarkable achievement. I do not know—what is it?—two million people have done that in such a small territory. As I say, it is approaching the take-off stage, some Asian countries are now investing money—I think of Japan—in Singapore because they can produce in Singapore more cheaply than they can in Japan. So they are building up Singapore and are at the same time making profits for themselves. It is unwise and dangerous to be dogmatic in this matter of development and how it is going to occur. It was not very long ago that Japan built up its own wealth, by its own efforts until now it has the third largest Gross National Product in the world, next to the United States and the Soviet Union.

Senator Martin: Mr. Pearson, I would like to point out that senators are never dogmatic!

Right Hon. Mr. Pearson: They began their development by learning techniques, not from technical missions to larger countries, but by themselves learning western techniques and applying those techniques to rather simple manufactured products—silk goods and things like that. Yet, Japan now imports silk because it has found that in the course of development it has been able to switch to other products of a more highly sophisticated industrial character which other Asian countries were not able to produce, and which it could produce more cheaply than Western countries. Instead of relying on silks and textiles, although Japan is still producing those, they are now building 400,000-ton tankers. And they made the switch through their own effort and their own economic abilities. Sin-

gapore has not the resources of Japan, of course, but it is applying that technique to its own problems.

Senator Carter: I should like to observe that what Mr. Pearson has said indicates that rather than having every country developing its own aid program we must have a co-ordinating agency.

Right Hon. Mr. Pearson: I could not agree more, but I cannot think of anything more difficult. That does not mean that we should not try to do it, but because of factors in the aid policies of various countries that are not primarily or directly related to world economic development I doubt whether those countries would be willing to subordinate their own policies to the efficiency that we would hope would come from that type of organization.

Senator Grosart: The consortia are doing it to some extent.

Right Hon. Mr. Pearson: Yes, they are to some extent.

Senator Macnaughton: I just want to say on behalf of us all that we are very happy to be here with Mr. Pearson, and to see him in such good health and speaking in his usual interesting fashion. He threw out a suggestion to private investment, and as a preface to my question I should like to say that all of us know the growth in size of large international corporations these days, with their real ability to invest money, to set up units to train the people who are necessary, and to produce various things. On the other hand, they run head on into a great deal of petty interference by the governments of the countries in which they locate. There is the question of stability, and the question of local customs that are not easy to change, and many of these corporations would certainly like to have a guaranteed return on the funds invested. They cannot take their shareholders' money, stick it in some place, and lose it. What new element has arisen that would lead you to think that private investment can now step into this picture?

Right Hon. Mr. Pearson: Well, there has been a good deal of consideration given by the big corporations which now meet together from time to time as to the role that private investment can play. There has been an emphasis at these meetings on not only the gain that comes to corporations through private investment abroad, but on the responsibility they have in the development of the countries concerned. There has also been an examination by the United Nations of the role of private investment headed by Dirk Stikker, who used to be Foreign Minister of Netherlands. He has produced a very interesting report, and there was recently a meeting to discuss that report between government representatives and private trade and investment representatives at Amsterdam. Our commission has a representative there.

There has been a very responsible approach by business in the last year or two to the problems and the opportunities of private investment. By the way, the cumulative direct private investment in developing countries is now about $35 billion. I mentioned earlier some of the burdens of this, as well as some of the opportunities, but 50 per cent of that is in Latin America, and only 14 per cent is in Asia where it is probably needed most.

I think that the role of private investment can be very important, but only if it is carried out by the private interests concerned with due regard for their responsibilities to the development of the countries, as well as to their shareholders. It seems to me that they are more and more conscious of this fact, and that there are more and more international development companies or agencies being established.

So, I think this can play quite a part in the future. We find in Latin America that there is the same kind of uneasiness about some of the political aspects of private investment that are found in more enlightened countries further north.

Senator Grosart: What percentage of the $11 billion is private?

Right Hon. Mr. Pearson: $3 billion plus—about one-third. As I said, nearly half of this comes from the United States, and about one-third of the American investment—I am not sure whether this includes other investments as well—is in petroleum products. Sometimes that does not help the people of the developing world very much in a direct way.

Senator Grosart: Canadian aid is almost totally official?

Right Hon. Mr. Pearson: Almost totally.

Senator Macnaughton: But is there a growing awareness on the part of the countries receiving this private investment of a reciprocal duty to provide investors with some sort

of security? For example, I know of a large international firm which was set up by invitation in India. They have had nothing but trouble ever since. They have difficulty in getting the necessary imports, and they have difficulty in respect to making the local customary deals that have to be made. Yet, their basic intention is to assist.

Right Hon. Mr. Pearson: Well, they know, of course, that if they are to get private investment they have to treat that investment fairly in their own countries. We have learned something about this. In Rawalpindi, Delhi, and Singapore we had meetings with private businessmen and bankers of Asian countries. We discussed with them the role of private enterprise and the difficulties that are encountered not only by them as domestic investors but at times as agents of international corporations. I know the difficulties to which you are referring, and I know the difficulties on their side. One of the proposals put forward recently is that the governments should insure private investment in developing countries. Some consideration is being given to that.

Senator Macnaughton: I have one further question, and it will be short. While coming to Ottawa this morning I ran into the Speaker of the Senate. He was very interested in the Communist slogan throughout the world "Food and Shelter". He did not ask me, but he implied that I might ask what we on our side are doing to publicize the efforts that we are trying to make for and on behalf of the recipient nations. How do we publicize them?

Right Hon. Mr. Pearson: I do not know whether I can answer that. At least I think we publicize it as much as they do in the communist countries. I think you hear as much in developing countries, if not more, of the assistance they are getting from the non-communist world as that from the communist world. Some of our publicity however—by which I mean that of non-communist world—is not always of the best kind. The communists have been very skilful in their attitudes, in their activities in these countries, to which they send technical assistance. But I do not think we should complain that they are getting more and better publicity than the non-communist governments who have been helping these countries.

Senator Macnaughton: The basic question was: are we taking steps to make sure that some of these efforts are appreciated by the people rather than the officials?

Right Hon. Mr. Pearson: If I can speak as a Canadian, where we are doing work in these countries—I am thinking of our young people, CUSO and the technical people who are out there, quite a lot of whom I met on my trips, and I tried to meet them wherever I went—in the kind of projects we have assisted with we do not run the risk of being suspected of having any other consideration than development; we have no political axe to grind. I think that kind of thing has made the Canadian effort in these countries not only well-known but greater appreciated. We have made mistakes too. We have helped them in projects that did not turn out very effective from the development point of view. However, I often heard expressions of appreciation, and very deep appreciation, by government representatives in Africa and Asia of what Canada had done, and what other countries, middle powers, had done.

They have a feeling that they can deal with us without being subjected to pressures to which they feel they might be subjected if the aid came from very, very powerful countries, or from ex-colonial countries. Perhaps we are getting credit for virtues and merits that we may not possess, but we get a lot of credit for it just the same.

Senator Cameron: I have three questions. The first is: to what extent are non-governmental agencies involved in the distribution of aid programs?

Right Hon. Mr. Pearson: I do not know of any non-governmental agencies that are involved in the distribution of official aid at all. There may be some but I just do not know of any.

Senator Cameron: I am thinking of getting the most effective utilization of aid within a country. I think it is essential that it be done by more than government agencies. The government agencies may take the initiative, but I am wondering to what extent we are trying to involve others.

Right Hon. Mr. Pearson: I can say something about that in terms of our African experience, where we have done a great deal through the universities, not only directly between governments and the universities in question, but by a Canadian university working with a local university and getting government help in doing it. I am thinking of Kenya, Uganda and Ghana.

Senator Cameron: Ruanda.

Right Hon. Mr. Pearson: Ruanda particularly. I would think we are using these non-governmental institutions as much as possible. It depends so much on the attitude of the government of the country concerned. Very often these non-governmental institutions, like Makerere University in East Africa, are pretty close to the government.

Senator Cameron: I suppose, too, in some of the newly developing countries, the non-governmental agencies are not long developed.

Right Hon. Mr. Pearson: Yes, I suppose that is true.

Senator Cameron: The next thing is this. You quoted statistics, and I may say that I am encouraged by one statistic that you quoted, which was that these countries are 94 per cent self-supporting; that is, they are producing 94 per cent of their own resources.

Right Hon. Mr. Pearson: A little more.

The Chairman: Ninety-six per cent.

Right Hon. Mr. Pearson: Ninety-six per cent was the figure given. These figures come from the best sources I can find, and they show that 96 per cent of the income of developing countries comes from the results of their own policies, and four per cent from the transfer of resources from outside.

Senator Cameron: I did not think the picture was that good, but that leads to the next question. Are you satisfied with the comparability of the statistics?

Right Hon. Mr. Peason: No.

Senator Cameron: What is being done to make them comparable? Otherwise the thing falls apart.

Right Hon. Mr. Pearson: I do not know what can be done. We have international meetings on statistics and we try to coordinate and unify them. The United Nations has done a lot of work in this field, but it is extremely difficult, especially in some developing countries. To find the gross national income, for instance, in a country where perhaps 50 per cent or 60 per cent of the income attributed to a farmer or peasant would not be in money terms at all, and an estimate has to be made of how much is non-monetary, that is difficult. How much satisfaction—a form of income—is got out of lying under a palm tree, reaching for the fruit to eat, and enjoying a warm, sunny day. A man may not even need shelter because the sun is always shining! How much for that should be added to his cash income of $10 a year? In these countries they are having a great difficulty in establishing statistics, but they do the best they can and are getting technical assistance from countries through statistical missions.

Senator Cameron: It is like trying to put a value on psychic income. Senator Carter touched on my third question, which is: what are the chances of making it possible for developing countries to expand their export trade? If they are not able to do that—and the UNCTAD experience has not been very helpful—if they are not able to expand their exports and get money to buy from us, are we not just on a merry-go-round and going to get worse rather than better?

Right Hon. Mr. Pearson: That is exactly what they tell us, that we must help them in trade. By that they mean we should help them by international commodity agreements, some of which are in effect and one or two of which are working very well. But they would like more. They say we must help them by giving them access to our markets; that not only do the rich countries not give them preferential treatment, which we should do if we want them to develop, but actually discriminate against them through GATT arrangements, which give preference to developed countries. They are pretty bitter about this.

I am trying to put this in a form which will not put anybody on the spot in these countries. I was told in one country: "You people in the rich countries"—he was thinking particularly of North America—"will hand us $100 million, $200 million or $300 million a year of foreign exchange to help us in our trade balance. Part of it is to be used to build up a textile industry in our country, because you tell us that if we are to develop we have to develop our exports of manufactured goods, especially of those where we have had experience such as textiles. But as soon as we sell textiles in your markets you ask us voluntarily to reduce our exports to your markets or put obstacles in the way of the sale. Your answer is that it is easier to give us $100 million than to receive our shirts". This does not impress them very much.

Very often it was pointed out to us that the arguments we use in our legislatures—which

applies to nearly all the dollar countries—to get the kind of aid appropriation the government would like from Parliament, from the legislatures, is that this is going to open a market to us and increase our export trade. They read these arguments in their own countries and lose some of their respect for our altruistic motives in helping them. My reply to that kind of complaint, and I got it from a good many, was, "Well, look, we do this in the western countries with the best of intentions because we want to get more money for international aid. This is a good argument and after all if it happens to help us as well as help you, you should be very grateful. Even if out of a $100 million we get $50 million benefit, you get the other $50 million. That is better than not getting any at all. Perhaps if governments cannot use this kind of economic advantage argument before congresses and legislatures they may not be able to get $3 billion- or $4 billion-appropriations." That is the other side of the problem.

Senator Cameron: Is this not the crux of our big problems to try and find the formula to which you can stimulate their productivity and give them work and so on without getting into a tangle on imports?

Right Hon. Mr. Pearson: That is quite true. One of the ways in which perhaps we can make the most progress in this matter in the future is by developing the technique of concessional loans and by using IDA, which is a branch of the World Bank and also the African and Asian regional banks, and giving them more funds in this way.

This has turned out to be a very good device from the point of view of developing countries. They are borrowing, but at a low rate of interest, a concessional rate of interest over a long-term. This reduces the burden of debt on them and they feel better by getting the help in that way.

I was very glad indeed to learn, when I was abroad, that the IDA, which I think is an increasingly important multilateral institution in this field, and had pretty well run out of funds, had obtained new commitments. The President of the United States had sent to Congress a request for $160 million for the replenishment of IDA and it had been passed, I believe, by Congress. This was a very good sign and cheered people up in these countries. Also, after the recent meeting of the Asian Development Bank I had a talk with Mr. Watanabe, the President of that bank. I also talked to the Vice President of the African Development Bank, which is a good organization. The founding members of this bank decided they would try to work out a regional development bank which would depend only on African countries for its support and therefore would not have to have membership outside of Africa. They have got a very good African bank with a very fine African membership and a very good African director, but they have little money. They are beginning to re-examine the situation.

Senator Cameron: I have a comment rather than a question. It relates to trying to put a value on the export of know-how. I have just come back from three weeks in the Middle East, where you get a graphic illustration of what the Israelis have done with not only the American know-how but know-how from everywhere. They have brought in know-how and made a tremendous change. The Arabs are still back in the sixteenth century. This is one of the most graphic illustrations of what a poor country can do with the importation of know-how from other countries. It seems to me that this is one of the most productive kinds of export we can give.

Right Hon. Mr. Pearson: I quite agree and I am glad that the percentage of appropriations from various governments, devoted to technical assistance, is going up. I am also impressed by the fact that while there were a many mistakes made in this field in the early years, those mistakes are being corrected and the kind of technical assistance that is being carried on now is more helpful to these countries than in the earlier years. There was a question of learning by experience. You cannot put a value on these efforts. In our statement of expenditure we put a dollar figure which covers the salary and expenses of people doing the job. But when somebody invents something that may add ½ per cent to the national income of a country, you cannot put an evaluation on that. The men who discovered this new wheat and rice strain, what is the value of their work in terms of external aid? Hundreds and hundreds of millions. Technical assistance is, I think, an increasingly productive way of helping these countries. It is also becoming increasingly difficult to get the right people for the work when our own economists are active, the kind of people you want for work abroad is in many cases the kind of people who have a lot to do at home. Representatives of these developing countries often spoke to us about sending out the retired technicians and executive types who

would be able to help them. This is being done more and more. Of course, there is a very important part of technical assistance devoted to education.

Senator Thorvaldson: Mr. Pearson, I think my main question was covered really by your answer to Senator Cameron's last question. I would like to say that I, and I am sure everybody else here, realize the tremendous importance of the work that your commission is doing. Since our time is about up, my only question was going to be this: would you give us just a brief review as to your colleagues on the commission and how you operate. I think this would be of great interest. I do think that the work you are doing is of tremendous importance.

Right Hon. Mr. Pearson: The way we operate, as I have said, is by the chairman visiting many of these countries—he cannot actually visit every country—and setting up shop in a capital where people can come, representing neighbouring governments. That exercise has been almost completed. I have one more meeting in Ankara, which is for the Mediterranean countries and this will be held in the early part of June. In between I report to the full commission as to what has been going on. When we have our full commission meeting, and we are having one in Copenhagen, Denmark, in a few weeks, the commission will go over, not only the results of my travels, but the work done by the experts and economists in the office in Washington who are doing drafts of the report.

I appointed our staff incidentally, before I asked men to join the commission, because the staff are the people who matter in a job of this kind. We have got extraordinarily good people from all over the world, 12 or 14 from various continents. I told them last September that I thought it was time to start writing their report right away; to begin chapters 1 and 2, that if eventually we have to write a different report we would have something to work on. They are doing that.

If we meet in Denmark at the end of this month or beginning of June it is merely because we chose Copenhagen as a central place to meet. We have met in Rome and in Mont Gabriel, in the Laurentians. We will go over drafts of chapters in our report in the light of information that we have ascertained and will modify those drafts accordingly.

The commission consists of Roberto de Oliveira Campos, a former Minister of Finance in Brazil. He was in Washington before that and I believe was also a banker. We have Douglas Dillon in New York, who was Secretary of the Treasury and a man named Edward Boyle, the Minister of Education in Mr. MacMillan's Cabinet years back. We also have Rober Marjolin from Paris, who is a professor at the Sorbonne university, and was earlier Secretary of the OECD. We have also a German, Wilfried Guth, who is the head of the Kredit Anstalt Bank; a Jamaican, Arthur Lewis, who lived and worked in Africa and who is a professor of Economics at Princeton University. He is very able and experienced in this field and is perhaps the outstanding authority in development of economics in the world. I do not think that is an exaggeration. There is a Japanese, Dr. Saburo Okita, head of the Japanese Economic Research Agency in Tokyo. It is a very good group. Our Secretary General, who has a very key job, is a young man named Edward Hamilton who was, before he took on this job, a liaison officer between the White House and Congress on aid and development questions. He has had much experience in a very important field.

Even if our report is a masterpiece—and I do not know whether it will be—and even if our recommendations are very important and far-reaching and deal with a problem of vital significance to the future of the world, those recommendations will not be of any value if governments do not feel they should be implemented. So it is important, not only to write this report but to make an impact on people who will have to carry it out.

Senator Thorvaldson: Is this the first review of this kind that has been made during the last forty years?

Right Hon. Mr. Pearson: It is the first review of the kind that has ever been made. There have been four or five commissions working in the United States in the last two or three years, reviewing their own aid program, and we have been in touch with some of them. There has also been a United Nations review of the United Nations activities in this field. The Inter-American Bank is reviewing aid and development problems in its area. But I think this is the first time there has been a review of the whole field of aid and development. That is why it is such an overwhelming problem.

As we were not appointed by the United Nations, the people there must have won-

dered at the beginning what business we had going to New York and asking them how they are doing this an how they are doing that, because we have no authority to examine their activities but we have kept very close touch with them and with the work they are doing in this field, and I believe they welcome our activities.

Senator Martin: You would expect that the OECD would make a review?

Right Hon. Mr. Pearson: They make a review every year, but it is from the donor point of view. They make a annual review and a very good one, and the banks review the subject from time to time.

Senator Connolly (Ottawa West): Not only have I one or two questions which can be answered very quickly by Mr. Pearson, but I would like to say, before I ask him those questions, that at the last meeting of the Commonwealth Parliamentary Association, the appointment of his commission and the chairmanship he was going to give to it, gave particularly the developing countries a great deal of pleasure and they were deligthed with the prospects. So, in addition to being welcomed by the Senate, you are also highly endorsed by the Commonwealth Parliamentary Association. Could I ask you, first, whether in the consideration of these figures, military aid is included?

Right Hon. Mr. Pearson: One or two countries do include military aid, what I would call military aid. Others include what it would call "defence support". But most countries exclude military aid. So there is no universal rule.

I should point out that the United States excludes military aid from its figures, and the DAC figures from which I quoted exclude military aid. But as to one or two of the DAC countries—one country has figures which, if you examine them very carefully, seem to me to be very closely associated with defence. I do not think I should mention the countries.

Senator Grosart: Or offence?

Senator Connolly (Ottawa West): Mr. Pearson, would it be possible to establish priorities for countries, or is it the intention to establish priorities for countries requiring aid, on the basis of what I might describe as a poverty test or means test or needs test?

Right Hon. Mr. Pearson: I would hate to have the job. It could be done but it would not be foolproof. This is what I had in mind when I was speaking, and we will have something to say about this in our report, as about establishment of standards of performance and requirements. It would be very difficult indeed. It has been suggested, for instance, that international assistance should be concentrated on those countries which have particularly good performance and who are on the verge of take-off, getting close to take-off; that one should concentrate on those countries.

Senator Connolly (Ottawa West): Of which there are some 20 out of the total.

Right Hon. Mr. Pearson: It would be hard on a country that has made very little progress when the reason for its making so little progress is that it was so extremely poor and to begin with was able to pull itself up only half an inch or so by its bootstraps; and which is liable to sink back again. Therefore, I would see some difficulty in establishing a sort of "batting order."

Senator Connolly (Ottawa West): Thank you. I would ask this last question and I do not ask you to give a prolonged answer. Would you say there is more required for aid in infra-structure sectors of developing countries at the moment than in the productive sectors?

Right Hon. Mr. Pearson: My view, from what I have learned, is that perhaps in the early days it was right to devote such a high proportion of aid to infra-structure. But whether it was right or not, that was what the developing countries then seemed to want. But now, we would be well advised to divert more of our aid to what is called productivity projects rather than infra-structure. That is the opinion of the experts that I have been studying.

Senator Connolly (Ottawa West): Then you immediately qualify that by talking as you did in reply to Senator Cameron's question about the need for an outlet for their products.

Right Hon. Mr. Pearson: Yes.

Senator Connolly (Ottawa West): Thank you very much.

Senator Martin: When you were Prime Minister you announced a principle of support for the creation of an institute of development, to provide research, continuing

examination by experts, of this tremendous problem which is I suppose the great problem facing us in the modern world. As a result of your examinations and further reflections, do you see an opportunity or a justification for this concept?

Right Hon. Mr. Pearson: Everything I have learned in the last ten months has increased in my mind the importance of an institution of this kind.

Senator Martin: For location in Canada?

Right Hon. Mr. Pearson: I would hope it would be in Canada, but wherever it is located I think it would be of the very greatest importance. I know that the fact that we have been talking about that kind of agency in Canada has been received with a great deal of attention; and nearly every country we went to in Africa and Asia asked me to explain what this was and how important it would be. So I feel very strongly about the value and utility of this kind of institution for research and development, even more than I did before.

The Chairman: Mr. Pearson, as I said at the outset, in very simple terms—welcome; I would like to say now, in conclusion, thank you very much.

The committee adjourned.

THE QUEEN'S PRINTER, OTTAWA, 1969

First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable Gunnar S. Thorvaldson, *Acting Chairman*

No. 7

WEDNESDAY, JUNE 18, 1969

Respecting

THE CARIBBEAN AREA

WITNESSES:

From the Department of Industry, Trade and Commerce: Mr. T. M. Burns, General Director of Office of Area Relations; Mr. G. Schute, Director, Industry, Trade and Traffic Branch; Mr. R. F. Nichols, Director, and Mr. C. L. Bland, head of the Commonwealth Division, Office of Area Relations.

[illegible]—1

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29998—1

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (*Rigaud*)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (*Carleton*)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin
(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

(i) Treaties and International Agreements.

(ii) External Trade.

(iii) Foreign Aid.

(iv) Defence.

(v) Immigration.

(vi) Territorial and Offshore matters.

* * *

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

* * *

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

29998—1½

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine,

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

Extract from the Minutes of Proceedings of the Senate of Canada—Wednesday, 18th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting today.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 18, 1969

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 3:25 p.m. this day.

Present: The Honourable Senators Belisle, Cameron, Carter, Eudes, Fergusson, Gouin, Grosart, McElman, Pearson, Phillips (*Rigaud*), Quart, Robichaud, Sparrow, Thorvaldson and Yuzyk.—(16)

In Attendance: Mr. Bernard Wood, Research Assistant to the Committee.

Due to the unavoidable absence of the Chairman (Senator Aird), on motion of Honourable Senator Belisle, the Honourable Senator Thorvaldson was selected to be the Acting Chairman of the Committee during the Chairman's absence.

Agreed on division—That the Committee seek authority to sit while the Senate is sitting on June 25, 1969.

The following witnesses were introduced and heard:

From the Department of Industry, Trade and Commerce:

Mr. T. M. Burns, General Director of the Office of Area Relations; Mr. G. M. Schute, Director Industry, Trade and Traffic Branch; Mr. R. B. Nickson, Director and Mr. C. L. Bland, both of the Commonwealth Division, Office of Area Relations.

Agreed that a document entitled "Canada—Commonwealth Trade and Economics Relations", which was submitted to the Committee, be printed in the Committee's records (*See Appendix "B" to Today's Proceedings*).

At 5:05 p.m., the Committee adjourned until 4:00 p.m., Wednesday, June 25, 1969.

ATTEST:

E. W. Innes,
Acting Clerk of the Committee.

THE SENATE

SPECIAL COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Wednesday, June 18, 1969

The Special Committee on Foreign Affairs met this day at 3.00 p.m.

The Clerk of the Committee: Honourable Senators, due to the unavoidable absence of your Chairman, the first business is the appointment of an Acting Chairman.

Senator Belisle: I move that Senator Thorvaldson be appointed.

Senator Grosart: I second the motion.

The Clerk of the Committee: It is moved by Senator Belisle and seconded by Senator Grosart that Senator Thorvaldson be appointed Chairman on an acting basis, during the absence of the Chairman.

The Hon. Senator Gunnar S. Thorvaldson (Acting Chairman) in the Chair.

The Acting Chairman: Senator Aird had intended to have two meetings of this committee next week if possible. We would like to seek a motion now requesting that this committee be authorized to sit next week during the sittings of the Senate.

May we have that motion?

Senator Belisle: Before the motion is made, Mr. Chairman, I would say that we have many meetings next week.

Senator Yuzyk: This is with reference to the Science Policy Committee, of which I am a member. I have not been able to attend this committee, which I would like to attend, because we are having meetings of the Science Policy Committee at the same time.

Could some suitable time be found so as to avoid this conflict?

The Acting Chairman: Yes, I think if you will be so good as to leave it to the Chairman he will try and find a suitable time. We certainly do not want to conflict with other committees and, indeed, we might find it impossible to meet next week. If so, then we will have to be governed by circumstances.

Senator Grosart: Mr. Chairman, may I observe that we will be very busy in the Senate next week. It will be the last week and I wonder if it is wise for us to sit while the Senate is sitting next week.

The Acting Chairman: Perhaps we might consider that at the end of this meeting.

Senator Robichaud: Also, Mr. Chairman, referring to the Science Policy Committee, we have six or seven meetings scheduled for next week, a number of these while the Senate is sitting.

The Acting Chairman: I must say that this meeting was scheduled for this hour because it was expected that the Senate would not sit.

Honourable senators: Senator Aird has asked me to convey to you his regrets that he is unable to be present at our meeting today. I assume that all members have received Senator Aird's memorandum outlining our program for the remainder of the session. Just to confirm this, these are notes left with me by Senator Aird. The Honourable Allan MacEachen will be with us next Wednesday, June 25th, at 4 o'clock in this room. We are looking into the possibility of organizing a meeting on the afternoon of Thursday next week with the Canadian International Development Agency.

I believe you have also received the commentary on the departmental papers prepared by our researchers. I think we are all interested in seeing how useful this material will be. If members have suggestions to make regarding this material please speak either to me or to Mr. Dobell or Mr. Wood.

Today's meeting will undoubtedly be one of the most important of our whole inquiry into Canadian relations with the Caribbean region. As you know, the Honourable Jean-Luc Pepin was scheduled to be with us this afternoon. Unfortunately, an important meeting has suddenly been called in Washington to consider the international wheat situation, and it was obviously essential that he attend.

As Mr. Pepin also has to be in Washington next week, we could not arrange an alternative meeting. Nor did we want to wait for the information until the House reconvenes in the autumn.

We are fortunate that one of the best qualified senior officials of the Department of Industry, Trade and Commerce, has been willing to replace Mr. Pepin at short notice.

Mr. Tom Burns, as general director of the Office of Area Relations, is the man chiefly responsible for co-ordinating our bi-lateral trade relations with all countries. He is therefore admirably equipped to explain and elaborate on the very substantial reports prepared for us by the Department.

Mr. Burns joined his Department in 1947. From 1948 to 1968 he was attached to the Trade Commissioner service of his department and served in various posts around the world. From 1965 to 1967 he was a member of Canada's delegation to the Kennedy round negotiations in Geneva. He was appointed to his present position last year.

On behalf of the committee I would like to extend a very warm welcome to Mr. Burns and tell him that we are looking forward to a stimulating discussion.

Mr. T. M. Burns, General Director, Office of Area Relations, Department of Industry, Trade and Commerce: Mr. Chairman, Honourable senators: Thank you very much, Mr. Chairman, for your kind words.

First of all, the Minister asked me to present his regrets that he was not able to be here this afternoon. He would have very much liked to have had the opportunity of discussing the Caribbean with your committee but, as you know, he has been called out of town.

Before I begin I would like to take the opportunity, Mr. Chairman, of introducing some of my colleagues who are here as well as one or two of whom may want to participate in the discussion.

First of all, Mr. Nickson, who is the director of the Commonwealth Division of the Office of Area Relations in our Department. Mr. Bland, one of the officials of the Commonwealth Division, and Mr. George Schuthe, Director of our Industry, Trade and Traffic Branch, who is our Departmental expert on shipping, among many other matters.

Mr. Chairman, I do not have a general statement to make. I believe the Department has supplied a good deal of background information on the Caribbean. If you want to begin with the questioning we would certainly be glad to do what we can.

Senator Pearson: Could you give a brief review, without going into detail. We have so many committees it is hard to keep up with all the briefs that appear before us now.

The Acting Chairman: I think that would be very interesting, if you could begin with a general statement of the matters that you came to express to us. Based on that I think it would be easier for the members of the committee to ask questions of you.

Mr. Burns: Very well, Mr. Chairman.

In historic terms Canada's relationship with the countries of the commonwealth Caribbean are probably closer than with any other part of the developing world. They cover a very broad range of subjects: Trade, investment, aid, tourism, migration, transportation, education and, of course, common membership in the Commonwealth.

Canada has had very long-standing trade relations with the area, which are incorporated in the 1925 Canada/West Indies Bilateral Trade Agreement, which was brought up to date by a Protocol signed on the occasion of the Canada-Commonwealth Caribbean Prime Ministers' Conference in 1966.

It is generally accepted that the trade and economic links between Canada and the Commonwealth Caribbean form the essential substance of the special relationship which has existed between those two areas of the world.

The complementarity of Canadian and West Indian economies which triggered the early trading links remains an important factor in the current trade between the regions.

Those early commercial exchanges, Canadian flour, salt cod and lumber for West Indian sugar, rum and molasses, still form an important element in our current trade.

In 1968 the level of that trade on a two way basis reached nearly $200 million, with Canadian exports slightly larger than our imports from the commonwealth Caribbean.

Senator Phillips (Rigaud): Mr. Chairman, may I direct a question, because I think it will help us:

In referring to the Caribbean area do you include any part of the south American mainland, any of the northern countries?

Mr. Burns: Senator, I was really referring to what used to be the British West Indiens, the islands of the Caribbean that are members of the Commonwealth, either self-governed or still territories that are subject to the overall jurisdiction of the United Kingdom.

Senator Phillips (Rigaud): It does not cover British Guyana, which is on the mainland?

Mr. Burns: I should have added British Guyana and British Honduras in the description of the islands; thank you.

Canadian banks and financial institutions of course played a long standing and important role in the economic development of the Caribbean region. In addition there has been a good deal of industrial investment in the Caribbean which has reached something over half a billion dollars. Of course, the leading elements in that investment have been the investment in bauxite and alumina production in Jamaica and Guyana, but it also covers a wide range of secondary manufacturing services and tourist facilities.

The Canada-Commonwealth Caribbean Prime Ministers' Conference in 1966 was an important milestone in the development of closer consultation and co-operation in trade and economic relations between Canada and the West Indies.

This Conference provided an opportunity to define and make more effective the special relationship. It established a new basis on which to work towards a furthering of this relationship.

The trade and economic element of that Conference was of great importance. A separate Trade Committee, at the ministerial level, worked throughout the Conference examining, first of all, the contractual framework of the trading relations between Canada and the West Indies; specific commodity areas, such as sugar, rum, bananas, wheat, flour and salt cod; the question of shipping facilities; and finally the need to establish better consultative arrangements to pursue discussion of bilateral trade and economic matters.

One of the trade results of that conference was incorporated in a Protocol which provided, among other things, an agreement to examine the 1925 bilateral agreement with a view to its further amendment or re-negotiation in the light of the results of the Kennedy Round.

The waiving of the direct shipment requirements so that either Canadian or Commonwealth Caribbean goods may now be transshipped and still qualify for preference as long as a through bill of lading accompanies the shipment.

Finally, provisions regarding access for commodities of special interest to both sides, including rum, bananas, wheat, flour and salt cod. A consultation provision in respect of industrialization measures substantially affecting the trading interests of either side; the establishment of a standing Committee on Trade and Economic Affairs to meet from time to time at ministerial or official levels.

In addition, at that Conference special arrangements were made to assist West Indian sugar producers.

The Commonwealth Caribbean countries are still basically agricultural, although they are all actively seeking to broaden their economic base. They are heavily dependent on a narrow range of exports, sugar, bauxite, alumina, petroleum, bananas and citrus for earnings of foreign exchange. The bulk of their agricultural exports go to the British market.

Any move by Britain towards accession to the European economic community will have serious implications for that trade.

Tourism is becoming an important source of foreign exchange earnings. In parts of the Commonwealth Caribbean receipts from tourism have now supplanted sugar earnings as the principal source of foreign exchange.

Canadian participation in the growth of tourism in the Caribbean has been sizeable and it is growing rapidly. In 1964, 42,000 Canadians visited the Commonwealth Caribbean; in 1968 more than four times that figure, 171,000 visited the Commonwealth Caribbean area.

Another factor in the present environment of the area is that a satisfactory rate of economic development will require continuing substantial infusions of both capital and management expertise from outside.

Governments of the Commonwealth Caribbean pursue active industrialization policies

both for economic development and to help to deal with serious unemployment problems.

Competition for the region's growing import market is sharpening. The United States, Britain and Canada are the principal suppliers to the area's import market of nearly a billion dollars.

It is becoming increasingly recognized that the individual island economies are too small to form a viable economic base. Attempts which began in 1958 to form a federation were not successful.

However, just a year ago the Commonwealth Caribbean joined in a Caribbean free trade area, CARIFTA. Intra-area trade is expanding. Although joined in this general free trade area, covering the region as a whole, individual Caribbean countries are exploring new commercial links with other regional economic groups in the western hemisphere.

Trinidad and Barbados are members of the Organization of American States. Jamaica is considering a formal application to join that organization. There has been some consideration, mainly in Jamaica, of the possibility of association with the EEC, should Britain join the common market.

Trinidad has expressed interest in closer relations with Venezuela and with the countries of the Latin American free trade association.

In terms of Canada-Commonwealth Caribbean trade relations, the old complementarity of economies, while still a significant basis for trade, is undergoing changes. The trade patterns are changing to reflect the developing economies on both sides.

The growing industrial sector in the West Indies is opening up attractive opportunities for Canadian exporters of capital equipment, plant machinery, industrial raw materials and fabricated parts and components.

West Indian imports of these commodities are increasing significantly and will continue to do so as the industrialization process continues. For example, Canadian companies have been successful in selling telephone equipment to Jamaica and Trinidad and aircraft to Guyana.

The tourist industry also presents excellent opportunities for sales of sophisticated consumer goods and foodstuffs not produced locally. There are also good opportunites for Canadian firms in the field of technical and engineering services. For example, new airport and tourist facilities.

A Canadian company recently won a two and one quarter million dollar contract to supply all the interior furnishings and equipment for five different hotels in Barbados. A Canadian consortium is actively negotiating for the construction of new airport facilities worth some $10 million in Barbados.

Competition in the area is sharper. U.S. suppliers particularly have been earning a larger share of the total West Indian market. There are signs that the British are re-vitalizing their promotional efforts.

In maintaining Canada's commercial relations with the Commonwealth Caribbean the government first of all maintains trade offices in Kingston, Jamaica and Port of Spain, Trinidad, which actively support Canadian commercial interests. Specialized Departmental officers frequently tour the region to promote the sale of specific Canadian goods and services.

The Department maintains a number of special export development programs, such as the airports for export program, which has been successful, and tourist development. Both of these are active in the Caribbean area.

The government also provides long term financing to assist Canadian exporters of capital equipment to the West Indies. This facility was used by one Canadian firm to help win a $4 million contract for equipment for a water supply project in the Bahamas. It will also be sued to finance the sale of Canadian telephone equipment to Jamaica valued at nearly $9 million.

When the new legislation now before Parliament to establish an Export Development Corporation is passed the government will have facilities to provide insurance against certain non-commercial risks for Canadian investors in developing countries. This should assist in expanding our already substantial investments in the area.

The Department has been encouraging Canadian business men not to overlook opportunities to enter into licensing arrangements or to establish branch plants in the West Indies.

Experience indicates that where a traditional import market is lost because of the imposition of import restrictions investment is an alternative way for Canadian companies to maintain their participation in the area. The question of investment may become more relevant with the creation of a larger free market area represented by CARIFTA, the Caribbean free trade area.

Of course, the Canadian aid program to the Commonwealth Caribbean has expanded significantly in the last three years. While primarily to assist the economic development of the region, our aid program has a significant commercial fall out for Canadian businessmen.

What can be done to improve our trade relations with the Caribbean? We have the 1926 bilateral Agreement, supplemented by the 1966 protocol. At the conclusion of the 1966 conference it was agreed that the two sides, the Commonwealth Caribbean and Canada, would examine the 1925 Agreement in detail with a view to its further amendment or re-negotiation in the light of the results of the Kennedy round.

We have not yet begun this process of re-examination. However, members of the Committee may recall that at the 1966 Conference it was agreed that a study should be initiated of the possibilities for a free trade area between Canada and the Commonwealth Caribbean.

The Canadian government subsequently commissioned the Private Planning Association of Canada to prepare an in-depth study of the possibilities of such free trade. We are expecting the results of that study shortly.

Free trade would certainly be one of the options which would have to be examined in terms of any real review of our economic relationships. Short of that, of course, there are other options, which would involve the strengthening of the provisions of the present Trade Agreement relations.

One factor which we will have to take into account in any study of new contractual arrangements with the West Indies will be the development of the generalized preference scheme for the developing countries. This scheme which is to be established under the auspices of the UNCTAD, is designed to provide preferences for the semi-manufactured and manufactured products of all developing countries by all developed countries. This is in the process of development and discussion now.

The question of sugar is, of course, of crucial importance to our overall trade relations with the Caribbean. Canada, in close consultation with the West Indies, actively supported the negotiation of the new International Sugar Agreement which came into effect last January 1st. Already that Agreement is having a positive effect as world prices have doubled to over 4 cents per pound from a pre-agreement low of 2 cents per pound.

In addition, in 1966 Canada instituted a special measure to assist West Indian sugar producers, special annual payments to the region in the amount of the preferential duty on their sugar sales to Canada not exceeding 275,000 metric tons.

As far as rum is concerned, we are in the process of instituting a new agreed labelling regulation which we and the West Indies feel will facilitate the sale of West Indian rum in the Canadian market.

There is a need to maintain and strengthen the dialogue between Canada and the West Indies. In addition to regular contacts at the diplomatic level and periodic Commonwealth meetings, there is a standing Committee on Trade and Economic Affairs, established at the 1966 Prime Ministers' conference, which can meet at the ministerial or official level. There is as well a liaison group established in Ottawa consisting of Commonwealth Caribbean High Commissioners in Ottawa and Canadian officials, which can be called together to deal with specific problems.

Mr. Chairman, that is a quick review of some of the elements of some of our trade and economic relations which may serve as basis for discussion.

The Acting Chairman: Thank you, Mr. Burns. I am sure you will all realize that we have got more detail in regard to our trading relationships with the Caribbean area from Mr. Burns than we have in the past. I am sure your statement has been most useful.

Senator Pearson: I notice in some of these briefs I have read that the United States has been able to offset our sales, or undercut our sales of wheat or flour to the West Indies because they were able to trade and make deals. Our Wheat Board according to rules and regulations cannot make any deals in trading. It has to be a straight cash sale.

Is it not possible that we could have a subsidiary body to the Wheat Board which could buy a block of wheat and then make the deals themselves? That would assist the Wheat Board to make sales in the West Indies in competition with the United States.

Mr. Burns: Senator, if I might just for a moment outline the kind of history of our flour and wheat sales to the commonwealth Caribbean it might help me at any rate to provide an answer to the question you have raised.

The traditional market in the West Indies for Canada has, of course, been flour but if we look at the statistics we see a decline in those exports over recent years. That is really accounted for by the establishment of local flour mills in the various individual islands of the Caribbean.

Senator Pearson: Are these flour mills established by the United States?

Mr. Burns: As I understand it the ones that have been established in the West Indies in this recent period have all been United States owned. However, I think it is true also to say that the Canadian industry had an opportunity, if they had wished to, to consider the establishment of Canadian operated mills in that area.

One of the results of this is that the flour mill with American ownership and management is more familiar with the milling qualities of American wheat than Canadian wheat. So there is a natural tendency to think of the United States as the source of the supply of wheat, rather than Canada.

However, of the agreements at the 1966 Conference here in Ottawa was that the Commonwealth Caribbean would do what they could to ensure fair and equitable treatment for Canadian wheat and flour in Commonwealth Caribbean markets. I think it is fair to say that there have been some advances in the sale of Canadian wheat in the Caribbean.

The figures I have in front of me suggest that in dollar terms we sold something less than $300,000.00 worth of wheat in 1965 in the Commonwealth Caribbean and sold $1.7 million worth in 1968. In the first four months of this year the figure is something of the order of $700,000.00, so that as the flour market has declined somewhat the wheat market is improving. In fact, there is some evidence that we are making inroads into that market.

Senator Pearson: Is that in constant dollars between 1965 and 1968?

Mr. Burns: No, these are in current dollar terms, but it is a five-fold increase over four years.

The Acting Chairman: Mr. Burns, might I say this to you: There was formed in 1966 at the Commonwealth Caribbean-Canada Conference a Trade and Economic Committee which was supposed to meet from time to time. Has that ever met?

Mr. Burns: Mr. Chairman, that committee has met once, in 1967, and has not met since. The 1967 meeting was really convened to carry forward some of the work begun at the 1966 Prime Ministers' Conference. It did a good deal of useful work on the bilateral issues as well as focusing quite strongly on some of the international trade developments of 1967. These issues were such as the later phases of the Kennedy round, the question of the negotiation of the new sugar agreement and so on. That is the only time it has met.

The Acting Chairman: Would the Committee mind if I open up just one other subject which I think you want to know something about resulting from the 1966 Conference.

As I recall it there was considerable talk then between Canada and the various countries that we would look to the question of developing a free trade area. Has anything been done along with that line? Has that been pursued? I understand that that was left to the Canada Planning Association, who asked to make a study of that. Just where does that whole proposition stand at present, Mr. Burns?

Mr. Burns: Mr. Chairman, the Private Planning Association has been pursuing this study. We have been expecting the results of the study over the last two or three months. We now expect to have them quite shortly. We are hopeful that that will be an in-depth study of some of the implications, the pros and the cons of looking at free trade between the Commonwealth Caribbean and Canada.

We have not as a government I think done very much in terms of detailed study ourselves of the various factors and considerations that would have to be taken into account in any move in that direction. We are hoping that the study will form a useful basis on which to begin work in that area.

Senator Phillips (Rigaud): Did you give us a figure of the total trade in the last available fiscal year in the area in question?

Mr. Burns: The two-way trade is just slightly under $200 million, with our exports slightly higher than our imports.

Senator Grosart: Mr. Chairman, naturally most of the questions that we will be asking today will be concerned largely with the Canadian interest in the Caribbean. I think you would want it said at the outset that the mood of this committee over its past meetings has been that we are equally interested in considering what Canada can contribute as a good neighbour to the viability of the Commonwealth Caribbean economy, not merely in Canadian international development aid, but in other ways.

Arising from that I think the most interesting statement that I have heard or read recently is one which refers basically to the problem of increasing industrialization, of import substitution, of import restrictions and in some cases prohibitions. This is actually from Mr. Bland's paper; the statement reads;

> Experience indicates that in many cases where a traditional import market is lost through the various ways investment is the only way that Canadian industry can maintain its participation in the area.

Can you tell us if there has been any significant move by Canadian industry to invest in the Caribbean manufacturing capability in the last few years?

Mr. Burns: Senator, we have not tried to maintain a complete list of the firms we know who either have already invested in the Caribbean or who are interested in investigating those possibilities. However, we do know that there are investments in a very wide range of secondary manufacturing.

The kind of product areas that we have notes on are chemicals, paints, soaps and detergents, optical lenses, switch gear, packaging materials and so on. They are a goodly range.

Secondly I would say that hardly a week goes by without someone coming in to see us who objects to investigate the investment possibilities in the Commonwealth Caribbean and who wants to know something of the economy of the region and the opportunities that are there, the prospects for CARIFTA, and so on. So I would have thought that there is a good deal of interest.

I would also suggest that this investment insurance facility which will be accorded the new Export Development Corporation when the legislation establishes that corporation will give a fillip to that kind of interest. As you know, that insurance will cover some of the non-commercial risks which sometimes inhibit Canadian firms from considering investment in developing countries.

Senator Grosart: I am not so much interested in the type of investment which seeks merely to exploit the Caribbean market.

I wonder if you see any indication in the kind of investment that you know of as to its having a substantial potential for creating an export market, not necessarily to Canada, but an export market for secondary manufacturing in the commonwealth Caribbean?

Mr. R. B. Nickson, Director, Commonwealth Division, Office of Area Relations, Department of Industry, Trade and Commerce: We have noticed lately, Senator, since the establishment of CARIFTA, that a number of firms have come to us in the last year or so talking about exports to the other members of CARIFTA. In addition to that there are a small number of Canadian firms established in the West Indies who are exporting also to Canada. There is not very much evidence of this developing in a very big way yet, but the potential seems to be there.

Senator Grosart: What kind of product would you see as having this potential of creating an export market for goods manufactured in the commonwealth Caribbean?

Mr. Nickson: Labour intensive industries are the ones that seem to offer the best opportunities here. For example, we have recently heard of a case in the Barbados in the electronic industry. This is not a Canadian firm, but a firm from the United States who have established there to export electronic equipment to the United States.

Senator Grosart: That is what I was afraid of. There seems to be increasing evidence of the fear was expressed to some of us in the Caribbean over the years and has been expressed in this committee, that maybe we are losing out to American enterprise to a fairly alarming extent in the current development of the Caribbean.

Is there any truth in that fear?

Mr. Burns: I would have thought it is true to say, Senator, that the volume of American investment in the Caribbean is a great deal higher than the volume of Canadian investment.

Senator Grosart: In total?

Mr. Burns: Yes.

Senator Grosart: Is this a recent development?

Mr. Burns: I think this is a post-war development. I think it has certainly been quickened by the growth of tourism. There has been a good deal of American investment in tourism, but also in the kind of propositions that Mr. Nickson has just described.

Mr. Nickson: There is also a difference from country to country in the area. The American penetration, for example, in the Bahamas, is greater broadly than the Canadian penetration. This is also true of Jamaica, but in the eastern and southern Caribbean the Canadian penetration, I would not say is greater, but it is proportionately greater than in the northern and western Caribbean.

It is also true that the financial infra-structure in the West Indies is largely Canadian. This is true of the banking system and of the insurance system and so on. This is an important element in terms of getting Canadian participation in the area.

Senator Grosart: But if there is some evidence that we have missed the boat or are missing it, the fact that we had the financial infra-structure there long before the Americans would make the picture look more pessimistic than ever from the Canadian point of view. Is that so?

Mr. Nickson: I do not know about the pessimistic aspects of it, but certainly, as Mr. Burns has pointed out, the Americans are in a more advanced position than we are, both tradewise and investmentwise in the Caribbean in total terms.

Senator Robichaud: As trade between Canada and the Caribbean is closely related to transport facilities, my two questions will have to deal with transport.

First, I would like to bring to the attention of the committee this lease of two twin Otter aircraft manufactured by DeHavilland Aircraft to the Leeward Islands Air Transport Service of Antigua.

I had the opportunity during the month of May after the regional Caribbean conference to use this service on different occasions going from one island to another. I may recall here one occasion when I was flying from Grenada to Port of Spain. We had to land, however, in St. Vincent and St. Lucia. When we got about 50 feet from the runway all at once the motors started to speed up and up we went again. We heard the pilot say: Sorry, but cars are crossing the runway. As a matter of fact that particular airport crosses the main street of the town. There are gates on each side and they have to wait until the gates are closed before they can land.

I know that we are involved in making those two aircraft available to LIAT, but notwithstanding the fact that this company will repay the capital cost of these aircraft with interest, are we following this operation?

My other reason for asking that is that on every occasion every seat on those planes was taken. There was not one empty seat. I have used the aircraft on four or five different occasions. Are we following up this operation? Do we have means of checking this with the possibility of either extending it or making sure that they are providing a satisfactory service, as we are involved in supplying the aircraft?

Mr. Burns: I do not myself know the answer to that question.

Mr. G. M. Schuthe (Director, Industry, Trade and Traffic Services Branch, Department of Industry, Trade and Commerce): My understanding is that yes, we are very interested in this. I think that perhaps this is a question that the Department of Transport would be able to provide an answer to, but my understanding is that we are quite anxious to see that technical services can be made available if they are requested. The Department of Transport itself is extremely interested in offering expertise if that can improve the climate in the West Indies for air transport services.

This would, I believe, come uner the aid heading very largely.

Senator Robichaud: My second question, Mr. Chairman, also has to do with transportation. This one is probably more closely relat-

ed to our trade with the Caribbean. It has to do with transportation by sea.

Now, one of the main questions that was raised during this conference was transportation by sea, the contacts between the different islands. It was really made evident that it had an adverse effect, the lack of such facilities, on trading between the islands.

My question is: What are the existing shipping facilities by sea from Canadian ports and through what particular ports of the Caribbean?

Mr. Burns: Senator Robichaud, Mr. Schuthe is the expert in these matters. He was heavily involved in a very comprehensive survey of shipping between Canada and the Caribbean, which resulted in a report which was given to the Caribbean governments some months ago.

I would like to have Mr. Schuthe reply.

Senator Carter: I wonder, Mr. Chairman, if he could include in his reply the reason why the original service was terminated? We did have a direct steamship line.

The Chairman: Yes, the Lady Boats. Possibly Mr. Schuthe would discuss that situation then, including those matters?

Senator Cameron: At other committees it was said that this is a matter that concerns the Department of Transport. What agency within the government is responsible for having the overview of what all the departments are doing?

Mr. Schuthe: Mr. Chairman and Honourable senators: Perhaps I can try to approach these questions in sequence.

I would first start with the question that was raised about the Lady Boats. I notice certain questions were raised in this paper that was summarizing some of the aspects that you were interested in.

After the war, of course, the Lady Boats were depleted as a fleet. The two passenger ships that remained were sold in the years shortly after the war ended. I suspect that the question therefore refers to the termination of the Canadian National West Indies steamship fleet. In 1957 this consisted of eight ships, three of which were motor cargo ships with very limited passenger accommodation and five of which were small steamships.

The proximate reason for the cessation of service was a labour-management dispute resulting in a strike by the Seafarers Union on July 4th, 1957, for which there was no settlement.

The fleet was tied up at that time. The estimates of the cost of meeting labour demands were in the neighbourhood of $450,-000 a year additional.

Senator Pearson: When was the fleet tied up?

Mr. Schuthe: July 4th, 1957, Senator. Efforts were made to see if the fleet could be transferred to West Indies registry, but again it looked as if the ships would not get back into operation because of Canadian union opposition. As a result of that and a review of the entire situation the Canadian National West Indies Steamships decided to dispose of the fleet. They were sold in, I believe, 1959—1958 or 1959.

The reasons for taking that action I think were that the ships not only had become very costly and their operation could only result in foreseeable deficits, but also they were not entirely satisfactory for the changed conditions in the trade. New ships would have had to be acquired at heavy capital cost.

In addition to that, other shipping companies were in the trade and gave every evidence of being able to provide a service commercially without subsidization.

Saguenay Terminals, as it was then, Saguenay Shipping Company now, was probably the major commercial steamship line in the trade. It did in fact provide the backbone of the shipping service from the time of the cessation of Canadian National West Indies Steamships' operation up to the present time.

Senator Grosart: Before you go on, could you tell us the total tonnage involved in the eight Canadian National Steamships' vessels and in the Saguenay and other operations?

Mr. Schuthe: Yes, sir. I will have to just make a rough estimate. The three motor ships were in the neighbourhood of 8,000 tons dead weight capacity, somewhere in that neighbourhood, each. The five steamships were in the neighbourhood of 4,000 to 4,500 dead weight tons capacity. That figure is roughly the tonnage of cargo that could be carried in the ships. So that you have three of about 8,000 tons each and five of about 4,000 to 4,500 tons each.

Senator Grosart: How would this compare with the alternative, Saguenay and the oth-

ers? In what proposition of the total did we cancel out?

Mr. Schuthe: Saguenay operate a service which is rather hard to compare in terms just of tonnage. In fact, they had a very large number of ships under charter operations. These ships were used in a very flexible manner, not only in this trade, but in the carriage of bauxite and various trades, later in trans-Atlantic service and also services which are presently still operated from Britain to the Caribbean.

The tonnage of ships actually assigned to the West Indies service I would say was comparable.

Several other shipping lines came into the trade over this period of time, with several ships each. Most of those found it unprofitable and withdrew after a trial period. At the present time though we have in addition to Saguenay Shipping, which provides weekly and fortnightly services to the West Indies, the Royal Netherlands Line combined with a Venezuelan line which run a joint service with about two sailings a month. Also there is the Great Lakes Trans-Caribbean Line providing two sailings a month approximately.

One should also mention I think that there is a trucking service from Canada through Florida that is connecting with ships at Florida which radiate out to the West Indies and serve in particular the Bahamas and Jamaica. So that that is becoming an increasingly important route for trade with the Caribbean area.

Senator Robichaud: From what Canadian ports are they operating?

Mr. Schuthe: The ships are operating in the case of Saguenay terminals from Montreal and the Atlantic ports of Canada. The Royal Netherlands Line operates from Montreal, with calls at Atlantic ports. The Great Lakes Trans-Caribbean Line, of course, begins its service in the Great Lakes at American and Canadian ports and calls at Monreal.

Senator Robichaud: How many of those ships have refrigeration facilities?

Mr. Schuthe: Refrigeration is a problem, largely because there is a seasonal demand. I am unable to tell you precisely the number of ships. The refrigeration capacity meets the normal requirements, but is usually inadequate for seasonal peaks.

Senator Robichaud: Has any attempt been made by the Department of Transport or the Department of Trade and Commerce to look into the possibility of improving the refrigerated containers for those ships? There is no doubt that it is being done, but on a small scale. From the information that I could gather it could be very effective if an improvement was made in this field.

Mr. Schuthe: This certainly has been a subject of conversations with steamship lines, sir. Part of the difficulty I think is that the containerization concept may be too sophisticated for this trade. This is being very carefully examined by Saguenay Shipping. The latest word that I have seen is that they feel that a pre-palletised type of operation may be more satisfactory than the containerized type of operation that follows the concepts used now in some of the major trades; Britain to Australia, for instance.

This does not provide an answer to the refrigeration problem. I am aware, however, that the steamship lines are studying the possibility of containers of a satisfactory size that could provide an adequate refrigeration service, at least for the seasonal peaks.

Senator Cameron: Is there any practicality in air freight?

Mr. Schuthe: Air freight is developing, sir. Of course, the cost per pound of air freight is very much higher than by other types of transportation at the present time. In the foreseeable future I think one can anticipate that only types of cargo that can bear the higher costs would move by air freight.

Senator Fergusson: Do the Saguenay boats that come from the Gulf of Guyana and bring back bauxite carry anything other than bauxite; do they take other freight and passengers?

Mr. Schuthe: The passenger aspect is not very significant. There may be in some ships a few passengers carried, but this is not a significant element of the trade. They usually rely on a general cargo southbound, carrying bauxite as the return cargo. This is not invariably the case though; they are in the trade for sugar or other bulk cargoes that are returning as well.

Senator Fergusson: I was under the impression that they just carried bauxite. I have been down there and that is the impression I got, that returning Saguenay boats were just

serving the Alcan people, bringing their bauxite back to Canada.

Mr. Schuthe: On return they are not offering a regular general cargo service; they are southbound, but not northbound.

Senator Phillips (Rigaud): A few moments ago we were discussing the point that investments were increasing in the Caribbean and that, roughly speaking, at best we were holding our own against the United States in terms of the ratios.

Have we given any thought to the problem that if Canadian investors go into that area and do not invite the native population to participate in those investments that we would be creating in that process a very serious problem, somewhat similar to the one that we have in Canada, where we are complaining about the penetration of American capital? Also in terms of thinking about trying to help out the Caribbean, to which Senator Grosart referred, as distinguished from the cold question of trade?

My question is: Have we given any thought to supporting Canadian investors going into the area from the point of view of developing industry in that area conditional, however, upon participation by the native residents in such companies that would be so formed?

When you are dealing in terms of trade, in and out, primary products more or less, there is not much of a problem that is being created other than on a current basis. If you cause companies to be formed in an area that are wholly-owned by non-residents from the point of view of the Caribbean countries and the natives there are not participants therein—I use the word native in terms of native-born people in that area—are we not in the process creating a serious problem?

If we were to proceed along the lines I am suggesting, would we not get a jump on our American friends by being a little more progressive in our point of view?

Mr. Burns: The first comment that I would have on your suggestion is that at present, except for these extraordinary "pass-through" regulations which we have to ensure that the American balance of payments program is not upset, the government does not control foreign private investments by Canadians.

So, I would have thought that the kind of suggestion that you are making would really require a move by the government into some sort of control and direction of private investment by Canadians abroad.

Senator Phillips (Rigaud): The reason I am putting the question is that I am familiar with three or four of the banks of our country that are consistently taking a more important position in the area. In the normal way all they are doing is extending credit to their customers. Off go the business men, simply setting up their companies in the area and that is that; they are out to make their profit.

If we could tie in the commercial operations, the banking operations in terms of loans to business and industry with a close co-operation with your department, we would then be able to tie in aid to the area and at the same time get a trade benefit.

I am putting my question in the form merely of the development of the proposed plan of action, which I think might have some value.

I know more or less on a daily basis as a professional man—daily is an exaggeration—but on a normal professional basis as a lawyer, I know companies that go to the banks, get their lines of credit, go into the area and are doing well. In the process all we are doing as I see it is to build up trouble for ourselves, just as we built up troubles two or three centuries ago in importing indentured labour, mainly into the United States, and we are paying the price with the spill-over here.

I think if we look a little into the future in the Caribbean area we will be creating a problem of a different type there. Success will bring danger in terms of the dispossessed of the area who will simply say we are exploiting them and they are not participating in the profits that are being made in the development of their resources.

Mr. Burns: One could make one response that is not quite directly on the point you are making. The representative of the CIDA will no doubt be talking about this a good deal but, in fact, the government aid which we are providing in the Caribbean is I think aimed at projects of assistance to the industrial structure of the area.

In that case, of course, there is no question of the kind of ownership problem that you have drawn attention to. In terms, though, of the private Canadian investor I would certainly want to draw the attention of my minister to the suggestion that you have put

forward. I would have thought, just purely personally, that Canadian firms must surely be aware of the kind of problems caused by foreign ownership in the Canadian context and would be somewhat aware of it in other countries.

Senator Phillips (Rigaud): Yes. I would like to continue the dialogue we were following a moment ago so as to get it on the record in the hope that in due course we can get a recommendation out of the committee once we have the thought developed.

The private investor does not look to the future, he looks to current income. He is not bothered about the political, social and economic problems that are created on the theory of the French "après moi le déluge" sort of thing.

I think in your department you have certain cases—say, if we are dealing with the United States we would be introducing this line of thinking. If we are dealing with Great Britain we can deal with our ordinary current problems, but when we develop through your department, trade and commerce which have the new humanitarian factors it would be interesting to keep in mind, if I may suggest, the thought that I transmitted to you.

Senator Grosart: I think what Senator Phillips is suggesting is that just having passed an act which would ensure private investment in the Caribbean, we might now pass one to subsidize private investment in the Caribbean to permit local participation in capital structure.

Senator Phillips (Rigaud): Or conditional upon.

If this export bill passes there is much to be said about the fact that conditions should be laid down that insurance and all the rest of it is conditional upon.

If plants are being constructed in the area—I am not speaking of the mere shipment of commodities. Put simply, I am merely saying that I think we have reached the point, this sophisticated concept in the 20th century of trade being accompanied by the wellbeing of the countries with whom we are dealing, particularly the under developed countries, that we apply a little more clearly and a little more effectively the marriage of the two concepts, trade on the one hand and aid on the other, instead of the haphazard way of compartmentalizing it.

Senator Grosart: I am sure Mr. Burns would love to give you an answer to that one.

The Acting Chairman: Honourable senators, at this point I probably should point out that, as referred to by Senator Grosart, the fact that these gentlemen who are with us today are with the Department of Trade and Commerce and consequently your main interest perhaps is to develop exports into various areas of the world.

This committee, on the other hand, has a two-fold functions, as I see it. It is true we would like to export more to other countries and particularly the Caribbean area, but we have also had very considerable emphasis through the offices of the Department of External Affairs on the question of aid being tied up to our business relationships. That is part of the reason for this type of discussion, which you may not have expected in this committee. I want to emphasize that.

Senator Carter: I have a different question, but I would like to follow on this line of thinking because we have been told that trade is more or less proportional to investment.

The American trade is growing so much more rapidly than Canada's because their investment is growing very much more rapidly. I would like to have that confirmed before I go on. Is that a correct assumption?

Mr. Burns: US exports to the Caribbean represent about a third of the Caribbean total imports. Our sales to the Caribbean represent about 10 per cent of the total Caribbean imports. This, of course, is not a bad percentage if one looks at total terms.

Senator Carter: We are talking about the rate of growth and the rate of growth is more or less proportionate to the rate of growth in investment; is that correct?

Mr. Burns: In some sectors that is certainly true, Senator. It may not be true in all sectors, because the flow of trade with investment is normally in terms of parts and components to an assembly operation to begin with in the Caribbean, raw materials, that kind of thing. If it is a product area which is not likely to lend itself to local investment, then I do not think the same general proposition holds.

Senator Carter: I would like to get your reaction to the idea of a development corporation. We have been toying around with this idea in Canada, that we should have a

Canadian development corporation to help to buy back some of the foreign investment, or at least to give the ordinary Canadian a stake in his country.

The Canadian government has joined as partners with the oil companies in the development of the oil fields in the north. Is there any counterpart of these organizations in existence now with respect to the West Indies? Is there a West Indies development corporation, or could there be a Canada-West Indies joint corporation?

What would you think of that idea of approaching this problem? Would that be a good way, if it were feasible?

Mr. Burns: Senator Carter, I do not think there is anything directly of the kind that you have just described but, of course, there are very serious discussions going on in the Caribbean now for the establishment of a regional development bank. This would be of very great importance to the economic development of the Caribbean area as a whole.

That contemplates inputs of capital from countries in the region and from countries not in the region.

It is expected that the nonregional members of the Caribbean region development bank would also make capital contributions to the operations of that bank in the same way that we make contributions to the Asian Development Bank, to the Inter-American Development Bank, to the world bank and so on. That would seem to me to be an area where Canadian capital can be introduced into the economic development programs of the commonwealth Caribbean in an integrated and non-controversial way along the lines of the thoughts that Senator Phillips mentioned earlier.

The Acting Chairman: At this point, Senator Carter, may I say we have had some discussions in this committee with regard to a suggested regional development bank in the Caribbean area along these lines which you are suggesting now.

Senator Cameron: My question relates to both Senator Phillips' and Senator Carter's questions:

Should we follow the example of a very aggressive export policy, a trade policy such as the Japanese adopt? They have been using very effectively the joint venture principle in Singapore, Malaysia and Africa. I am wondering to what extent those joint venture operations exist in the Caribbean now? If there are not joint venture programs in being, have we any legislation that makes it possible for us to set up joint venture projects in the Caribbean in which the native people would have a share and in that way have a control? It would answer the question that Senator Phillips has been raising, which is a very crucial one in terms of the climate there at the present time.

Mr. Nickson: So far as existing joint ventures are concerned, that is by Canadian capital, our information is that this is the exception rather than the rule.

Senator Cameron: That is what I thought.

Mr. Nickson: There are cases of joint participation, joint ventures. The problem here is a lack of capital available in the West Indies, or a capital structure, or business people looking for joint ventures. This is one of the main problems.

Each of the independent countries of the West Indies, that is Jamaica, Trinidad, Barbados and Guyana, have their own industrial development corporations, sometimes with representation in Canada. These people try to stimulate, and I think we also try to stimulate, participation on a joint basis, without any legal basis for doing so of course.

Very frequently this has been found not to be possible and that their first interest is to get investment and direct investment into the country.

Senator Pearson: When the British were in occupation in that area did they have joint ventures of investment?

Mr. Nickson: Not so very much, Senator. Their primary interest was in resource development, that is in agriculture. Those were sugar islands in those days and the British participation was largely that way and through trading companies. It was also through the banks of course. Barclays was there and still is there.

Senator Robichaud: They are on their own though.

Mr. Nickson: Yes.

Senator Pearson: Are the Americans there on their own, too?

Mr. Nickson: The Americans do have investment guarantee systems.

Senator Robichaud: The American government does. You mention Trinidad and Jamaica. Is it not a fact that in recent years the British have moved into the manufacturing end of it, such as in home refrigerators and stoves?

Mr. Nickson: Yes, they have, but we do not have these actual figures. These figures are not available in the West Indies, unfortunately. I am almost certain that the largest investors in the West Indies would be the United States, the second Canada and the third Britain. That is if you left out the British investment in the sugar industry in the West Indies. I do not know how you would get a figure for that.

Senator Grosart: Bauxite and alumina would take up a very large part of the Canadian investment?

Mr. Nickson: That is right.

Senator Grosart: It would not be very evenly spread in terms of second place across the islands.

Mr. Nickson: No, that is right, but we have been struck in the last two or three years by the breadth of Canadian investment. We are talking of commercial operations here, but it is not at all confined to manufacturing or to bauxite. It goes into all sorts of things, tourism and so on.

Senator Belisle: It is noted here that there was a 73 per cent increase in immigration over 1967 and undoubtedly a larger increase in 1968. What is the percentage? Has it tripled?

The Acting Chairman: Senator Belisle, our next meeting is supposed to deal with this question of immigration, because it had been hoped that we might have the Honourable Allan MacEachen here this week. He will deal exclusively with this problem, so perhaps today we might confine ourselves to commercial aspects.

Senator Fergusson: Mine is a very parochial question because I come from New Brunswick.

I would like to know if we sent any potatoes to any Caribbean country other than Cuba? According to the report that we got, in 1966 we sent quite a lot of potatoes to Cuba. Now it is almost half of that. I was wondering why it has gone down, why Canada's export of potatoes to Cuba has gone down to that extent? Could you tell me, too, if the United States export potatoes to the Caribbean countries?

Mr. Burns: If we could take those questions separately, Senator Fegusson, I would be grateful if you would allow us to write to you on the question of Cuba and potatoes because I do not think we have the answer with us today on that point.

Senator Fergusson: The point is whether we sell them to any other countries, other than Cuba?

Mr. Burns: No. I do not have immediately the reason for the decline.

Senator Fergusson: I just wonder about it.

Mr. Burns: It is certainly one of our traditional markets for potatoes. I would be very glad indeed to get you the details on that and send them to you.

Senator Fergusson: Perhaps I should say that when I made that statement I was only looking at the seed potatoes, in which the export has certainly gone down considerably from 1966 to 1968. In table potatoes it has increased, but we do not export a great many table potatoes.

I was under the impression that at one time we sent some to Venezuela, but I have looked through the report you gave us about Venezuela and I cannot see any mention of potatoes. That is why I ask if other countries are getting them?

Mr. Burns: As I recall, Uruguay used to be a large importer.

Mr. Nickson: Our export trade in potatoes to the West Indies is largely in seed potatoes, as you have said. In fact, they encourage the growing of table potatoes throughout the West Indies.

Senator Fergusson: Do they produce good potatoes? Is their climate suitable to produce them?

Mr. Nickson: Yes, they do have a small industry. You will remember that the local diet does not really include potatoes very often. Potatoes are not a standard in the West Indies as they are here, but the nature of the Canadian trade has largely changed into the seed potato trade rather than the table potato trade.

Senator Fergusson: I seem to remember when I lived up in the country where they

grew potatoes that there was a tremendous export of potatoes. That would be about 1935 to 1940.

Mr. Nickson: Yes, I think you are quite right.

Senator Fergusson: Is there not the demand now?

Mr. Nickson: The demand is there, but they are growing more of their own.

Senator Fergusson: Yes, but even then the largest amount that they exported was seed potatoes. Do they grow seed potatoes now? I thought they could not under their climatic conditions.

Mr. Burns: I think you should let us take this question as notice, Senator Fergusson. We will be very glad indeed to get you the details.

Senator Quart: I do not know too much about it, but do we export very much lumber from our big lumber companies in Canada to the West Indies?

Mr. Burns: Yes, lumber is one of the leading commodities in the trade still.

Senator Quart: To follow this along, lumber would not need refrigeration, would it?

Mr. Burns: No.

Senator Quart: I do know that some of our big companies charter. I did not hear mention of any of these lines which you mentioned, Saguenay Lines and the rest of them, but they do carry some passengers. They leave from some ports in the lower St. Lawrence. I wonder why they do not use some of these Canadian lines? I know they use Scandinavian and Holland, or maybe that is that Royal Holland Line, or whatever you call it.

Is there any reason why we should not try to get their business for these Saguenay Lines, which are Canadian?

Mr. Burns: I am sure, having run across the Saguenay shipping people on a number of occasions, that they do not let much grass grow under their feet in looking for business. I would have thought that they would have been looking at this very carefully.

In the lumber trade it is often the case I think that it is a more economic proposition to charter a vessel and fill it completely with lumber, rather than move it on a general cargo ship.

Senator Robichaud: Saguenay charters foreign ships.

Senator Quart: Saguenay could charter them. Thank you for holding the meeting up; I am a little wiser now.

The Acting Chairman: We have this meeting scheduled for just a few minutes more, so we will have Senator Carter, Senator Grosart, Senator Robichaud, then I would like to make arrangements as to whether we meet again next week.

Senator Phillips (Rigaud): Mr. Chairman, will you include at the end an explanation to a city slicker of the difference between a table potato and a seed potato?

The Acting Chairman: We will ask Senator Fergusson to do that.

Senator Grosart: Senator Fergusson has invited all members of the Senate to go to New Brunswick during the potato season to see them.

Senator Carter: With regard to this relationship between trade and investment, the West Indian governments and certainly the Caribbean governments must have incentives to investors.

Is the Canadian government doing anything to underwrite their incentives or to supplement their incentives?

Mr. Burns: Senator Carter, I do not think there is anything that we do in this field, although the incentives that individual Commonwealth Caribbean countries give can be pretty extensive. They can include, for example, import restrictions on the products to be produced by the new industry, which means that the new industry has a pretty free go at the local market. There are a number of tax holidays and that kind of thing.

In terms of encouraging investment I would have thought that the measures already in place in these countries are probably pretty extensive.

Senator Carter: Yes, I agree with that, but that was not quite my question.

These incentives are expensive to the Caribbean governments, which are developing countries.

I was wondering whether the Canadian government has given any thought to underwriting some of their incentives? We probably could underwrite the ones to our advan-

tage to build up our investment, encourage Canadian investment in certain lines that Canada would be interested in and at the same time increase our trade.

Mr. Burns: If I may, Mr. Chairman, I will certainly take note of Senator Carter's suggestion and put it forward in the appropriate quarters in the department.

Senator Cameron: Relating to that, Mr. Chairman, I was down there a year ago last January looking into this very thing.

The government of Trinidad and some of the others give very encouraging incentives, both in terms of tax holiday and preferential treatment when they get in there.

As far as private investment is concerned, the reason some Canadians would not take it up is that they were afraid of the instability of the labour market, which gets you into another area. This was a very definite deterrent from investment in that area in spite of good monetary and other incentives.

Senator Grosart: Mr. Chairman, I am afraid I might be in danger of opening up a very large subject, but perhaps just to indicate that we have considered it, may I ask what percentage of commonwealth Caribbean manufactured goods currently being imported into Canada are subject to tariff restraint? I say that because I recall very well the distress amongst Caribbean leaders at the attitude Canada took at the first United Nations Trade-in-Aid Conference in respect to preferences.

What total percentage of the present imports ts of manufactured goods from these countries are restricted by our own tariff barriers? I realize that there are commonwealth preferences and so on, but what percentage are actually restricted by our tariff? To put it another way, what percentage would be given easier access if the government decided to remove all tariff on manufactured goods from this area?

Mr. Burns: I might begin to answer this by saying that of the total of 90 odd million dollars worth of exports to Canada now from the West Indies a great deal already moves free. Petroleum, bauxite, alumina. Sugar is a rather special case, but even there one can say perhaps effectively it is coming into Canada duty free.

The percentage of what might be called manufactured goods in Caribbean exports to Canada is very small. It is less than 10 per cent.

I do not think we have worked out how much of that might be entering duty free and how much is dutiable. I suspect a fair proportion of it is probably dutiable. We are talking of something less than $9 million total of imports into Canada.

Senator Grosart: That, of course, is the real point of my question, the fact that that particular component of our total imports, or their total exports to Canada, is as low as it is in the area where they need the exports to create jobs and earn foreign exchange. They need the manufacture of textiles, cotton, pottery, furniture and so on. All of these things are in the very area in which they must increase their exports if they are going to have a viable economy.

Mr. Burns: Senator Grosart, I am glad you have raised this question. I notice that the paper that Mr. Dobell's secretariat provided characterized these as being formidable barriers, I think those are the words that are used. I really question whether they are formidable barriers.

I find it interesting to note, for example, in cotton trousers that there are less developed countries in other parts of the world that seem to be able to sell very effectively in this market. In fact, so effectively that we have had to ask them to restrain some of their exports.

Senator Grosart: We do more than ask them; we pass Orders in Council to put them in a category that cannot come in. This is what we have been doing in the last three or four months in connection with textiles from some other countries.

The Acting Chairman: Might I just refer Senator Grosart to this fact, that we hope to make an appendix to our proceedings today a document which we call Commentary in Trade and Commerce, which was prepared by the Research Assistant of this Committee. On page 8 of that you will find reference to the import duties on certain specific commodities.

Senator Grosart: It is the statement on that page that our witness is objecting to.

Senator Robichaud: My last question will have to do with the promotion of trade and particularly the promotion of Canadian exports to the West Indies.

I will deal with one specific commodity, which is quite important to the Atlantic provinces and particularly to Newfoundland, that is the export of dried salt cod to the West Indies. This used to be one of our most important export commodities. Even at this time, in 1968, for example, Canada exported over $4 million worth of salt cod to Jamaica and $835,000.00 worth of salt cod to Trinidad, just to mention two of the islands, which are really two of the main ones.

Unfortunately I feel that we are using the same method. We are shipping the same commodities that we were doing during the schooner days. We are using the West Indies as an outlet for our low grade products.

Taking into consideration the progress which has been made in the West Indies, in the Caribbean area in the last ten years, for example, and more particularly, in the last five or six years, I am wondering if the Department of Trade and Commerce is giving consideration or has given some thought to looking into this particular commodity?

For example, something could be done in line with what has been suggested by Senator Phillips. We could export our dried cod say to Trinidad or Jamaica and there have a kind of processing plant which could take this low quality product and reprocess it, package it and make it available as a product which can be moved freely to any areas of those islands.

By doing this it seems to me that we would increase our sales. We would create a new demand for salt cod in the Caribbean. They need this product. It is a cheap commodity in relation to what they have to pay for other food products.

I am wondering whether the Department of Trade and Commerce has given any thought to this type of action?

Senator Grosart: Their cooks down there now do that sort of processing so that you eat salt cod and you think you are eating a West Indian dish.

Senator Robichaud: The packaging and the shipping is the same now as it was in the schooner days, 50 years ago.

Mr. Burns: Mr. Chairman, there is another way of tackling the question that Senator Robichaud has put foward.

That would be to try and do something about better processing in Canada of this product.

Senator Robichaud: The reason I put it this way is that I think there is a tendency to get the natives, the local industry involved in this type of operation. If this was done in Canada and shipped that way I think we would run against the danger of having a high-priced commodity which may not be acceptable by the local people.

By doing it otherwise the transport would be cheap. First, we would not have to dry the product as we have to dry it now. We have to ship heavily dried salt cod in order that it will keep in the climate which it has to meet in the West Indies. We would ship cod with a higher water content. It would be cheaper for us to produce. We would have a better control of quality. Then it can be processed and finished there in plants. It would take probably one plant either in Jamaica or in Trinidad, or one in each island, to supply the whole of the Caribbean.

Mr. Burns: Senator, I know there is a great deal of study being done now in terms of how to improve the salt cod marketing question. I will certainly ensure that that suggestion is put foward to those concerned with this matter.

Mr. Nickson: I might comment also that particularly in processed foodstuffs the department has been very active in promoting this.

This is not true of salt cod as a product, of course, but in terms of other foods. Canadian exports of processed foods is quite big to the West Indies.

The Acting Chairman: Honourable senators, we are just about coming to the end of our projected time for this meeting. There are a couple of matters I would like you to deal with.

The first is, would you allow us to publish as Appendix B to the minutes of this meeting a document entitled Canada-Commonwealth Caribbean Trade and Economic Relations, which was prepared by the Department of Trade and Commerce?

Hon. Senators: Agreed.

The Acting Chairman: Also as Appendix C a document entitled, Commentary-Industry, Trade and Commerce, which was prepared by the Research Assistant of this committee?

Senator Phillips (Rigaud): Are you deleting the word "formidable" or leaving it in?

Senator Grosart: Mr. Chairman, I wonder if it is wise? This is really an internal document. I have some doubts as to whether it should be included in our minutes. This is really a document prepared for the guidance of senators. The statements made there are not all necessarily ones with which everybody would agree. I think it would be wiser if it were not tabled. It is a good paper, but I am suggesting that it is an internal document.

Senator Robichaud: I agree with that.

Senator Fergusson: I agree with Senator Grosart.

The Acting Chairman: I agree that it is a splendid document, but we will agree that it does not go in.

Appendix B, namely, the document prepared by the Department of Trade and Commerce, goes in as an appendix. (*See Appendix "B"*)

Hon. Senators: Agreed.

Mr. Burns: Mr. Chairman, may I just make one small intervention, that although I like to think of myself still as a member of the Department of Trade and Commerce, it is now the Department of Industry, Trade and Commerce.

Senator Carter: Mr. Chairman, before we adjourn I wonder if the last witness might just elaborate a little further on his answer when he said that they are promoting processed foodstuffs but not promoting processed cod.

Is there any special reason for that?

Mr. Nickson: I am sorry, Senator, I did not mean that we were not promoting cod. The interest of the Canadian government so far as cod is concerned has been to maintain the best possible atmosphere for the development of that trade.

As you know perhaps sir, we have had many discussions, particularly with Jamaica, about the price of cod. We have had a great deal of cooperation from the government of Jamaica in this. It has been in that field that our greatest activities have been respecting cod.

The other products that I was speaking about were newer products in the trade that have become established. I am sure this was what Mr. Burns meant when he referred to the possibility that Mr. Robichaud brought up.

Senator Carter: Yes. I just did not want the record to end where you left off, sir.

Mr. Nickson: We spend a great deal of time on cod in one way or another.

Senator Grosart: Would you give me the name of the document that we agreed to put in as Appendix B?

The Acting Chairman: Canada-Commonwealth Caribbean Trade and Economic Relations.

Senator Grosart: I would like to suggest that we also append the document entitled Operation of Canada-West Indies Trade Agreement, 1926, in respect of Canadian exports, which was prepared by Mr. Burns' division, the Office of Area Relation, Commonwealth Division. It is a complementary document.

Hon. Senators: Agreed.

Mr. Burns: Mr. Chairman, I would be grateful if that particular document were not published. In fact, I had hoped that we had retrieved all the copies of that one.

The Acting Chairman: At the request of Mr. Burns I think we should not put that in, so that will not go in as an appendix.

Honourable senators, I am sure that Senator Aird will want to be in your hands with regard to future meetings.

The situation is this, however, that Senator Aird was most anxious to have a statement from the Minister of Immigration, the Hon. Allan J. MacEachen, in regard to immigration. He had arranged for Mr. MacEachen to appear before this committee a week from today at 4 o'clock. I am informed that there are no other committee meetings scheduled, as yet, for that time, except the meetings of this committee, namely, the proposed meeting at 4 o'clock. Senator Aird also is anxious that we arrange to hold a meeting on the Caribbean and the involvement of the Canadian International Development Agency. He was anxious that we have that meeting also.

What are the wishes of the committee in regard to these two meetings?

Senator Grosart: Could I just compromise this, Mr. Chairman, that we hold the immigration meeting as scheduled and postpone the other? The reason that I suggest that is that we have had a great deal of information on the CIDA operation in other committees.

It has been completely gone over in the Finance Committee. Whereas it is obviously important that we get the Caribbean picture, it is all on the record.

The Acting Chairman: The Chair agrees with your point of view. If the rest of you do we will just have the one meeting.

Hon. Senators: Agreed.

The Acting Chairman: May I say on behalf of the members of this committee to the gentlemen from the Department of Industry, Trade and Commerce that it has been a great pleasure to have you with us. Your contribution has been most valuable to the committee.

APPENDIX "B"

CANADA-COMMONWEALTH CARIBBEAN TRADE AND ECONOMIC RELATIONS

(1) *Commonwealth Caribbean Economies and Canadian Participation*

The Commonwealth Caribbean countries enjoyed a particularly rapid rate of economic growth in the 1950's and early 1960's. Although this rapid rate of growth has slowed somewhat latterly receipts from tourism have expanded significantly and the bauxite, alumina and sugar markets are improving. However, growing unemployment is pressing heavily on the West Indian economies and some problems are being experienced in other exports. The Commonwealth Caribbean see industrialization as the key to providing the necessary additional jobs for the growing labour force and to provide for higher living standards. Like most developing areas the region will remain heavily dependent on continued infusions of foreigh capital and technical and management expertise to finance its economic development.

The Commonwealth Caribbean economies are still basically agricultural and exhibit a high degree of commodity and market concentration in their export trade. Five commodities—bauxite and alumina, petroleum, sugar, bananas and citrus—account for over 80 per cent of the total. At the same time over three-quarters of the area's exports go to three countries—the U.S.A., Britain and Canada. Economic diversification is occurring. Capital inflows are increasing and tourism and secondary industry expanding.

External trade bulks large in the sum of the economic activity of individual Commonwealth Caribbean countries. For example in Jamaica exports represent 25 per cent of the gross domestic product and imports 36 per cent; in Trinidad the figures are 30 per cent for exports and 27 per cent for imports (exluding oil); for Guyana exports and imports each represent almost 50 per cent of the GDP and in Barbados the ratio of exports to GDP is 45 per cent and for imports over 80 per cent.

Imports are rising in Barbados at a significant pace, however, the rate of growth is less rapid in Jamaica, Guyana, and Trinidad. Trinidad's total import bill (excluding crude petroleum) increased by only some $5 million between 1963 and 1967. Intensified import substitution policies have reduced the rate of import growth in these three countries in addition to the natural inhibiting effect of devaluation in 1967. The level of imports is also often related to the level of capital investment in the economy. For example, higher imports in Trinidad in 1965 and 1966 reflected substantial purchases of machinery and equipement for the petroleum and petrochemical industry and of jet aircraft by the BWI Airways. These purchases were not repeated to the same degree in 1967 and 1968.

Britain, the United States and Canada are the principal suppliers to the Commonwealth Caribbean. In general the United States has increased its share of the market in recent years, whereas the British share has been declining. Canada's share of the region's import market has remained relatively stable and varies from 12 per cent in Barbados, 10 per cent in Jamaica, 8 per cent in Guyana to approximately 5 per cent in Trinidad (about 9 per cent of total imports excluding oil).

A major problem confronting Canadian exporters to the West Indies is the intensified use of import restrictions throughout the area. It should be noted in this regard that the GATT recognizes the importance of industrialization to the development of economies in the less developed countries and provides special exemption for such countries to revise tariffs and impose quantitative restrictions on imports to promote industrialization with a view to raising general living standards and assisting in economic development.

Canada is also facing sharper competition in the West Indies from the United States, Europe and more recently Japan. There are signs of increasing efforts by Britain to reverse the downward trend of her share of Commonwealth Caribbean markets through intensified promotional efforts and increased investment. The establishment of the Caribbean Free Trade Association (CARIFTA) is resulting in increased trade among member countries and in increased regional import substitution policies. On the other hand it is expected that in the longer term a strong CARIFTA will greatly expand trading opportunities in the area for industrial materials, capital equipment, machinery and types of consumer goods not manufactured locally.

Growing U.S. private investment in the region has resulted in a corresponding increase in that country's exports to the West Indies. Although Canadians have significant investments in the Commonwealth Caribbean

they have not been increasing as rapidly as United States holdings in recent years. United States suppliers are often in a position to capitalize on the basic American investment for the supply of the capital equipment, production materials and components required by new industry. In addition, tariffs are often waived on such imports under pioneer industries' legislation and consequently Canada's preferential advantage over MFN suppliers is lost.

(2) *Canada-West Indies Trade*
(see also attached statistical tables)

(a) *Canadian Exports to the Commonwealth Caribbean*

Canadian exports to the West Indies had been increasing steadily over the past few years— from $85.1 million in 1964 to $108.2 million in 1967. However, the rate of increase slowed somewhat to 5 p. 10 in 1967 over 1966 and in 1968 exports declined by 8.2 per cent to $99.3 million. For the first three months of 1969 Canadian sales to the Commonwealth Caribbean climed marginally to $21.9 million from $20.6 million for the same period in 1968. Specific trading interests are outlined for the four independent Commonwealth Caribbean markets and the Bahamas in separate papers.

The West Indies market represents about one per cent of total Canadian exports and Canada supplies roughly 10 per cent of the region's import requirements. In 1968 the area ranked 13th among Canada's export markets and 4th among Canada's exports to the Commonwealth. Traditional exports including flour, fish, meats, processed foodstuffs, lumber and newsprint still bulk large in our trade. However, increasing industrialization in the area is changing the composition of Canadian exports and in recent years has introduced significant sales of such items as textile fabrics, insulated wire and cable, aluminum fabricated materials, various capital equipment and an increasing range of fully manufactured goods. The establishment of CARIFTA while posing some short term problems for Canadian exports is expected, in the longer term, to create opportunities for increased trade with the region.

(b) *Canadian Imports from the Commonwealth Caribbean*

Canadian purchases from the West Indies have remained relatively static over the past three years, amounting to *$89 million* in both 1966 and 1967 and *$92 million* in 1968. Commonwealth Caribbean exports to Canada are narrowly based with bauxite and alumina, sugar, petroleum, molasses, rum and citrus fruit juices accounting for over 80 per cent of the total. However, the West Indies has a small but growing market in Canada for such items as cigars, liqueurs, garments, footwear, and buttons.

The Commonwealth Caribbean traditionally supplies less than one per cent of total Canadian imports. In 1968 the West Indies ranked 8th among Canada's sources of imports and 2nd among Commonwealth suppliers.

(3) *Trade Relations*

Canada's trade relations with the Commonwealth Caribbean are governed by the Canada-West Indies Trade Agreement, 1925 and attendant protocol signed at the 1966 Canada-Commonwealth Caribbean Prime Ministers' Conference. All countries are also members of the General Agreement on Tariffs and Trade (GATT).

The bilateral Trade Agreement (copies of which were supplied separately) provides for the exchange of tariff preferences between Canada and the Commonwealth Caribbean and includes a provision which makes direct shipment a necessary qualification for preferential tariff treatment. At the 1966 Conference the direct shipment provision (Article VII) was waived so that either Canadian or Commonwealth Caribbean goods may now be transshipped and still qualify for preference as long as a through bill of lading accompanies the shipment.

Each Commonwealth Caribbean territory undertakes to maintain minimum margins of preference on certain Canadian goods. There is a general provision that the duties on Canadian goods (preferential tariff) may not exceed certain percentages of the duties imposed on imports from any foreign country (general tariff). The percentages vary in different territories: they may not exceed 50 per cent in *Barbados, Guyana* and *Trinidad;* 66⅔ per cent in *British Honduras* and the *Leeward and Windward Islands;* or 75 per cent in the *Bahamas* and *Jamaica.* In addition, Schedule B of the Trade Agreement provides for specific margins of preference on some 15 products including flour, certain meats and fish, lumber, condensed milk and apples.

Almost 95 per cent of Canadian exports to the West Indies are eligible for preferential tariff treatment. In 1968 $23.9 million or 24 per cent of Canadian exports to the Common-

wealth Caribbean entered under specific margins bound under Schedule "B" of the Trade Agreement. Last year approximately 13 per cent of Canada's exports to the Commonwealth Caribbean entered free of duty.

There are no bindings of tariff rates to Canada under the bilateral agreement. As explained earlier the Commonwealth Caribbean, as developing countries, have freedom under the GATT to raise tariffs, to assist in promoting industrialization, to raise living standards and accelerate economic development.

The Trade Protocol negotiated at the 1966 Conference includes inter alia provisions regarding access for commodities of special interest to both sides including rum, bananas, flour and salt cod; a consultation provision in respect of industrialization measures adversely affecting imports; and an undertaking to examine the bilateral Trade Agreement with a view to its possible renegotiation after the Kennedy Round. The text of the Protocol has been supplied with the communique of the 1966 Conference.

The Protocol also provides that to the extent that it may be necessary to avoid conflict between the provisions of the Agreement and the GATT no-new-preference rule, the obligations of the Agreement, after consultation, may be waived. This provision was added to take account of the fact that most of the preferential margins bound to Canada under the bilateral Trade Agreement are expressed as a percentage of the West Indies general tariff rates. When raising duties, the Commonwealth Caribbean countries in order to meet their Trade Agreement obligation, would have to enlarge absolute preferential margins to Canada. The GATT provides that preferences may not be enlarged nor new preferences created except under special circumstances. In point of fact Commonwealth Caribbean countries when adjusting tariffs upwards generally retain the absolute margin of preference for Canadian products.

(4) *Import Restrictions*

Inherent in the region's industrialization policies is provision to impose quantitative restrictions to protect new industry. These restrictions are applied more rigorously in some Caribbean markets than in others. They are used more intensively in the areas which are industrializing rapidly such as Trinidad, Jamaica, Guyana and Barbados. These restrictions have adversely affected Canadian exporters particularly since many of Canada's manufactured exports to the West Indies are of the relatively simple type now being produced locally. The 1966 Trade Protocol provides for consultations with regard to industrialization measures which adversely affect trade. Consultations have been hold under this provision on a number of occasions and as a result a degree of access has been maintained for certain Canadian exports.

(5) *Canadian Investment in the Commonwealth Caribbean*

Canadian exports of goods and services to the Commonwealth Caribbean are supplemented by Canadian private investment in the region which is estimated at over $500 million. Although dominated by aluminum interests in Jamaica and Guyana, Canadian private investors have been active in the secondary manufacturing field including participation in companies producing chemicals, paints, soaps and detergents, optical lenses, switchgear, packaging material, flavouring essences, macaroni products, metal furniture, lumber, sporting goods, and television sets. Canadian commercial banks have been important factors in the financing of primary exports and in providing general banking facilities upon which the economic life of the region has been based.

The Commonwealth Caribbean actively encourages private investment as a means of diversifying and broadening their relatively narrowly based economies. All areas provide attractive incentives to potential investors including tax free holidays, duty free import of raw materials and plant equipment, accelerated depreciation on buildings and equipment, and government protection against import competition.

(6) *Other Trade Questions*
(a) *Sugar*

Canada actively supported, in close consultation with West Indian Governments, the negotiation of a new International Sugar Agreement and after several attemps an Agreement was concluded in the fall of 1968 and brought into force on January 1, 1969 for a five year period. The purpose of the Agreement was to achieve a more orderly international sugar economy and to raise the then depressed market prices to levels that are reasonably remunerative to producers and equitable to consumers. Already the Agreement is having a positive effect as world sugar prices have doubled from a pre-Agreement low of 2c. per lb. to slightly over 4c. per lb.

As an expression of our special concern in the Commonwealth Caribbean, Canada in 1966 instituted a program which provides for direct annual payments to each Commonwealth Caribbean Government concerned of an amount equal to the duty collected on Canadian imports of West Indies' sugar (29c per cwt.) up to a maximum of 275,000 metric tons. Payments amounted to slightly over $1 million in 1968.

(b) *Rum*

At the 1966 PM's Conference Canada undertook to require that the origin and Canadian content of any rum marketed in Canada be clearly marked and to use its good offices with the provincial authorities to facilitate the marketing of rum from the Commonwealth Caribbean. A new labelling undertaking was ready for implementation on January 1, 1968. However, West Indies Governments, on reflection, felt the proposed change might not be advantageous to them and requested a deferment until April 1, 1968 (subsequently extended twice at their request to June 30, 1969).

The original labelling change was deferred to allow for discussions between the Canadian and West Indian distilling industries regarding alternative measures to increase West Indian rum exports to Canada. Latest of these discussions took place in March, 1969. A modified labelling arrangement has been agreed upon by West Indian distillers and Governments and recommended for implementation by Canada on July 1, 1969, Consultations have been held between Canadian Government officials and the Canadian industry in seeking to carry out the commitment under the Protocol. The latest labelling proposal is currently under examination.

(c) *Transportation*

At the 1966 Commonwealth Caribbean-Canada Conference the trade agreement commitment to provide a Government-subsidized direct shipping service to the West Indies, was formally terminated. The service had ceased in the 1950's. The Canadian Government did, however, undertake to examine the question of the restoration of direct shipping services in the light of its possible long term contribution to the promotion of trade. The West Indies, particularly the smaller islands of the Eastern Caribbean, had raised strong concerns over the inadequacies of present shipping services.

The Department of Industry, Trade and Commerce prepared a three volume study on Canada-Commonwealth Caribbean transportation which has been passed to the West Indian Governments. We have not had their reaction to this study to date. Copies of the Canadian study could be made available to the Senate Committee if desired.

The study describes the performance of the Canadian National (West Indies) Steamships Ltd. (whose service terminated in 1957) and of certain other steamship companies. It reviews existing shipping services and cargo handling facilities and points to areas which may not be adequate to meet the demands of the trade. It also considers the basic economic factors affecting shipping and trade patterns. Complementary reports are considered necessary to the comprehensiveness of the study before conclusions can be drawn pointing to the solution of specific problems.

In addition, private shipping concerns are studying ways and means of improving transshipment services in the Eastern Caribbean. The United Nations are also carrying out a study of inter-island transportation in the area.

(d) *Free Trade*

At the 1966 PM's Conference it was agreed to study the question of a free trade area between the Commonwealth Caribbean and Canada. The Private Planning Association of Canada was contracted by the Canadian Government to carry out a detailed study on this subject. Their report is expected soon.

(c) *CARIFTA*

At conference in Barbados in October, 1967, Commonwealth Caribbean Heads of Government agreed on the establishment of a regional free trade area to enter into effect May 1, 1968. The CARIFTA Agreement is based essentially on the earlier abortive CARIFTA Treaty involving Guyana, Antigua and Barbados.

On April 30, 1968 Antigua, Barbados and Trinidad deposited instruments of ratification. The remaining West Indian associate states and St. Vincent and Montserrat joined on July 1, 1968. Jamaica, who had originally experienced some hesitation about joining became a member on August 1st, 1968. Total CARIFTA imports already exceed $1 billion and by 1976 are expected to rise to $2.5 billion.

The CARIFTA Agreement provides essentially for the removal of tariffs on all trade between signatories with the exception of

products included on reserve lists. These lists comprise some 17 product groups including tobacco, paints, radios and TV sets, batteries, furniture, certain fruit preparations, manufactured tobacco, except cigars, and certain clothing and footwear items. Developed members (Trinidad, Guyana, Barbados and Jamaica) have five years to abolish tariffs on reserve items while the less developed members have ten years. The Agreement stipulates specific origin rules which provide basically for a 50 per cent value added local content to qualify for area treatment. There is also a Basic Materials List of items which are to be treated as of area origin whether imported or not and a Qualifying Process List which, when established, will set out a list of manufacturing processes which, if carried out within a member country, will qualify the finished product for Area Treatment. A standstill on investment incentives is also envisaged which stipulates that no member shall offer more generous tax concessions than other countries in the group extend.

A supplementary agreement includes an agricultural protocol which requires member territories to reduce their extra-zonal imports of 22 basic food commodities during the next three years to 30% of their 1966 level. Included on the agricultural list are such items of interest to Canada as potatoes, onions, carrots, pork products, and red Kidney beans. The CARIFTA Secretariat, located in Georgetown, will be responsible for policing this arrangement and allocating markets among CARIFTA producers on the basis of supply and demand information supplied by the members. The protocol has not yet been effectively implemented by the member governments.

Accordingly, a substantial proportion of intra-area trade has been placed on a duty free basis while imports from outside the area, including those from Canada, the United Kingdom and the U.S.A., remain subject to the external tariff treatment presently accorded by each individual member. In particular cases, therefore, while our preferential margin vis-a-vis the United States and other MFN suppliers is maintained, Canadian exporters face a reverse preference in CARIFTA countries as regards competitive products manufactured within the free trade area.

As a further refinement, the Eastern Caribbean Common Market Agreement which was signed in Grenada in June 1968 creates a common market comprising the five West Indies Associated States (Antigua, Dominica, Grenada, St. Kitts, and St. Lucia) and St. Vincent. The elimination of import duties among the Common Market territories follows the schedule used by CARIFTA. Article 7 of the Agreement provides for the establishment of a common external tariff within three years.

It is relevant to look upon CARIFTA in the eyes of West Indian leaders who consider it a first step in the final objective of a full and viable Caribbean economic community. Indeed the Heads of Government Resolution establishing the free trade area makes clear that a full customs union including harmonization of fiscal incentives; regional integration of industries; a planned and organized trade in agricultural products and the establishment of regional sea and air carriers will mark the true fulfillment of the areas' regional aspirations.

Commonwealth Division,
Office of Area Relations,
June 10, 1969.
CLB/kd

CANADA—COMMONWEALTH CARIBBEAN TRADE

Canadian Exports to the Commonwealth Caribbean

(Cdn. $ millions)

	1965	1966	1967	1968
Jamaica	30.3	33.5	39.1	34.3
Trinidad and Tobago	21.5	23.3	20.1	16.2
Guyana	7.7	9.9	12.1	9.2
Barbados	6.8	8.1	8.4	10.1
Bermuda	6.0	7.4	7.4	7.1
Bahamas	9.3	10.8	10.2	12.7
Leeward and Windwards	8.0	8.8	9.7	8.4
British Honduras	1.1	.9	1.2	1.3
	90.7	102.8	108.2	99.3

What Canada is Selling to the Commonwealth Caribbean

(Cdn.$000's)

	1965	1966	1967	1968
Flour	11,138	10,355	8,413	6,701
Fish, Pickled, Salted	7,204	8,105	8,320	5,251
Meats	6,013	5,204	5,246	5,068
Fish, Canned	3,734	4,245	4,428	3,720
Motor Vehicles and Trucks	6,371	5,479	2,634	2,134
Drugs and Medicines	1,329	2,411	2,629	1,722
Lumber	1,879	2,503	2,560	3,467
Textiles	1,908	2,113	2,303	2,743
Aircraft and Parts	17	122	2,238	1,120

	1965	1966	1967	1968
Newsprint	1,749	1,774	2,194	2,024
Insulated Wire and Cable	441	1,458	1,583	1,185
Tires and Tubes	1,663	1,784	1,497	1,000
Milk Powder	1,615	954	1,461	1,271
Mining and Quarrying, Machinery and Parts	295	520	1,251	279
Aluminum Bars, Rods and Sheets	739	1,055	1,145	844
Iron and Steel Pipes and Tubes	626	768	1,120	655
Poultry Feeds	1,189	1,484	1,046	505

Plus an extremely Broad Range of Fully Manufactured Products.

CANADIAN IMPORTS FROM THE COMMONWEALTH CARIBBEAN

(Cdn.$ millions)

	1965	1966	1967	1968
Jamaica	36.0	37.3	31.9	33.9
Guyana	22.5	29.1	30.0	29.4
Trinidad and Tobago	16.7	16.0	18.7	19.9
Barbados	3.0	2.3	3.1	1.5
British Honduras	1.2	1.5	1.9	2.5
Leeward and Windwards	.8	.9	1.4	1.3
Bahamas	.5	1.2	2.2	3.1
Bermuda	.4	.8	.3	.4
	81.2	89.1	89.5	92

What Canada is buying from the Commonwealth Caribbean

(Cdn. $000's)

	1965	1966	1967	1968
Bauxite and Alumina	43,781	49,518	48,300	51,819
Raw Sugar	17,151	16,359	11,735	10,002
Crude Petroleum	8,917	8,453	9,504	9,866
Molasses	2,359	2,944	3,864	3,177
Rum	1,052	1,682	2,835	2,626
Fruit Juices	1,126	1,391	1,036	1,447
Coffee	398	396	505	495
Nutmegs and Mace	375	258	307	165
Liqueurs	151	320	280	468
Vegetables Fresh	178	188	254	65
Cocoa Beans	281	47	79	66

COMMONWEALTH CARIBBEAN

Canadian Exports (in 1968) to:

Jamaica	DOWN	12.3%	from 1967
Trinidad and Tobago	DOWN	19.4%	"
Guyana	DOWN	24%	"
Barbados	UP	20%	"
Bermuda	DOWN	4%	"
Bahamas	UP	24.5%	"
Leewards and Windwards	DOWN	13.3%	"
British Honduras	UP	8.3%	"

TOTAL CANADIAN EXPORTS DOWN: 8.2%

Canadian Imports (in 1968) from:

Jamaica	UP	6.2%	from 1967
Guyana	DOWN	2%	"
Trinidad and Tobago	UP	6.4%	"
Barbados	DOWN	51.6%	"
British Honduras	UP	31.5%	"
Leeward and Windwards	DOWN	7.1%	"
Bahamas	UP	41%	"
Bermuda	UP	33%	"

TOTAL CANADIAN IMPORTS UP: 27%

The Queen's Printer, Ottawa, 1969

First Session—Twenty-eighth Parliament

1968-69

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE

ON

FOREIGN AFFAIRS

The Honourable Gunnar S. Thorvaldson, *Acting Chairman*

No. 8

WEDNESDAY, JUNE 25, 1969

Respecting

THE CARIBBEAN AREA

WITNESSES:

Honourable Allan J. MacEachen, Minister of Manpower and Immigration and Mr. R. B. Curry, Assistant Deputy Minister (Immigration).

20011—1

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable J. B. Aird, *Chairman*

The Honourable Senators:

Aird	Grosart	Phillips (*Rigaud*)
Belisle	Haig	Quart
Cameron	Hastings	Rattenbury
Carter	Laird	Robichaud
Choquette	Lang	Savoie
Croll	Macnaughton	Sparrow
Davey	McElman	Sullivan
Eudes	McLean	Thorvaldson
Fergusson	O'Leary (*Carleton*)	White
Gouin	Pearson	Yuzyk—(30)

Ex Officio Members: Flynn and Martin

(Quorum 7)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, November 19th, 1968:

The Senate Committee on Foreign Affairs, composed of thirty members, seven of whom shall constitute a quorum, to which shall be referred on motion all bills, messages, petitions, inquiries, papers, and other matters relating to foreign and commonwealth relations generally, including:

(i) Treaties and International Agreements.
(ii) External Trade.
(iii) Foreign Aid.
(iv) Defence.
(v) Immigration.
(vi) Territorial and Offshore matters.

* * *

Extract from the Minutes of the Proceedings of the Senate, Thursday, December 19th, 1968:

THE SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Aird, Bélisle, Cameron, Carter, Choquette, Croll, Davey, Eudes, Fergusson, *Flynn, Gouin, Grosart, Haig, Hastings, Laird, Lang, Macnaughton, *Martin, McElman, McLean, O'Leary (*Carleton*), Pearson, Phillips (*Rigaud*), Quart, Rattenbury, Robichaud, Savoie, Sparrow, Sullivan, Thorvaldson, White and Yuzyk. (30)

*Ex officio members

* * *

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 4th, 1969:

With leave of the Senate,

The Honourable Senator Martin, P.C., moved, seconded by the Honourable Senator McDonald:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Caribbean area; and

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the

20011—1½

foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

ROBERT FORTIER,
Clerk of the Senate.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 13th February, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs and the Standing Senate Committee on Legal and Constitutional Affairs have power to sit during adjournments of the Senate.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Wednesday, 18th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting today.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

* * *

Extract from the Minutes of Proceedings of the Senate of Canada—Thursday, 19th June, 1969:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Langlois:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting on Wednesday next, 25th June, 1969.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

Alcide Paquette,
Clerk Assistant.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 25th, 1969.
(9)

Pursuant to adjournment and notice, the Standing Senate Committee on Foreign Affairs met at 4.10 p.m. this day.

Present: The Honourable Senators Cameron, Carter, Croll, Eudes, Fergusson, Gouin, Laird, Pearson, Quart, Thorvaldson and Yuzyk. (11)

The Committee continued its study of the Caribbean Area.

In accordance with the Committee's resolution of June 18th, 1969, the Honourable Senator Thorvaldson took the Chair as Acting Chairman.

The following persons were introduced and heard: The Honourable Allan J. MacEachen, Minister of Manpower and Immigration; and Mr. R. B. Curry, Assistant Deputy Minister (Immigration).

Agreed: That a paper, prepared by the Department of Manpower and Immigration, entitled "Notes on Immigration to Canada from Countries of the Caribbean" be printed as Appendix "C" to this day's proceedings.

At 5.25 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

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ATTEST:

E. W. Innes,
Clerk of the Committee.

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

EVIDENCE

Ottawa, Wednesday, June 25, 1969.

The Standing Senate Committee on Foreign Affairs met this day at 4 p.m.

The Acting Chairman (Senator Gunnar S. Thorvaldson): We have a quorum and shall now proceed with this meeting. As members are aware, our Chairman, Senator Aird, has just undergone an operation in Toronto. I am sure I speak for all of us in expressing our hope for his quick recovery.

As you know, this is the last meeting of the Committee for this session. We are very fortunate that in these hectic last days the Honourable Allan J. MacEachen has found it possible to join us and discuss immigration aspects of our relations with the Caribbean area.

Immigration questions have always figured prominently in our relations with the Caribbean, and several of our previous witnesses have stressed the critical importance of immigration for the region's overall economic and social development. I know that some senators have been preparing questions for this meeting for some time.

Naturally we are all glad and grateful that Mr. MacEachen could be here to amplify on the very useful report prepared by his department. On your behalf, I would like to welcome him very warmly.

Mr. MacEachen, would you care to make some introductory remarks, and then perhaps we will have questioning from members of the committee?

The Honourable Allan Joseph MacEachen, Minister of Manpower and Immigration: Thank you very much, Mr. Chairman and honourable senators. I am very pleased to have the opportunity to appear before you today and to amplify on the information that we did provide earlier to the chairman of the committee. We have tried to consider all aspects of your interest and will give you all the information that we have.

I am pleased to have with me today my Assistant Deputy Minister, Byrns Curry, who is the Assistant Deputy Minister of Immigration and Mr. Anderson, who is a member of the Immigration Division.

We did point out in our earlier submission that 1967 marked a water shed, in a sense, in the evolution of Canadian immigration policy. The regulations that were promulgated at that time placed our policy on a non-discriminatory and universalist basis. It is a selective policy of immigration related in some respects to the needs of Canada's labour market, but that policy is applied without discrimination, with respect to race, colour, creed or country of origin. While our policy is based on these principles of universality and non-discrimination it will take us some time to implement the policy in the way of providing facilities to receive and examine immigrants in all parts of the world. What we can say is that the old system was done away with in connection with immigration from the Caribbean. That part of the world was put on exactly the same basis as any other part of the world and the result has been a marked increase in immigration to Canada from the Caribbean.

I think it might be worth repeating the statistics for 1968 in the amount of 9,245 immigrants from the Caribbean in comparison with the 5,328 in 1966. We have, as a result of the new immigration regulations, opened offices and provided facilities in the Caribbean. In 1967 immigration offices were opened in Kingston, Jamaica, and Port of Spain, Trinidad, in order to provide service to the countries in the Caribbean area. Beginning early in 1968 additional staff has been assigned to these offices. Port of Sapin now services all of South America in addition to the eastern portion of the Caribbean. The Kingston office now services the western Caribbean and Mexico. We service these countries on the basis of need by travelling teams, ordinarily twice a year, to examine applicants in these countries.

Mr. Chairman, I think maybe that will open the subject a little bit and I would be happy to try and deal with any questions that may be brought forward.

The Acting Chairman: Thank you, Mr. Minister. Senator Cameron, shall we ask you to begin?

Senator Cameron: I was not expecting to, but I shall be glad to. When we had a joint committee of the Senate and the Commons two years ago one of the things that intrigued me was the matter of immigration at that time, or the last statistics which indicated that about 3,500 had come in from the Caribbean area. I was greatly interested in the large number who were nurses aides, dental aides and so on. In other words, they were skilled people in the main and this was in line with our immigration policy at that time.

I was not here the day Mr. Demas attended and I am very sorry to have missed him. I gather from reading the evidence that there was some concern that we are still drawing a disproportionate amount of skilled people rather than unskilled people from the Caribbean. Is this still true?

Hon. Mr. MacEachen: I think it is true that at the present time we are selecting immigrants from the Caribbean in exactly the same way as from other places and that therefore there is an emphasis on the person with skill. This is undoubtedly true.

It is worth saying that the department has opened these facilities in these countries at least in part response to the request from these countries that we offer the same opportunities to citizens of these countries as we do elsewhere.

We do not actively promote in the Caribbean at all; we do not solicit; but we do accept persons who come forward and who seek to come to Canada; and we provide those persons with the same opportunities as we do to the citizens of other countries.

I do not think that the skill level which we draw from the Caribbean is greater than we draw from any other country in proportion in the various categories of immigration.

Senator Yuzyk: That is in Canada but we may draw more skilled proportionately from that area, than from other areas.

Hon. Mr. MacEachen: For example, I do not think that the skilled proportion we draw from the Caribbean is greater than the skilled proportion that we draw from other countries or from the world in general.

Senator Yuzyk: I was wondering what basis you are using—the Canadian basis, or the basis of the countries themselves, in regard to the proportion.

Hon. Mr. MacEachen: The countries.

Senator Fergusson: To some extent, is this not defeating its own purpose? We are spending money to educate those people and to make them become skilled. Then, it is the skilled ones we really welcome and we are taking them off.

Hon. Mr. MacEachen: In the independent section of our movement there is a very heavy emphasis on skills, on education and youth but in the sponsored and nominated sections there is considerable leeway for the less skilled.

For example we have the statistics here there is a good proportion coming in from the West Indies as sponsored dependents, whose only qualification to come in is to be dependant on the person in Canada. There is that aspect.

In the nominated flow, which is the third category, there is a premium on skills, but less a premium than on the independent flow. So there is a leeway in that way.

The Chairman: While we are on that subject, Mr. Minister, I thought I would read to you a sentence from the evidence given before this committee by Mr. Damas some time ago. He said:

> Any representative group of immigrants from the West Indies to Canada will be found to have a much higher proportion of skills than any representative group of people within the circle of the West Indies. This is a major area of weakness in the economy.

Would you like to comment on that, whether you think that is an accurate statement?

Hon. Mr. MacEachen: I would not dispute that at all. I would not confirm it either. We ought to bear in mind that the country of origin has a responsibility, too, in allowing people to leave the country. It is a shared responsibility in the sense that the country of origin, through its exist system, can control the departure of people,if is wishes. It is not simply Canada. We are obviously interested in getting people who will contribute to the cultural and economic and social development of Canada, but the country allowing them to come to Canada has made a decision also. Especially in the Caribbean, in its—I will not

say insistence but at least its indication that it wanted us to provide these services in those countries.

Senator Yuzyk: There has not been any kind of resistance by any of the governments, or an attempt to resist this flow to Canada?

Hon. Mr. MacEachen: Generally, the Caribbean countries are much happier with the new system than they were with the old system, which was discriminatory. There is no doubt about that, Mr. Curry?

Mr. R. B. Curry, Assistant Deputy Minister, Canada Immigration Division, Department of Manpower and Immigration: This comment might be pertinent to the question which has just been asked. I happened to remark to the minister, before we came here, that the three high commissioners—of Trinidad and Tobago, Barbados, and Jamaica—had asked me to a luncheon, to express appreciation of the work done by the department in the last several years in making the whole question of immigration much more pleasant and much more acceptable to them.

I have spent a good deal of time in the West Indies, and on the three islands in the last several years. I took this occasion, I hope tactfully and diplomatically, to thank them not only for the honour they paid the department but also at the fact that they wished to get together on this occasion as the three principal Caribbean islands that have not always been able to agree on all matters.

They all expressed the view that immigration decisions were much more to their liking than they may have been some years ago. I should tell you that even though it may be somewhat in the nature of hearsay evidence.

Senator Yuzyk: This is what I wanted to know.

Senator Cameron: This is very interesting.

Senator Laird: I have just returned from the United Kingdom, and I was there during the famous speech of Enoch Powell about offering $2,000 to certain black immigrants—I should not say primarily but in some proportion from the Caribbean, to go back home. I was somewhat amazed at the rather widespread sentiment in favour of Mr. Powell. I did not find this only amongst the people in Mother England: I encountered it in Wales and in Cornwall and in Devon and so on. In adopting your new policy, do you have any apprehension that we might arouse similar sentiment in Canada?

Hon. Mr. MacEachen: That question relates to the earlier question about the selection of immigrants. It is possible to select immigrants to come to Canada who have no skills and who will gravitate towards the lower levels of the economy. Our ability to take increasing numbers of people from other countries, including the Caribbean, will depend upon the success with which they settle in Canada.

We believe that up to the present we have a good selection system, that those who have come from the Caribbean have settled with the minimum of difficulty—not without any difficulty but with the minimum of difficulty. We believe it has something to do with the care with which we select and the success that they have in settling satisfactorily in Canada.

It seems to me there has been some concern recently about the multi-racial composition of our immigration, because of what has happened in the United Kingdom and the United States and what has happened in Sir George Williams University.

We have seen a bit of concern in connection with those events. I am not concerned. I do not think the Canadian people as a whole are prejudiced on these grounds and I am not concerned, but that our immigration has carefully selected and that the people who come can succeed and settle satisfactorily in the country. If that happens we can continue our policy.

Senator Cameron: You said that last year 9,245 came to Canada, which is a substantial number. Where do they go mainly? As I recall, two years ago they mostly went to Montreal and to Toronto.

Hon. Mr. MacEachen: I think that is still true.

Senator Cameron: Then this would have some advantage from their standpoint. These are people who don't like to be isolated. In other words, they are affected by lonesomeness, if you just get one or two out in some isolated area. So there must be some substantial colony—if I may use that word—from the West Indies in Montreal and Toronto now, so that they can develop their own culture there. Are they spreading out beyond these large metropolitan centres to any appreciable extent?

Hon. Mr. MacEachen: My impression is they are not spreading out to any appreciable extent.

Mr. Curry: They tend to go to urban centres to begin with.

Senator Yuzyk: There are some in Winnipeg, too.

Mr. Curry: I was going to say that it goes much farther than just the large cities. For example, there are great numbers in Ottawa. If you have, for example, occasion to go to any high commissioners' tea parties, or cocktail parties and so on, you will find very often that the High Commissioner, for instance, for Barbados, Mr. Williams, will have a group of his compatriots come on some occasions and you will be quite surprised to see several hundreds among those who attend one of these parties. On the streets of Ottawa today I think one sees many more, as well.

The Chairman: Would you venture a guess, Mr. Curry, as to the actual number in Ottawa?

Mr. Curry: It would be the rankest sort of guess, senator. I should say certainly there are some hundreds of Caribbean origin who have settled in Ottawa in all stations of our society.

Senator Fergusson: And I understand there are quite a few Guyanese here.

Senator Carter: At the bottom of your first page, you give the increase in volume as 73.5 per cent since the new regulation, and that works out to 9,245 in 1968 compared with 5,328 in 1966. These are the figures the minister mentioned in his presentation. I am wondering what conclusions can be drawn from those figures. Do they include what might be called indirect immigration—that is, people who originated in the West Indies, then went to England and subsequently came here to Canada? Is there a breakdown of those figures into groups of direct and indirect immigration?

Hon. Mr. MacEachen: Yes. We have the proportions for 1967 and 1968, with respect to direct and indirect immigration. From 82 to 85 per cent in these two years was the direct immigration from the West Indies.

Senator Carter: This is direct.

Hon. Mr. MacEachen: Direct, yes. I was about 12 to 16 per cent via the U.K. and 1 or 2 per cent via the U.S. That is for the West Indies.

Senator Carter: And the amount of indirect immigration is still constant as compared with previous years?

Hon. Mr. MacEachen: Well, I can give you these figures as an appendix, if you like. In 1967, 82 per cent was direct from the West Indies and in 1968, 85 per cent was direct. From the U.K. in 1967 it was 16 per cent of the total and in 1968 it was 12 per cent.

I don't think there is much in the way of conclusions to be drawn from that, however.

Mr. Curry: Perhaps, if I could presume on Sentor Carter's question, what he is looking for is to see if the pressures in Britain have caused a sizeable increase in the movement from Britain to Canada of West Indians.

Senator Carter: Yes.

Mr. Curry: I think the answer to that is probably no. While the West Indians have been under great pressure in Great Britain, they have nevertheless been digging in quite successfully in Great Britain. There has been no great wave of such emigration from Britain to Canada.

Senator Carter: I was thinking of the population pressure which is their problem in the Caribbean, since any reshuffling of those already out is not of any help to solving their problem.

However, the other conclusion from that would be that it would seem that your new regulations are much less restrictive than your old ones, because you have this tremendous increase of 73 per cent in three years.

Hon. Mr. MacEachen: Yes, there is no doubt that the new regulations have made it possible for greater numbers to come to Canada.

Mr. Curry: They were also given the benefit of an assisted passage, Senator Carter, which they did not enjoy before. It does not amount to a great deal, but to a native Caribbean it is a matter of $125 or $135 to come here, and they can get a loan which they could not get until two years ago.

Senator Carter: I want to go back to the aim of our policy. We don't promote emigration from down there, but, actually, are we not promoting it in a different way through these regulations, because we are really making it much easier for them to come if they want to come?

Hon. Mr. MacEachen: That is true. But it was a policy based on a universalist approach to every country in the world, where we can provide facilities to examine and receive them. I don't see how you can have a universalist policy operate any other way, unless we say we won't take people from the Caribbean, but will put a quota on the Caribbean. Then we would be accused of discriminating against the Caribbean, as we were before. We were bitterly criticized for discrimination before.

Senator Carter: Has our relationship improved? The sore point in external relations between Canada and the West Indies was our immigration policy. Has that improved now since the new regulations came into effect?

Hon. Mr. MacEachen: There is a realization that there is no discrimination against the Caribbeans, that the same principles apply. To that extent there is some gratification of improvement of relations.

There is some concern about the brain drain from the Caribbean. Students come into Canada from the Caribbean and may not return. That is a matter of concern to them. We had in 1968 about 4,000 or 5,000 students studying in Canada from the Caribbean and that is a big block of manpower.

Senator Carter: You mentioned earlier about some responsibility residing in the country of origin to sort of restrict the movements of their nationals outside, if they wished. But the unrestricted movement of an individual is the mark of a free citizen and it is one of the human rights under the United Nations. I don't see how they can restrict such movement.

Hon. Mr. MacEachen: Exactly.

Senator Carter: I don't see how they could lay claim to any democratic procedures, if they did indulge in any form of restriction of their nationals outside their borders. They would be going back to the type of practice seen in the Iron Curtain.

Hon. Mr. MacEachen: If, for example, the country of origin provides a scholarship for study to a student from Jamaica, say, to study in Canada for two years, surely under those circumstances there is some control that the sponsoring country could exercise. These students undertake obligations to return to their own countries because they get scholarships under international agencies and in some cases they do not go back.

Senator Carter: Do we not have a responsibility to send them back under those circumstances?

Hon. Mr. MacEachen: We do and we try, but it is not easy to enforce. We may refuse to land the student, for example, as a permanent resident in Canada, but we have no control over his departure from Canada into another country.

If we took action unilaterally in a very restrictive way we would be subject to the kind of criticism that arises from the declaration of human Rights and the movement of people. In order to be effective and to really control this you would need a general agreement which seems unlikely, because of the declaration of Human Rights. That is why I come back to the case of students, whether it is not worth careful consideration by the originating countries to establish their own control over students who are assisted under certain conditions so that they will return for a period of time to their own country and help them out. It is a real problem.

Senator Fergusson: I first intended to ask about immigration posts that we have serving the Caribbean region, but the minister has answered that already. I gather from what you say, Mr. Minister, that we are just giving a service where it is requested and we are not doing anything aggressive in this field. I suppose having two posts down there is enough, but it seems to be rather scattered. Does it give people an opportunity to get to the posts? With regard to the people who are serving in these posts, I should like to know—I presume they are doing a counselling service with the applicants, but what training do they have in counselling? I should also like to know if after the immigrants come to Canada, do we continue to counsel them so that we can get them satisfactorily settled or must they settle these problems on their own?

If we have counselling in Canada, what training have those counsellors had in this area? This is a very specialized area. Are the people working in these posts trained in this field?

Hon. Mr. MacEachen: Well, in the Caribbean, as I said, we have two offices, one in Kingston with three Canadians and five locally engaged staff and one in Port of Spain,

Trinidad, where we have five Canadians and 12 locally engaged employees. These people travel to various countries depending upon the interest or the number of applications. I suppose they visit these countries approximately twice a year, Mr. Curry?

Mr. Curry: That is right.

Senator Fergusson: The two posts could not even cover the whole Caribbean in that time, could they?

Hon. Mr. MacEachen: Sure they do.

Mr. Curry: They respond. For instance, the South American country you mentioned before, Guyana, is served quite adequately from Port of Spain, which is not far away. They go in twice a year and give ample notice to the people concerned that they are going to visit.

Hon. Mr. MacEachen: I want to mention one aspect. I recently looked at the Foreign Service Offices in the Immigration Department. It is the oldest foreign service in Canada in this department and the proportion of highly educated, youthful immigration officers is surprisingly high indeed, serving all over the world.

Senator Fergusson: You said youthful and . . .

Hon. Mr. MacEachen: Youthful and highly educated.

Senator Fergusson: You need more than to be highly educated.

Hon. Mr. MacEachen: There is a considerable staff development and staff training. I am not going to say more than that regarding the department, but I think this department puts a very high emphasis on staff training and staff development in order to carry out the kind of important counselling, which is the main part of the interview with the applicant coming to Canada. There is quite a period of counselling and they are trained in that field. Maybe you would like to add to it.

Mr. Curry: I would say that on the whole, our people are getting a year and a half of training after they come from the university to us, and they come in numbers of approximately 30 a year into the immigration service. They are very experienced in the manpower centres in Canada where counselling is going on steadily. You might say that they put in an apprentice capacity abroad, as juniors to more experienced officers until they get the feel of it. They are quite well equipped, comparatively, to do the job that I know you have in mind, Senator Fergusson.

Senator Fergusson: I can understand they do very well. Honourable senators might be interested to know that I was trained under Mr. Curry once in the Civil Service. I do not know how well he did with me, but he did well with the others.

I should like to ask one more question though. In teaching counselling, is the aim of the counsellor to give service to the applicant or to the immigrant, as a human being, or is his objective to direct them into work that will be important for the economic benefit of Canada? I am not just saying this off the top of my head. This may be hearsay too, but I have heard that the objective is to see that the economic good of Canada is served rather than the human needs of the immigrant. I should like to know if there is any instruction given along this line.

Hon. Mr. MacEachen: Mr. Curry would like to discuss it with his former apprentice.

Mr. Curry: She was by no means an apprentice. We will get to that on another occasion as to who was who. I had the same sort of relationship with Senator Cameron at one time too, but in a different capacity.

If we go right back to the objectives of the department, for instance, when we go to the Treasury Board for money or when the minister has to make our case for dollars and for man-years, the two aspects of immigration are given very great strength. One aspect is serving the economic needs. What do immigrants do for the economy of Canada? Those of us experienced in the welfare field never lose an occasion to say there is another aspect to immigration. That is the social or the humanitarian one, as you put it. Indeed the Government of Canada has amply recognized this in the adoption of the White Paper on Immigration where the place of the sponsored and the place of the nominee was fully recognized. A lot of people even yet do not realize that the sponsored person is the only immigrant who comes to Canada by right. He is the only one who comes by right under our law, whereas the independents and the nominated actually come by privilege. This, I think, underscores the social aspect of the whole process.

Hon. Mr. MacEachen: I think it is worth pointing out, senator, that of the total immi-

gration flow into Canada at present only about 50 per cent is based on skill requirements or economic considerations. The rest is a big blend of humanitarianism. That is a pretty big part of the total flow.

Senator Fergusson: This is practical too. If you make it possible for them to fulfill the best that we have they are going to be more happy and will make better citizens and in the end it will be to our advantage. Are there many who come to Canada who get discouraged and go back to the Caribbean?

Hon. Mr. MacEachen: Our general information on the life course of immigrants is not too good. This year we have launched a new study on the social and economic adaptation of immigrants. It will run for three years and will concentrate upon the occupational and geographical pattern of immigrants, their incomes, their assets, their spending patterns, how they have been treated in Canada, how they have settled in Canadian life, how many have left. We will cover 10,000 persons a year, beginning this year. We hope to receive periodic reports from those immigrants giving information on a number of things we did not have and that we ought to have, to answer this kind of question.

Senator Yuzyk: Would this be on post-war immigrants, and from various countries?

Hon. Mr. MacEachen: Yes.

Senator Pearson: Have you a regular course of counselling or training they go through when they join?

Mr. Curry: Yes. The course follows the academic year as people come out of universities, so there is some overlapping as each person has more than a year's training. This is going on all the time in one form or another. We try to get them out into other fields, to give them job information and make them familiar with other parts of Canada, for example, that those in the Maritimes can visit western parts. When we recruit immigrants we do not do so to bring them to any particular place but to Canada as a whole.

Senator Pearson: Is there a population explosion in the islands?

Mr. Curry: Very much so. This is seen in unemployment rates especially in Trinidad, as compared with our current unemployment rate of five or six per cent.

Hon. Mr. MacEachen: Less than five.

Mr. Curry: When I was in Trinidad in December last I was alarmed to find that it was about 15 per cent there.

Senator Pearson: So there is pressure to go to Canada.

Mr. Curry: To go anywhere.

Senator Pearson: Is there any percentage going to South America?

Mr. Curry: Some to Guyana, which is an immigrant-receiving country, having fewer people than they want to have.

Senator Pearson: What about British Honduras?

Mr. Curry: The movement to Honduras is very small.

Senator Pearson: Why is that?

Mr. Curry: I suppose because the chances of a Caribbean native to do well in Honduras are much less than they would be in Canada, so Canada is more attractive.

Senator Cameron: I was in the Caribbean last year and was given to understand that unemployment was up to 20 per cent in Trinidad, which is a big problem. I am interested in this study you mentioned and think it is an excellent idea. What kind of people are carrying it out? Have they university training?

Hon. Mr. MacEachen: This would be a study developed in our own program development service in the department, in the evaluating research division. We have a highly qualified group in that division. I am not certain whether any part of the study is being contracted out to a research organization.

Mr. Curry: These are economists.

Hon. Mr. MacEachen: Mostly economists.

Senator Cameron: It is a very useful thing.

Hon. Mr. MacEachen: Many questions are asked about immigrants and we do not have the data. As to their economic contribution, for example, that information is important to the country. Such contribution is not fully appreciated. It is very great. We think this study will show us more about that and about other things also.

Mr. Curry: Senator Cameron will appreciate there has been a reluctance to follow immigrants earlier, because many people, Canadians and immigrants themselves,

thought it might smack of some degree of surveillance, which was pretty unwelcome. But this idea of follow-up has been sold in such a way that these people now are eager participants in this sort of study.

Senator Cameron: What percentage of people in the universities—you said there are about 4,000 or 5,000 there—are returning and what percentage remaining in Canada?

Hon. Mr. MacEachen: We have statistics here which indicate in a rough way, between the number of students admitted to Canada and those who have been "landed" as permanent residents. There is a time lag in the proportioning but it gives a rough guide. It is:

In 1965 — 11.09 per cent
In 1966 — 10.33 per cent
In 1967 — 9.72 per cent
In 1968 — 15.85 per cent

Senator Cameron: Remaining?

Hon. Mr. MacEachen: Who have been "landed" for permanent admission in Canada. That is not those who have applied, but those who have been landed. It may have a time lag of one year but it gives some idea of the proportion.

Senator Cameron: Could we interpret from that, that 85 per cent are returning to their homelands, of those university trained people?

Mr. Curry: Yes.

Hon. Mr. MacEachen: Or they are not "landed" in Canada. They may go to some other country.

In this case, if a student marries a Canadian citizen or a Canadian resident, we would as a matter of course "land" that person in Canada, if it were demonstrated that they had discharged their obligations to the sponsoring agency for their education, we would land them also. Barring those two considerations, and some of the loopholes I have mentioned, we would return them home.

Senator Fergusson: Do you know what proportion marry Canadians?

Hon. Mr. MacEachen: No, I do not.

Senator Quart: Many of my questions have been answered. I would like to refer to the second page of the brief, where it says the Canadian Government has an assisted passage loans scheme available to immigrants. Now, just about what percentage do you give for this passage home scheme? You mention here that they should pay back within a reasonable time, but do you have to write off many of these loans or just about what percentage do you manage to collect?

Hon. Mr. MacEachen: I think we can give you the figures.

Senator Quart: Is it a total loss?

Hon. Mr. MacEachen: No, it is not a total loss.

Senator Quart: Do you have to follow it up or do they have to sign forms or anything?

Hon. Mr. MacEachen: We try to follow it up because we have a fund which we want to maintain in order to make it available to future immigrants. As a matter of fact, the other day I approved that the department retain the services of a collection agency to collect these loans. It is not that we are going to harass people. In fact, we will not press people who are hard-up, but we do think it is fair to ask a person who has settled and who has a good job to pay up so that our fund will be replenished in order that we can help more people in the future.

Now, we can show you the percentage of delinquents, if you like.

Senator Quart: No, I was just curious.

Hon. Mr. MacEachen: It is a pretty good performance, I think.

It depends, too, on the intensity of our interest in collecting. People like to be reminded and want to be reminded.

Senator Fergusson: You could not collect from the ones who have gone back home very well, could you?

Hon. Mr. MacEachen: No, we write those off.

Senator Quart: I would imagine so.

Do the majority of the students who come here from the West Indies do so on scholarships from their countries or do we have some scheme whereby we advance them student loans?

Hon. Mr. MacEachen: I am not on certain ground there, but I do not think we do.

The Chairman: Honourable senators, I am afraid the minister has another appointment

at five o'clock and must leave us now. I am sure Mr. Curry will be glad to answer any questions you may want to ask.

Senator Quart: Mr. Curry, I should like to know more about the two immigration offices you have with respect to the West Indies. Do you receive more applicants from Port of Spain or from Kingston? It seems to me that in respect of domestic servants and so on there are more Jamaicans here than other West Indians.

Mr. Curry: Traditionally, Jamaica has sent more immigrants because, as you know, Jamaica is by far the heaviest populated island. The proportions work out probably very much in the order in which we have divided it acceptably to the West Indians. Some are workers who come for work in our tomato crops and other crops, particularly in Ontario, and we worked out a formula which is rather rough but which is acceptable. Fifty per cent of those people should come from Jamaica; 30 per cent from Trinidad and 20 per cent from Barbados. This gives Barbados a pretty good edge because their population is much smaller, but this formula does work out and the numbers who come are not too badly off in that proportion.

The greater number still come from Jamaica.

Senator Quart: I guess the employment in Trinidad might have some effect on the number leaving there as well, since Trinidad has a higher employment rate than the other islands. It is the most advanced island in terms of economy.

Just out of curiosity, can you tell me what happens to the sponsored immigrants? For example, what happens to a sponsored immigrant if the sponsor withdraws his sponsorship once the immigrant is here?

Mr. Curry: Actually, we cannot enforce the sponsorship because it is a matter of a moral rather than an enforceable contractual obligation. We will be as helpful to the immigrant as we can possibly be in getting him work and seeing that he gets on.

This does not arise very often, in any case, under the new regulations, because the sponsored person is a very close relative. If he is not within the degree of proximity in relationship that is required under the new regulations, he can only be a nominated immigrant. That is a new class introduced by the new regulations. The sponsored immigrant must be a near and dependant relative. It is usually the husband, the wife or a minor child.

Senator Quart: It is not a domestic or anyone of that sort?

Mr. Curry: No. A domestic cannot be sponsored at all by a person not immediately related. Many good Canadians who go down to the West Indies and see a waitress or a waiter or somebody else who attracts their attention and would like to have him or her in the household mentions it to the person concerned and, upon returning to Canada, such Canadians get in touch with us by letter to the effect that they would like to sponsor the particular person. Unfortunately, our law does not permit that.

Senator Carter: I should like to return to the question of students. I can understand that when a student comes here on a scholarship he has a responsibility to go back, and we have a responsibility to see that he does so far as we can. But are students a very big proportion of the people who come in? Do we have any figures on the proportion of Caribbean students studying here who apply and receive permanent admission?

Mr. Curry: I think the minister just told you that last year 15 per cent of those students who were here applied successfully for landing.

Senator Carter: What would that mean in terms of actual numbers?

Senator Cameron: I believe the minister said between 4,500 and 5,000.

Mr. Curry: That was altogether.

The Chairman: That is the number of students in Canada at a particular time, such as at the present.

Mr. Curry: In 1968, which is a pertinent year, there were 3,698 students from the Caribbean area in schools in Canada. Roughly 3,700. During that year we landed close to 600. That is not 600 of that 3,700, but 600 out of all those who were here in Canada at the time they applied for landing.

Senator Eudes: Does that mean, then, that when a student has been admitted he has the privilege to file an application to become a landed immigrant?

Mr. Curry: He has to apply, as anyone else has to apply in Canada, and he must meet the

conditions we give, the qualifications for any person. It may be that, as a student even, he might not meet our qualifications.

Senator Eudes: His case becomes the same as any other's.

Mr. Curry: Exactly the same as a young man in Britain, in France or any other country who applies to come to Canada as an immigrant.

Senator Eudes: Is there a difference between an application from a student and an application from another person who comes here as a tourist, for instance?

Mr. Curry: Only in terms of his qualifications. He is the one who causes the difference. Incidentally, a person who applies in Canada for landing in Canada automatically loses ten points out of the necessary points needed for qualification had he applied at home.

Senator Eudes: Suppose his application is not accepted.

Mr. Curry: He is invited either to leave voluntarily or he will run into a deportation order.

Senator Eudes: The usual special investigation and then to the Appeal Court of Immigration?

Mr. Curry: What we call, for want of a better term, due process of law.

Senator Eudes: When the Appeal Court has rendered its decision the minister has no power but to amend or correct the decision?

Mr. Curry: No. The question of decision is taken from the minister under the legislation and put into the Appeal Board.

Senator Eudes: The Appeal Board decision is final?

Mr. Curry: Except for application to the Supreme Court of Canada.

The Acting Chairman: Mr. Curry, would it be accurate to say that one of the larger problems that you have to deal with consists of these people who land in Canada and stay here for a few months and then apply to become citizens? What is the nature of the problem from the point of view of seriousness?

Mr. Curry: This is a very large problem in immigration generally and has no more application to the Caribbean, West Indians or indeed to coloured people than it has to hosts of other people. In Canada, at any one time, there are probably 30,000 or 40,000 people who are here as non-immigrants and who have perhaps overstayed their permitted time. They came as visitors or tourists. They liked it and decided that they would like to stay. They frequently like to stay without telling us. We do not have the alien registration system that the United States has. Anybody who is an alien in the United States must register every January. These people tend to become blurred in our population and our trouble is to determine who they are because they are here without a right after they have overstayed their permitted leave. We are studying very hard with the assistance of other Government departments, whether through the help of the Department of National Revenue (Income Tax), the Unemployment Insurance Commission, Dominion Bureau of Statistics or through the National Health and Welfare, which pays various welfare allowances, how we can determine better who these people are and take care of the illegality.

This is a very heavy burden on us because we let them in. Seventy million people cross our border every year from the United States alone who have not been admitted as immigrants at all. A good many of those people may elect to remain, by their own volition. This is a very real problem.

The Acting Chairman: Senator Fergusson, you had another question?

Senator Fergusson: No.

Senator Carter: I was not quite clear what the minister said earlier about these students that are here on scholarships. Are they admissible to Canada if they are here on a Commonwealth scholarship or a Canadian Government scholarship? Are they admissible as immigrants without approval being required from their own government?

Mr. Curry: No.

Senator Carter: They must get—

Mr. Curry: That is right. If a person were here under those terms he must be cleared by the agency that granted him the help, whether it is his own government, the United Nations, or some other source.

Senator Carter: That applies to all foreign students on scholarships?

Mr. Curry: That is right.

Senator Carter: Not to private students?

Mr. Curry: No, those who apply on their own have no obligation to anyone except their parents, perhaps.

Senator Carter: I should like to ask another question about the finding of some multilateral agreement to control skilled immigration from developing areas. Has there been any thought given to that sort of thing?

Mr. Curry: In what way, senator, do you mean to control?

Senator Carter: Obviously, there has been some sort of an international agreement, multinational agreement.

The Acting Chairman: You mean to prevent when you speak of control? You mean to prevent immigration of skilled people from...

Senator Carter: Some of the developing countries, yes.

Mr. Curry: I think you have made the point, and perhaps the minister made it before, that this sort of thing cannot be done by a unilateral action on the part of Canada because it runs counter to the position the Government has taken in regard to the world as a whole. Therefore, it is incumbent on us not to say to a skilled person that he cannot come to Canada because it is not in the best interests of his own country. If there is any unilateral action, it is the responsibility of his own country. But that runs counter to the rights of people to move. As the minister said, it is the sort of thing that could only be done under some international auspices such as an agency of the United Nations—for example, the International Labour Office.

Senator Carter: Has anything been done along that line?

Mr. Curry: No, except to try to bring home to the countries concerned, who might make that pitch, that it is not the prime responsibility of Canada. Within the last year we have invited some of the governments of the West Indies, whom we thought were likely to be concerned about this, if they wished to express their concern and if they wished to do anything about it, and we have as yet had no response.

Senator Laird: They will do it privately, Mr. Deputy Minister. I had a blast in London from Mr. Meredith of the Commonwealth Parliamentary Association—you may know him.

Mr. Curry: We feel it should come from the country concerned. We cannot be universal in our policy, with free access to everybody, and then turn around and say except, except, except. It is a hopeless position.

Senator Cameron: I was interested to see there has been a recent upsurge in immigration from Haiti. I presume this has been since the new policy came into effect.

Mr. Curry: Yes.

Senator Cameron: The reason I was interested was that I was in the Bahamas a few years and quite a number were coming in there from Haiti and the comments of the Bahamanians on the Haitians were that they stayed in a little enclave of their own, lived in primitve circumstances, and sent their money back to Haiti. I wonder what numbers are coming from Haiti. These would be unskilled, I presume?

Mr. Curry: Our statistics tend to group them in terms of the West Indies as a group, or the Commonwealth West Indies, and it is not broken down, but we could get that information.

Senator Cameron: I would assume it is a small number?

Mr. Curry: It is, indeed. You were speaking, senator, about people who come legally from Haiti. However, we found a group had come in as university professors or school teachers and were living in Amos and Abitibi, in the Province of Quebec and were getting on there and were well accepted in the community, but they had no legal right to be in Canada. And the women had come along to ask for their husbands to join them as professors. This is one of the cases the chairman was speaking of, in regard to trouble with illegal people in Canada.

Senator Fergusson: You have told us today that it is only two years since the Caribbeans were made eligible for immigrants assisted passage loan schemes. How many have taken advantage of it?

Mr. Curry: Quite a small number. Most of the immigrants from the Caribbean feel they would rather get up here and pay the modest passage—as compared with the cost from Europe—and not have a loan hanging over their heads.

Senator Fergusson: How does the proportion of people from the Caribbean taking advantage of those loans compare with the proportion of other immigrants?

Mr. Curry: In the case of the older source countries of Europe, I would hazard a guess that the proportion from the West Indies is very considerably lower than it is from Britain, for example. That is due to a number of reasons. There is stiff competition in Britain. For example, Australia offers an assisted passage to Australia for only ten pounds, which is only twenty five dollars, and Australia pays the rest. Therefore, they are looking for as good a bargain as they can get to come to Canada. If their loan appears to be a bit of a bargain they take advantage of it.

Senator Fergusson: How do you determine whether they are eligible for such a loan? What is the standard?

Mr. Curry: They have to demonstrate to us that they have a certain earning capacity and would be in a position to repay the loan. They have to put down a small part of their own money against the loan, which is a modest sum of $50, and they have to settle in a high occupational demand area in Canada. All that gives us confidence that they would be likely to repay their loan. The loan is drawn from a revolving fund and the amounts we collect back pretty well match the amounts put out.

Senator Gouin: Do students come here for a general education or do most of them go to certain faculties? Two years is not a very long period to stay at a university. Have you any statistics or information on that?

Mr. Curry: They usually come for a full course. A considerable number come for postgraduate work or professional training. The University of the West Indies, which I take it you visited, senator, has become quite well established and has increased its standards. Of course, I take it you know that the university of the West Indies is assisted directly by Canada through our aid program.

Senator Gouin: Is a large percentage of female immigrants from the West Indies employed as servants?

Mr. Curry: There has been a large percentage. We had an agreement with the West Indies over some years past, by which the number 250 a year were admitted as domestic servants. This was doubled in 1966, at the time of the Canada-Caribbean Conference here in Ottawa, to 500. Due to changes in policy in 1967 we thought it wise to get rid of agreements with other countries because we were rather discriminating between countries with whom we had agreements and those with whom we did not. By negotiations we were able to eliminate this agreement with the West Indies. Domestic servants come because they qualify as such, and the numbers are of about the same order as before. Domestic servants, being female, mainly, run into certain social problems, because frequently in the communities where they live there are not enough immigrants of their own racial and cultural background to meet their needs. There is a certain social imbalance arising because of this, about which we are somewhat concerned.

Senator Gouin: Do many of these domestic servants stay indefinitely in Canada?

Mr. Curry: Quite a number stay, yes. We admit them now as domestic servants, but thereafter, having been admitted, they have every right to stay and it is not necessary that they maintain their status as a domestic servant. Usually they very quickly find that girls in factories, hosiery mills and textile mills, particularly in Quebec, can earn a good deal more than domestic servants, and away they go. This is their option, as it is the option of anybody in Canada.

Senator Gouin: Thank you.

Senator Fergusson: Do you say that the domestic servants are all female? Do you not have any men coming in as domestic servants? Are there not lots of houseboys?

Mr. Curry: Yes, some. Most of them are female, having been trained in excellent schools, particularly in Barbados, for domestic service. The three governments have all been quite alert to the need to train their girls for service outside the islands.

Senator Carter: Are the girls trained in domestic service rated on their skills in the same way as if they were machinists or plumbers?

Mr. Curry: That is right, and on the occupational demand for their services.

Senator Carter: I wish to follow up a question raised by Senator Cameron concerning Haiti. In appendix A the figures given show a substantial drop: in Jamaica from 3,459 to 2,886; in Barbados from 1,181 to 821. Then

lesser drops: in St. Vincent from 250 to 220; St. Lucia from 135 to 73; St. Kitts, 107 to 63, and Grenade 139 to 120. Are these drops the effect of any new regulation?

Mr. Curry: Not just the effect of any new regulation. It is the effect of a world-wide drop in immigration to Canada in 1967 and 1968. You will recall that the drop last year compared with 1967 from all over the world was roughly 20 per cent, but the drop from the West Indies was only 10 per cent.

The Chairman: Senator Carter, may I intervene here for a moment. We require a motion to the effect

> That a paper, prepared by the Department of Manpower and Immigration entitled "Notes on Immigration to Canada from Countries of the Caribbean" be printed as Appendix "C" to this day's proceedings.

Will you move that, Senator Quart?

Senator Quart: Seeing that you kept me here to make a quorum, I will be very happy to move it.

Senator Carter: But this is much more than 20 per cent when you go from 2,400 to 2,200 from Jamaica.

Mr. Curry: The drop from Jamaica may have been that proportion but the total Caribbean drop was 10 per cent as compared with 20 per cent from all over the world. One of the reasons for that was the lower economic activity in Canada.

Senator Carter: What special factors came into play to affect Jamaica and Barbados?

Mr. Curry: A special factor may have been the unusually large numbers of those who came in in the previous year. In other words 1967 was a particularly large year for these people. I think in 1968 the figures would be more normal than those for 1967 would be.

Senator Carter: I have one more question: in trying to cope with this problem of helping them out with their pressure of population and at the same time not draining off too many people or too many skills, we cannot prohibit the ones who are free to come and who want to come. But along with that could we do a little more to bring those who may not be skilled or those who may not be trained but who are trainable? Do we have some way of assessing their aptitudes or trainability so as to treat them and give them the same number of points for trainability as if they were already trained. Have you given any thought to that?

Mr. Curry: We have given thought to it but it does not lead us to a very realistic conclusion. We apply a universal policy and we cannot entertain a program of that sort for the West Indies any more than we can for India or China or any other countries from which we receive immigrants. If we were to embark on a policy of taking those who are unqualified and bringing them to Canada for training we would end up with a colossal problem. In the West Indies you have some few millions of people to whom this could be applied whereas in India you have 600 million people for whom the same argument could in effect be made. Some years ago the Italians used it to suggest that we should take some of their unskilled people and train them in Canada and in my judgment the most aggressive—perhaps I should not use that word because they are not aggressive—but those who pushed the Italian case most strongly and longest have ceased and abandoned any argument of that sort.

The Chairman: Honourable senators, I think we are ready to adjourn, but before doing so I want to thank Mr. Curry and Mr. Anderson for being with us.

The committee adjourned.

APPENDIX «C»

NOTES ON IMMIGRATION TO CANADA FROM COUNTRIES OF THE CARIBBEAN

A. *IMMIGRANTS*

Basic Policy Applicable to All Countries

The principal objective of Canada's immigration policy is to stimulate Canada's growth by admitting immigrants from throughout the world who can contribute to its economic, social and cultural development. At the same time Canada's immigration policy recognizes the right of Canadian residents to facilitate the admission of their relatives, and accepts the obligation to participate in programs for the assistance of refugees by relaxing normal admission standards on their behalf.

Regulations were introduced in October, 1967, which provided a new basis for the sponsorhip of dependants, the nomination of a broad group of other relatives and the selection of independent applicants. Dependents of Canadian citizens and residents are admitted to Canada without regard to their personal qualifications or the financial circumstances of their sponsors. Nominated relatives are assessed on five factors: education and training, personal assessment, occupational demand, occupational skill and age. Independent applicants are assessed on the foregoing five factors plus arranged employment, knowledge of English and French, the existence of a relative in Canada willing to provide assistance and employment opportunities in the area of destination. The selection criteria are applied without discrimination as to race, colour or geographic origin and take into account the need to select immigrants who can establish themselves successfully in Canada's technical, industrial and urban society.

Immigration from the Caribbean

There has been a steady movement of immigrants from the Caribbean over the years. The volume increased by 73.5 per cent since the new Regulations came into effect in October, 1967 (9,245 in 1968 as compared with 5,328 in 1966). See Appendix "A" for statistics on the individual countries.

Assistance in Coming to Canada

The Canadian government's Assisted Passage Loan Scheme is available to immigrants from Commonwealth countries of the Caribbean in the same way as immigrants from Europe. Selected immigrants may receive loans to cover the whole or part of the transportation expenses for themselves and their families from their home country to the destination in Canada. It is expected that the loans will be repaid within a reasonable time after admission to Canada, usually two years.

The Brain Drain

Canada's immigration policy is premised in large part on the acceptance of immigrants whose skills might contribute to our national development. This does not mean that we accept only university graduates, professionals or highly-skilled people. In fact, as is the case with the immigration movement from all other countries, the Caribbean movement includes a full cross-section of all skill levels.

Nevertheless, Canada recognizes that the emigration of skilled people represents a considerable loss to the countries they leave, of investments in education and training. For this reason it has been a policy of long standing not to promote emigration from developing countries (although services are provided for those who have expressed a desire to move to Canada). In respect of immigration from the Commonwealth countries of the Caribbean, it might be noted that Canada has accepted immigrants from this area and established offices in Port of Spain and Kingston, largely as a result of requests from the West Indian officials that their citizens should be offered the same opportunities for migration to Canada as citizens of all other countries. With the removal in 1967 of the last vestige of discrimination from Canada's immigration laws, we consider applications from citizens of the Caribbean area in the same way as we deal with applicants from other parts of the world.

While recognition of the rights of the individuals to leave their country is a principle enshrined in the Declaration of Human Rights, several countries have placed restrictions on the emigration of their nationals. Our immigration activities in particular countries take these restrictions into account but we do

not, ourselves, impose any restrictions on persons who can meet the requirements of the Immigration Act and Regulations.

Immigration from the French West Indies

Discussions have been held with the French authorities on the question of immigration to Canada from the French West Indies. While Canada would welcome the opportunity to select immigrants from this area, we do not intend to carry out promotion or special recruitment because we recognize that they need their skilled manpower for their own economic development. However, as is the case with all other poor or developing countries, applications from persons who apply on their own initiative are considered.

B. *NON-IMMIGRANTS*

The Immigration Regulations exempt citizens of all countries of North, South or Central America and adjacent islands from the non-immigrant visa requirements. This exemption has been in effect since 1953, and, of course, includes all Caribbean countries.

The visitor movement from the Caribbean has been increasing from year to year. Statistics on the number of visitors during 1968 are not yet available; however, the figure for 1967 was 50,245.

The Student Movement

The student movement has been significant for many years. Canada has recognized that because there is a shortage of technical and higher education facilities in many Caribbean countries, and because we are near neighbours and friends of these countries, we should assist in their economic development by providing educational opportunities for as many of their students who choose to study here and who are accepted by our schools as full-time students. During 1968 there were 24,739 students from all parts of the world (over 166 countries) registered in Canadian schools and universities. The largest number came from the United States (7,779), followed by the Caribbean area (4,242).

We co-operate as fully as possible in encouraging the return of students who come here under international auspices, or with a commitment to return home after they have completed their training. In the case of the latter, they must secure clearance from their government before we consider their applications for permanent admission.

Seasonal Workers

Responding to requests from Commonwealth countries of the Caribbean, Canada has approved an annual movement of seasonal agricultural workers to Southern Ontario from Jamaica, Trinidad and Barbados. In 1967, 1,077 such workers came forward and in 1968 the number rose to 1,258. Their contracts, lasting for periods of up to four months, were arranged in co-operation with the governments of the three sending countries to guarantee wages and living and working conditions at least equivalent to the terms offered to Canadian workers doing similar work. Reports from Canada Manpower officials in Southern Ontario indicate that the 114 Canadian employers involved generally were well pleased with these experienced farmworkers and hoped to hire them again in 1969. A 1969 contract has been arranged, differing from the previous contracts only in that higher hourly wage rates will be paid this summer.

IMMIGRATION FROM BRITISH HONDURAS, BERMUDA, GUYANA AND THE CARIBBEAN ISLANDS

(Commonwealth Countries)

Country	1964	1965	1966	1967	1968
British Honduras	5	8	10	33	23
Bermuda	82	120	198	179	192
Jamaica	912	1,214	1,407	3,459	2,886
Trinidad	467	775	1,113	2,325	2,393
Tobago	4	5	14	15	26
Barbados	422	560	699	1,181	821
Anguilla	—	—	4	7	6
Antigua	35	52	50	114	148
Bahama Islands	21	22	30	74	61
Barbuda	—	—	—	2	—
Cayman Islands	—	1	5	6	5
Dominico	22	22	42	105	99
Grenada	32	48	82	139	120
Montserrat	17	19	12	25	26
Nevis	1	6	6	15	18
St. Kitts	22	38	40	107	63
St. Lucia	31	41	52	135	73
St. Vincent	82	117	185	250	220
Turks and Caicos Islands	—	—	1	—	—
Virgin Islands, British	1	1	—	3	1
Other West Indies, n.e.s.	3	5	4	—	3
Guyana (Br. Guiana)	614	609	628	736	823
Total	2,773	3,663	4,582	8,910	8,007

MIGRATION FROM COUNTRIES BORDERING ON THE CARIBBEAN SEA

(Other than Commonwealth Countries)

Country	1964	1965	1966	1967	1968
Costa Rica	3	10	37	3	21
El Salvador	3	1	2	4	5
Guatemala	9	6	3	14	13
Honduras	9	5	5	7	22
Nicaragua	—	2	5	10	5
Panama	5	7	11	13	13
Cuba	29	23	27	34	45
Dominican Republic	7	22	8	39	23
Netherlands West Indies	15	30	40	30	27
Guadeloupe	3	1	3	16	16
Haiti	62	88	84	291	444
Martinique	3	3	11	11	22
Mexico	136	147	114	318	245
Venezuela	336	310	317	374	206
Columbia	74	47	79	87	131
Total	694	702	746	1,251	1,238

The Queen's Printer, Ottawa, 1969

SENATE OF CANADA

Standing Committee on Foreign Affairs
28th Parliament 1st Session 1968-69

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