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CIDA - CARICOM RELATIONS:
THE EFFECTS OF CANADIAN FOREIGN AID ON
COMMONWEALTH CARIBBEAN REGIONAL INTEGRATION

by

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A thesis submitted to the
Faculty of Graduate Studies and Research
in partial fulfilment of the requirements for
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in
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ABSTRACT

This thesis analyzes the effect of ODA on regional integration in the Third World with specific reference to the effects of Canadian Foreign Aid, and to regional integration in the Commonwealth Caribbean from the inception of the Caribbean Community (CARICOM) in 1973 to the present.

An analysis of the various existing forms of regional cooperation, and of the history of regionalism in the Caribbean, concludes that regional integration represents a viable developmental path for the region. A historical review of Canadian ODA to the area illustrates that Canada has traditionally been one of the most significant aid donors to the region.

Canadian ODA affects the existing Caribbean Community in various ways. ODA promotes integration by subsidizing costs associated with the regional plans of the integration movement. Bilateral Canadian aid projects promote the diversification of export oriented economies and improve communication links within the region. ODA flows help to alleviate existing regional inequity.

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INTRODUCTION

Within the Third World it is increasingly evident that existing forms of North-South cooperation are not sufficient to facilitate development in the South due to the existing international economic conditions. In the ongoing attempt to increase the potential for growth in underdeveloped areas, various forms of South-South cooperation have been proposed. These include regional integration amongst groups of developing countries. With a view which advocates the desirability of regional integration, this paper will analyze the way in which official development assistance (ODA) from the North influences South-South cooperation, specifically, the influence of Canadian foreign aid on Commonwealth Caribbean regional integration, from the inception of the existing Caribbean Community in 1978 to the present.

Chapter 1 presents a theoretical framework on the economics and politics of regional integration. The pursuit of regionalism as an element of a rational development strategy for dependent nations will be explained, along with the ramifications of the desire for integration. The potential effects of ODA on regional integration in the Third World will then be analyzed. Chapter 2 presents a background to the Caribbean region and discusses regional integration in the Commonwealth Caribbean from early attempts at Federation to the existing Caribbean Community (CARICOM). The achievements and problems of this organization will be presented.

In Chapter 3 a history of Canadian aid to the Commonwealth

Caribbean region, from the first aid flows in 1956 to the present, will be outlined. In chapter 4, the main characteristics of Canadian aid flows to the region during the existence of the Caribbean Community will be analyzed in an attempt to discover ways in which Canadian ODA promotes or hinders Caribbean attempts at regionalism.

Research for this thesis included a comprehensive review of relevant printed material, and the gathering of information through a series of interviews. These interviews were conducted in Canada with CIDA and Canadian External Affairs officials, and in the Caribbean with Canadian External Affairs and CARICOM secretariat officials.¹

The main limitation in this thesis is that, due to the nature of some of the subject matter (specifically CIDA-CARICOM relations), documented information was unavailable. It was thus necessary to obtain a large amount of information through a series of confidential interviews conducted in Canada and the Caribbean region. It is impossible to name individuals responsible for various statements, and, more importantly, the exact office held by individuals. The material, however, represents recent information, some of which is unlikely to appear in official policy statements.

¹ Interviews were conducted with six high level CARICOM officials in Guyana and Jamaica, with two Canadian Foreign Service officials posted in the Caribbean and with three CIDA and External Affairs officials affiliated with the Caribbean division in Ottawa. As in the case in most bureaucracies however, the individuals desire confidentiality.

CHAPTER I: THEORETICAL FRAMEWORK

The concept of regional integration and its relationship to the development of Third World countries as understood in this paper will be discussed in this chapter. The various types of regional integration schemes found in underdeveloped areas will be presented, with conclusions reached on the form best suited to the needs of developing countries. Benefits accrued to member states from participation in this type of scheme will be stated. The possible effects of ODA on Third World regional integration movements will then be analyzed. Ways in which ODA disbursement (by donor countries) can support regionalism will be discussed, along with the impact of donor motives (as manifested in patterns of ODA disbursement) on integration movements.

A. The Economics and Politics of Regional Integration

In the discussion of regionalism throughout this thesis, the concept of regional integration refers to a process whereby, through coordinated and joint efforts in certain critical activities, a set of national economies can achieve results in development greater than the sum of results arising from individual national development efforts (Démas, 1974: 238).

Regionalism and Development

Regional integration attempts to transform the economies of member states into a more integrated and rational regional economy capable of promoting a self-sustained period of economic growth.

It is important to realize however that regional integration is not a panacea for lessening underdevelopment in dependent Third World economies. Increased trade and increased integration are not ends in themselves; the goal is the economic development of the people in the nation states, who belong to the regional organization. Integration aspires to achieve this goal by providing external incentives to help each member state overcome its own domestic underdevelopment (Sloan, 1972: 149).

As Demas states, an integration treaty merely provides a framework, a framework which presents greater opportunities for meaningful development in each individual territory. Economic integration does not make planning at the national level redundant; instead, for economic integration to have its maximum benefits, he argues, development strategy at the national level must be reoriented in some areas to restructure the economy and allow more people to benefit from economic development. Both agricultural development, the use of local food and local raw materials, and industrial development which maximizes the saving and earning of foreign exchange, for instance, must be promoted. (1974: 48).

The Lesser Developed Countries (LDCs) in a region must also realize that integration itself certainly cannot equalize development

levels among all member states; unequal development exists even within single countries. However, with proper planning and cooperation, integration can provide greater development opportunities for the LDCs than if they were single entities in the international economic system.

Demas sums it up as follows:

In other words the mere existence of an Integration Treaty does not automatically guarantee the development of member states. It does not dispense with the need for effort among all groups within wisdom and effectiveness of the planning and policies of national governments in restructuring their economies and in improving the distribution of income, acting of course within a regional framework (1974: 48).

This outlook will be very important in the discussion of the effects of ODA on individual countries within regional movements. It will be suggested that it is not necessary that ODA be distributed regionally to have a positive impact on regional integration. It can be distributed bilaterally to individual territories and still have positive results, provided that the individual countries conform with regional objectives, instead of using regional development to further only their own ends. National planning (overall and sectoral) should take account of overall plans and sectoral programmes in other member states of the integration movement for successful integration. This of course is easier said than done.

Forms of Regional Integration

Regional integration in the Third World can be pursued in a variety of differing forms. A useful theoretical framework for the

classification of regional integration schemes was developed by Mytelka. This framework is derived from the types, and experiences, of various Third World regional integration movements. Within the framework three "ideal types of integration schemes are classified." Each type is characterized by a group of policies which comprise it; each type also contains the policies or elements of the type previous to it. An analysis will now be made of the types.

Type I is a *laissez-faire* integration scheme which is founded in neo-classical theory and built on the European pattern of free trade areas and custom unions. Three principal issues are involved: the freeing of trade within the region; the adoption and determination of the level of a Common External Tariff (CET); and the freeing of movement of other factors of production within the region (Axline, 1979: 42). Empirical evidence derived from experiences of the Latin American Free Trade Area (LAFTA),¹ and the Caribbean Free Trade Area (CARIFTA)² illustrates that when practiced among developing countries, this model may lead to asymmetrical patterns of exchange, to polarization and to increased dependence which in turn creates forces of instability and disintegration (Axline, 1974: 35).

When integration is viewed solely as a means of trade liberalization, given the existing structures of production and asymmetrical levels of industrial development in most Third World countries, gains from integration are usually inequitably distributed among the participating nations. In his study of regional inequalities

¹For additional information consult (Maritano, 1979; Pollock and Ritter, 1973).

²Detailed documentation in (CARICOM, 1972).

within member states in Third World integrative systems, Myrdal states:

if things were left to market forces
industrial production, commerce, banking,
insurance, shipping and, indeed, almost
all those economic activities which in a
developing economy tend to give a bigger than
average return ... would cluster in certain
localities and regions, leaving the rest of
the country more or less in a backwater
(1957: 26).

Since this observation was made, experiences of CARIFTA and LAFTA, two third world integrative movements in which economic gain was accrued by the Most Developed Countries (MDCs) in the movements (Barbados, Guyana, Jamaica and Trinidad and Tobago; and Argentina, Brazil, Mexico and Venezuela respectively), suggests that one can extrapolate Myrdal's conclusion to the regional level. As Axline explains, market-oriented integration will benefit producers within the region at the expense of consumers, thus mainly distributing the gains from integration to the territories where production is already located (the MDCs). In instances, the contribution that trade integration can make to the development of the region is limited. Indeed when polarization and dependence are exacerbated, its effects could increase the general state of dependence on the whole - especially if regional production is dominated by transnational enterprises, much of whose profits return to the home country (1979: 44).

The type II model emerges from the necessity to correct distributional problems which are created in the operation of the first model. Along with seeking gains from trade expansion, an attempt is

made to distribute the gains from integration more equitably. The structure of the model includes redistributive measures of a compensatory and corrective nature, through which the problems of unequal gains and polarization can be solved collectively. Measures include direct transfer payments (from MDCs to Lesser Developed Countries - LDCs), regional development banks, industrial allocation and solidarity funds (Axline, 1979: 36).

All third world integration schemes which have progressed beyond a simple free trade area, have to date adopted some form of distributive measures, either as part of the bargaining package involved in adopting a CET or as concessions to LDCs in order to prevent their defection from the integration scheme. (It is later explained that member states participate in a movement only if benefits outweigh costs of participation). Examples of these distributive policies include fiscal transfer mechanisms, such as the Caribbean Investment Corporation of CARICOM,¹ the solidarity fund of the Union Douanière et Economique de l'Afrique Central (UDEAC); and fiscal mechanisms such as the Integration Industries Regime of the Central American Common Market (CACM), (Axline, 1979: 45).

The type III integration model is more complex than the previous two while including aspects of them. In the type III model an attempt is again made to deal with the problems of unequal distribution of gains, and polarization through the inclusion of compensatory and corrective mechanisms. It, however, also includes measures to overcome or reduce the pattern of dependence on metropolitan countries

¹

The CIC was disbanded in July 1983.

which, in turn, is cited in integration literature as being one of the principal obstacles to the success of integration and development. The goal of the movement is to replace the existing ties with metropolitan centers, with a new pattern of economic and political interaction within the region. So far this model has been represented by only the Andean Group for the period 1969 to 1976. Within a type III model, measures include regional policies to regulate foreign investment. Regional development planning and sectoral programming act towards negating dependence, as well as providing more fundamental means of regional redistribution of benefits (Axline, 1979: 36; Mytelka, 1979: 10).

Type III schemes, it is argued, are more likely to achieve the development goals of regional integration as opposed to types I and II. This is because this model includes a number of elements such as, a customs union to provide gains from trade, redistributive mechanisms to offset polarization, and policies to reduce dependence by enhancing regional direction over the domestic economy which facilitate the integration process and the development gains it can potentially produce. While a Type III system is most likely to produce gains for its member states, it is also politically the most difficult to achieve. This is because the policies required in the scheme necessitate more complex institutions, a wider scope of decision making, and a greater commitment to regional cooperation than types I or II (Axline, 1979: 37). Mytelka and Axline conclude that to understand the politics of integration which the models reflect, one must view the factors which influence each actor's perceived opportunity

costs of participation in different types of integration schemes especially with reference to the negotiations around the adoption of specific mechanisms which are inherent in the various types, as well as to the domestic and external factors which have an impact on the integrative process. Thus, member countries and other participants involved in a given scheme will require different packages of integration measures for the cost-benefit calculation of participation to be more favourable to them. (Axline, 1979: 37).

Gains from Integration

Within this paper a type III scheme is viewed as being the most suited to conditions of underdevelopment. Unlike a type I model it does not solely pursue economic growth. Though it is acknowledged that economic growth is one of the principal motives for regional integration and necessary for development, it is not sufficient for the development of the Third World. This view is illustrated in the Commonwealth Caribbean. Demas, a leading Caribbean economist in discussing economic growth and development, states:

I think that we are all sufficiently sophisticated these days so that we no longer think of development as simply the growth in the production of goods and services in a particular country, what is often termed economic growth. Do not forget that we in the Caribbean have had economic growth for a very long time. We have probably had the beginnings of economic growth earlier than any other Third World people. For we were drawn into the international economy, then dominated by Europe, earlier than any of the other areas which today form the Third World. There has been economic growth, but I think you will all agree that there has, so far, not been much of real development. (1972: 2).

Though it must be recognized that economic growth is necessary for development, there must also be increases in the living standards of the entire population (not the rich few who acquire most of the economic gain). Development should include attempts for high employment rates; improved health, education and housing facilities; rural development; and a more independent kind of growth with the production of goods and services being located within the region to the greatest extent possible.

Measures of a type III scheme attempt to achieve economic growth, redistribution and self-reliance. The distinction between the state of self-reliance and self-sufficiency must be noted. Self-sufficiency, the production of all goods and services by oneself, a condition which is almost impossible to achieve, implies autarky - a total divorce from external forces. Self-reliance wherein nations produce what they are capable of (within commercial/economic feasibility) and trade for other necessities, requires that these nations maintain relations within the interlinking global economy -- without being in a disadvantaged position during negotiations.

The imperative for integration among developing countries exists for a variety of reasons. Perhaps one of the most important ones is that integration can serve as a means of enabling these countries to achieve economies of scale. As an UNCTAD report on economic integration states¹: for every type of industrial production

¹The following list of benefits accrued from integration is derived from (Sloan, 1972: 144-150; UNCTAD, 1967: 6-10).

the question of the optimal market size will arise, since unless the volume of sales achieves a certain minimum cost per unit the price to the consumer will be high, and the capacity to compete low. In many industries, production costs decrease as output increases, thus large markets are desirable. Since many Lesser Developed Countries (LDCs) have a small population size they cannot offer economies of scale to many industries within their national boundaries, (especially in capital goods industries). In the larger LDCs, where large populations are present, the existing uneven patterns of income distribution prevent large numbers from being able to afford certain goods. The lack of sufficient domestic demand (or the low purchasing power of local populations), causes plants to operate below maximum capacity. Unit costs rise and the product is thus not competitive in foreign markets. Economic integration provides an enlarged market within which existing plants can operate at higher levels of capacity, and investments for new industries, which would not be feasible if restricted to domestic markets, can be encouraged. It must be noted that although economic integration provides a more efficient (regional) economy, the regional market itself may be small by international standards. Thus, economic development is limited.

Economic integration also permits a more rational specialization of industry. Individual countries may attempt to establish a variety of industries, some of which may be economically unwise. By creating a larger market, integration increases the possibility of specialization since, assured of a market beyond national borders, new plants can be located in the countries where particular products can be produced most

efficiently.

Another benefit derived from integration is that increased competition (behind regional barriers), would serve as a means of enhancing efficiency. Within some developing countries, inefficient industries exist behind protective tariff barriers, and due to the small domestic market there may be only one producer in many industries.

Such a producer has no incentive to increase his efficiency as he would have if his products had to compete with those of other firms in the regional market. In providing a wider market regional integration would alleviate the problems caused by inefficient production methods (in individual countries) through increased competition. Since each member state would decrease its protective policies (to other member states), industrial enterprises would have to produce more efficiently for regional market to beat their regional competitors.

Regional integration reduces the external vulnerability of developing countries (though increasing the vulnerability of member states to each other). Traditionally LDCs have been dependent on the export of a few primary products to industrialized countries; the foreign exchange generated was in turn used to purchase manufactured goods from the same countries. Integration would lessen this dependent relationship (as a type III model attempts to do) by allowing member states to export manufactured goods (and eventually some capital goods) to their neighbours. With a more diversified export structure, and a larger export market, dependence on the industrialized countries

would lessen. The LDC's capacity to resist market fluctuations of the primary goods trade would also increase since their imports of capital goods and basic materials would become more independent of the consequences of the fluctuations in traditional commodity exports.

Regional integration may also improve the bargaining power of regional members with industrialized countries. UNCTAD states;

Important ingredients of bargaining strength might be a country's position as supplier of essential products or its import potential. Most developing countries do not possess such elements of bargaining strength to any impressive degree. However if groups of developing countries were able to throw into the balance their combined import potential or their combined supplier position they could conceivably secure better consideration of their export interests, both in relation to commodities and to industrial products (1967: 10).

Potential economic gain from a free trade area is thus considerable. As explained previously, however, given the existing structure of production in most Third World areas, economic gains are usually polarized. Without corrective measures (as existing in a type II movement) LDCs may remain the underdeveloped partners within a regional microcosm of the current global economy. This situation would at the most be only marginally better than, and probably worse than the existing relations (Sloan, 1972: 152). Unlike a type I scheme, a type II model recognizes this and contains previously discussed measures to allievate the situation.

To correct the situation, a type III scheme goes a step further and attempts to change the situation of dependence, which is

responsible for current developmental problems facing the region. This scheme contains measures of regional development planning in which resources within the region are used to promote development and self-reliance. A type III model is accepted by this author as being the best suited in Third World areas.

Although members of an integration scheme pledge to follow measures contained in the movement, in reality this does not always occur. Though a type III movement is best suited to development, its existence (or the existence of a type I or II scheme), does not mean full integration will occur. Individual governments follow differing ideological paths (defining development differently), and this is reflected in planning at the national level. Their participation in any development scheme — including regional integrations is dependent on their view of the costs and benefits involved. If, in their assessment, benefits outweigh costs participation is desirable. In a regional integration movement costs and benefits are differentially distributed, and policies which on the whole achieve 'regional gains' may be opposed by members who do not directly or immediately benefit from them (Axline 1979: 37).

Conclusion

In conclusion it is noted that regional integration is a framework within which the development of individual countries can be pursued. Integration thus does not disperse with the need for national development planning. It is assumed that member states participate in

an integration scheme only if they feel some overall benefit or progress towards their development can be achieved.

It is suggested that if development is pursued through a framework of regional integration, participation in the movement would occur even though some aspects of the treaty incurs losses to the participant, since benefits from other aspects could be perceived as outweighing losses. MDCs would participate in an integration movement for instance, even if they lose resources in a transfer to LDCs if they feel that the free trade area in the movement provides them with overall and/or long term gain, since their already established industries can expand their markets behind tariff barriers. At the same time however, policies which do not benefit certain members may be opposed by those nations.

Generally speaking the political structure of regional integration movements can be grouped as three types. The first type contains elements to achieve economic growth; the second, measures which encompass economic growth and regional equity. The third consists of elements to achieve economic growth, distribution and regional self-reliance. Economic growth (type I) has been proved to be insufficient to ease the situation of underdevelopment. A type II model, whilst attempting to distribute economic gain more equitably also does not change the fundamental problem of underdevelopment. A type III model with its measures to lessen dependence, is thus considered by the author to be most suited to the conditions of Third World countries.

B. Possible Effects of Aid Integration Movements

It has been stressed that regional integration is not an end in itself but is rather a means to the goal of development. It is currently recognized that underdeveloped Third World territories need resource inflows from the industrialized countries to develop, since they cannot overcome their developmental problems using their resources alone. Resource flows from the North arise from trade, investment and aid. As previously explained, this thesis will examine aspects of the last of these — aid.

Overseas Development Assistance (ODA) can be disbursed through bilateral-country to country agreements, or through multilateral lines such as the World Bank, or regionally as through the Caribbean Development Bank. Like regional integration, aid is also a means to the end of development. ODA can affect development 'directly' (by bypassing the existing regional organizations and contributing directly to development in individual countries, without any regard for existing regional development plans), or 'indirectly' by influencing other means to development. Figure 1 illustrates this phenomenon.

FIGURE 1: EFFECTS OF OVERSEAS DEVELOPMENT AID ON DEVELOPMENT

This thesis attempts to explore the effects of ODA on regional integration in the Third World, specifically the effects of Canadian ODA on the Commonwealth Caribbean grouping of countries. Generally speaking it is hoped (by recipient states), that the combination of the increased bargaining power of a regional bloc, as well as the capacity to utilize aid more efficiently due to the existence of regional and national plans, will mean that the region received more foreign aid than was previously granted (Sloan, 1972:161). This occurrence is difficult to measure. Donor countries do not explicitly state that they are decreasing aid flows to a region because the recipients are participating in an integration movement, (this action would constitute political pressure by the donor against the movement). Similarly, though they may officially support integration and increase their aid flow to the region/movement, it is not usually known what part of this increase would have occurred even if the movement had not come into existence.

Support of Regionalism

ODA which is channelled towards a region can effect an existing regional integration movement in a positive manner if in its implementation it supports, or is in harmony with, the goals of the integration movement; and in a negative manner, if it hinders these goals. It is important to note that aid to individual countries can have a positive effect on regional integration if in its implementation (by donors), it supports objectives of the regional movement. Some possible effects of aid on integration movements will now be discussed.

The resultant criteria will be subsequently used to measure effects of Canadian aid on Caribbean integration.

The implementation of foreign aid helps to promote the development of the integration process if it subsidizes the costs of integration by providing additional resources from external sources which are available for internal use and distribution (Mytelka, 1973: 148).

For measures of any regional integration scheme to be implemented, some form of policy coordination is required. This in turn requires the existence of various institutions. Foreign aid can support these regional institutions by meeting actual costs associated with the functioning of these organizations (regional secretariats, banks and other regional bodies). Aid can also promote integration if it is channelled (by donors) through these institutions to attain regional strategies (which could include sectoral development plans and equity measures).

When ODA is channelled through regional institutions the prior coordination of policies can be promoted, thus avoiding the duplication of projects (Mytelka, 1973: 148). This ODA would also encourage and support joint regional research, project identification, and project administration.

Aid disbursed through regional organizations could be used (by those organizations) to support projects which are compatible with the region's developmental goals.

In a Third World area, aid disbursed through regional institutions could therefore act to lessen the dependence of the periphery area on the donor/center. For instance, instead of concentrating assistance on the implementation or maintenance of a monoculture pattern, aid should be oriented towards the coordinated diversification of productive sectors to develop complementarity, and towards transportation axes which facilitate intraregional communication (Mytelka, 1973: 148). Local diversification as well as regional interdependence should be promoted.

It must be noted that some development project aid is most efficiently implemented on a government to government basis, rather than through a regional organization. Bilateral aid can promote regional integration if it fits within the framework of regional development plans. Generally speaking however, aid flows which are negotiated with individual countries, imply an automatic separation of interest which does not allow collective (integrative) interests to emerge (Hall, Blake, 1977: 12).

If the existence of an integration movement meant a greater coordination of policies and more cohesive direction of developmental planning, thus a more efficient implementation of ODA, this could cause the total sum of ODA (through regional institutions, and to

individual countries), to be larger than what the members would have previously obtained individually. If this did occur and this fact were publicized so that it were realized that regional integration attracted increased ODA levels, it would cultivate more public support for integration, as well as greater support from member governments. Unfortunately, as discussed previously, this phenomenon is difficult to measure. An increase in ODA levels could reflect an increased level in the portion of donor ODA to their GNP level, or an increase in the GNP level (which would mean the fixed portion of GNP allocated as ODA, would increase), or just a greater concentration of assistance on the recipient region (for various political and other reasons on the donor side).

Aid can perhaps have the greatest positive effect on regional integration if in its implementation by donors, it acts to help correct or prevent a distributional crisis in the region. Ironically this may be the action deemed most questionable in economic terms. Controversy may arise over the economic viability of awarding priority to aid allocations to LDCs, since the MDCs in a movement have established industrial sectors and would probably achieve more economic growth from ODA (the phenomenon of "building on the best"). For long term regional developmental gain however, it is necessary to close the gap between MDC and LDC developmental levels, since this discrepancy leads to the domination of LDCs by MDCs in the movement.

The implementation of ODA (by donors) can correct/prevent a distributional crisis if firstly, the amount of aid distributed is

inversely proportional to the per capita GNP allowing the poorer members to receive more developmental assistance than MDCs, and thus be provided with an opportunity to 'close the gap' or lessen economic disparity. And secondly, if the amount going to LDCs in the movement is increasing as rapidly or more rapidly than aid going to the more developed member states (Mytelka, 1973: 138).

Although LDCs need more aid because they are poorer than MDCs, donor countries sometimes feel that LDCs do not have the capacity to absorb it, (for instance they do not always have the expertise to handle project aid, or they do not have the necessary infrastructure which assures a profit on loans to various sectors). It is therefore, especially important that the LDCs in the movement be singled out for 'special treatment' due to their relative inability to attract and absorb foreign aid. The existence of an integration system can correct the problem of low absorptive capacity in LDCs. Regional development planning could actually improve the capacity to absorb, by upgrading the infrastructure of all member states. Access to regional resources (goods and skills) would also allow LDCs to absorb more aid. The enhanced ability to absorb may, furthermore, attract more aid.

Donor Motives

ODA can promote regional integration and thereby regional development. In reality, however, donor motives may not be compatible with the promotion of regional integration. In this case ODA would not necessarily be channelled through regional institutions; be

compatible with regional development strategies; or promote regionalism.

Aid disbursed through an integrated body as opposed to being implemented bilaterally amongst the territories would reduce the political leverage of donor states and international institutions against specific territories within the area which have conflicting political ideologies (Mytelka, 1973: 148). Aid reflects political motives for influence within a region; for instance if it is given by an industrialized country on the condition that the recipient supports the donor's stance in negotiations with regional countries, and/or others. In this case aid policies would not be geared in favour of integration principles and interests, but rather be geared solely towards domestic interests. Other reward inducing actions might include undertakings not to nationalize subsidiaries of companies indigenous to the metropole, and the granting of military bases (Paragg, 1980: 629). The existence of an integration movement with measures to alleviate dependence may actually discourage donors from funding regional organizations, and may even cause them to decrease funding to the region, in an attempt to maintain the current status quo.

If the maximum developmental impact of ODA is to be realized ODA should be untied. The tying of aid, with a motive of stimulating the donor economy, presents problems since additional time and money is spent to formulate and administer tied aid programmes in both the donor and recipient country (Mytelka, 1973: 139). Goods and services provided to the recipient may also be inappropriate, more expensive and far from being helpful to the region's development priorities.

This leads to a misallocation of resources for the recipient, especially if the purchases can be made within the region, thus promoting intraregional trade. This would be in keeping with the goal of self-reliance. In some cases of tied aid the technical assistance provided may be unsuitable and can reinforce dependence, as the recipient country has to rely on, and inevitably perpetuate the practices of modern, industrialized western countries, though local technicians can adapt practices to local conditions due to a greater familiarity of the environment.

For the support of regional integration the donor country should also accept the regional actor as a viable interlocutor and its disbursing bureau must be flexible enough to accommodate the regional actor, instead of only being able to deal efficiently with the traditional bilateral partner.

Following in the same trend of thought it is necessary that there be a measure of respect for, or belief in, the integration movement, a feeling that aid is efficiently disbursed through regional institutions associated with the movement. In reality this does not usually occur. Donor countries, are conscious of the problems faced by Third World integrative systems, and the fact that member states do not support some policies which do not directly benefit them, thus, do not make great efforts to accommodate the regional actor in aid disbursement.

Conclusion

In conclusion, it is apparent that ODA disbursements can significantly affect regional integration. If integration aims to increase economic growth, and achieve measures of redistribution and self-sufficiency (as in a type III scheme), ODA disbursement (by donors) can promote the movement in the following manner. It can subsidize costs associated with the administration and implementation of regional plans, (especially through regional organizations). ODA can also prevent or lessen regional inequity.

In reality donor motives do not always coincide with goals of regional integration movements; in some instances the existence of a movement (and measures to lessen dependence) may actually cause a decrease in ODA levels to the region/regional organizations. Aid may be used for political leverage in a region, or may be tied (due to the donor motive of stimulating their economy with the purchases by recipient nations). Unfortunately due to the problems faced by many past/existing integration movements — such as the unequal distribution of gains and resulting dissatisfaction with the movement, there is also not always a measure of respect for, or belief in the integration movement. The regional actor is thus not always regarded (and accommodated) as a viable interlocutor in the development process.

CHAPTER 2: REGIONAL INTEGRATION IN THE
COMMONWEALTH CARIBBEAN

A. Background to the Region

Historically, the Commonwealth Caribbean territories have displayed a high dependence on their metropolitan country¹ in areas of trade, transportation and communication, technology, direct foreign investment and economic aid. Along with this heavy external dependence, the area usually exhibited a lack of linkages, between economic sectors of individual countries,² and between countries.³ Instead of horizontal interaction with neighbouring territories, vertical integration occurred with Great Britain.

Within the region a high degree of inequity of income distribution is also evident. In Jamaica, for instance, approximately one-third of the population at present receive annual income of under

¹The dependence of the Commonwealth Caribbean territories on the United Kingdom is discussed in (Beckford, 1975; Williams 1970).

²The structure of Caribbean economies with their lack of linkages between various economic sectors is presented in (Beckford, 1975; Jefferson, 1972: 95-111).

³The lack of intra-island linkages is discussed in (Beckford, 1975).

TABLE 1: CARICOM COUNTRIES: STATISTICAL PROFILE

	Population (millions) Mid-1980 ^a	Area (km) ²	GNP Per Capita Dollars 1980 ^b	Average annual growth (percent) 1960-80	Average Annual rate of inflation (percent) 1960-70 1970-80	Adult literacy Percent 1977 ^c	Life Expectancy at birth (yrs) 1980	Average Index of Food Prod. per capita (1969-71: 100) 1978-80
ANTIGUA	0.1	280	1,270	-0.4				
BARBADOS	0.2	431	3,040	4.5	2.3	99 ^c	71	84
BELIZE	0.1	22,960	1,080	3.1	9.4			
DOMINICA	0.1	750	620	-0.6				
GRENADA	0.1	344	690	1.6			69	
CUYANA	0.8	214,970	690	0.9	2.3		70	94
JAMAICA	2.2 ^a	11,424	1,040	0.6	4.0	90 ^c	71	96
MONTserrat	0.01 ^a	102	972 ^b	-				
ST. KITTS	0.03	269	704 ^b	-				
ST. LUCIA	0.1	616	900	3.4				
ST. VINCENT & THE GRENADINES	0.1	388	520	0.2				
TRINIDAD & TOBAGO	1.2	5,128	4,370	3.0	3.2	95	72	85

Source: (CARICOM 1981f; World Bank, 1982).

a Mid 1978 figures

b 1978 figures

c Figures for years other than specified,
generally not more than two years distant
from those specified.

Figures in millions of U.S. dollars

U.S. \$200, an insufficient amount for a single night's stay in one of the Montego Bay luxury hotels (Lowenthal, 1982: 120). About the slums of West Kingston, V.S. Naipaul writes:

hovels of board and cardboard, and canvas and tin lie choked together on damp rubbish dumps behind which the sun sets in mocking splendour (Lowenthal, 1982: 120).

Unemployment rates are high, Table 2 illustrate the labour force and the unemployed. Unemployment and urban congestion create high levels of malnutrition. Urban congestion is caused largely by rural migration to urban centers. The large number of migrants cannot be accommodated in the work force, and exist in overcrowded slum conditions. The inability of these migrants and other unemployed city dwellers to purchase food, results in the malnutrition. According to a recent survey, 44 percent of the Caribbean population do not obtain minimum recommended levels of protein requirements, and 56 percent do not obtain levels of calorie requirements (CARICOM, 1981 f: 44).

The countries vary greatly in size, population and level of economic growth. Guyana is 800 times the area of St. Kitts, Trinidad and Tobago has a population of 1.2 million whilst St. Kitts has 30,000 people. Trinidad and Tobago records a GNP per capita of over US \$4,000, eight times that of St. Vincent. (Table 1). The highest levels of growth are experienced by Barbados, Belize, St. Lucia and Trinidad and Tobago, while Antigua and Dominica experienced negative rates of growth between 1960 and 1980. The MDCs thus do not all experience high growth rates. The adult literacy rate and life expectancy are high in the MDCs (figures for the LDCs are unavailable).

TABLE 2: LABOUR FORCE AND THE UNEMPLOYED

	1960			1970			1974			1979		
	Labour Force (000 persons)	# Unem- ployed (000 persons)	% Unem- ployed	Labour Force (000 persons)	# Unem- ployed (000 persons)	% Unem- ployed	Labour Force (000 persons)	# Unem- ployed (000 persons)	% Unem- ployed	Labour Force (000 persons)	# Unem- ployed (000 persons)	% Unem- ployed
ANTIGUA	18.2			23.1	4.0	17.3	23.9	4.7	19.7			
BARBADOS	92.1 ^a	11.3	12.3	88.6	7.5	8.5	108.1 ^c	17.1	15.3	107.9 ^d	13.8	12.8
BELIZE	27.0	2.6	9.6	32.1	2.2	6.9						
DOMINICA	23.4 ^a	2.2	9.4	20.3	2.0	9.9						
GRENADA	27.3 ^a	4.3	15.8	28.1	3.1	11.0						
GUYANA	175.0 ^a	18.8	10.7	186.2	32.4	17.4						
JAMAICA	651.4	84.9	13.0	556.2	110.2	19.8	820.0 ^e	178.0	21.7	962.5 ^e	299.1	31.1
MONTserrat	4.3	0.5	11.6	3.9	0.4	10.3						
ST. KITTS	19.6	1.8	9.2	12.5	1.1	8.8						
ST. LUCIA	31.4 ^a	3.8	12.1	27.4	3.1	11.3						
ST. VINCENT	24.9 ^a	3.4	13.7	23.0	3.6	15.7						
TRINIDAD & TOBAGO	278.1 ^a	29.7	10.7	366.2 ^f	45.8	12.5	394.3 ^f	58.3	14.8	447.3 ^f	53.1	11.9

NOTE: Except where indicated, the labour force covers persons 14 years and over, not attending school, excluding persons not actively seeking work.

a. Persons 10 years and over, not attending school, excluding persons not actively seeking work

b. Includes persons who though not actively seeking work, wanted work and were available

c. Average for first two quarters of 1976

d. Average for four quarters

e. Data at October

f. Persons 15 years and over, for period of six months ended June

Source: (CARICOM, 1981f: 127).

The region's MDC's also have a high index of food production per capita. This suggests that self-sufficiency in agriculture is possible for the region.

Although present per capita incomes in the area are comparatively high by Third World standards, they conceal the "true nature of economic underdevelopment" (Demas, 1978: 239). The region is a fragmented one with the associated high costs of transportation and communication. Individual territories are characterized by small market size which denies them the advantages of economies of scale. Although a regional market ameliorates some of the problems faced by small national markets, the market size of the entire region is also small (approximately 4.9 million¹). The fluctuating nature of world market prices for the region's leading exports, combined with declining sugar production in Barbados, Guyana, Jamaica and Trinidad and Tobago, declining bauxite production in Guyana, a drop in the regions' share of world tourism, and a sharp increase in oil prices, have aggravated balance of payment problems (Lowenthal, 1982: 123). Increases in both the cost and volume of imported foodstuffs — at present food imports exceed US \$600 million per year, (CARICOM, 1981f:44) — along with crippling effects of natural disasters, also hamper economic growth in much of the area.

The Caribbean thus displays typical Third World vulnerability to the international economic system. Its territories

¹ Statistics derived from Table 1.

are densely populated with the exception of Belize and Guyana, and are very dependent on the export of a few primary products. Insubstantial local savings and inadequate financing capacity are found, along with high unemployment and underemployment rates, especially amongst youths and females. There are weak institutional and support services in productive sectors, and in most territories there are dwindling incentives and resources to stimulate private investment, which can be a vital source of additional job creation (Demas, 1978: 239).

B. Development of Caribbean Integration

The development of regional integration in the Commonwealth Caribbean from its inception to the present will now be discussed. It will be seen that Caribbean integration has deepened considerably since its origins. This occurrence is reflected in the political structure of the integration movements. The functioning of the existing integration scheme — CARICOM — will be analyzed.

In several of his studies of the region, W.G. Demas, a leading Caribbean economist, explored the existing condition of 'dependent under-development', and concluded that the need for meaningful economic integration was one of the most central issues in the region (1978: 239). This need is described as threefold; firstly, economic integration creates a wide protected regional market which would facilitate industrialization and agricultural development. Secondly, integration allows for coordination in national economies, in the development of overall policies in agriculture, industry, tourism and natural resources. This coordinated

approach is especially beneficial to LDCs since special programmes in agriculture and industry can ensure they share equitably in gains from economic integration. Thirdly, is the concept of increased power. Power can be cited as the fundamental fact in international economic relations (Demas, 1974: 56).

The beginnings of Caribbean integration occurred in 1958 when all Commonwealth Caribbean countries with the exception of Guyana, formed the West Indian Federation. The Federation was initially fostered by contacts amongst trade unionists and was seen as a vehicle for developing more democratic institutions in the colonized states. Its viability was, however, hampered by features such as its lack of power to tax (Chernick, 1978: 5). When Jamaica withdrew, following a negative referendum vote in September 1961 on participation in the movement, the organization collapsed. One of the leading theories¹ on Jamaica's decision to withdraw was that in 1947 Jamaica's economic position suggested that a union with the Eastern Caribbean and Trinidad would be the best avenue to economic improvement (benefits accrued from regionalism thus outweighed costs of participation). By 1958 however, Jamaica had attracted a significant amount of foreign industry. This along with its bauxite industry (started in 1952), created a rapidly growing economy. Federation had also previously been seen as the gateway to independence (Payne, 1980: 19). The movement was thus designed to increase the efficient size of the West Indian economies to a point where they became eligible for self-

¹For a discussion on Federation and its problems consult, (Brewster, 1970, 282-299; Payne, 1980, 18-20).

government as a unit. When this was achieved the movement collapsed (Payne, 1980: 13) — benefits no longer outweighed costs for participants, (Trinidad and Tobago achieved independence in 1962, followed by Guyana and Barbados in 1966).

The idea of regional economic association was revived in the mid-1960's and resulted in the establishment of the Caribbean Free Trade Association (CARIFTA)¹ in 1968. During its first five years of operation CARIFTA was essentially a type I integration scheme involving the elimination of tariffs and quantitative restrictions on intraregional trade. Despite an acceleration of trade between its members, the trade pattern was one of polarization; among the MDC's — Jamaica and Trinidad and Tobago reaped the biggest gains, followed by Barbados, while Guyana's exports remained stable. The LDCs meanwhile experienced no appreciable increase in exports to other CARIFTA countries (Axline, 1979: 111).

After facing various other problems — though the largest by far was one of an unequal distribution of benefits — CARIFTA dissolved in 1972, to be replaced in 1973 by the Commonwealth Caribbean grouping of countries (CARICOM).²

¹ CARIFTA Members were, the more developed countries (MDCs) of Barbados, Guyana, Jamaica, and Trinidad and Tobago, and the less developed countries (LDCs) of Antigua, Belize, Dominica, Grenada, St. Lucia, St. Vincent, St. Kitts-Nevis and Montserrat.

² CARICOM members states consists of, the seven Eastern Caribbean Islands of Antigua, Dominica, Grenada, St. Lucia, St. Vincent, St. Kitts-Nevis-Montserrat, who together with Belize are LDCs in the region. MDCs in the grouping are Barbados, Guyana, Jamaica and Trinidad and Tobago. The Bahamas became the newest MDC member of the Community when it joined in 1983.

With the founding of CARICOM, the LDCs in the area insisted on the inclusion of a distributive policy. As the then Premier Compton of St. Lucia pointed out:

It would be inconsiderate for the countries of the region to bewail, at the international level, the division of the world into "haves" and "have nots" and allow a similar division among ourselves to continue (1973).

Corrective measures were subsequently designed to enhance the chances of the LDCs for industrialization. One such proposed measure was the establishment of a regional investment company which would provide equity for the establishment of industry in the LDCs (Axline, 1979: 128). Thus, the establishment of CARICOM represented a deepening of regional integration in the Caribbean. A move was made towards a more "advanced" integration scheme based on a customs union but accompanied by measures to distribute more equitably the costs and benefits of integration. These measures included cost-lowering policies for the LDCs and corrective measures, the Caribbean Development Bank (CDB), and the Caribbean Investment Company (CIC), (Axline, 1979: 128).

Apart from the operations of the CDB and the CIC, the flow of financial resources from the MDCs to the LDCs also occurred through government to government loans. Flows of technical assistance providing skilled managerial, administrative and technical personnel and the provision of research facilities for the LDCs were in evidence, along with provisions for the coordination of the foreign policies of member states.

CARICOM thus does not just reflect the economic theory of

a free trade area; it attempts to extend an influence over cultural and political, as well as economic spheres. The goals and objectives of CARICOM are stated in the preamble and Article 4 of the Treaty of Chaguaranas: - Appendix I provides an extract from the original Treaty.

Within the integration organization there are three sets of integration policy instruments designed to meet the goals and objective of the Treaty. These are:

- (a) Economic Integration (through the Common Market)
- (b) Co-operation and common services in non-economic areas (so-called functional cooperation)
- (c) The Co-ordination of the foreign policies of Member States

These policy instruments will now be examined:

- (a) In the area of economic integration,

- (i) Market integration basically consists of the establishment of free trade between member states and a common external tariff and protective policy which makes for an integrated market. Other existing measures which facilitate market integration include co-operation in monetary matters, such as exchange rates, clearing arrangements for trade and other intra-regional transactions, and payments or exchange control practices (CARICOM, 1981f: 12). The practice/achievements of these measures will be discussed subsequently.

- (ii) Coordinated or joint actions in production are the centre of Caribbean economic integration; joint activities in this sector include regional industrial programming, the rationalization of

agriculture in the region, joint development of the area's natural resources and cooperation in tourism. Instruments used to achieve this include regional programmes and projects, joint ventures and the proposed CARICOM Enterprise Regime to facilitate the coming together of capital, management, skilled labour and the natural resources of different countries in the region to produce for the regional and, extra-regional markets. Actions such as the attempt to achieve the rationalization of agriculture in the region further illustrates a deepening of Caribbean integration since it is a measure which acts towards lessening dependence, (on food imports from outside the region) as contained in a type III model.

(iii) To facilitate joint actions in extra regional trade and other economic transactions such as cooperation and coordination in export promotion and the obtaining of new or expanded markets abroad, the treaty requires that members achieve a progressive coordination of their foreign relations. Cooperation in export promotion for instance, is seen as being very important to the policy of rapidly increasing manufactured exports abroad (CARICOM, 1981f: 12). This policy is critical to the territories who have increasingly large import bills, and who have traditionally been dependent on the export of a few primary commodities.

(iv) A regime for LDCs aims to promote special additional development opportunities in the area, so that the negative distribution of integration benefits is lessened (CARICOM, 1981f: 12). This regime consists of measures to: facilitate LDC exports to the Common Market; confer certain benefits on the LDCs in certain policy

coordination instruments; and to promote a greater flow of resources into LDCs. The basic objective is to allow the transfer of capital to LDC productive sectors (Demas, 1974: 39). This measure again illustrates a deepening of previous integration aims. The inclusion of distribution measures represent a move to a type II scheme.

(b) Provisions for functional cooperation and common services in a large number of areas (including energy, transportation, health and education) are made, with the goal of reducing, for individual countries, the ~~real cost~~ of activities in these areas and/or in many cases to allow such activities to be practised where 'critical mass' is involved. The common services and pool of experts also allow LDCs to overcome financial and human resource constraints. A cross-fertilization of ideas in administrative and technical areas through cooperation is also cited as being of obvious value to all member states (CARICOM, 1981f: 12). Again this measure represents a more advanced form of regional integration than integration based solely on the establishment of a free market.

(c) The final policy instrument — the coordination of the foreign policies of member states — is to allow for an increase in the external bargaining power of the countries, thus giving them a more 'effective' voice in international organizations and negotiations, (CARICOM, 1981f: 12), in the sense that the voices of individual small states will be much more effective as a larger integrated voice.

The coordination of policies on foreign aid could be achieved

by this measure. In the previous chapter it was suggested that a coordinated approach to foreign aid could result in more efficient aid implementation, and thus perhaps attract more ODA to the region.

In the Commonwealth Caribbean, regional integration has thus evolved from CARIFTA, a free trade area (or a type I movement), which provided for economic growth, to CARICOM, a more sophisticated integration scheme which provides for economic growth and distribution by means of a common market, functional cooperation, and the coordination of the foreign policy of member states. CARICOM also aspires towards achieving a degree of self-sufficiency through its rationalization of certain productive economic sectors such as agriculture. The Caribbean Community is therefore a type II system, which also contains elements of a type III scheme.

C. CARICOM's Achievements and Problems

An examination of the Treaty of Chaguaramas discussed that it was formulated to meet the specific circumstances of the under-developed CARICOM member countries. Emphasis is thus placed not only on market integration but also on coordination, cooperation and joint effort in production and development.

A complete assessment of what CARICOM has achieved would thus have to examine¹

- (a) economic integration;

¹Refer to extract from the Treaty of Chaguaramas - Appendix I.

- (b) areas of functional cooperation; and
- (c) the coordination of the foreign policies of member states.

Economic Integration

Measures to facilitate economic integration include

- (i) market integration; (ii) coordination in economic production;
- (iii) actions in extraregional trade; and (iv) a special regime for LDCs. Progress in these areas will now be examined.

(i) Market integration encompasses the establishment of free trade between members, a common external tariff and protective policy, and cooperation in monetary matters.

Under the CARIFTA agreement which preceeded CARICOM, substantial progress was achieved in the freeing of intraregional trade. By 1973 over 90 percent of intraregional imports by the MDCs and over 80 percent by the LDCs were freed of barriers to trade (CARICOM, 1981f: 21). The establishment of CARICOM could thus make little difference in the liberalization of trade. Since CARICOM however, the level of intraregional trade has increased significantly.

Table 3 presents the levels of intraregional trade between CARICOM countries for years within the 1960 to 1980 period. It has been found that different agencies cite different trade statistics. Table 3 uses data from UNCTAD; data from ECLA will also be used in the discussion on intraregional trade. Figure 2 illustrates graphically statistics from both sources. The discrepancies are seen to be minor.

TABLE 3: INTRAREGIONAL-TRADE OF CARICOM COUNTRIES, 1960,
1970, 1972, 1974, 1976, 1979 and 1980.

	Value of intra-trade (Millions of US \$)	Intra-trade of group as percent of total exports of CARICOM
1960	27	4.7
1970	73	7.3
1972	125	11.1
1974	229	7.9
1976	265	8.3
1979	256	6.6
1980	354	6.4

SOURCE: (UNCTAD, 1979; UNCTAD, 1981).

FIGURE 2

TREND OF INTRATRADE OF CARICOM COUNTRIES
1960 - 1980, as according to UNCTAD and
ECLA Statistics

Source: (ECLA, 1977; UNCTAD, 1977; UNCTAD, 1981)

According to UNCTAD figures,¹ since 1972 there has been a \$US 229 million increase in intra area trade. This figure must be regarded with caution however. Firstly, the increase in trade cannot be totally attributed to the effect of tariff liberalization, since it is unknown what increase would have otherwise occurred (Payne, 1980; 168).

Table 3 records a decrease in trade after 1976. This was generally due to the 1973 fourfold increase in the price of oil and the subsequent recession in the world economy. Trinidad and Tobago, a petroleum exporting country was, to an extent, insulated from the recession; however the remaining CARICOM territories suffered. Guyana and Jamaica were especially hard hit and in 1977 were forced to restrict imports from CARICOM member states in an attempt to alleviate their financial situation. Jamaica removed all restrictions on intraregional trade in July 1979, however a shortage of foreign exchange and a general decline in purchasing power continues to inhibit trade. Guyana has still not removed her restrictions. The suspension of free trade rules, however, created a crisis within the movement to the extent that fears were expressed about the entire future of the economic integration movement (Payne, 1980; 172-3).

Perhaps a more significant indication of achievements of the free trade area, is the ratio of intraregional trade to total exports from the region. Table 3 illustrates that the amount of intraregional trade as a percentage of total exports of member states, is still small and has not yet realized pre-1973 levels. In 1972

¹ See Table 4.

TABLE 4
 INTRA-REGIONAL TRADE: 1970 - 1976
 (EXPORTS - F.O.B.)
 (US \$ Mill.)

	1970	1971	1972	1973	1974	1975	1976
BARBADOS	8.3	9.6	12.1	14.4	18.4	19.6	22.8
GUYANA	12.6	17.0	18.1	20.1	29.7	44.0	30.0
JAMAICA	13.6	15.8	19.2	24.5	32.3	33.0	43.2
TRINIDAD & TOBAGO	45.7	55.0	63.0	76.9	140.8	159.7	161.5
SUB-TOTAL (MDCs)	80.2	97.4	112.4	135.9	221.2	256.3	257.5
GRENADA	0.1	0.1	0.4	0.6	0.4	0.5	n.a.
BELIZE	0.8	0.9	n.a.	2.1	3.0	1.5	n.a.
West Indian Assoc. States	4.7 ³	5.4	7.8	6.4 ²	11.6	n.a.	n.a.
SUB-TOTAL (LDCs)	(5.6)	(6.4)	n.a.	9.1	15.0	(2.0)	n.a.
TOTAL CARICOM:	85.8	(103.8)	n.a.	145.0	232.8	(258.3)	260.5 ^E
% of Trade that is among MDCs	93.5	93.8		93.7	95.0	99.2	98.8

n.a. = not available

1 January to August

3 Excludes Montserrat

Annual Overseas Trade Reports: and data supplied ECLA

E = Estimate
 2 Excludes St. Vincent

Source: (ECLA, 1976: 69)

intraregional trade accounted for 11.1 percent of total CARICOM exports, the level which decreased after 1973 oil shortages, showed signs of a comeback in 1976, but again decreased in 1979 (due probably to trade restrictions implemented by Guyana and Jamaica). Exports within the region are currently only 6.4 percent of total CARICOM exports (UNCTAD, 1980). This suggests that trade liberalization has yet to make a substantial structural impact on the production pattern of the regional economy.

Also in the area of market integration, the treaty of Chaguaramas envisaged a full CET by August 1981. It was hoped that tariffs of Eastern Caribbean LDCs (with the exception of Montserrat) and Belize, and the Common Market CET would be harmonized in areas where differences existed. Montserrat was allowed an extended deadline of 1985. In 1981 phasing had not even commenced (CARICOM, 1981f: 21).

An additional problem was constituted by the different national practices of exempting certain industrial inputs from import duties. To surmount this difficulty the CET agreement established an Exemptions List of industries in which member countries would continue to allow duty exemptions for imported inputs on a "discretionary" basis. In reality, this list covered almost every existing regional industry. There was thus, not only to be a long period of disharmony in tariff levels, but a very large number of goods were imported duty-free into the region. The CET was therefore far from common to all territories in the region (Payne, 1980: 174).

In June 1981 the situation improved, after six years of planning and preparation a new Rules of Origin System governing trade

amongst member states came into effect. Under the old system goods qualified for free trade treatment if the value of the imported materials was less than 60 percent of the export price of the goods in the case of the LDCs and 50 percent in the case of other member states. There was also the Basic Materials List which allowed items (although imported from non-CARICOM market sources), to be treated as local or regional inputs (CDB, 1981: 28).

The Basic Materials List has now been abolished (except in relation to a few items produced in the LDCs), and any imported materials used in the manufacturing process has to be classified under a heading of the Brussels Tariff Nomenclature (BTN) customs tariff other than that in which the final product is classified. The origin of the starting materials is also specified in some cases, while in the case of other goods, the condition of the starting material is stipulated. In yet other cases, the manufacturing processes to be carried out are specified (CDB, 1981: 28). The new system was implemented with an objective of increasing the local value-added and foreign exchange earnings and to give impetus to the deepening of the industrialization process (CDB, 1981: 28).

The realization of a Common Protective Policy (a common regime of quantitative restrictions), is distant. The provision which was made for a restrictive policy was very weak:

during the transitional period, that is, until 1st August 1981, member states individually or otherwise undertake to pursue such policies regarding quantitative restrictions on imports from third countries as would facilitate the

implementation of a common protective policy for the Common Market as soon as practicable after the transitional period (Payne, 1980: 175).

Thus nothing was defined before 1981, and then after 1981, only as soon as practicable, which was a distant prospect due to the large existing difficulties in national quantitative restrictions regulations. There was nothing to prevent unfair competition in various areas of industrial production, with, for instance, different CARICOM countries pursuing different policies with respect to the import of raw materials necessary for the area's manufacturing industries (Payne, 1980: 175). Though the regional private sector has drawn attention to the problem, little action has occurred (Payne, 1980: 175).

Monetary cooperation amongst CARICOM territories has been cited by the World Bank as occurring to a "modest but nevertheless valuable degree" (Chernick, 1978: 43). The Windward and Leeward Islands participate jointly in the Eastern Caribbean Currency Authority (ECCA), which issues the Eastern Caribbean dollar (EC \$) used in those islands. Guyana, Jamaica, Trinidad and Tobago, and Barbados each have their own currencies and central banks. Belize has its own Currency Authority. These institutions operate a series of bilateral agreements for intraregional financial transactions, and have agreed to establish mutual balance of payment support facilities to allow individual territories to economize on their holdings of foreign exchange reserves (Chernick, 1978: 48).

Economic assistance has been provided to member states by

individual territories or groups of nations within the region. In 1976 for instance, the region's MDCs provided medium term loans for balance of payment support for Jamaica which was facing serious financial difficulties. Trinidad and Tobago, one of CARICOM's MDCs with an increasing affluence due to her petroleum reserves, has also aided her sister states tremendously by means of loans, grants and an oil purchasing facility.

In 1981, the capital market authorities of Trinidad permitted the CDB to float its third long-term bond issue on Trinidad's capital markets. The \$US 10 million bond increased previous CDB borrowing on the Trinidad and Tobago capital market to \$US 25 million, making that source the bank's second largest lender to date, for financing loans under its ordinary operations. (CDB, 1981: 30). Trinidad has also set up the Caribbean Aid Council. Established in February 1978 the council channels development (project) related concessionary financing in sectors such as food production, agro-processing, housing, industrial development and basic infrastructure in eligible countries. In the first 10 months of 1981 disbursements were \$US 2.4 million, or an increase of over 390 percent over 1980 level (CDB, 1981:30).

Perhaps Trinidad's most important contribution to her sister states is the CARICOM oil facility of approximately \$US 208 million. Established in 1980 for a three year period, the facility provides fast disbursing, concessionary financing to eligible countries in an amount up to the incremental cost of petroleum products, fertilizers, and asphalt products, using market prices prevailing.

at January 1, 1979 as the base price, and purchased from Trinidad and Tobago. Up to December 1982, approvals under this facility were \$TT 184 million.¹

Other areas of Caribbean economic cooperation include efforts to channel extra financial resources to the LDCs. This action is undertaken by two institutions the CDB and CIC, these organizations will be examined subsequently.

(ii) The treaty of Chaguaramas calls for coordinated or joint actions in economic production. Sectors include agriculture, industry and tourism. Achievements in cooperation amongst member countries in these sectors will now be examined.

Agriculture

Current unsatisfactory performance in this sector — which accounts for 20 percent of the region's output and 30 percent of its employment (CARICOM, 1981f: 45), has already been mentioned. This condition is due to several factors. Some difficulties faced by the agricultural sector require solutions mainly through national policies such as farm product pricing, marketing, land tenure, and a priority for the agricultural sector in public capital expenditure. But regional policies can also play a large part in supporting and complementing domestic policies (CARICOM, 1981f: 45). A large and increasing scope exists for regional import substitution. The establishment of a preferential agricultural trading regime is not sufficient. For the attainment of this objective a regional trade

¹ \$US 1 = \$TT 2.40.

infra-structure such as transportation, organized marketing and market information systems must support it (CARICOM, 1981f: 45).

Traditionally regional integration in the Caribbean hardly affected agriculture for a variety of reasons. Agricultural exports from the region went to foreign countries as opposed to other regional countries. The advantages of specialization and associated economies of scale are also less obvious in agriculture than in industry and the countries have similar weather, topography and soils which cause a high degree of intraregional competition rather than lead to complementarity in crop production. National economies are also basically open and export oriented (Chernick, 1978: 10). The tourist trade was also responsible for deforming domestic agricultural production thus undermining efforts at regional cooperation in agriculture.¹

Within the CARICOM body the following has occurred:

- Research and discussion has taken place about appropriate cropping patterns and technology for the agricultural sector;
- In response to poor progress, a more direct and concerted approach has been followed in the adoption of a Regional Food Plan in 1975 and in the establishment of the Caribbean Food Corporation (CFC) in 1976 to assist in implementing the plan.

The food plan, designed to reduce the increasing food import bill, contains the following elements:

¹ This occurrence is explained in Chapter 3.

a. Preliminary proposals for a regional livestock program aimed at achieving a significant level of self-sufficiency in all meat products by 1985.

b. Important food production projects to be undertaken by the CFC. These include the production and processing of fish, the production of grains and the production of fruits and vegetables.

c. Projects to supply the region with vitally needed agricultural inputs by bulk purchasing and distribution of agricultural chemicals including fertilizers and the production of seeds and other propagating materials (Chernick, 1978, 128).

The Corporation is a regional public enterprise established by the member states to operate on a commercial basis while taking into account social and political considerations. The CFC is not supposed to compete with existing national agricultural projects, but is to complement them. In cooperation with national agencies it identifies plans and implements projects. The financing and undertaking of such projects occurs on a joint basis with the public and private sectors, or on its own. Its objectives are the production, processing, packing, storage, transportation, distribution, and marketing of food (Axline, 1979: 167). Shares in the CFC are held by all CARICOM governments. It also performs in:

Identifying, planning and implementing all stages of agricultural production schemes and any schemes relating thereto and in pursuing the foregoing, to cooperate with national agencies;

Mobilizing funds, technical and managerial skills from within and without the Region to promote,

finance and implement agricultural production schemes;

Organizing and facilitating the bulk purchase of agricultural inputs, as well as the marketing and other services associated with agricultural production schemes (Axline, 1979: 167).

Andrew Axline cites the CFC as being indicative of the influence of the basic needs approach to development on Caribbean Integration, and the increased awareness of the importance of restructuring agriculture for development. In the Caribbean Integration movement he sees the CFC as representing the first attempt to move towards the integration of production measures which reach beyond a laissez-faire approach. Not only is it a regional public enterprise with extensive powers to undertake economic activities which previously lay entirely in the domain of private enterprise, but within the agricultural sector it can coordinate activities which are distributive in nature and which are designed to reduce dependence on imported foodstuffs. It thus contains elements to achieve a degree of self sufficiency in the region - a move to a type III scheme, (1979: 167).

In 1987, the then fully implemented plan is expected to achieve the following production levels: 23 million pounds of beef a year, as a necessary consequence of dairying activity, 7.5 million pounds of mutton and lamb per year; 427.6 pounds of liquid milk; 77 million hatching eggs per year; 33.5 million pounds of soya beans; 2 million pounds of red kidney beans; and 2 million pounds of black eye peas (Axline, 1979: 167). These levels are calculated to fulfil

the 1973 level of imports of livestock products, and to meet a high proportion of the extra demand which will appear.

The food plan has been slow to get off the ground. A number of projects have been tentatively allocated between member countries, based on their comparative advantage in certain sectors. The dairy industry for instance will be concentrated largely in Guyana and Belize where large tracts of land are available, and in Trinidad and Jamaica, which also have available land and are the largest importers of dairy products. Until the late seventies, however, the Plan was mainly a series of tentative proposals on paper. In 1978 a World Bank report cited the Food Plan as requiring a considerable amount of detailed work on the preparation and economic appraisal of individual projects before large scale implementations can start. The communication aspect of the development and implementation of the plan was also listed as being crucial. A step in this direction was made in 1976 with the employment of an agricultural information specialist in the Secretariat (Chernick, 1978: 130).

Preparatory work has been undertaken on a regional market information system and implementation is to proceed. In addition to regional arrangements among sugar and banana producers and bilateral rice marketing agreements with Guyana which predates CARICOM, a major instrument of regional agricultural cooperation has been the Agricultural Marketing Protocol (AMP).

The AMP has been described as "a cautious approach to intraregional trade promotion for a limited range of commodities only"

(Chernick, 1978: 130). The protocol covers 22 items comprising of vegetable, fruit and some meat products, and requires that each territory declare its estimates of surpluses and deficits of the items twice annually. The AMP committee of officials then allocates markets among all territories. Theoretically, priority is given to the surpluses of the LDCs over those of the MDCs and the committee will authorize member countries to import from outside the region only when regional supplies are not available. The protocol also provides for the fixing of minimum f.o.b. export prices for each 6 month period.

Operations under the AMP have not been entirely satisfactory. A World Bank survey concluded that information provided by individual countries has often been inaccurate about surpluses and deficits and information on market opportunities has not been systematically relayed back to the territories producing particular crops. The amounts traded were also cited as being too small for a significant impact. Trade was concentrated in approximately 10 products (Chernick, 1978: 126).

Due to the AMP's relative lack of success, the GMS was initiated. In this agreement the MDCs are requested to purchase specified amounts by volume of six commodities at a negotiated price from the LDCs. The number of commodities is again small, however, and an increase in the LDC exports depend on the capacity to increase production in the island (Chernick, 1978: 126).

The Regional Research Centre has been converted into a Caribbean Agricultural Research and Development Institute (CARDI). This

Institute, established in 1975, is backed by the Faculty of Agriculture of the University of the West Indies, and is required to gear its agricultural research activities towards the implementation of national and regional agricultural development programmes.

CARDI has a wide range of scientific expertise with over 50 professionals and 90 technical and support personnel. Staff are located in all CARICOM member countries. The Institute directs its main thrust of activities towards small farmers because of their importance in food production for local consumption, as well as their considerable potential for increased productivity (CARDI, 1980).

Commodity research is carried out on the development of alternative production systems which lead to greater efficiency and productivity, the removal of constraints to production of various crops or animal enterprise, the evaluation and selection of improved varieties, the control of pests and diseases, and the improvement of cultural practices. Regional animal production programmes are also underway. These are aimed at identifying alternative protein and energy sources for improved animal production systems. Work on forage, legumes, grasses, seed production and large ruminants has also been carried out in the region.

The viability of agricultural research and development institutions has been questioned. In a critical analysis of Caribbean institutions, Coke and Gomes identify four main problems associated with these organizations. Firstly, that research goals are set by the external agency funding the institutions, consequently the perceptions

of need and the definition of problems have been distorted. Secondly, that the plantation export bias still has a strong influence on the aims and quantity of the research effort. Thirdly research methodologies are developed to create conditions of an idealized Green Revolution rather than a step by step restructuring of existing farm practices. Lastly that administrators, scientists, workers, project-development officers and farmers often have contradictory evaluations of their roles in relation to agricultural research and each other (1979: 42).

CARDI is funded by the CARICOM member countries, Jamaica and Trinidad and Tobago supply one-third of the budget, Barbados and Guyana, one-ninth each, and the LDC's together another one-ninth. Specific projects are funded by various international donor agencies, however CARDI's program is developed in association with the Ministries of Agriculture in member countries, the commodity organizations in the region, and regional institutions (Axline, 1983: 42). The research goals are thus developed in the region, lessening the chance of a distorted approach to the needs of the region, which may be held by agencies external to the region.

CARDI's main thrust is towards helping the small farmer through improved farming systems.¹ This approach represents a departure from traditional methods of developing data at a research farm and applying the results to small farmers. Research is carried

¹ The Latin American phenomena of latifundia and minifundia exists in the Caribbean. In some countries large plantations occupy a large portion of good agricultural land, and are planted primarily in sugarcane, bananas and other export crops. Alongside these there are small intensively cultivated small farms which cultivate cocoa, rice and other export crops and/or vegetables for domestic consumption.

out on certain farms, under real farming conditions — the farmers' day to day decisions are thus observed (Axline, 1983: 34). CARDI thus does not gear its activities towards a plantation export bias; research methods are geared towards improving existing farming conditions in a step-wise transformation, and communication between researchers and farmers is heightened by the close working interaction between the two groups. The institution thus represents a viable approach to agricultural research and development in the Third World.

The Secretariat and the CDB have undertaken a number of pre-feasibility and feasibility studies on projects relating to live-stock, fisheries, legumes, oilseeds and other fruits and vegetables. Significant lags in programme and project implementation in regional projects have occurred, however, largely because of bottlenecks and delays in decision-making and implementation at the national level. This has affected the operation of the CFC and the Regional Gains project in Guyana, and other projects which having been identified were in the course of preparation. Three regional and subregional projects in fisheries prepared and appraised by the CDB have not yet been implemented due to a lack of decision-making by the governments involved in the scheme. In a particular instance the CDB has proceeded to finance one project on a national basis, while hoping it will later be converted to a subregional one (CDB, 1980-1981: 128).

Industry

It has been argued by some that a considerable amount of CARICOM's success hinges on the extent to which the region's industrial production and directly resultant employment has increased. Manufacturing production has increased in a number of CARICOM states and now accounts for 15 percent to 20 percent of total production in some territories (CARICOM, 1981f: 50). Production has been mainly for the national and regional market due to the favourable conditions for import substitution, created by the individual countries and the integration movement (CARICOM, 1981f: 50).

Despite this, however, industrial production in the region has been problematic and inadequate. As is the case in most developing nations in the early states of industrial development, the industrial structure built up behind protective barriers tends to be uncompetitive and vulnerable. In the Caribbean many industries depend on large fiscal incentives which limit their contribution to the countries' economic progress. There are also other problems relating to a generally dependent pattern of industrialization. Industry tends to be uncompetitive and uneconomically duplicative (CARICOM, 1981f: 50), this is largely because of the early absence of trade amongst member states, but is also due to the unplanned and uncoordinated pattern of manufacturing in member states.

Within the region the MDCs - Jamaica, Trinidad and Tobago, Guyana and Barbados - account for 86 percent of the population, 91 percent of total GNP and 94 percent of its manufacturing GNP. The LDCs account for 14 percent of the population and only 6 percent of manufacturing GDP. More than half the manufacturing GDP of the LDCs

is produced in Belize — the largest country in the LDC category with 20 percent of the LDC population (Chernick, 1978: 150).

Manufacturing depends heavily on imported inputs, usually the local value added is small and few linkages — production processes in which locally produced inputs are used in final domestic manufactures — have been generated within the domestic economy.

In the industrial sector practical achievements of the Secretariat have been to date: the allocation by the Eastern Caribbean Common Market (ECCM) of 31 industries of which seven have materialized in the sub-region.¹ CARICOM has also recently completed a technical study to outline a framework for regional industrial programming in pursuit of the objectives of Article 46 of the Common Market Annex of the Treaty. The policy guidelines used were the satisfaction of basic needs, foreign exchange earnings or savings, use of regional raw materials, promotion of employment and strengthening of the domestic and export sectors of the regional economy (CARICOM, 1981f: 44).

Though industrial production has increased, it has done so without significant attempts by regional organizations at regional industrial planning. The Exemptions List of Industries in the CET agreement allows the industries to still be dependent on imported inputs. Industries are also located mostly in the MDCs.

¹ Although CARICOM sources cite the establishment of these 7 industries (1981f) additional information was unattainable — even from the Secretariat. Mr. Lucius Mason, High Commissioner from St. Lucia to Canada suggests that the difficulty in obtaining information may be due to the fact that the allocations never did materialize.

The existing trade imbalance cannot be completely corrected if MDCs continue to hold an advantageous position in the regional industrial sector. For the imbalance to be alleviated, significant effort needs to be made for regional industrial planning. Economic policies in market integration would also have to be altered.

Tourism

CARICOM has cited tourism as a vital economic sector.

Regional cooperation in tourism has largely been in the area of tourism promotion and research. To this end member states have established the Caribbean Tourist Association (CTA), and the Eastern Caribbean Tourist Association (ECTA). The CTA is a New York based organization sponsored by most of the Spanish, French, Dutch and English Caribbean Islands involved in tourism. It is one of the major promotional agencies for Caribbean tourism in North America. The ECTA has the responsibility for tourist promotion in the U.K.

Research on tourism has been carried out through the Caribbean Tourism Research and Development Centre (CTRC) which was established in 1973, and in management training at the Hotel Training School of U.W.I. The CTCRC is supported by 26 Caribbean countries including 10 CARICOM states and five regional non-governmental associations. The center conducts basic studies and analyses of Caribbean tourism with a goal of reducing the social costs and increasing the benefits of the sector to the regional economy. The agency has already undertaken and published a number of critical studies of the tourist industry, provided advice for small hoteliers,

and run training courses for government personnel.

The CTCRC has taken a very innovative approach to the question of possible linkages which the tourism sector has with other sectors, especially the agricultural sector. In 1981 the center embarked upon a Tourism-Agriculture Linkage Project. In June the first phase was carried out in the Bahamas. The second phase, started in September was carried out in St. Vincent and the Grenadines and the Dominican Republic (CARICOM, 1981c: 12).

This project attempts to examine the market demand for food, the producers, distributors and processors, and the purchasing patterns of hotels. The participating countries were chosen because of their differences in size, culture, language, and state of agriculture and tourism development. This information gathered will be used to promote links between the agriculture and tourism sectors, two crucial areas of Caribbean economies. Projects of this nature are significant since they show that the movement recognizes (and is trying to correct) the lack of linkages between economic sectors.

In conclusion it is noted that coordinated or joint mechanisms in economic production have been achieved in areas of agriculture, industry and tourism. In the agricultural sector, significant efforts have been made to achieve a nationalization of agriculture in the region. Cooperation in the industrial sector has not been as notable. In the area of tourism, CARICOM countries have joined with wider Caribbean countries to promote and improve tourism in the Caribbean.

(iii) Also in the area of economic cooperation, the Treaty of Chaguaramas required members to pledge, "a progressive coordination of their trade relations with Third countries or groups of third countries" (CARICOM, 1981f: 24). In reality however, precedence has not been given to CARICOM partners. Member states have also not always consulted with their CARICOM neighbours before finalizing trade and economic agreements with Third countries as required by a decision at the December 1975 Meeting of the Conference of Heads of Government (CARICOM, 1981f: 24).

(iv) The Regime for the LDCs attempts to promote special additional development opportunities in the area, lessening the negative distribution of some benefits from integration (trade for instance).

In the context of unequal distribution of benefits in the CARICOM system, it was noted at the Twentieth Meeting of the West Indies Associated States (WISA) Council in 1976, that, (Hall and Blake, 1977: 12): firstly, the special measures introduced into CARICOM for the benefit of the LDCs had not produced the desired result of stimulating industrial development in the LDCs. Despite the special measures, the LDC's share of CARICOM's gross national product had been reduced by approximately 50 percent and the gap between the relatively well off MDCs and the relatively worst off LDCs had widened; secondly, the CARICOM fiscal and other incentives had failed to stimulate the flow of investment funds into the LDCs (activities of the CIC will be explained); and thirdly, the relatively small ratio of exports of manufactured goods from the LDCs to the MDCs

had been further reduced by the impositions of import licensing restrictions in the MDCs — this alluded to the import restrictions of Jamaica and Guyana.

CARICOM's trade is increasingly coming to mean intra-MDC trade. Table 4 illustrates intraregional trade (by export) for the period 1970 to 1977. The portion of trade accounted for by the MDCs is overwhelming. Since CARICOM's establishment this portion has not only remained high but has actually increased. Exports from the MDCs have also increased significantly in volume (\$ US 145 million), since CARICOM came into effect. Exports from the LDCs, however, seemed to decrease significantly after 1974. The latter figures no doubt represented the fact that the LDCs with their more vulnerable economies were harder hit by the 1973 oil crisis.

The bulk of intraregional trade occurs between MDCs, especially Jamaica and Trinidad and Tobago. This is no doubt due to their greater capacity to trade, (larger markets, more developed infrastructure). It could also be due to the basic homogeneity of productive structures in the LDCs, the net result of which is to minimize opportunities for mutual trade.¹

Certain CARICOM distributive mechanisms are also under critical attack. Within the Secretariat, the CDB and the CIC were visualized as corrective mechanisms to direct investment, capital (loans in the case of the CDB, and equity capital in the case of the

¹ For information on composition of goods traded and homogenous products from LDC territories consult, (ECLA, 1976: 34).

CIC)¹, to the LDCs. Problems are inherent, however, in both institutions.

In the CDB these include a long lag time in disbursement, relatively high interest rates, a cumbersome application procedure and the need for counterpart financing. As Axline explains, 'the fact remains that it was not originally conceived as an integration bank, designed to be an integral part of the regional process (Axline, 1979: 62). Although steps have been taken towards easing the above problems the bank remains an inadequate instrument to offset the unequal gains from integration.

Though the CDB charter conceded that part of the Bank's purpose was "to promote economic cooperation and integration" in the Caribbean, it made no mention of the existence of the other leading institutions of the integration movement such as the Heads of Government Conference, the Council and the Secretariat. As Payne states;

Whatever may have been the intentions of some of the region's governments, the notion that the CDB should function primarily as an 'integration bank' was firmly rejected by the Bank's directors and staff and certainly by its first president, Sir Arthur Lewis. To underline this, the Bank deliberately kept its distance from the integration movement. Lewis himself never attended Heads of Government Conferences, although he was always invited, and the staff of the Bank had, on the whole, very little contact with the Secretariat despite their overlapping responsibilities — and, furthermore, were not particularly concerned to remedy the situation.

Their concern, above all, was that the CDB should function as a normal regional development bank, operating according to conventional banking criteria, which meant that initially more attention had to be

¹The CIC was disbanded in July 1983.

paid to the Bank's ability to borrow money in the international capital markets than to its lending activities (1980: 243)

This situation changed in 1975 when William Demas (the current Bank president) stated that one of the central purposes of the bank was to support the strengthening of CARICOM, all the time giving special emphasis to the development needs of the LDCs. This was subsequently reflected in the bank's actions in identifying and financing of regional projects between Community members (Payne, 1980; 243). Despite these steps the bank remains an inadequate instrument to offset the unequal gains from integration.

By 1982 the Bank was disbursing about \$US 50.3 million annually in loans for projects in the region making it one of the most important sources of development financing (CDB, 1982: 2). Table 5 illustrates the distribution of loans, contingent loans, equity and grants in 1981. To procure funding from international sources the bank's lending criteria are stringent. This may explain the lack of loans awarded to the agriculture sector where returns are dependent on climatic conditions and thus, are not as assured as investments in sectors such as manufacturing. Collateral is also not as likely to be sufficient if the farmers are small scale and repayment is less certain.

As its charter stipulates, the CDB places a special emphasis on the LDCs in the region, in 1982:¹

- 81.3 percent (\$188.4 million) of cumulative loan approvals to the LDCs were financed from CDB Special Funds

¹ Figures in US dollars.

TABLE 5

DISTRIBUTION OF LOANS, CONTINGENT LOANS, AND GRANTS
APPROVED (NET) BY SECTOR AND BY FUND - 1982

(US\$ '000)

Sector	Ordinary Capital Resources	Venezuelan Trust Fund	Special Development Fund	Other Special Funds	Total
Total	29,080	490	7,933	11,446	48,949
Agriculture, Forestry & Fishing	1,000	—	3,680	781	5,461
Crop farming	1,000	—	3,680	(1,475)	3,205
Agriculture (excluding crop farming)	—	—	—	2,256	2,256
Manufacturing	1,378	490	1,331	3,411	6,608
Food, beverages & tobacco (excluding sugar)	—	490	530	13	1,033
Paper & paper products	806	—	—	—	806
Industrial estates	570	—	—	801	3,398
	4,769				
Tourism	2,278	—	(255)	—	2,023
Hotels & lodging places	2,278	—	—	—	2,278
Integrated tourism facilities	—	—	(255)	—	(255)
Transportation & Communication	14,300	—	937	885	16,122
Transport	—	—	—	815	815
Road transport	—	—	—	815	815
Water transport	1,000	—	937	70	2,007
Air transport	5,000	—	—	—	5,000
Communication	8,300	—	—	—	8,300
Power, Energy & Water	2,100	—	496	1,583	4,189
Power & Energy	—	—	—	583	2,683
Electric power	2,100	—	—	—	2,100
Water supply	—	—	496	1,000	1,496
Social & Personal Services	—	—	—	5,800	5,800
Housing	—	—	—	3,000	3,000
Education	—	—	—	2,800	2,800
Multi-Sector & Other	—	—	—	(2,124)	(2,124)
Multi-Sector	—	—	—	(2,124)	(2,124)
Distributive trade	—	—	—	(2,124)	(2,124)
Financing & Distribution	8,028	—	1,744	1,100	10,870
Financing	—	—	—	—	—
Agriculture, forestry & fishing	28	—	1,200	350	1,578
Manufacturing	6,728	—	144	750	7,622
Housing	—	—	10	—	10
Education	—	—	400	—	400
Tourism	1,260	—	—	—	1,260

Source: (Caribbean Development Bank, 1982: 94)

Resources.

- 56.4 percent (\$231.9 million) of cumulative financing approvals went to the LDCs.
- 68.9 percent of cumulative Special Funds Resources disbursements went to the LDCs.
- 55.4 percent of cumulative funds disbursed went to the LDCs (CDB, 1982: 21)

Table 5 also illustrates that in 1982 CDB loans were primarily directed to the transportation and communication, manufacturing and agricultural sectors, where the regional movement has clearly defined development strategies. A large amount of assistance for instance was channelled to the manufacturing sector (29 percent) which CARICOM has noted as a priority area.

The CIC, created to overcome some of the shortcomings of the CDB, also faces problems.¹ The organization represents a combined effort by the public and private sectors of the MDCs and LDCs to invest in the equity or share capital of new industries in the LDCs. The amount invested is usually from governments and private sectors of the MDCs, and the LDCs continue as main beneficiaries of CDB loans (IBRD, 1976: 81). However, since 60 percent of its funds originate from public sources, private enterprise is looked to for the other 40 percent. Businesses in the region are thus literally being asked to provide support to industries in the LDCs which may directly compete with their own output. In some instances, the newly established industry may totally displace imports from the MDC factory, as the

¹The CIC was disbanded in July 1983.

Eastern Caribbean Common Market (ECCM) may adopt total protection for a period — discussed and specified in Council — against imports from the MDCs to protect the new industry. It is thus of little surprise that the private sector has fallen short in subscribing to CIC¹ shares (IBRD 1976: 83).

The CIC's higher disbursement ratio than the CDB's, and its more activist role has been suggested as firstly, reflecting the recognition by the member governments that among the various measures to help the LDCs, those which directly transfer resources through institutions like the CDB and CIC have been the most successful (IBRD, 1976: 83). And secondly, of reflecting recognition of the fact that these flows have had less than maximum effectiveness because of such factors as the lack of success in mobilizing domestic resources, weak administrative structures, and the absence of well-formulated development strategies (IBRD, 1976: 83).

Despite the fact that on a per capita basis the intraregional flow of financial resources to the LDCs as a group from the regional institutions (including the CDB and CIC) has been five times more than the flow to the MDCs, there are still major restraints on LDC development. These include a shortage of skilled manpower and lack of organization, inefficient mobilization and deployment of resources, small markets, the absence of a financial infrastructure and high wage costs. It is clear that a laissez-faire approach to distributive measures is not likely to solve the problem of polarization and that a more positive approach is needed to change the situation (Axline, 1979: 170).

¹The CIC was disbanded in July 1983.

Thus, even though distributive measures implemented in CARICOM have conferred greater benefits on the LDCs, they are still very dissatisfied with the distribution. From this stance one may assume that there are many benefits to be distributed, and that so far the benefits have been concentrated in the MDCs. In reality, however, all of the CARICOM countries are developing territories and thus their capacity for the absorption of benefits is limited and can only be to satisfy a short-term political demand and the long-term objectives of using the integration movement as an instrument of economic development (Axline, 1979: 164). Not only is integration not a panacea for development, but a time span of eight years is by no means sufficient to achieve significant visible changes in distribution between the LDCs and MDCs.

Functional Cooperation

The treaty of Chaguaramas attempts to provide for functional cooperation and common services in areas such as energy, transportation, health and education, with a view to lessening for individual territories the real cost of activities involved in these areas. Progress in these areas will now be examined.

Energy

Small energy units have been located in the CARICOM Secretariat and the CDB.

A Caribbean Alternative Energy Systems Project has been jointly administered by the Secretariat and the CDB. The project is

designed to last five years and has an objective of the establishment and strengthening of the institutional capability of Caribbean states in the area of alternative energy systems (CARICOM, 1981f: 50).

In January 1980 an agreement was reached with the government of Trinidad and Tobago for the central bank of that country to provide the Facility for Financing Oil, Fertilizer and Asphalt Purchases by CARICOM states. Under the agreement the government of Trinidad and Tobago provides significant subsidies of these purchases by member states. Soft loans involve a three percent interest rate — two percent in the case of the LDCs on loans that mature in 15 years with a three year grace period (CDB, 1980-1981).

Transportation: Sea and Air

CARICOM has stressed increased production for the national, regional and extra-regional markets as a challenge for the 1980s. It must be recognized, however, that given the geographical configuration of the member countries — 13 states without any common border — efficient and reliable sea and air transportation are indispensable to attaining this objective. Transportation is thus crucial for increased economic production, intraregional and export trade.

Intraregional Maritime Transportation

The West Indies Shipping Corporation (WISCO) was established in 1975 as an intergovernmental cooperation and replaced a former WISCO corporation established in 1961. The corporation provides a level of

regional service to all CARICOM members. Since 1975 cargo carriage has doubled and subsidies per ton of cargo have been reduced by over 50 percent. Increased support from member governments, the CDB, and the European Development Fund (EDF) has allowed the corporation to raise resources to increase its fleet and improve its capacity, under a five year investment programme applied by the Standing Committee of Ministers responsible for Transportation (SCMT).

The CDB has provided loans to WISCO for the purchase of container vessels to ply the route between the four MDCs. The Bank is also preparing a report on the feasibility of WISCO acquiring two additional vessels for the LDC route (IADB, 1980: 178). The proposal is to have the project funded by resources from the European Development Fund via the CDB. In 1980, WISCO increased its range of activities; service now includes Miami, Puerto Rico and Guyana as well as more frequent calls to LDC ports.

Air Transportation

Within the region international air transportation coordination occurs between Trinidad and Tobago (BWIA Int.)

Airways Corporation, Air Jamaica Ltd., Caribbean Airways and Guyana Airways Corporation (GAC). Extraregional services have developed sporadically but generally in close step with tourism. Leeward Islands Air Transport (LIAT) and its two subsidiaries operate most inter-island flights. Some small operators also carry scheduled passenger charters and freight in the region but are unreliable — which is a serious drawback for foreign tourists.

No country in the region can, and is unlikely to become able to afford or operate an efficient service to destinations outside the region. This is due to the increasing capital cost of fuel-efficient aircraft, the management skills required to plan and manage an international airline and the operating losses which are becoming common in the airline industry (CARICOM, 1981f: 57). Most of the carriers in the region now incur losses, and it was estimated that losses for the combined carriers amounted to \$EC 250 million (approximately US \$125 million) in 1980 (CARICOM, 1981f: 59).

Though the issue of "rationalization of the airline industry" has been studied by three separate working parties, only the first working party made proposals for policy decisions and subsequent action has been slow (CARICOM, 1981f: 59).

Internationally, negotiations for a bilateral air services agreement with Third World countries remains an increasing possibility especially since more member states are becoming independent and more developing countries adopt the principle of deregulation as currently being applied by the US. In such a case rights granted to a third country, for instance, the right of the US to designate a member of US carriers to operate to any point in the Caribbean at fares determined by the US, could noticeably undermine the profitability of competing regionally owned carriers (CARICOM, 1981f: 59).

Science and Technology

Some CARICOM members have established institutes of technology or other facilities to create new technologies and to modify imported ones so as to allow for a more efficient use of local raw materials and of the existing relative availabilities of factors of production (CARICOM, 1981f: 59). Increased cooperation between these institutes can be achieved however.¹ Within the secretariat detailed documentation has been achieved on a common policy of foreign investment and the transfer of technology, but no decision has been made as yet.

Health

Functional cooperation in health has achieved considerable progress. Areas include: health manpower development; the management of health facilities and services; epidemiological surveillance; environmental health; maternal child health care; dental health; and the formulation of an action programme for the bulk purchasing of pharmaceuticals. Regional programmes which have also been developed and are being implemented include the training of Allied Health Personnel (or paramedicals) and Animal Health Assistants.

Education

CARICOM governments have established a Caribbean Examination Council (CXC). The University of the West Indies is also an area of

¹The argument of a need for increased cooperation between these institutions is presented in: (Girvan, 1979):

very successful regional cooperation in education, and illustrates CARICOM as accepting and incorporating education as one of the areas of functional cooperation among member states; this provides a policy base for efforts to integrate work in this sector — education — on a region-wide basis (Chernick, 1978: 93).

Technical Assistance

The Secretariat operates a Commonwealth Caribbean Technical Assistance Programme which contains a definite bias towards the LDCs. Funding has proved to be a problematic issue, however, and this has caused the Common Market Council to recently establish a Fund for a Commonwealth Caribbean Assistance Program.

Information and Broadcasting

Cooperation in radio and TV broadcasting has improved and the Caribbean News Agency (CANA) functions well providing 'hard' news on the countries of the region to each other.

In conclusion it can be seen that efforts have been made to coordinate regional action in areas of energy, sea and air transportation, science and technology, health, education, technical assistance and broadcasting. Although activity can be increased in some sectors, it is significant that the regional integration movement can achieve a degree of functional cooperation in these services.

Foreign Policy Coordination

The coordination of foreign policy is an area of integrative activity within CARICOM which was absent in CARIFTA. Payne states:

Foreign Policy is inevitably an integral part of the general development strategy of small, structurally open economies like those of the Commonwealth Caribbean. It has a considerable impact upon the volume, quality and sources of aid, private investment, trade and technical assistance (1980: 208).

Within the Commonwealth Caribbean the coordination of foreign policy has been achieved on various issues including the rights of Belize and Guyana in their territorial dispute with Guatemala and Venezuela respectively. In 1973 the European Economic Community (EEC) was informed that all territories of the Commonwealth Caribbean region had chosen to act as a group, under the label of the "Caribbean Countries." Though the Caribbean grouping was subsequently incorporated within an African, Caribbean and Pacific (ACP) negotiating bloc, it continued to act as a united group amongst the ACP countries. Since the Caribbean LDCs were not independent, they could not formally participate in negotiations but were listed in association under "Part IV". They were however promised that the new Part IV arrangements would be no less favourable than those for the ACP states and would fully take into consideration the goals of the Caribbean Community (Payne, 1980: 210).

When the British government announced allocations from the European Development Fund (EDF) however, Britain was found to occupy a leading role in the administration of that aid. The Caribbean LDCs

were also placed in a far less favourable position than other groups of the Part IV division as well as the ACP group as a whole in terms of the volume of aid allocated. The CARICOM council after gathering in special session (in October 1975), expressed a determination to preserve the internal equilibrium of the Caribbean Community. The matter was finally resolved in 1977, when a total allocation of aid was made to the region with the CARICOM authorities themselves being allowed to decide on the distribution as between the independent territories and the Part IV states (Payne, 1980: 220).

Negotiations for association with the EEC was thus a successful instance of the greater bargaining power realized when the resources of small state are pooled. If the countries had negotiated individually their terms of association may have been less agreeable.

Though the above mentioned progress has been achieved in joint actions and common policies on the part of member states, more can be achieved. Though negotiations with the EEC were successful (especially in terms of aid), member states have not subsequently attempted to negotiate as a bloc with other world powers/groups.

Currently a growing weakness of the Community is the tendency of member states to individually negotiate bilateral deals with other countries or groups of countries without prior consultation with their CARICOM partners (Payne, 1980: 221). Some external deals may offer opportunities which are more favourable to individual countries than similar arrangements within the region (especially if they are not accompanied by redistributive measures in favour of LDCs). They

however, create patterns of interaction which detract from patterns of regional integration (Payne, 1980: 221).

Conclusion

In conclusion it can be seen that though the Caribbean Community has realized significant achievements in many areas of activity, it also faces certain problems. In the area of market integration, for instance, despite an increase in intraregional trade, most of the trade is concentrated in the MDCs. Furthermore intra-area trade accounts for only a small portion of the total trade of member states. The harmonization of the CET and the realization of a Common Protective Policy have also not occurred. Some measures of monetary cooperation have been achieved however.

In the area of cooperation in economic production, measures have been undertaken to achieve the rationalization of agriculture in the region. This action is significant since it illustrates that CARICOM contains elements of a type III integration scheme, moving towards self-reliance. As in the economic sector, however, there is a discrepancy between what was hoped to have been achieved, and what has actually been achieved to date. Cooperation has also occurred in tourism. In the industrial sector production has increased, however, the MDCs account for high levels of the manufacturing GNP. The Exemptions List of Industries in the CET agreement also allowed existing industries to be dependent on imported inputs. The situation is critical; the existing trade imbalance cannot be totally alleviated until steps are taken to remedy existing

problems in the industrial sector.

Though measures have been undertaken to provide additional development opportunities to the LDCs, the measures introduced by CARICOM have not produced the desired result of stimulating industrial development in the LDCs. The CDB has disbursed developmental assistance to the Eastern Caribbean, however, it remains an inadequate instrument to correct existing distributional problems.

Aspects of functional cooperation nevertheless have been achieved. The pooling of regional resources has occurred in areas such as education and technical assistance. A progressive coordination of the foreign policy of member states has not been achieved. Though in some instances CARICOM countries have taken a unified stance in international negotiations, the region is far from holding a common stance on foreign affairs.

Within the organization itself dissatisfaction exists about the pace at which the implementation of other measures is being undertaken. At the Sixth Common Market Council, the Hon. P.J. Patterson, then Minister of Industry, Tourism and Foreign Trade for Jamaica, pointed out:

We are not alone in our concern that the objectives of the CARICOM Treaty should be more positively pursued. Our call for a deepening of the process of manufacture within the Region, the establishment and strengthening of linkages between the industrial and agricultural sectors of the Region, the maximizing of the uses of our human and natural resources, the alignment of intermediate goods and finished goods show every indication of receiving a favourable response.

Once the necessary decisions are taken at the level of Council, it remains for us to ensure that these decisions are acted upon as speedily as possible. No longer can we tolerate a situation in which applications or submissions of one kind or another are put to Council and have to wait for one year or sometimes two years for a decision to be taken (Hall and Blake; 1977: 12).

In the Caribbean region there now exists a considerable degree of disenchantment with CARICOM. Some go as far as to say that CARICOM has failed, either because of the lack of political will for genuine integration or because the CARICOM arrangements themselves are weak and ineffective or not sufficiently comprehensive in their geographical coverage.¹

W.G. Demas suggests, that underlying CARICOM's failures is the absence of "consensus on the meaning of "Development". He advocates that the "simple" notion of "economic growth" should be rejected in favour of a view of "economic development". The latter term includes:

- (a) increases in production in all sectors, and the creation of "linkages" between different sectors;
- (b) the generation of full employment: efforts to bring about a more equal distribution of wealth and income; and widespread popular participation in economic activities; and

¹ This claim made in (CARICOM, 1981f: 19).

- (c) the generation of economic growth from within the country on a self-sustaining basis, which requires greater national savings as well as national ownership and control of the key economic activities in the country (Demas, 1974: 69).

He further explains his definition with the following illustration:

It is possible for a small Caribbean island to achieve a relatively high per capita income and become "prosperous" by literally selling out its national patrimony to unscrupulous foreign investors and permitting the introduction of tax havens, casinos, free ports and numbered banking accounts. This could lead to a certain amount of highly artificial pseudo-prosperity, but would certainly not by any stretch of the imagination constitute "economic development." This situation might indeed create an artificial "prosperity" for some sections of the population but could hardly lead to internally-generated, self-sustaining and soundly-based economic growth, full employment and an attitude of individual and national self-reliance and self-respect. In other words, properly conceived economic development in the Caribbean context must include economic growth as well as several other elements (1974: 69).

This lack of consensus is evident in the divergence of policies being pursued at the national and regional level. The policy of collective self-reliance which is being pursued at the regional level does not necessarily indicate the existence of complementary policies at the national level. Recently, in the region, there have been clear indications that whilst the government of some member states

have formulated and implemented policies of self-reliant development in keeping with regional priorities of self-reliance, others have not done so. As Hall and Blake point out, this has created operational and policy differences and has prevented either the adoption of decisions in major areas of the Treaty or their implementation (1979: 7).

Havelock Brewster similarly points to political factors in his notion of "the absence of public ripeness", a British expression for a lack of popular participation, to the early failure of regionalism in the Caribbean. He argues that in the Eastern Caribbean the idea of West Indian integration never did command the type of hostility which could raise it to the level of a pivoting issue in competitive party politics (1970: 283). K.O. Hall and Byron Blake also apply this concept to CARICOM by stating that the Secretariat appears to lack the public support of the population, which could create the requisite influence on the decision-makers at the national level, that would force them to pursue national policies which are consistent with policies at the regional level (1977: 12).

The CARICOM experience cannot be regarded as a failure since it continues to implement measures and operate programs of cooperation. Furthermore, its achievements in some areas have been significant. As Hall and Blake point out, while there are undoubtedly some serious problems, there are many in the region who are of the view that some of those problems can be solved and that the experiment would continue to be significant in any assessment of collective self-reliance as a

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viable, feasible, and successful strategy for Third World countries (1979: 9). It must again be stressed that regional integration is not merely an end in itself but is a means to development. In this respect, despite serious problems, CARICOM has contributed significantly to development in the Caribbean region.

CHAPTER 3: HISTORY OF CANADIAN AID TO THE REGION

This chapter provides a historical overview of Canadian aid to the Commonwealth Caribbean from the first aid flows to the present. This information is a necessary prerequisite for a critical analysis of the effects of Canadian ODA on the existing regional integration movement in the Caribbean region.

Canadian Aid Flows 1956-1970

Canadian ties with the Commonwealth Caribbean date from the colonial period of the late 18th century, when schooners from Atlantic Canada traded fish, livestock and lumber for Caribbean rum, molasses, sugar and spices.

Canadian aid to the region commenced in the autumn of 1956, when Lester Pearson convened a conference of Caribbean leaders in Ottawa. In 1958 the government under John Diefenbaker launched the programme with Ottawa allocating \$10 million over a five year period to the newly established Federation of the West Indies (Carty, Smith and L.A.W.G, 1981: 50). The fund was used to build a Residence of the West Indies in Jamaica, and to support elementary schools. A large portion of the amount (\$7 million) was earmarked for the development of an inter-island transportation system, the major component of which consisted of two passenger-cargo ships built in Canada at a cost of \$5.8 million. The latter project was intended to consolidate the unity of the new group (Berry, 1977: 58).

During the period of Federation (1958-1962) the non-members, Guyana and Belize, also received aid under the terms of the Commonwealth Technical Assistance Program which was established in 1958.

It is interesting to note that the first aid flows were channelled through a regional integration institution, rather than on a bilateral, country to country basis. After the federation disintegrated in 1962, the Canadian aid program survived as a series of bilateral programs. In 1964 separate allocations of aid were provided to Jamaica, Trinidad and Tobago, and Guyana. In the same year a new element was introduced in the aid program, namely development loans — previously there were only outright grants (Paragg, 1980: 630).

By the mid 1960's the bilateral aid programme had been increased to \$10 million a year (Carty, Smith and L.A.W.G. 1981: 50). In 1966 the major overseas donors to the region — Canada, Britain and the U.S — conferred and decided to divide their combined aid programmes into sectors with a view to specialization by each of the donors in particular types of projects. A tripartite Mission of Experts survey was instigated to determine assistance to the Caribbean region. The survey's objectives were to specify development promotion and to qualify the need for external assistance to the region. The report stated the economic problems of the region to be heavy population demands, rapidly growing populations, dominance of export agriculture, uncertain prospects for export crops, poor performance of food production for home markets, rapidly increasing imports and shortages of land, capital, and

technical and managerial skills. The survey also recommended tourism as the key sector of the economy that would stimulate self-sustained economic growth in the region. Recognizing however, that certain infrastructural and social indicators were necessary prerequisites before investment in tourism could affect economic and social change, it was suggested that initial investment be made in infrastructure facilities, social and educational institutions, communication links and strengthened capabilities in agriculture (Barriteau, 1982: 31).

It was further recommended that certain services be carried out on a regional basis, and the establishment of a regional development agency was advocated. This agency would consist of two divisions — a technical and commercial services division and a development bank division.

Following the survey Canada headed the section of water resources, air transportation, education and agriculture (Carty, Smith and L.A.W.G., 1981: 50). It is not clear why these particular sectors were awarded to Canada especially since the educational system in the region was — and still is — largely the British system of education.

The tripartite survey represented the first attempt of aid donor coordination in the region. Benefits from donor coordination include the lessening of project duplication. Total control (and hopefully great coordination) of development projects in specific areas would also be more beneficial than various uncomplementary

projects in areas chosen at random by various donors. A subsequent attempt at donor coordination in the region has been the recently established Caribbean Group for Cooperation in Economic Development. Appendix 2 provides details.

It is interesting to note that the tripartite survey recommended the establishment of a regional development agency, thus suggesting a form of coordination on the part of the recipients. There are definite merits to this suggestion. Individual Caribbean territories have little bargaining power in aid negotiations, against a world power, and even less against a combined threesome. If the territories grouped in a regional bloc, this bargaining power would increase.

Canada's adherence to decisions taken after the tripartite study is questionable. Canada was allocated the education, water, air transportation and agriculture sectors. Although significant amounts of aid are allocated to the first three sectors, the last — agriculture — received little direct aid allocations. In the 1969-1970 fiscal year, 22 percent of bilateral ODA to MDCs was allocated to water development; 17 percent to the transportation sector; and 13 percent to education. Agriculture received only 6 percent of total bilateral funds. The development of natural resources (an area not allocated to Canada, received 20% of total flows, a significant amount. In the period 1967 to 1970, LDC territories received 45 percent of bilateral Canadian aid for water development; 35 percent for air transportation, and 17 percent for education.¹ The agricultural

¹ See Table 7.

sector received no direct aid allocations. The lack of significant direct flows to the agricultural sector was not remedied until 1970 when the Canadian government established a replenishable Agricultural Development Fund. Administered by the CDB and CIDA, the fund supports bilateral agricultural projects in the region. The fund is currently administered in its entirety by the CDB. Canada also contributes to the Bank's special fund which provides a soft loan window and supplements resources for lending to high priority projects, including agriculture.¹ Direct aid to agriculture was not significant after the tripartite agreement.²

In 1966 Canada pledged to maintain an aid program of a minimum of \$65 million over the next five years, as well as an additional \$5 million in the same period to the University of the West Indies and the University of Guyana. This along with other aid pledges such as assistance to the Caribbean Broadcasting Service, committed Canada to a total aid package of \$75 million for the period. Total Canadian aid disbursements for the period were actually over \$100 million, exceeding the pledge by a third — from 1969 to 1972, Canada was the second largest aid donor to the region after Great Britain, accounting for 20 percent of the total aid flow (Berry, 1977: 57).

¹(Paragg, 1980: 630) Table 9 illustrates Canadian disbursements to the fund.

²The agricultural sector may have however benefitted indirectly by the improved air transportation or water systems — areas to which development aid was allocated.

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In the 20 year period between 1958 and 1978, over \$230 million in the form of grants and loans was disbursed to Caribbean recipients (Carty, Smith and L.A.W.G., 1981: 50). Table 6 illustrates Canada's aid allocations for the 1958-1970 period. Unfortunately CIDA's annual reports no longer give the distribution of regional aid according to program activity. Reports (until 1979) also cease stating the loan and grant component of assistance.

It can be seen that of the total aid allocation to individual countries, Jamaica, Trinidad and Tobago, and Guyana — 3 of the region's MDCs, received 54.7 percent of total grants and 96.3 percent of total loans, or 69.7 percent of total allocations. Barbados and the eight LDCs received 30.3 percent of total flows to individual countries, most of it in the form of grants (95.6 percent). According to a 1960 population census, Jamaica, Trinidad and Tobago, and Guyana accounted for 89 percent of the region's total population, with Barbados and the eight LDCs accounting for 11 percent of the total (West Indies and Caribbean Yearbook, 1965). ODA flows per capita were thus greater amongst the region's LDCs.

Table 7 illustrates a further breakdown of bilateral disbursement, this time by field of economic activity. Aid was generally concentrated in the three fields of transportation, education and water development, and to a very limited extent, in agricultural development. In the MDCs the natural resource and energy sectors were additional beneficiaries.

Although it is not the intention to analyze donor motives

TABLE 6: CANADA'S AID ALLOCATIONS TO THE COMMONWEALTH CARIBBEAN 1958-70
(\$ millions Canadian)

	Grants	%	Loans	%	Total
West Indies Federation (1958-65)	7.35	(100.0)			7.35
Jamaica	18.25	(74.6)	6.21	(25.4)	24.46
Trinidad and Tobago	6.19	(25.2)	18.39	(74.8)	24.58
Guyana	8.53	(51.6)	8.00	(49.4)	16.53
Belize, Barbados and the Little Seven	27.32	(95.6)	1.25	(4.4)	28.57
University of West Indies	4.00	(100.0)			4.00
TOTAL	71.64	(67.9)	53.86	(32.1)	105.50

() means per cent raw total

Source: (Paragg, 1980: 631)

TABLE 7: CANADIAN ASSISTANCE PROGRAMS: BREAKDOWN OF BILATERAL DISBURSEMENT BY FIELD OF ECONOMIC ACTIVITY 1958-70 (Jamaica, Guyana, and Trinidad and Tobago, in \$ million Canadian)

	West Indies Federation		Post Federation Period			TOTAL
	1958-59 to 1961-62	1962-63 to 1963-64	1964-65 to 1965-66	1969-70	1969-70	
Transportation	7.16	1.34	2.94	5.07	15.26	
Education	0.73		0.21	3.92	6.20	
Water Sector	0.42		0.15	6.47	7.04	
Energy Sector			0.65	1.27	1.92	
Natural Resources			0.34	6.00	6.34	
Agriculture			0.90	1.71	2.61	
Miscellaneous	.04	0.09	0.28	4.98	5.39	

(Leeward, Windward Island, Barbados and British Honduras)

	1965-1966 to 1966-1967		1967-1968 to 1968-1969 to 1969-1970		TOTAL
	1965-1966 to 1966-1967	1967-1968 to 1968-1969 to 1969-1970	1967-1968 to 1968-1969 to 1969-1970	1967-1968 to 1968-1969 to 1969-1970	
Transportation	1.03		5.92	6.95	
Education	2.72		2.80	5.52	
Water Sector	1.05		7.58	8.63	
Agriculture					
Energy Sector					
Natural Resources					
Miscellaneous	0.32		0.61	0.94	

Source: (Paragg, 1980: 632)

in this historical review of Canadian aid to the Caribbean region, the relationship between early grant allocations and Canadian exports is interesting to note. Appendix 3 provides statistics on Canadian trade with the Commonwealth Caribbean for the period 1958 to 1981. The following table illustrates the rise in Canadian exports to Caribbean Countries for the period 1958 to 1970, as well as the amount of bilateral grant allocations made to the region.

TABLE 8: THE INCREASE IN CANADIAN EXPORTS, AND CANADIAN GRANT ALLOCATIONS TO THE COMMONWEALTH CARIBBEAN COUNTRIES, 1958 - 1970

	Grant Allocations*	Increase in Exports
JAMAICA	27.32	311.0
BELIZE, BARBADOS AND LITTLE SEVEN	18.25	18.1
TRINIDAD AND TOBAGO	6.19	9.7
GUYANA	8.53	8.2

Figures in millions of dollars

* information from Table 7

Source: Compiled from (Canada Yearbook, 1960; Canada Yearbook, 1971; Paragg, 1980: 632)

In every case the increase in Canadian exports to the region was similar to the amount of Canadian grant ODA to that particular country, Jamaica, which received the highest grant allocation

(\$27.32 million), experienced a corresponding (31 million) increase in imports from Canada. Furthermore the rise in Canadian imports was the highest experienced in any Caribbean country. Trinidad and Tobago was the only country to deviate slightly from this pattern, she received \$6.19 million in the form of grants from Canada, but Canadian imports increased \$9.7 million (this was probably due to Trinidad's petroleum generated affluence which afforded her a rise in imports. Guyana which received the smallest grant allocation \$8.53 million, experienced the smallest rise in Canadian imports (8.2 million).

The strong correlation between grant allocation and increase in Canadian exports to Caribbean countries did not exist between loan allocations and an increase in exports. One can thus speculate that Canadian grant allocations were strongly tied to Canadian goods and services, thus caused a rise in Canadian exports to recipient countries, or that whenever Canadian grant allocations were made, Canadian goods and services were always the most suitable worldwide for development projects. The latter assumption seems unlikely. Canadian aid was in fact tied from the start of the assistance program in 1951. According to Carty and Smith the tying of Canadian aid reached its zenith in 1967. All bilateral aid disbursements had to be spent on Canadian goods supplied by majority-owned Canadian companies and containing at least 80 percent value added in Canada, in 1968 this value added was lowered to two-thirds of the total (1981: 87).

Canadian Aid Flows - 1970's - 1980

CIDA's greatest contribution to the regional integration movement is its support of the CDB. The idea for the Bank was discussed at the Canada-Commonwealth Caribbean Conference in Ottawa in 1966 (Carty, Smith and L.A.W.G., 1981: 50). When it was established in 1969, Canada joined Britain as one of the Bank's two non-regional members. Canada and the U.K. currently each hold 17.65 percent of share capital (Levitt, 1981: 218). Regional members are Colombia, Venezuela and the 12 CARICOM member states. The fact that Canada, and the previous mother country of the CARICOM states, are the only two non-regional members illustrates Canada's importance as a donor in the region.

Between 1966 and 1977 Canadian aid to the Commonwealth Caribbean took the form of a number of bilateral agreements with individual countries or groups or dealings with the Bank. From 1967 to 1971 for instance, a five year plan was initiated between Canada and the Eastern Caribbean. At this point it was realized that with the exception of Barbados, the Eastern Caribbean shared a common level of infrastructural development and experience in public administration. Planning for the Leeward and Windward Islands thus comprised one program, and planning for Barbados, another (Barriteau, 1982: 34).

CIDA's aid to the CARICOM Secretariat has had a shorter history than that of its bilateral dealings with individual countries, or dealings with the bank. On February 10th 1977, CIDA representatives held discussions with the then deputy Secretary-General, William Demas,

to discuss CIDA policy in the Caribbean. According to CARICOM's records of the meeting (CARICOM, 1981a: 1), the Canadians, after reviewing their assistance to the region since 1966, decided to: continue country specific (bilateral) programmes; decrease programming through financial institutions, and de-emphasize or discontinue regional projects except where a regional project was directly aimed at employment generation. This was a change from previous CIDA policy of supporting regional institutions (and thus the integration movement). This was the period in which Guyana and Jamaica had introduced trading restrictions thus causing unrest within the movement. It is suggested that at this point CIDA felt it was simpler to deal directly with individual countries. CIDA also stated it would pay greater attention to facilitating indigenous and technical entrepreneurial skills.

Canada agreed to spend \$150 million in the region for the period 1975-1980, of which \$75 million had already been committed (CIDA reports suggests that in this period \$143.82 million was actually spent)¹. Of the remaining \$75 million, an administrative decision was taken that \$50 million of new aid would go to the Windward and Leeward Islands and Belize, and \$25 million to Barbados, Guyana and Jamaica — three of the MDCs of the region. It was further stipulated that there would be no preallocated amounts to individual countries, and no special provision for regional projects.

¹Compiled from bilateral and multilateral disbursements to the Commonwealth Caribbean, (CIDA, 1977-1978; CIDA 1980-1981).

The latter, it was reiterated, would only be financed if they (CIDA) were satisfied that the employment criteria were met and if beneficiary countries were prepared to divert funds for this purpose.

Perhaps noticing that the disbursement pattern indicated a preference towards dealing with individual states — thus a decrease from the bargaining power of a regional bloc ; or perhaps fearing for the future of the integration movement, the Secretariat replied as follows. The Canadian analysis, CIDA was told, was based largely on historical status and thus could hardly deal 'adequately' with current development objectives. The policy of the CARICOM states with respect to future development should be taken into account, since external aid would be most effective if it were directed within the framework of national policies.

CIDA was reminded that the concept of partnership was the basis of the relationship between developed and developing countries. Development assistance should not be solely based upon the donor's perception — an understatement to say the least.

CIDA responded (CARICOM, 1981a: 2) by stating that they felt their own analysis and perception of the needs could not be controverted nor could there be a reconsideration of their aid policy arrived at internally in Ottawa. CIDA's bureaucratic inflexibility has become a source of tension in CARICOM - Canadian relations.

CARICOM officials privately felt that the Canadian stance seemed to be based on "the feeling that individual countries had little commitment to the regional effort" (CARICOM, 1981a: 2). This statement

is very significant and it appears to underlie the very basis of CIDA's perception of CARICOM, as will be explained later.¹

In July 1977 the CARICOM Secretariat made a request to Canada for a \$2 million "Line of Credit of Technical Assistance" for the period 1977 to 1981. The proposal, which will be examined in depth later in this chapter, was turned down.

Canadian Aid Flows in the 1980s.

By 1980 Canada was disbursing about \$34 million yearly to the Commonwealth Caribbean region making it the highest per capita recipient of Canadian bilateral aid, although with only five percent of the bilateral budget (Carty, Smith and L.A.W.G., 1981: 52). In 1981 Canadian aid to the area changed its nature. During an official visit to Jamaica, the External Affairs Minister, Mark MacGuigan, stated² that the Canadian government has decided to increase ODA as a percentage of GNP from the then current level of 0.43 percent to 0.5 percent by 1985-1986. Of this a "Special Priority" was to be awarded to the Caribbean programme.

CIDA he continued, had disbursed approximately \$300 million since the inception of its programme in 1959 and for the year 1981

¹ This conclusion is drawn from statements made by Canadian (CIDA and External Affairs) officials and CARICOM officials in confidential interviews. Actual quotes will be presented later in this chapter.

² Figures quoted from, Mark MacGuigan, Secretary of State for External Affairs; "Notes for a Speech by the Secretary of State at the Inaugural Plenary Meeting at the Canada/CARICOM Joint Trade and Economic Committee," Kingston, Jamaica, January 15th, 1981.

alone Canadian development assistance to the region totalled Canadian \$41 million. Of this \$31 million bilateral assistance was provided on a government to government basis, about \$3.5 million through the C.D.B., \$5 million through the non-government programme, and about \$1 million by the industrial cooperation programme. Indirectly Canadian aid was also channelled through funds provided to the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF), the Commonwealth Fund for Technical Cooperation (CFIC), and the United Nations Development Programme (UNDP), and its agencies which fund programmes in the area.

In the new priority aid portfolio, the total aid flow to the region was to increase from over \$30 million to at least \$55 million by 1986 - 1987 (MacGuigan, 1981). The following conditions were among those raised by the Minister.

All countries regardless of their level of development were to be eligible for ODA. This statement was probably made because of the increased levels of assistance to MDCs. Though levels of assistance to LDCs were also increasing their portion of total ODA to the region was decreasing. This claim will be substantiated in the following chapter where detailed information is presented.

Canada was willing to make emergency balance of payment assistance available to nations whose balance of payment needs were internationally recognized and for which an IMF remedial program was agreed. (Emergency balance of payment assistance was subsequently granted to Jamaica and Guyana).

Canada was also to work with Caribbean countries towards greater emphasis on the maintenance of economic, social, and political stability, and the promotion of sustained economic growth and development. In this respect Canada would continue to accord the highest possible priority to increased regional cooperation. One million dollars per year on highly concessional rates were to be made available to CARICOM in industrial cooperation credits to permit the hiring of Canadian advisors to assist in industrial development planning and implementation. This divergence from earlier attempts to downplay regional project aid and assistance to regional organizations was probably due to the fact that relations between CARICOM countries were more stable than in 1977 (this was especially noticeable in the large amounts of assistance awarded to her sister states by Trinidad and Tobago), when the previous official policy statement was made.

In accordance with the Canada-CARICOM agreement, Canada would pay special attention to the developmental needs of the region's LDCs. To allow for a more rapid disbursement of development assistance funds and to improve the effectiveness of programme development, Canada was to give "serious consideration" to decentralizing CIDA operations with more emphasis on the field. She was also to continue to provide increased levels of technical assistance concentrated on economic and financial management in the public sectors, and on the production areas in private sectors. Canada was also willing to help in funding alternative solutions to current energy problems by commissioning studies and by supporting Canadian companies who had appropriate technologies to allow them to test, demonstrate and transfer these

techniques to the Caribbean.

Canadian aid policy to the region underwent another change at a Joint Economic and Trade Committee Meeting in Kingston on January 1981. Under the Canada-Caribbean Agreement (1966) a Joint Economic and Trade Committee (J-TEC) was established to implement the provisions of the Agreement. These provisions were the fostering of trade, technical, financial and industrial-cooperation. Though the agreement stipulated the J-TEC committee meet annually, with special meetings of the committee held at the request of the contracting party, the first meeting occurred in 1979. The enormous delay between J-TEC's conception and its implementation - a period of 13 years, was probably due to the fact that CARIFTA was primarily concerned with issues involving the Common Market, and it was not until after CARICOM's inception — at the first few heads of government meeting everyone was too busy to strike a bilateral deal — that communication on the subject of J-TEC arose.¹

The first meeting of the Committee had taken place in November 1979, following which there was a meeting of an Ad Hoc Group on Industrial cooperation held in Barbados in January 1980. The second meeting of J-TEC occurred in January 1981, with a second Ad Hoc meeting in Ottawa in May 27th 1981. The Canadian delegation to J-TEC meetings consists of representatives of CIDA, External Affairs and Industry, Trade and Commerce. The Caribbean delegation

¹ View expressed in confidential interviews with Canadian External Affairs Officer in Georgetown, Guyana.

consists of representatives from Barbados, Belize, the Eastern Caribbean States, Grenada, Guyana, Jamaica, St. Kitts, Nevis and Trinidad and Tobago, as well as officials from CARICOM, the ECCU, and the CDB. The co-chairmen of all meetings have been the Director General of CIDA's Industrial Cooperation Division and the Deputy Secretary General of CARICOM.

At the January 1981 J-TEC meeting, CARICOM put forth a request for regional funding to be granted through the Secretariat, since the Integration movement was to complement and enhance national development measures. (Aid had previously not been granted through the secretariat). The Canadian delegation agreed that there was a need not only for Canadian assistance at the national level, but at the level of regional projects, for instance, in aspects of training pilots. This was the second attempt at coordinating aid recipients in negotiations; the first was during EEC negotiations. The secretariat may have been inspired by the success of those earlier negotiations.

The meeting endorsed views that the formulation and implementation of projects in the Caribbean should utilize indigenous experts and national and regional institutions. It was also accepted that a basic and fundamental principle for guiding Canadian assistance to the region was the attainment of the ultimate objective of self-reliance, thus eventually removing the need for assistance. This suggested priority on programmes and strategies promoting economic development and growth and particularly in increasing and fully utilizing productive capacity in the region (CARICOM, 1981a). It must be noted that these two statements seem to contradict the

conditions raised by Mark MacGuigan in 1980, on the hiring of Canadian advisors.

At the Second Ad Hoc Committee Meeting in Ottawa in May 1981 the Canadian delegation, in view of the long lead time in the planning of large projects and the agreement by both parties on the need for a mechanism to speed up planning and implementation, examined "the meeting of plans to recommend a new mechanism within CIDA for CARICOM, namely, the Special Advisory Fund (SAF), for more expeditious delivery of technical assistance" (CIDA, 1981c). It was also agreed that CIDA would carry out detailed planning with the CARICOM Secretariat on selected bilateral and industrial cooperation projects of special interest to CARICOM, totalling \$7.5 million over five years (CIDA, 1981c). This was over and above the amount proposed in 1981.

Despite the brave statements, as one CARICOM official termed the promise, it was generally felt within the Secretariat that no real progress had been made. In July 1982, a senior CARICOM official, when interviewed, stated that the Canadians agreed to provide \$7.5 million for 12 projects. He continued, "it is now 18 months later and we still have not received a cent".¹

When asked to comment on the 'lack of delivery' of the \$7.5 million figure, CIDA officials explained that CARICOM officials seemed to have a mis-understanding of the situation. The \$7.5 million was an indicative planning figure — a flexible amount used in planning and implementation — and the funds are currently being utilized for

¹Confidential Interview; Senior CARICOM official, Georgetown, Guyana, 1982.

that very purpose.¹ In July 1982, (for instance), a CIDA delegation flew down to Georgetown, Guyana to hold discussions with CARICOM officials. Of the 12 projects (mutually) approved at the second J-TEC meeting, a CIDA member of staff in the CIDA-CARICOM division indicated that after consultation with CARICOM and a CIDA reassessment of the projects, only four projects were at present being studied in detail since various problems arose in conjunction with some of the other projects. A pharmaceutical project, for instance, was found to be "too geared towards NGO involvement",² not fitting into CIDA's bilateral criteria for aid disposal. In other cases, it was further stated, Canadian and CARICOM officials never met to develop projects, or CARICOM did not feel that the projects had sufficient developmental impact; the latter part of the statement was not defined. CIDA has chosen four projects to develop in detail, the idea being that once this was done, detailed attention could be paid to others. The four projects are, a Marine Navigational Aid project, an Air Fares and Rates Analysis, a Herd Improvement Study, and a Fruit and Vegetable Marketing Project.

CIDA allocations for 1981-1982 as announced by Marcel Massé, head of the Canadian delegation to the Caribbean Group meetings in Washington in June 1981, included the following:

ODA to the Commonwealth Caribbean is to increase from \$43.0

¹ Confidential Interview: CIDA official, Ottawa, Canada, 1982. The official did not explain what he meant by, "flexible indicative planning figure".

² Confidential interview with CIDA official, Ottawa, Canada, 1982.

million in 1981-1982 to \$90 million in 1986-1987, thus doubling the current level in the next five years. In terms of total flows Canada plans to provide \$350 million of assistance to the region for the five year period of 1982 to 1987. \$270 million or 77 percent of this will be bilateral assistance as opposed to the 79 percent in bilateral content in 1982 (CIDA, 1981-1982). Over the next three years this includes \$30 million for Guyana, \$41 million for Jamaica, \$44 million for the Leeward and Windward Islands, and \$25 million for Barbados, Belize and other bilateral assistance and regional programmes. Canada will provide up to \$85 million¹ in non-bilateral assistance through the CDB, NGO's and under the Industrial Cooperation Agreement over the next five years. Canada, Massé stated, will also continue to support soundly developed regional projects for the general benefit of the Caribbean. \$50 million for instance, will be considered for an airport rehabilitation and safety improvement project.²

Conclusion

Canada has thus, always played a vital role in the Commonwealth Caribbean, first as a trading partner, then as one of the three major aid donors to the region. It has in the past coordinated its aid policies with the US and UK; currently however, a more

¹ It is assumed that NGO's will provide approximately \$5 million in funding, since Massé only cited a total of \$80 million for multilateral assistance (with \$270 million of the \$350 million total cited for bilateral flows).

² Figures presented in (Massé, 1981: 5-7).

independent and individual stance is taken in aid policy. The support of regional integration is advocated and certain regional organizations have received ODA, however, difficulties seem to be present in aid disbursement through the secretariat. In the 1960s, there seems to have been a strong correlation between grant disbursement and the increase in Canadian exports to the region.

The impact of Canadian ODA on regional integration in the Commonwealth Caribbean from CARICOM's inception in 1973 to the present will now be analyzed.

CHAPTER 4: AN ANALYSIS OF THE INTEGRATIVE EFFECTS
OF CARIBBEAN AID

An analysis of the effects of ODA on regional integration concluded that foreign aid can significantly influence the integration process. This chapter will examine the effects of Canadian foreign aid on regional integration in the Commonwealth Caribbean.¹ It has been noted that the existing regional integration movement in the Caribbean hopes to achieve economic growth, regional equity and measures of self-reliance. ODA can thus promote integration in the following manner.

Regional integration requires that some form of policy coordination be achieved. This in turn requires the existence of regional institutions. Foreign aid can support these institutions by meeting actual costs associated with the functioning of these organizations. Within the Caribbean Community administrative costs arise from the functioning of the CDB, UWI, Secretariat, WISCO, and other regional bodies. Aid can also promote integration if it is channelled by the donor (Canada) through these institutions to implement regional strategies. In the Caribbean region, regional plans include cooperation in productive sectors, attempts to lessen dependency, and functional cooperation. Although bilateral project aid implies a separation of interest which does not allow collective (integrative) interests to emerge, some development project aid is most efficiently implemented on a government to government basis rather than through a regional organization. Some bilateral aid can promote

¹The methodology used for this analysis is presented in Appendix 4.

regionalism if it fits within the framework of regional development plans. In the Caribbean the existing discrepancy between the four MDCs and eight LDCs should be corrected since for the support of regionalism ODA should in its implementation, aim at preventing or lessening regional inequity.

It has been stated that donor motives are ~~not~~ always compatible with goals of the integration movement. Aid implementation may thus discourage regionalism, ODA may reflect political pressure exerted by the donor on recipient countries. Aid may also be tied to goods and services in the donor country; if aid is untied, Caribbean countries could use resources from within the region, thus promoting intra-regional trade. For the support of regionalism, the regional actor — the secretariat and other Caribbean organizations — should be perceived by the donor as a viable interlocutor in the development process. Regional integration must be seen as a means towards development. It is thus necessary that the donor, in this case Canada, hold a measure of respect for or belief in the Commonwealth Caribbean integration movement.

An analysis of the effects of Canadian aid on regional integration in the Commonwealth Caribbean, from the inception of CARICOM in 1973 to the present, will now be made. It must be noted however, that although it is theoretically possible to separate specific characteristics of ODA as having specific effects on regional integration, it is empirically impossible to separate effects of foreign aid on integration as being due to individual criteria. Aid which is disbursed to the CDB for instance, can meet administrative costs

associated with that regional organization, lessen regional inequity, as well as support the achievement of regional strategies by being disbursed to agricultural or industrial projects which fit within the regional framework of plans for those productive sectors.

A. Support of Regional Integration

(i) Exporting Costs and Support of Regional Organizations and Strategies

Canadian aid provides additional resources from an external source which are available for internal distribution to the CARICOM countries. Apart from bilateral aid flows CIDA reports cite funds allocated specifically for regional project funding and for disbursement to regional organizations.

See Table 9

CDB

Canadian ODA supports regionalism by contributing to the CDB, which acts as an equalizing mechanism for the integration movement. In the period 1969 to 1980 CIDA's multilateral division had contributed over \$43 million in the form of loans and advances to the bank (Carty, 1981: 53). In the next five years Canada is to contribute \$85 million in non-bilateral assistance through the CDB (Massé, 1981). Canada's participation in the CDB is very important as it signifies very visible support for an instrument of the regional integration movement.

TABLE 9: CIDA Funding to CDB, UWI and Regional Projects, 1975 to Present.

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
CDB	5.78	4.38	4.59	1.00	4.47	6.89	3.97
UWI	1.11	0.48	0.49	0.10	0.46	0.51	0.42
Agriculture Development Fund ^a	0.17	0.09	0.06				
Other Regional Programs	3.95	4.72	4.22	2.48 ^b	3.01 ^b	2.03 ^b	2.30 ^b
Total	11.01	9.67	9.36	3.58	7.94	9.43	6.69
Total CIDA Funding to the Region	27.68	27.73	43.49	28.03	27.79	26.01	32.58
Percentage of Canadian Aid to Regional Projects	39.77	34.87	21.57	12.77	28.57	36.25	20.53

Figures in millions of dollars

^aFund within the CDB

^bLeeward and Windward Project Aid

Source: (CIDA, 1977-1978; CIDA, 1979-1980; CIDA 1981-1982).

It is however disappointing to note that despite increased contributions to the CDB (Table 9) — funds are being tied, more tightly. In 1980 Canada decided to tie its contribution to the bank more tightly to the purchase of Canadian goods and services. An official of the CDB complained that the latest tightening up of commercial conditionality by Canada reached ridiculous extremes — down to stationery purchases. Canadian ties were reported to be so restrictive that an entire project may be killed. A CDB project financed by funds which are tightly tied to Canadian sourcing, for instance, can fail to get off the ground if no competent Canadian consultant is available (Levitt, 1981: 263).

Aid flows to the CDB therefore promote regionalism by meeting administrative costs of the bank. The attainment of regional strategies is also promoted by project funding through the bank. The heavy concentration of CDB assistance to regional LDCs also promotes equity within the region. Unfortunately since 1980 Canadian contributions are being tied more tightly to the purchase of Canadian goods and services.

UWI

CIDA's bilateral aid programme contributes to integration and modernization in the region through grants to the University of the West Indies. The first scholarships awarded outside Canada were given to gifted students from the smaller islands to allow them to attend UWI at the Barbados, Jamaica or Trinidad campus (MacQuarrie, 1976: 237). In 1958 a large proportion of the \$10 million of Canadian

ODA was directed towards education programmes. After the collapse of the Federation in 1962, support of the programmes continued. In 1966, CIDA made a \$5 million commitment to UWI (Dickerson, 1979: 105). Since then Canadian professors have served at the faculty of the University under CIDA auspices and CUSO has sent a number of young people to teach in primary and secondary schools in the region. Since CARICOM's inception, despite a decline in the mid 1970's (see Table 9) the most recent trend seems to be an increase in CIDA funding to UWI.

CIDA, in conjunction with the University of Western Ontario, helped develop the department of management studies at both the Mona, Jamaica and the St. Augustine, Trinidad campuses. Recently, on the CIDA list of 'currently operational projects with Commonwealth Caribbean Regional Institutions', one of the three listed projects is a project for the development of the faculty of Engineering at UWI. The following table illustrates the relative importance of education in regional allocations. The project accounts for 90.5 percent of total funding.

In conclusion it is noted that Canadian assistance to the educational sector is not only viable support for a regional organization, but also creates regional interdependence.

TABLE 10

Currently Operational Projects with
Commonwealth Caribbean Regional Institutions
(\$000)

Project Number	Project Title	Budget Approved	Disbursement to 28-02-82
252/00703	Drug Laboratory Equipment	231.5	168.8
252/00702	West Indies Shipping Corporation	500.0	6.0
982/00401	Faculty of Engineering Development - UWI	2250.0	1582.3
TOTAL		2981.5	1757.1

Source: (CIDA, 1981 b).

CARICOM Secretariat

Traditionally development aid has not been disbursed through the CARICOM Secretariat. Although at the second Ad Hoc Committee Meeting in May 1981 \$7.5 million was allocated by CIDA for the planning of 12 jointly (CIDA-CARICOM) administered projects, CARICOM has received no funding.¹ It can thus be concluded that CIDA alone is using the funding for the research, project identification and planning.

A crucial aspect of CIDA - CARICOM Secretariat relations involved CIDA's perception of the CDB. CIDA officials view the CDB as

¹ A fact confirmed by a Canadian External Affairs Officer dealing with CIDA-CARICOM matters.

a 'tested' agent which utilizes funds received from CIDA; on the other hand, it is unknown if the Secretariat, being untested, can efficiently implement projects.¹ CARICOM officials point out, however, that the CDB is largely an equalizing mechanism and has strict conditionalities attached to loans in order to prove its effectiveness to potential donors, and to survive as a financial organization. CARICOM meanwhile can carry out projects which are better implemented on a regional basis than bilaterally, and which are necessary for the development of the region despite an inability to reap tangible economic gains.²

Aid can promote regionalism if it is channelled through a regional institution to ensure the prior coordination of policies, thus avoiding the duplication of projects (Mytelka, 1973a: 148). Canadian aid to the CDB does avoid this occurrence. However, the bank should be perceived as having a limited function in the region as its charter states — mainly that of an equalizing mechanism. Bilateral aid flows should be channelled through the secretariat to avoid the duplication of projects in the region and to implement projects which are best carried out at a regional level and which do not have immediate tangible economic gain (to meet CDB's lending criteria).

In conclusion it is seen that Canadian aid to the Commonwealth Caribbean region does support administrative costs of regional

¹ This view surfaced in interviews with a CIDA official in Ottawa and External Affairs Officers in Ottawa (1) and Georgetown, Guyana (2).

² A view presented by CARICOM officials interviewed in Georgetown, Guyana.

organizations, and does disburse development aid through these organizations (with the exception of CARICOM). This action allows development projects to be compatible with regional development plans.

(ii) Bilateral Project Aid

Negotiations between Canada and individual Commonwealth Caribbean territories require individual territories to vie for portions of ODA allocated to the area. In this case a separation of interest occurs and regional solidarity is definitely not promoted.

Bilateral projects which fall outside a regional framework have to be individually negotiated. Projects which are connected to a larger integrated framework, but which are more efficiently implemented on a country to country basis than on a regional scale, should be negotiated with some participation from CARICOM. The Secretariat could provide a 'third view', at the same time ensuring the project stays within the regional plan.

Bilateral Canadian assistance can help the region's development, to the extent that it meets regional goals. At the same time it can also lead to duplication if there is no coordination of national policies. In some cases duplication is desirable, for instance, if the market can accommodate the extra goods or services, produced by the project. If it cannot, excess capacity results.

An analysis of Canadian development assistance to the Commonwealth Caribbean region illustrates that some bilateral project aid does support regional plans. Canadian aid is not concentrated in traditional monoculture sectors of the economy and in a number of cases has made an important contribution to meeting regional goals even at the expense of Canada's own commercial interests.

The high dependence of the Caribbean on imported foodstuffs has been mentioned. Canada is a major supplier of foodstuffs such as meat, fish, milk products and flour to the region. Despite this, Canadian assistance has been given to the agricultural sector and towards an increasing self-sufficiency in food for the Caribbean. Veterinary dairy and fishery projects for instance, have been implemented. These include fisheries training aboard a trawler being provided in Trinidad, a veterinary project in Guyana and in 1975 the establishment of a facility through IDRC for the processing of scale fish, (which had previously been dumped from shrimp vessels based in Guyana) to develop a high protein producing industry for home consumption and export (Paragg, 1978: 142).

CIDA has implemented a fisheries project in Castries, St. Lucia. The island currently imports some 270,000 kilograms of fish a year at a cost of \$1 million, although the fishing potential around the island is good. CIDA is installing a \$3.2 million fish plant with cold storage, processing and freezing facilities. Insulated trucks will distribute the fish throughout the island (CIDA, 1981-1982: 30).

In Guyana, in 1975, CIDA also implemented projects to assist the government-owned timber corporation. The Agency participated in a forest inventory and undertook other feasibility studies which, it was anticipated, would lead to the establishment of new milling sites. The development of the timber industry was aimed at meeting increased local demands in the housing industry, export to the CARICOM countries

with limited timber potential and exports to other countries overseas. This action is remarkable when one realizes that Canada has traditionally been a major supplier of timber to the Caribbean. Thus, by assisting Guyana in this industry it is creating competition for existing Canadian domestic industry (Paragg, 1978: 142).

Tourism

Canadian aid to the tourist industry is an instance in which aid is channelled away from the traditional monoculture sector and towards a more diversified economy. In this case, however, interdependence and diversification are not achieved without cost, due to the present structure of the industry and the tied nature of Canadian aid.

CIDA's support for tourism in the Commonwealth Caribbean region ranges from assistance in the development of more trained personnel in the field of hotel and resort management, to the funding of infrastructure projects aimed at boosting tourism. In the region at least seven nations have received CIDA funding for building or expanding airports specifically designed to increase tourism (Carty, Smith and L.A.W.G., 1981: 83). A Canadian government-initiated study into these transportation projects by P.F. Wickenden, a transportation specialist from the Department of Industry, Trade and Commerce, however, concluded that CIDA promoted these projects without having a concrete regional development plan. The study also stated that investments in Caribbean tourism can actually worsen the under development situation (Carty, Smith and L.A.W.G., 1981: 83).

It is not suggested that all ODA allocated to tourism worsens the region's situation of dependence. As stated in Chapter I, CARICOM itself recognizes the need for the expansion of the industry. Also, promotion of the industry supports diversification of the economy. It is maintained, however, that the present allocation of Canadian aid to the industry does not always promote integration or the realization of regional goals considering the present character of the industry. Robert Chodos in "The Caribbean Connection" describes aspects of tourism:

the tourist industry is notoriously dependent on imports — especially the kind of tourist industry prevalent in the Caribbean. Tourists are served steaks flown in from Miami, Idaho potatoes, French wine and Scotch Whisky. Before it has had a chance to multiply most of the tourist revenue had left the country. Some of it, such as money siphoned off by a foreign hotel owner from his share of a package tour price paid in North America never even enters the country (Chodos, 1977: 174).

The current structure of the Commonwealth Caribbean tourist industry largely serves to increase and perpetuate the problem of dependency and subservience of the developed world. Tourism also necessitates great expenditure on infrastructure projects.

With respect to the use of Canadian ODA funding mostly infrastructure projects in the tourist industry, it is stated that:

Foreign aid has often funded the infrastructure — the airports, the roads, the water, the electricity services — needed for tourism. Without the initial heavy capital expenditures needed for an infrastructure, tourism could only be a marginal industry on any island, for the

means would not be there to serve and attract great numbers of people. And the basic fact of a lack of capital to provide such funding is true of all islands, especially the smaller islands that do not have any but a single-line economy, namely agriculture. Without foreign aid funding the necessary infrastructure, tourism could not exist as an industry.¹

Wickenden², explaining how Canadian investment in tourism can worsen the underdevelopment situation, uses the example of an imaginary island:

Let's say this island decided to improve its airport. It wants to be able to handle full-size jet traffic. It needs about \$40 million and gets it through grants but mostly loans ... The island has real tourist potential and after the airport is finished the numbers increase. But money spent by tourists can have up to 90 percent leakage. Most of the tourist dollar goes to foreign-owned hotels, food importers, liquor importers and is drained right back out of the country. At 10 cents on every dollar spent, that country has to get incredible numbers of tourists to pay off the debt it incurred building the airport. Unless it can get \$40 million, the island is in worse net shape than it was before.³

¹(Dickinson, 1979: 114), Airports do enhance intra-island passenger movement, and improved water and electricity services do upgrade living conditions. The great disparity in income levels in the region means, however, that only a certain segment of the population can afford air travel. The section of the population to benefit from water and electricity improvements also usually live in cities. In rural areas a large number usually cannot afford these services.

²Explained in his Canadian Government initiated study into CIDA financed transportation projects in the Caribbean.

³(Carty, Smith and L.A.W.G., 1981: 83), it may be argued that the leakages and non-linkages mentioned by Chodos and Wickenden can be altered by public policy. In reality this is difficult to do. The countries are usually dependent on primary agricultural exports (sugar, bananas, rice), and to attract foreign investment governments have to cater to demands of (foreign) hotel owners.

In 1979, the then existing bilateral projects illustrate an emphasis on airports.¹ Some of this ODA could have instead been channelled into agricultural projects in keeping with the regional goals of self-sufficiency. Air terminal buildings have been completed in St. Kitts-Nevis, Antigua, St. Lucia, Dominica, St. Vincent and Barbados. Numerous other airport improvement projects such as runway paving have also been undertaken. At present a new project to upgrade firefighting and other safety aspects of the airports is in the planning stage (CIDA, 1981-1982: 30).

In 1977 the largest Canadian development project in Barbados was the modernization and expansion of Grantley Adams International Airport under a \$10 million CIDA loan. The Leewards and Windward received a \$12 million grant in 1975-1976 for an airport expansion programme to meet current and projected demand until 1983. Antigua received \$6.9 million for Coolidge International Airport; St. Vincent \$665,000 for a new air terminal building and runway resurfacing; Montserrat, for an extension to the air terminal building and related improvements; in St. Lucia, a \$3,335,000 air terminal building was completed in 1975 and a further \$1 million spent in 1977 to surface the runway; in St. Kitts-Nevis, \$2.5 million to expand the air terminal building at Golden Rock Airport and \$250,000 to resurface the runway at Newcastle Airport (Dickinson, 1979: 116).

In terms of regional projects Canada has announced that it

¹Information from CIDA Background Paper 1977: 2-11, quoted in (Dickinson, 1979: 115-118).

will consider financial support of \$50 million for airport rehabilitation and safety improvements within the Commonwealth Caribbean region. A decision was reached after a joint CDB-ICAO report which was supposedly so hair-raising that no one who read it would ever fly in the Caribbean (Levitt, 1981: 218).

It is not suggested that airport improvement should not be funded. Improved air and sea transportation facilities are crucial to the agricultural and manufacturing sector, as well as to the tourist industry. It is a fact that improved communication links will facilitate a greater movement of agricultural goods (and other exports). However, if sufficient funds are not channelled into agricultural and other sectors in a balanced way, but are used only in the development of the transportation infrastructure, the direct result would be an increase in tourist traffic, which would:

1. Place a stress on the existing sectors of agriculture which are oriented towards expensive culinary tastes;
2. Cause more food to be imported;
3. Create a drift of manpower away from other economic sectors. It is well known that tourism is a more lucrative industry for many West Indians as it is more profitable and glamorous than seeking out an existence in rural agriculture.
4. Create a vicious circle, since it is pointless to have airport facilities without roads for the agricultural products (and other exports) to reach them. This imbalance necessitates more infrastructure spending. The maintenance of airport equipment also

necessitates large amounts of foreign exchange, and the equipment can usually only be purchased on industrial markets. Thus dependence on the products of the industrialized North continues. Problems associated with infrastructure assistance will now be explored further.

Infrastructure Project Aid

Traditionally Canadian ODA to the Commonwealth Caribbean has been concentrated in (largely bilateral) infrastructure development and technical assistance. Assistance has been given to the extension of sea port and air terminals, and to the construction of primary and technical schools has been predominant in the list of CIDA programmes (MacQuarrie, 1976: 237). Technical assistance has been provided in management training programs and utility maintenance programs.

There are those who suggest that Canada should continue large funding to infrastructure projects since these are the types Canada implements most efficiently. As Levitt states:

Canadian bilateral aid projects should remain in the area of infrastructure particularly in those sectors in which Canada has proven experience ... By concentrating on what Canada is good at delivering Canada can usefully assist the countries of the Commonwealth Caribbean ... (Levitt, 1981: 305).

It has been argued, however, that projects in areas of education, technical assistance and training, perpetuate and reinforce

the integration of under-developed countries into the practices of the donor country. This occurs since long after the original aid commitments to these types of projects have been expended, the effects of education and training programmes continue to exist (Dickinson, 1979: 108), as new groups of teachers and experts are trained into relations and methods of the individual country — in this case Canada.

This problem was addressed in the late seventies, when a CIDA report stated that:

Aid and development cooperation were undermined by false assumptions about the speed at which a developing society could be transformed or the ability of western science and technology to eliminate poverty ... many donors have pursued policies related more to their immediate self-interests than those of recipients, and have maintained an over-simplified view of the requirements of genuine development. Many recipients have squandered resources, refused to adopt rational trade and taxation policies, avoided land reform, or delayed changes in administrative systems. A major misconception of donors was the assumption that the relatively modest volume of resource transfers represented by aid flows could alone and in isolation eradicate poverty and guarantee development (CIDA, 1975: 6-7).

CIDA's caveat however, is still contradicted by its practice. As Carty and Smith state, the practice of western aid giving is still based on an 'input deficiency' analysis of under-development: that is, that what the Third World needs most, or needs most significantly, is the capital, technology, know-how and products of the northern, capitalist world. This, they continue, is an aid-

blinkered outlook on reality. What the industrialized west has to offer and needs to sell to the Third World are the Third World's own products and services (1981: 84).

Appendix 4 provides the number of ongoing CIDA Regional and Technical Assistance Projects in the Caribbean region as presented at the Aid Donors Coordination Meeting (Caribbean) on February 25th 1981. A study of the project list shows the nature of projects undertaken. A low concentration of activity in the agricultural sector in which there are clearly defined regional plans aiming towards regional self-sufficiency can be seen. There is instead a high concentration in technical assistance projects.

Excerpts from the 1980-81 CIDA Annual Report indicate that the heavy infrastructure and technical assistance content of bilateral aid will continue.

"Infrastructure", in the economist's jargon, describes a large part of the projects and programmes carried out by Bilateral Branch over the years... In the early years of development cooperation, donor countries faced the dilemma of how to provide the modern infrastructure that can make progress possible, when recipient countries had no labour force trained to use it — and, of course, little or no infrastructure on which their people could gain skills ... Since self-sufficiency for Third World countries is the common purpose of North and South, the creation of basic infrastructure is still important and CIDA's Bilateral Branch committed 64 percent of its funds to building this foundation in 1980-81. More and more, however, funds are being provided for training local people — on the spot, in a nearby country, or in Canada, so that when the Canadians return home, the host country will be able to extend and maintain its infrastructure (CIDA, 1981-1981:5).

When explained in this way the heavy concentration on technical assistance appears plausible, in the sense that it seems to aid in the attainment of self-sufficiency. However, one can argue this point since, as previously mentioned, one can become dependent on the products and processes of an advanced industrial capitalist world in order to maintain the "learnt system". In many instances this would not be in keeping with the region's development goals.

The CIDA 1981-82 report indicates that, for the Commonwealth Caribbean region, the situation may change. The report noted that since for the most part, adequate infrastructure for development is either in place or being built, CIDA is focussing greater attention on the productive sectors — agriculture, tourism and industry, with an emphasis on human resource development. This, it continues, would promote balanced economic development and self-sustaining growth. Whether this will actually occur or not remains to be seen. (In 1981 Massé announced that \$50 million would be spent regionally for an airport rehabilitation and safety improvement project, in the period 1981-82 to 1986-87. This figure is 14 percent of total ODA promised to the region for that period. It was also the only regional project that was mentioned (Massé, 1981).

In conclusion it is noted that infrastructure and technical assistance constitute a large portion of Canadian ODA to the Commonwealth Caribbean. These projects are necessary. However, the problems associated with projects of this nature should not be overlooked. In some cases foreign ODA can cause a dependence (due to infrastructure

and technical assistance projects), since these projects fell under CIDA's bilateral aid division (which was changed to the country focus division in 1981-82). This division has a heavy — 80 percent, tied content. Projects are thus largely implemented using Canadian goods and services. After the project is concluded dependence is perpetuated, since foreign (from outside the region) goods and services may be necessary to maintain or expand existing systems.

Some bilateral project aid is compatible with regional development plans such as production diversification and thus promotes regionalism. Other bilateral projects, such as infrastructure and technical assistance projects, however, create problems for the movement. Since these projects were implemented using Northern technology and materials, dependence may be perpetuated when the existing systems are maintained.

(iii) Lessening Regional Inequity

One of the most important, potentially positive effects of Canadian ODA on Caribbean integration would be the effects of lessening the inequality between the LDCs and MDCs of the region. ODA could affect inequity directly in bilateral agreements, and indirectly through the CDB and other multilateral institutions.

CIDA statistics of bilateral aid flows show that considerable amounts of ODA have been distributed to regional LDCs of Belize, and the Leeward and Windward Islands. Table 11 illustrates the breakdown of the \$229 million total allocated to the region over the 1971 to

TABLE 11

CIDA Bilateral Disbursements to the Commonwealth Caribbean 1971-80

	Amounts in Millions of \$	% of Total	Per capita basis using data from Table 1
Barbados	22	9	110
Belize	18	8	180
Guyana	32	14	40
Jamaica	75	32	34
Trinidad & Tobago	7	3	6
Leeward & Windwards	79	34	146
Regional & other diverse programmes	2		

Source: Compiled from (Carty, 1981; CIDA, 1980-1981; World Bank, 1982).

TABLE 12

CIDA Bilateral Disbursements to the Commonwealth Caribbean 1971-82

	1971-80	%	1980-81	%	1981-82	%
Leeward & Windwards	75	34.0	9.24	38.4	10.15	24.25
Jamaica	75	32.0	6.21	25.8	17.02	40.7
Guyana	32	14.0	4.96	20.6	7.5	17.9
Barbados	22	9.0	2.27	9.4	0.6	1.4
Belize	18	8.0	0.58	2.4	0.41	0.9
Trinidad & Tobago	7	3.0	0.31	1.28	0.01	0.11
Regional & other Diverse Programmes	2	0.8	0.51	2.1	0.42	1.0

Figures in millions of dollars

Source: Compiled from (Carty, 1981; CIDA, 1981-1982).

1980 period. The LDC territories received higher per capita aid flows than MDCs in the region.¹

The following table (Table 12) illustrates comparative figures from 1971 to 1982. Though aid flows are increasing in size, the portion of aid disbursed to the LDC's is decreasing. Between 1971-1980, 42 percent of total aid flows were channelled to Belize and the Leeward and Windward Islands; in 1980-1981 fiscal year this figure was 40 percent. In the 1981-82 fiscal year, however, this figure dropped to 25-percent.² It is impossible to state that aid portions to the LDC's are decreasing drastically, however, statistics for the 1981-82 fiscal year could represent a deviation from the norm.

In spite of this concentration, however, bilateral aid to the LDC s is not increasing as rapidly, or more so, than aid to the MDC s in the region. The following table illustrates this phenomenon. Within the 1979-1980 to 1980-1981 period, flows to the LDCs decreased \$3.02 million, a larger decrease than flows to the MDCs which decreased \$2.32 million. In the 1981-82 period flows to the LDCs again decreased (\$0.74 million), while flows to the MDCs increased \$11.38 million — the latter amount included a \$10.81 million increase in ODA to Jamaica — CIDA's Annual Report states that 97 percent of ODA to Jamaica constituted of loans. Food aid consisted 65 percent of total flows (1981-1982: 21).

¹ See Figures for Belize and Windward Islands in Table 11.

² Figures derived from Table 12.

TABLE 13

CIDA Bilateral Disbursements to the Commonwealth Caribbean Region

	1979-80	1980-81	change in year	1981-82	Change in Yr.
Leeward & Windward	9.07	9.24	+ 0.17	10.15	+0.91
Belize	3.77	0.58	- 3.19	0.41	-0.17
Jamaica	7.76	6.21	- 1.55	17.02	+10.81
Guyana	5.95	4.96	- 0.99	7.05	+2.54
Barbados	2.16	2.27	+ 0.11	0.60	-1.67
Trinidad & Tobago	0.2	0.31	+ 0.11	0.01	-0.30
			2.32		11.38

Figures in millions of dollars

Debt Repayments not included

Excludes Regional Programmes

Source: CIDA, 1980-1981; CIDA, 1981-1982).

Nor (as CIDA statistics illustrate) is the amount of aid distributed proportional to the per capita GNP. (Table 14).

The above data illustrate that the poorest territory received the 8th smallest disbursement, and the 3rd richest received the largest amount of ODA per capita. Canadian ODA disbursement consisted mostly of grants except for the four MDC countries of Barbados, Guyana, Jamaica and Trinidad and Tobago, who had a high loan component. ODA disbursements to these countries were ranked 4th, 5th, 10th and 12th respectively. Grants were made mostly to LDCs who ranked higher in the ODA per capita listing. The four highest rank listings were of Eastern Caribbean LDCs. It must be noted, however, that these were countries in which large (and expensive) airport projects were undertaken,¹ and that the total portion of aid being disbursed to LDC's is decreasing (maybe for this reason that projects are nearing completion). The performance of Canadian ODA on lessening regional inequity in the Commonwealth Caribbean region can thus be improved.

B. Donor Motives

1. Political Pressure

Foreign aid may have a more positive impact on regionalism if it is given to an integrated body as opposed to being implemented bilaterally, since this reduces the political leverage of the donor

¹ These projects were discussed earlier in this chapter.

TABLE 14

Per Capita Rank Order of CIDA Bilateral Disbursements to the Region

	Per Capita GNP (1978) in rank listing	Per Capita Bilateral Disbursements in 1980 - 1981		
		In Canadian \$	% Loan Compon.	In Rank Order
Trinidad & Tobago	1	0.3	87	12
Barbados	2	11.4	78	4
Antigua	3	43.2	6	1
Belize	4	5.8	17	6
Jamaica	5	2.8	90	10
Montserrat	6	33.0	9	3
St. Lucia	7	5.1	0	7
St. Kitts	8	36.3	0	2
Grenada	9	0.7	0	11
Guyana	9	6.2	84	5
Dominica	11	4.3	2	9
St. Vincent and The Grenadines	12	4.6	0	8

Regional Project Aid excluded

Source: (CIDA, 1980-1981; World Bank, 1982).

state (Mytelka, 1973: 148), against any individual territory which has a conflicting political ideology. Canadian aid channelled through the CDB can lessen chances of the political use of aid on specific territories. However, since the bank is largely an equalization mechanism, Canadian ODA should be channelled through CARICOM also to lessen chances of Canada's political leverage in the area. It must be noted, however, that Canada does not have a tradition of exerting political pressure on her recipients in the Caribbean region.

Canada is unique in its role as one of the major OECD donors to the Commonwealth Caribbean region. Unlike the U.K. it is not an ex-colonial power, and unlike the U.S. it does not consider strategic interests paramount. As opposed to a strong U.S. military presence in the islands, Canada does not have any military bases or military operations of any kind in the region. Military assistance is largely oriented towards a few West Indian students participating on a 'space available' basis in training programmes in Canada.

In 1980, for instance, Canada's military aid was stated as: offering training in civil emergency planning (to deal with disasters such as hurricanes, volcanic eruptions, oil spills and epidemics) either to CARICOM as an institution or to individual states; accepting modest increases in the number of candidates for military and police training on a space available basis at Canadian institutions; and a modest number of candidates were to be accepted for Coast Guard training by the Department of Transport schools, and only on a space available basis (MacGuigan, 1981).

Canadian aid has not been used traditionally to exert political pressure on recipients. In fact a case of Canada's attempts to resist political pressure exerted by her powerful neighbour occurred when the US tried to drive an ideological wedge into CARICOM, and to undermine the authority of the CDB. A \$4 million U.S.A.I.D. soft loan was made to the CDB for the Basic Human Needs programmes in the Leeward and Windward Islands. One condition however was attached: that Grenada be excluded from the programme. The Board of Governors of the CDB, with full support from the Canadian and British members, rejected the condition. This was a very positive stance for Canada to take towards supporting regional integration since the intention of the US was to split the regional members of the CDB by capitalizing on the urgent needs of the LDC's (Levitt, 1981: 165).

In 1982 the US Government announced the Caribbean Basin Initiative. Appendix 5 provides details of the proposal. Of a total aid package of \$US 350 million to the wider Caribbean region, the recipient Commonwealth Caribbean countries are Jamaica (\$US 100 million) and Belize - \$US 10 million (Renwick, 1982: 11). The money is to be largely concentrated on the private sector. The Eastern Caribbean was included at the last minute to ward off growing criticism there. Sources suggest that \$US 50 or 60 million will be made available there (Renwick, 1982: 10). Grenada has been specifically excluded from the Eastern Caribbean aid allocations due to US disapproval of the ideology of that country.

Once again, despite US intentions, Canada has followed its

own policy of not discriminating against Grenada's political tendencies.

Canadian ODA flows to Grenada have not ceased.

In 1981-1982 CIDA provided \$7.3 million of assistance to Grenada's cocoa farmers. The total project budget was \$8.8 million with the Grenada Government contributing \$1.5 million. CIDA also allocated a \$1.5 million grant for the establishment of a central garage for government vehicles used for agriculture, fire and police services, public health, public works and harbours (CALA, 1981: 3).

Canadian aid flows to Jamaica, a country which has changed from a socialist development path to a capitalist one, have (like US flows) increased. The 1981-1982 Annual CIDA Report indicates that \$17.02 million (a \$10.81 million increase over the previous year) was disbursed to Jamaica. To my knowledge no clear policy statements have been made by Canada, regarding this increase. Ninety-seven percent of the total flow consists of loans and 65 percent of the total consists of food aid (1981-1982:21). Although Canada has largely increased its aid flow to Jamaica, the new level amounts to no more than 3 percent of Jamaica's requirements of emergency balance of payment support. In the case of Guyana, Canadian assistance amounts to approximately 5 percent of Guyana's need for \$100 million emergency balance of payment support (Levitt, 1981:220).

11 Tied Aid

CARICOM and other Caribbean officials are also disgruntled with the tying of Canadian aid which they feel can affect regionalism negatively. Canadian aid is known for being heavily tied. Tied aid, or the stipulation of aid agencies that the money they grant or lend bilaterally to underdeveloped countries be spent on goods and services from donor countries (Carty, Smith and L.A.W.G., 1981: 86), poses numerous problems. The effects of tied Canadian aid on the Caribbean integration movement will now be analyzed.

CIDA policy stipulates that up to 20 percent untied, that is, at least 80 percent of all bilateral aid, be spent on the purchase of goods and services in Canada, and two-thirds of the value of this merchandise must actually be added in Canada (Carty, Smith and L.A.W.G., 1981: 35). When Canadian assistance is tied to domestic sourcing it creates a problem since Caribbean officials feel that Canadian manufacturers are not very competitive internationally and Canadian credit facilities are inferior to others which are available.¹ A senior official of the National Planning Agency (Jamaica) responsible for bilateral aid programmes, discussing the purchase of Canadian goods was quoted as saying:

Canadian goods are very often not competitive with other countries' goods. For example, last year we needed fertilizer; Canada supplied

¹ This view stated in Levitt, "Canadian Policy in the Caribbean," p. 117, and supported in confidential interviews with CARICOM officials in Georgetown, Guyana.

feasibility of projects — the Agricultural Development Fund in the CDB for instance. In the Caribbean region, the exasperation felt with these measures was expressed by Mr. Tannis, Deputy Prime Minister of St. Vincent in an interview with Kari Levitt:

The procedures for developing projects are ridiculously time-consuming. First, they make a pre-feasibility study; then an economic viability study. By this time two or three years have passed and the costs have risen, by inflation. So there is another feasibility study, all over again. By this time people are frustrated. We get very frustrated with the waste of time (Levitt, 1981: 229).

He referred to the St. Vincent Sugar factory where three studies were made, by Miss O'Laughlin, by Bookers and then by CIDA. Each study was recorded as aid to the island. The original estimate was cited as \$3.5 million. By 1980 it was \$23 million. Eugenia Charles, Prime Minister of Dominica was also quoted in the report. She supports the dictum that "aid given promptly is aid given twice" (Levitt, 1981: 229).

After evaluating the 1980 structure of CIDA's red tape, Levitt called for a decentralizing of administration procedures to reduce delays in the implementation of programmes with field officers able to approve projects up to \$500,000. (1981: 229). To my knowledge this has not been done. When asked to comment on the present procedures a CIDA official explained that when CIDA does detailed planning on projects, resources are saved in the long run, as some may not be found to be feasible. Also if a project is not

us with Canadian fertilizer on a Canadian line of credit, but the prices were extremely high and difficult to accept. The Canadian Export Development Corporation (EDC) lends to the private and parastatal sectors, but the loans are expensive and the rate of take-off from EDC has been very slow. A good part of the 1976 EDC credits has not yet been taken up because the combination of high cost of Canadian goods plus hard terms of EDC are so unfavourable. The Jamaican companies involved are the Jamaica Public Service (Electricity) Company, and the Jamaican Railway Company. Both are public utilities and both have been buying elsewhere than Canada, at commercial cost of credit, more favourably than Canadian EDC, combined with high Canadian prices for capital goods. (Levitt, 1981: 118).

Canadian Commodity aid is also comparatively tied, Miss

Yvonne Roach also of the National Planning Agency stated:

Commodity aid involves a torturous process and has, on occasion taken two years of negotiation to draw down. There is no problem with food aid, but all other commodities, including fertilizer, involve problems. It can take months to prepare lists of what we need, to match it with what is available in Canada, to pass through all the procedures with Canadian Treasury Board, etc. (Levitt, 1981: 224).

Another problem associated with the tying of aid to Canadian products, is that the recipient may have to continue to purchase less competitive Canadian goods and services after the completion of the project, simply to maintain the system, as well as to have compatible parts for the existing system if it is expanded.¹

¹Unfortunately the author was unable to obtain examples of this occurrence.

developmental impact of aid is not realized. Canadian goods are not always competitive internationally: if the same goods are purchased elsewhere at more competitive rates, the same amount of project aid could provide more goods/services. If Canadian aid were untied some goods and services necessary for projects could be purchased from within the region, especially in the case of technical expertise, since the Caribbean has a high level of professional expertise, and since in cases local experts are best suited for projects since they are familiar with local requirements and conditions. Purchases made within the region would, one hopes, stimulate the regional economy by increasing intraregional trade, and cause a reduction in the dependence of foreign goods.

C. Bureaucratic Procedures

Within the Caribbean region it is sometimes felt that CIDA's bureaucratic structure is better designed to deal with traditional bilateral partners - industrial countries in the region - and thus cannot efficiently accommodate the regional actor. Within CIDA, problems faced by large bureaucracies are experienced. To ensure efficient implementation of policies, strict control of ODA flows is necessary. CIDA's large size also at times creates a slow transfer of funds.

CIDA's bureaucratic divisions are:

1. The (bilateral) Country Focus Branch: Approximately three-quarters of all aid disbursed from Ottawa up to 1980, was

bilateral. In the 1981-82 fiscal year, 45 percent was allocated for bilateral aid to 106 countries, but over half of the total (52.6 percent) was received by 9 countries — Bangladesh, India, Pakistan, Sri Lanka, Indonesia, Cameroon, Egypt, Kenya and Tanzania. Appendix 6 provides further details on this division.

2. Multilateral: An increasing amount of Canadian Development Assistance is being channelled through multilateral institutions, organizations which pool the resources of donor governments and include both the industrial and LDC's as members. In 1975 CIDA pledged to allocate 35 percent of its budget to multilateral institutions. By the early 1980's, this figure rose to about 40 percent. In the 1981-82 fiscal year 36 percent of total ODA was multilateral (including food aid). During this period 14 percent of project aid to the Caribbean was multilateral (CIDA, 1981-1982: 6). Appendix 6 provides greater detail of this division.

3. Non-Governmental Organizations and Special Programmes: 8 percent of CIDA's funds are spent in this division. (CIDA, 1981-1982: 6).

Within CIDA bilateral aid — as in the country focus section, necessitates that stricter requirements be met than multilateral aid. Projects in this division are appraised much more carefully in terms of evaluating their feasibility than if CIDA were granting funds to a multi-lateral agency which would partially be responsible for the

feasibility of projects — the Agricultural Development Fund in the CDB for instance. In the Caribbean region, the exasperation felt with these measures was expressed by Mr. Tannis, Deputy Prime Minister of St. Vincent in an interview with Kari Levitt:

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found to be feasible, the advisors are asked to suggest three alternatives in a hope of reaching a tangible result.¹

Currently within the Commonwealth Caribbean region, CIDA's country focus (previously bilateral) division handles the aid to individual territories, while the multilateral division handles flows to the CDB. One would assume that aid to the CARICOM Secretariat would be channelled through the multilateral division, since CIDA would be dealing with an organization consisting of a number of countries. CIDA-CARICOM aid, however originally, fell under the then bilateral heading, a situation which has caused some concern amongst CARICOM officials.

With respect to the problems in the CIDA-CARICOM project relationship, a senior CARICOM official stated:

Developing regional programmes with CARICOM seems to pose serious internal programming for CIDA. When one is with the Canadians there is an abundance of goodwill, their heart is in the right place. Unfortunately however, there seems (in places) to be problems with CIDA's structure.

CIDA is also generally not geared to respond effectively to innovative ideas in the field of technical cooperation. Although in principle they sympathize with ideas, in action they seem to be hamstrung — it may even be necessary to reorganize CIDA.²

Although the country focus approach represents a reorganization of CIDA it is too early to tell how significant an impact this change will have on aid flows channelled through the secretariat.

¹ Confidential interview with a senior CIDA official, Georgetown, Guyana, 1982.

² Confidential interview with a senior CIDA official, Georgetown, Guyana, 1982.

CIDA officials state reasons for CARICOM being treated differently from other multilateral institutions, which receive aid through the multilateral channel. Differences originate in the initial planning stages. Other institutions apparently put forth very detailed plans which they will implement. CARICOM however, does some of the planning while other regional bodies/governments actually carry out the implementation. Details are thus not as accurate. One CIDA official summarized the problem as, "Since you are dealing with CARICOM and other executing agencies, projects tend to get unwieldy fast." Another stated: "CARICOM is not a government with a lot of power. It can coordinate only so much." One could argue that these problems arise in dealings with most multilateral institutions.

Problems with bureaucratic tape are evident. In a letter dated August 17, 1981, to the Acting Canadian High Commissioner, Mr. J. Simms, Georgetown, Guyana,² CARICOM reminded Mr. Simms that at the Canada/CARICOM Ad Hoc meeting in Ottawa in May 1981, both sides agreed on a number of projects on which detailed planning for implementation would proceed. After listing the projects the letter continued that at the 19th meeting of the Caribbean Common Market Council of Ministers (7-11th July 1981) the projects were approved for detailed planning. CARICOM then formally submitted the 12

¹ This fact stated in confidential interviews with two CIDA officials and two External Affairs Officers.

² Copy of letter obtained from CARICOM Secretariat Headquarters, Georgetown, Guyana.

project proposals agreed at the Ad Hoc meeting for approval

(Appendix 7). An analysis of the situation could draw three possible conclusions: either that the criticism that CARICOM does not put forth detailed project plans is valid since only six of the 12 projects were ready for implementation. Also projects 4 and 12 showed that CARICOM had to negotiate with other organizations before negotiating with CIDA; or, secondly that CARICOM officials were victims of a too rigorous CIDA bureaucracy and did not have the time or resources to complete all 12 project submissions in the given time; or lastly that while not a perfect record, CARICOM was not exhibiting a totally poor performance especially since of the remaining six project proposals to be completed, one was to be done by September 81 (in one month), and two (Number 6 and 11) were being finalized. While it is impossible to make a clear-cut judgement, the data do appear to show that there is evidence to support both the CIDA and CARICOM contentions.

The official Canadian stance to CARICOM is obviously very different to opinions expressed in interviews with Canadian officials. At the second J-TEC meeting in Kingston, Jamaica on the 16th - 17th January 1981, the subject of developing a programme of regional projects for Canadian support was raised. After stating that Canada's policy of support for regional projects was unchanged, the region was encouraged to submit projects for recommended financing. It was then stated that:

Canada commended as methodological, logical and realistic, the approach taken by CARICOM to the development of projects within priority sectors and felt sure that a continuing dialogue would enable the effective planning and programming of appropriate projects into the pipeline at a time when funds could be expected to be available. (CARICOM, 1981d).

The existing situation — CARICOM has to date received no project funding despite the above — between CIDA and CARICOM seems futile. CIDA officials feels that CARICOM has had no experience with project implementation and as one official stated, "CARICOM just does not give detailed information ... and we just don't give dollars away, especially bilaterally."¹ CARICOM officials on the other hand feel that CIDA's bureaucracy is too cumbersome.

Regionalism would be promoted if the regional actor — in this case the CARICOM secretariat, could be suitably accommodated by CIDA's bureaucratic structure. If flows through the CARICOM secretariat could be handled within the multilateral division, some of the problems associated with the time consuming nature of bureaucratic levels (in the country focus division) could be avoided. Currently, although CIDA's portion of total multilateral funds is 36 percent, only 14 percent of aid flows to the Caribbean is multilateral.

¹View expressed in confidential interview with senior Canadian External Affairs officer in Georgetown, Guyana, 1982.

D. CIDA - Secretariat Relations

Although Canadian ODA has been disbursed through other regional organizations such as the CDB, and UWI, project aid has not been disbursed through the CARICOM Secretariat. Some development projects are best implemented at the regional level; at this level the secretariat can coordinate work of a technical nature such as training courses, as well as handle the coordination of production activities which cannot occur at the national level. Currently however, relations between the two organizations are strained (the problems in aid disbursement, from CIDA, through the secretariat have been noted). Since it is impossible to support this statement with published information, information from a series of interviews will now be presented¹ to try to portray the view each organization holds of the other.

CARICOM's Perception of CIDA

CARICOM officials view Canadian aid flows favourably, Canada is not a former imperial power and relations between Canada and the Caribbean have been historically beneficial to both areas. Since CIDA is the Canadian aid disbursing mechanism, CARICOM officials desire closer ties with that organization. An official in the Secretariat's foreign affairs department stated:

¹ Interviews were conducted with six high level CARICOM officials in Guyana and Jamaica, with two Canadian Foreign Service officials posted in the Caribbean and with three CIDA and External Affairs officials affiliated with the Caribbean division in Ottawa. As in the case in most bureaucracies however, the individuals desire confidentiality.

On the whole there is a desire for a more substantial flow of assistance from Canada to the region. Canada has held a permanent place in our perception of who are our friends, who can assist us in non-imperialistic, non-interventionist matters.¹

At the same time CARICOM officials realize the (previously mentioned) problems associated with Canadian aid to the secretariat. As a CARICOM official commented:

Regional project aid is new to the Canadians. They realize its importance but have difficulty in handling it. This is due largely to CIDA machinery and the subsequent tied conditions of bilateral aid.²

In interviews conducted with 3 high ranking CARICOM officials it was stated that the secretariat feels that the Canadians (CIDA officials) are somewhat sceptical of CARICOM's significance to the regional territories. This view was in fact encountered in interviews with CIDA officials.

CIDA'S Perception of CARICOM

In interviews conducted with CIDA officials two main perceptions of CARICOM were seen to be held. Most officials acknowledged that CARICOM is a very visible regional institution, one which Canada would like to strengthen since they believe in the concept of a

¹ Interview with senior CARICOM official, Georgetown, Guyana, 1982.

² Confidential interview in Georgetown, 1982.

more unified region, Canada they remind was especially involved in the Secretariat since January 1981 when Mark MacGuigan decided to increase Canada's involvement with CARICOM. One can however argue that this statement is more rhetorical than illustrating a commitment to this goal, since to date Canadian involvement in CARICOM has not increased.

It was also felt, however, (by 2 high ranking CIDA officials) that the secretariat's effectiveness was questionable. The secretariat they claim sees itself as being parallel to the European Common Market in Brussels. It is doubtful, however, how firm a footing it has with its member states. In Trinidad and Tobago for instance it was pointed out, Dr. Eric Williams, the late Prime Minister, was quite sceptical about the effectiveness of the organization. The Secretariat is also seen as being very concerned with projecting itself to its member states as a major coordinator of ODA projects, and having an ability to procure more ODA for the region than would have been received through bilateral deals. CARICOM officials feel,

is very testy; the Secretariat needs to bring a package to its member states. While Canada realizes this, and while international donor communities feel with support to the Secretariat it can become more viable, it is not known by Canada how effectively their ODA will be utilized by CARICOM. On the other hand the CDB has already proved its capability in implementing regional projects.¹

¹ Interview with senior Canadian External Affairs Officer, Georgetown, Guyana, 1982.

This attitude suggests that the CDB has had a chance to receive and in turn disburse Canadian ODA and thus had proved its capability, whilst CARICOM is being judged without a trial. Unfortunately the situation does not seem to be improving. Recent events suggest that negotiations between the two institutions are affected by a lack of communication, lack of agreement, a long lapse time in discussion, and little substantial results/progress. In an attempt to illustrate these difficulties, negotiations surrounding three project proposals will now be presented.

CIDA-Secretariat Negotiations

1. Disaster Preparation

Recently, CIDA and CARICOM, in CARICOM initiated discussions, explored the question of possible programs in disaster awareness. CARICOM felt that it was important to implement the program through a regional institution. The Canadians said they agreed to an extent, and details were to be worked out. It was later discovered by CARICOM that Canada was already collaborating with the United Nations Disaster Relief Organization (UNDRO) in the area of disaster awareness. CARICOM expressed surprise at this fact. The Canadian response to the matter was that CARICOM was, "trying to become a major coordinating body in disaster preparation in the region, and CARICOM was

trying to move in to fill the role of a coordinator of the individual islands. It was fighting to present itself as a coordinating body."¹

CIDA officials explained that in Antigua a team from the Pan American Health Organization (PAHO) and UNDRO was carrying out feasibility studies in disaster preparation. The PAHO doctor was funded through the multilateral division of CIDA and would have been funded even if the UN agency was not involved. CARICOM they claimed was informed by CIDA of this fact, however, CARICOM wanted to take over and requested a consultancy firm (from CIDA) to look at the implications of moving the organization from a three year (short term) team in Antigua to a long term disaster preparation organization coordinated by CARICOM. The CIDA official continued that Canada was not in control of the project since there were a lot of international players involved, and until definite decisions on the reorganization were taken Canadian aid for disaster preparation would not be forthcoming (to CARICOM).

ii. Technical Assistance

CARICOM officials are opposed to a Canadian offer to supply an advisor to the Secretariat to improve the Secretariat's mechanisms. Canadian officials feel that the Secretariat is losing manpower and that more organization is necessary to overcome the slow moving pace

¹ Interview with CIDA official, Ottawa, Canada 1982.

of arriving at decisions. They feel that more coordination is necessary in the Secretariat. The 5th project¹ approved by CIDA is to send a Canadian technical assistant to help the Secretariat in its coordination. CARICOM officials, feel that the brain drain and deteriorating living conditions in Georgetown Guyana, where the Secretariat is head-quartered, is responsible for the manpower out-flow². They are also aware of the high level of professional expertise in the region, and are thus offended by the implication that Canadian expertise is necessary to improve the Secretariat.

When asked to discuss the project proposal, a CIDA member of staff in Ottawa said the proposal was made because of problems in the planning of projects in CARICOM. The advisor was to be funded under Technical Assistance to the region, however, since CARICOM did not indicate an interest in the proposal, the project has not moved forward beyond the initial feasibility study.

iii. Line of Credit

Another excellent illustration of the difficulties in project planning between CIDA and CARICOM are the events surrounding CARICOM's request for a line of credit for technical assistance. In July 1977 the secretariat made a request to the Government of Canada for a line of credit for technical assistance of Canadian \$2 million

¹As mentioned earlier, four of the 12 CIDA-CARICOM projects considered were under analysis, the 5th was one titled "Technical Assistance to the Secretariat."

²View expressed in interviews.

to the secretariat over the period 1977-1981. Appendix 8 provides details of the project.

This was to finance administration and planning for programmes in sectoral integration (agriculture, industry, transportation and tourism), and in market integration and functional integration: as well as requests from the LDC's. Appendix 8 provides an excerpt from the project document.

An indicative utilization of the line of credit was given along with a proposed composition of local and foreign costs. The latter section requests that a 50:50 target of non-Canadian and Canadian expertise be met over the whole line of credit with considerable flexibility for individual projects. CIDA was reminded that the Community and the Secretariat can be considered as a developing area which needs to develop an increased capacity for self-reliance based on the utilization and development of its own resources, and the line of credit would be used to supplement and develop the Secretariat's manpower capacity.

A mechanism for operating the line of credit was also given in which it was suggested that CIDA would approve the full amount of the credit and provide specific guidelines and procedures for its utilization. Every six months the Secretariat would submit to CIDA its forward programme for utilizing the credit over the next six months, identifying and describing the specific projects involved and indicating the break-down between

Canadian and non-Canadian costs. CIDA would then examine and approve the Secretariat's forward programme and make advances of funds against it to the Secretariat. (CARICOM, 1977).

The request was submitted in July 1977. By October CARICOM felt it necessary to request a status of the submission followed by another in January 1978. Later that month (January 28th) Canadian officials held discussions with the Secretariat. According to CARICOM reports of the meeting (CARICOM, 1981a), the Canadians were concerned about financing activities in the areas of functional cooperation and what they considered to be 'direct budgetary support.' Both sides then discussed aspects of funding.

It was agreed that only a mutually accepted percentage of the total line of credit would be utilized for training purposes by the Secretariat, and that such training would be short-termed, job-oriented training; that only a small agreed percentage of the line of credit would be utilized for the purchase of capital equipment which should be directly related to the work of the experts provided under the credit. It was also stated that the 50:50 breakdown of CIDA/Counterpart contribution, stated in the project was acceptable to both parties, and that as far as possible West Indian Nationals would be acceptable for appointment as Experts under the credit at least to a 50 percent limit. CIDA then stated that it would communicate formally to the Secretariat its comments on the request with a view to speeding up the processing (CARICOM, 1981a).

Despite the inclusion of the last agreement on communication, CARICOM records claim there was no follow-up on CIDA's part. CARICOM then raised the matter with the new High Commissioner in March 1979. He stated that he did not know why action had not been taken on the request although the project was still alive.

The project was subsequently turned down. In the meantime in April 1979 CARICOM was allocated \$120,000 for "high priority projects," requiring technical assistance (CARICOM, 1981a).

The aforementioned problems associated with CIDA-CARICOM relations are visible in these three instances: a lack of communication; lack of agreement; a long lapse of time in discussion, and an end result of little action and much talk. If CIDA's records of the line of credit request were available, yet another problem may have been noticed: that of differing accounts of the same incident of each organization.

CIDA's difficulty in dealing with the CARICOM secretariat is noticeable in the light of the fact that other ODA donors to the Caribbean region have successfully channelled direct assistance to, and funded regional development projects through, the CARICOM Secretariat.

Direct assistance has been provided to the organization by international donors including UNDP and the European Development Fund (EDF). Under the European Development Fund/CARICOM programme, resources were allocated to the region between 1975 to 1980 for the improvement of maritime and air transport, food production, tourist development and the provision of common services. The Secretariat itself received a significant allocation for direct institutional

support in library development training and the provision of short term expertise (UNDP, 1980: 6).

Between 1975 and 1977 under the UNDP/CARICOM Technical Assistance Program, UNDP provided assistance to the Caribbean Community in the areas of agriculture and food production, health — training of Allied Health Personnel and the provision of Caribbean Health Laboratory Services; Telecommunications Development and Management; the development of statistical services: and multi-sector planning to facilitate the implementation of a programme of socio-economic development compatible with the priorities established by the regional governments within the relevant governing bodies of CARICOM. One of the most important and innovative characteristics of this programme was a heavy emphasis on the fostering of regional production enterprises such as the Regional Food Plan (UNDP, 1980: 6).

In the UNDP programme of technical assistance in the region, emphasis was placed on an expansion of the operating capability of the Secretariat by means of projects aimed at improving the Common Market machinery and training of Secretarial staff in language and conference services (UNDP, 1980: 6). Currently UNDP is administering a project for institutional support for the CARICOM secretariat.

Mr. Michael Askwith, a UNDP official posted in Georgetown, explained that progress in the project has been satisfactory. UNDP deals with a three man CARICOM delegation and provides the guidelines and methodology; CARICOM implements it and submits progress reports. While admitting there is room for improvement in the Secretariat,

Mr. Askwith stated that the project is progressing quite satisfactorily, "if CARICOM has bureaucratic problems, we are divorced from that level, we trust them ... it is also very impressive the way they coordinate meetings despite regional problems." It was further explained that the main problem associated with the project was a lack of recruitment of specialists to the Secretariat. This was not, he stated, due to a lack of expertise in the region but rather because of the political problems and deteriorating living conditions present in Georgetown, the Secretariat's headquarters.¹

Apart from multi-financial institutions, individual governments also channel assistance through the Secretariat. In July 1979 USAID authorized a Regional Development Training Grant. The project due to be completed in July 1983 was initially funded with a US \$667,000 grant, with an anticipated total funding of US \$4 million. Funded through the ECCM and CARICOM, the project provides technical and management level training for public officials. Another USAID funded project is the Basic Health Management Training project. Authorized in August 1978, and due for completion in February 1982, the project provides training for health officials to improve health delivery systems. Funding is through CARICOM with an initial US \$1.2 million grant, and an anticipated total funding

¹ Interview conducted with Mr. Michael Askwith, Senior UNDP Official

of US \$1.8 million.¹

A USAID financed Caribbean Alternative Energy Systems Project has also been administered by CARICOM and the CEB. The project attempts to, over a five year span, establish and strengthen the institutional capability of the Caribbean in the area of alternative energy systems (CARICOM, 1981f: 34).

An analysis of current CIDA-Secretariat relations concludes that CIDA-CARICOM relations are moved by a lack of communication, lack of agreement and time consuming bureaucratic procedures which result in little agreement. Other international donors however do disburse project aid through the secretariat, and seem to do so efficiently.

E. Conclusion

The following table summarizes the effects of Canadian ODA on regional integration in the Commonwealth Caribbean. The implementation and the nature of Canadian aid can serve to promote or hinder goals of the Caribbean Community. Canadian ODA effectively supports regional organizations, project aid is also disbursed through these organizations, and the latter aid flows are usually compatible with regional development plans.

¹ Projects taken from table presented to an American Parliamentary sub-committee in "Economic and Political Future of the Caribbean". Hearing before the Sub-Committee on Inter-American Affairs of the Committee on Foreign Affairs. House of Representatives 96th Congress, 1st Session, July 24th, 26th and September 20th, 1979, p. 41.

Goals of regionalism are furthered since Canadian ODA implementation promotes the diversification of local economies, even though in some instances this involves the creation of competition for existing Canadian industries. Canadian ODA implementation also addresses the problem of regional inequity in its support of the regional integration institution designed to promote LDC development (the CDB). Increasing flows of ODA are also disbursed to the LDCs. Unfortunately, the portion of total flows channelled to the LDCs is decreasing, bilateral aid to the LDCs is not increasing as rapidly as aid to the MDCs and aid distribution is not inversely proportional to per capita GNP in the region. Canadian performance can be improved in this area.

The heavily tied nature of Canadian aid — due to increasing Canadian exports, can exacerbate existing developmental problems, since it reinforces a dependence on foreign goods and services instead of promoting regional self sufficiency. The potential for intra-regional trade is also stifled. Canada however, has never used aid for political leverage against Caribbean territories.

Within the Caribbean region, difficulties are experienced with CIDA's disbursing bureaucracy which seems to most adequately deal with the traditional bilateral (country) partner than with a regional organization such as the secretariat.

Canadian aid disbursing mechanisms do not promote the coordination of project aid with the secretariat, in an effort to realize regional developmental goals. The secretariat also does not

participate in bilateral negotiations, to ensure project aid does not conflict with an existing regional framework.

CIDA does not disburse project aid through the CARICOM secretariat, Canadian officials cite various reasons for this fact, including the reason that the Secretariat is unable to implement project aid efficiently. Aid is however channelled through the secretariat by other donors, including the EDF, UNDP and USAID. UNDP officers cite CARICOM as capable of handling project aid. Current CIDA-CARICOM relations can improve. Negotiations are at present marred by a lack of communication, agreement and little end result.

TABLE 15
ASSESSMENT OF CANADIAN AID TO THE CARIBBEAN REGION

ACTIONS OF ODA	Positive Effects	Negative Effects
Exporting Integration Costs	Canadian ODA provides additional funding to regional integration	
Total Sum Larger		A. CARICOM does not receive any direct aid flows. B. Four projects to be implemented by CIDA have been discussed by CIDA - CARICOM delegation however no tangible project aid has been received.
Support of Regional Organizations	The CDB and UWI receive funding. Aid to the CDB is becoming increasingly tied to Canadian goods and services however.	Though activities of the CDB and UWI are limited, the Secretariat does not receive any funding for developmental projects.
Aid Structure		Theoretically, CIDA's aid structure supports joint regional research, project identification and project administration. CARICOM has however received no funding for this purpose.
Bilateral Project Aid	The disbursement of some bilateral project aid is compatible with regional development plans.	The Secretariat is not involved in bilateral aid negotiations to prevent individual territories from having to vie for development assistance.

Similar Goals		<p>A. Though Canadian aid is supposedly oriented towards regional goals of self-sufficiency, its tied nature lessens this effect.</p> <p>B. Sufficient flows are not channelled towards agriculture.</p> <p>C. The heavy concentration on infrastructure projects suggests the building of a base for economic development through industrialization. Efforts to promote self-sufficiency in the industrial sector are not evident.</p>
Lessening Dependence and Promoting Diversification and Interdependence	<p>A. Aid to the agricultural sector helps to promote regional self-sufficiency.</p> <p>B. Aid to the tourism sector promotes economic diversification, transportation and infrastructure investment increases the potential for industrialization</p>	<p>Projects are not monitored closely enough to ensure that in the long run, dependence is not perpetuated.</p>
Lessening Regional Inequity	<p>Actions taken to lessen inequality, bilaterally by high aid disbursements to the Leewards and Windwards, and multilaterally by aid channelled through the CDB.</p>	<p>Bilateral aid to the LDCs is not increasing as rapidly or more so than aid to the MDCs. The amount of ODA distributed is also not inversely proportional to the per capita GNP.</p>
Political Pressure	<p>Canadian aid is not used to exert political pressure notably in the case of Grenada - in this instance it promoted regional solidarity.</p>	<p>✓</p>

DONOR MOTIVES	POSITIVE EFFECTS	NEGATIVE EFFECTS
Lessening Political Leverage		Not enough aid is implemented through CARICOM to achieve this.
Tied Aid		Canadian aid is heavily tied to its sourcing this can lessen its developmental and integrative impact on the recipient.
Cumbersome Bureaucracy		A. CIDA-CARICOM aid flows falls under CIDA's bilateral country focus division thus has to comply with its strict development criteria.
Bad CIDA- CARICOM Relations		A. Relations between the two organizations are strained. B. CIDA's actions and comments made by CIDA and CARICOM officials support a feeling that CIDA has a lack of respect for the Caribbean Community Secretariat.

CHAPTER 5: CONCLUSION

Within the Third World, regional integration has been recognized as a rational element of a development strategy. Regional integration is not an end in itself; it should instead be viewed as a means towards the goal of development. Individual countries participate in regionalism if they perceive that benefits of belonging to a movement, outweigh the costs. Mytelka classifies the existence of three types of integration movements. A type I scheme attempts to achieve economic growth, a type II scheme goes a step further and tries to achieve economic growth as well as regional equity. A type III scheme contains measures of a type II scheme, as well as measures to lessen the situation of dependence.

It is assumed that, a type III model⁶ is best suited to the needs of developing countries — thus elements of this model are desirable — and that ODA can promote or hinder the goals of regional integration. It promotes regionalism by subsidizing costs associated with the administration of, and implementation of, regional plans which are compatible with goals of the integration movement. A donor can achieve this by supporting regional organizations, and by implementing regional or bilateral project aid directly or through regional organizations. Aid should also (in its implementation) aim at preventing or lessening regional inequity.

In reality donor motives are not always in harmony with goals of the integration movement. Aid may be used as political leverage, and may be tied to the purchase of goods and services within

the donor country. If goods could be procured from within the region, intraregional trade would be promoted.

The regional actor — the secretariat and other regional organizations associated with the movement — should be perceived by the donor as a viable interlocutor in the development process. It must be realized that regional integration is a means towards development. The donor must thus hold a measure of respect for, or belief in, the regional integration movement.

Regional integration is a viable developmental path for Commonwealth Caribbean nations. Almost all the Commonwealth Caribbean countries can be characterised as, "small or disadvantaged developing island economies." (Demas, 1978: 250). Disadvantages include small domestic markets; separation by sea which makes for high transport costs in both international and intraregional trade, even in an integrated market; lack of diversified economic structures; diseconomies of small scale in public services, public utilities and infrastructure; and extensive economic dependence on the outside world (Demas, 1978: 250). Regional integration thus represents a viable developmental path for growth acceleration in the region.

The application of Mytelka's theoretical framework for the politics of regional integration shows that Caribbean integration has evolved from CARIFTA, a laissez-faire integration (type I) scheme which led to the polarization of economic gains and to its eventual disintegration; to the present day Caribbean Community, a type II scheme, which contains elements of a free trade area, as well as

elements to facilitate the equitable distribution of gains from integration. CARICOM also contains elements of a type III scheme since its Regional development planning and sectoral programming seeks to reduce dependence.

Although the Caribbean Community has successfully implemented aspects of the Treaty of Chaguaramas, there are also problems facing the movement. In the area of market integration, an increase in intraregional trade has occurred. Most of this trade however is polarized amongst regional MDCs. Intra area trade also accounts for only a small portion of the total trade of member states. Plans to harmonize the Common External Tariff, and to achieve a Common Protective Policy have not materialized. A significant degree of monetary/financial cooperation (including clearing agreements and the establishment of the CDB), has occurred however.

Significant attempts have been made to achieve the rationalization of agriculture in the region. Industrial cooperation is lacking however. Though the Special Regime for the LDCs has created a transfer of resources from the MDCs, the measures have not produced the desired result of stimulating industrial development (in the LDCs). The CDB, for instance, disburses significant amounts of development project aid to the LDCs, but is an inadequate instrument to correct existing distributional problems.

Aspects of functional cooperation have been achieved. Various cooperational programmes and common services are in existence. Payne states that:

The only conclusion it seems fair to draw is that in an underdeveloped part of the world which is not overburdened with spare resources, these are all wholly valuable enterprises. They not only save money and share skills, but tend intangibly to promote a sense of regional density which facilitates the execution of other areas of cooperation and integration. Of course, it can be objected that the programme of functional cooperation does not go far enough — it never will; or that there is too often a gap between intention and deed (Payne, 1981: 205).

In some instances too much emphasis was placed on the actual mechanisms such as the establishment of committees, councils and associations, rather than on action once they exist. However the overall programme of functional cooperation must be adjudged to have made a useful contribution to the general well-being and quality of life of the people of the West Indies (Payne, 1981: 206).

A progressive coordination of the foreign policy of member states has not occurred. Members have in some instances, however, occupied a unified stance in various international issues, and at times when a unified stance in negotiations was taken, (as in the EEC Lomé negotiations), results were favourable.

General dissatisfaction exists about mechanisms within the movement, and the movement itself. CARICOM cannot be regarded as a failure; it continues to implement measures and operates programmes of cooperation in a wide area, and has made significant achievements. Regional integration, it must be remembered, is not an end in itself, but is a means to development.

Traditionally, Canada has been a major aid donor to the

Commonwealth Caribbean region, with the earliest aid flows being channelled through a regional movement. It has previously coordinated its aid policies with the US and the UK but currently holds a more individual stance.¹ The support of regional integration has been advocated, and various regional organizations and regional projects, have been funded. The issue of funding through the secretariat seems to be problematic however.

Canadian aid has positive and negative effects on the Caribbean regional integration movement. Aid flows act in a positive manner by providing for administrative costs of regional organizations — such as the CDB, UWI, WISCO. By the disbursement of project aid through these organizations, this project aid is usually in harmony with existing regional development plans.

Bilateral Canadian aid also supports goals of the Caribbean Community. Bilateral aid projects promote the diversification of local primarily monocultural, export oriented economies. In the agricultural sector, for instance, Canadian aid helps to promote self-reliance in fisheries and dairy development. It is important to remember that this occurs even though Canada is a major supplier of foodstuffs including meat, fish, milk products and flour to the Caribbean. In a situation of 'Aid Imperialism' one would expect a donor country to discourage Caribbean self-reliance in food, and possible competition in terms of potential sources of supply.

One of CARICOM's greatest problems is the MCD-LDC inequity. This problem has the potential to split regional integration — as it has done before in the case of CARIFTA. Canadian ODA to the

¹ Canada does participate in the CGCED.

region supports the Secretariat's desire to correct inequity by supporting the regional integration institution designed to correct inequity (the CDB), and by disbursing increasing amounts of ODA to the region's LDC s. The portion of total flows going to LDC s is decreasing however, bilateral aid to the LDC s is not increasing as rapidly as aid to MDC s in the region, and aid distribution is not inversely proportional to the per capita GNP.

Unfortunately, however, the tied nature of Canadian aid — with a donor motive of increasing (Canadian) exports — could exacerbate existing developmental problems. Instead of promoting self-reliance, for instance, it can reinforce a dependence on foreign goods and services. Canadian aid is especially tied in the Caribbean region. Eighty percent of bilateral or country focus aid flows are tied. Although only 45 percent of total CIDA funding is bilateral, 86 percent of total flows to the Commonwealth Caribbean, falls under this division.

Canada, unlike other international donors, has not used aid as a political weapon in the region. More ODA can however be disbursed through regional organizations to lessen potential political leverage on Canada's part.

CIDA's previous bureaucratic divisions did not seem capable of efficiently accommodating the regional secretariat, as opposed to the traditional bilateral (individual country) one. The new country focus division would seem to be a step in the right direction; time will test this assumption.

CIDA's present structure of aid disbursement to the region does not provide an opportunity for the CARICOM Secretariat to coordinate project aid with regional developmental goals. CARICOM does not participate in bilateral aid negotiations to ensure that bilateral projects are not in conflict with an existing regional framework. This is not to suggest that member countries would ignore a regional development strategy and blindly pursue self-oriented goals. It is just that, realistically, a government will be tempted to take any opportunity to receive foreign aid. Project aid has not yet been implemented through the Secretariat. If this is done in the future it will fall under CIDA's bilateral division with its associated conditionalities.

Current CIDA-Secretariat relations can improve. At present negotiations are exemplified by a lack of communication, lack of agreement, a long lapse time in discussion, and little end agreement. However, other international aid donors do disburse development project aid efficiently through the regional secretariat.

Findings on Canadian ODA disbursements in the Commonwealth Caribbean region, suggest some changes in Canadian aid disbursement to the area are necessary. The following recommendations are made.

Recommendation I

Change in Aid Concentration

Regional inequity is one of CARICOM's greatest problems.

Although a significant portion of Canadian ODA is disbursed to LDCs in

the region, as previously mentioned, Canada could improve its performance in the attempt to lessen regional inequality. A larger portion of development assistance should be disbursed in LDCs in the region. In the 1981-1982 fiscal year the four MDCs received \$24.68 million; flows to the LDCs, Leeward and Windward Regional Project aid, and CDB disbursements totalled \$16.83 million.¹

Recommendation 2

Increased Role of Secretariat

In bilateral negotiations between CIDA and individual Commonwealth Caribbean countries, it is suggested that the Secretariat present a 'third view' on negotiations. This would promote the implementation of projects which fit into the regional developmental plan. In the analysis of Canadian aid it was found that bilateral projects were not monitored closely enough to ensure that in the long run, dependence is not perpetuated.

A strong recommendation is made to disburse more project aid through the CARICOM secretariat. Aid is currently allocated to individual countries, regional projects, UWI and the CDB. In 1982 regional project aid (excluding UWI and the CDB) accounted for only seven percent of total disbursements to the region.² Aid to UWI and

¹ Statistics derived from (CIDA, 1981-1982).

² Figures derived from (CIDA, 1981-1982).

the CDB does suggest a support of regional integration. However, both have specific mandates. The CDB, for instance, is a financial institution (designed largely to stem inequity) and has to ensure some tangible returns to survive and to attract further funding. Some projects are best implemented regionally (improvement of the regional fishing industry for instance). The Secretariat involvement could also ensure that projects fit within the regional developmental plan and that projects which do not have tangible short term returns such as agricultural research projects are funded. Funding through the secretariat would also lessen the chance of aid being used as political leverage. Individual countries would, furthermore, not have to vie for aid individually and their perceived opportunity cost of being part of the integration movement may decrease.

Recommendation 3

Changes Within CIDA's Bureaucracy

A. Dealings with the Secretariat

If aid to the secretariat remains under the country focus (bilateral heading), the secretariat would continue to experience current problems associated with the tied nature of bilateral aid. More aid should be disbursed through the multilateral channels to allow the secretariat freedom to use local labour and materials if they are best suited for the job.

A CIDA official stated that one of the reasons for aid to CARICOM being part of CIDA's bilateral flows is the fact that

"that is where the money is."¹ If CARICOM has to remain in CIDA's bilateral stream, it is suggested that funding to the secretariat be implemented through a, 'sectoral line of credit' mechanism. Under this mechanism CARICOM would submit sectoral development plans, a list of, and proposed costs of possible regional projects compatible with the regional framework (of agriculture, industry or transportation for instance). When a mutually agreed list of projects is compiled CIDA could, (depending on the amount it wishes to make available to that sector), open a line of credit, or disburse amounts to the secretariat, to allow CARICOM to proceed with project implementation, in the order, and the way in which they see fit. CIDA would in turn receive detailed progress reports at specified periods. A Canadian External Affairs officer posted to the Georgetown High Commission could be in charge of receiving and discussing project reports. Or, if CIDA wishes, a more detailed supervision of aid disbursements could be attained by having a CIDA officer attached to the Secretariat. This officer with observation status (no voting power) would be present to see project implementation carried out by the secretariat, thus satisfying CIDA and the Canadian public that their ODA was being efficiently spent. This proposal is obviously only feasible if a significant amount of ODA is channelled through the Secretariat.

¹ Confidential Interview with CIDA official in Ottawa.

B. Disbursement of Untied Funding Through the Secretariat

Current CIDA policy stipulates that 80 percent of bilateral aid be tied (a maximum of 20 percent untied), with a minimum of Canadian value added of $66\frac{2}{3}$ percent (CIDA, 1979-1980: 9). A CIDA official¹ explained that individual projects do not have to meet this requirement. Country or area desks try to achieve the 80 percent balance so that the agency's overall bilateral spending meet the required Canadian content. An analysis of Canadian projects in the Caribbean region show a high concentration on infrastructure and technical assistance projects. Bilateral projects in the area accounts for 86 percent of total aid flows, compared to 45 percent for total CIDA funding. It is proposed that a large portion of these projects exceed the required Canadian content since airport construction, road building, implementation of water systems, and other projects of this nature use a high amount of Canadian technology; most technical assistance projects in the Caribbean use Canadian expertise; and line of credit funding such as food aid is almost totally tied. If these projects have to continue to be heavily tied to Canadian sourcing (instead of using local expertise and materials) to meet the maximum 20 percent untied requirement, and if, as suspected, the requirement is exceeded, it is recommended that untied regional project funding be disbursed through the secretariat.

¹ Confidential interview with CIDA official in Ottawa.

If the necessary technology for projects is available locally, or from other developed or developing countries, the secretariat would use funds to purchase requirements. (This could promote intraregional trade). The heavily untied nature of secretariat project aid would be balanced by the heavily tied nature of infrastructure and technical assistance projects implemented by CIDA.

Recommendation 4

Use of West Indian Expertise

CIDA should attempt to utilize the expertise of the West Indian community within Canada. In 1981 Levitt cited some 150,000 Canadian citizens and residents of Caribbean origin (1981: 99). The high level of West Indian professionalism, as well as the fact that Canadian immigration laws favour the recruitment of professionals suggests a high level of expertise. These individuals will not only be familiar with under-developed conditions, since they are Canadians they will also help to meet Canadian content requirements.

Recommendation 5

Improvement in CIDA - Secretariat Relations

A change is necessary in the relationship between CIDA and the Secretariat. Current relations, with a lack of real action on the Canadian side, and distrust on the CARICOM side, border on the

ridiculous. CIDA officials should not feel that CARICOM is striving to prove its necessity to its' member governments. And CARICOM officials need to change their currently held view of CIDA officials being all talk and no action. CIDA must be seen as being an institution which is genuinely interested in promoting regional development, and not an institution whose heart is in the right place but who is trapped in its cumbersome bureaucratic mechanisms.¹ An improvement in CIDA-CARICOM relations should occur if project aid is disbursed through the secretariat, since this would necessitate close interaction and can build trust and respect between the two institutions.

Three of the above five recommendations concern the role of the secretariat — the administrative arm of the Caribbean Community — in Canadian aid disbursements to the Commonwealth Caribbean region. Levitt cites the CARICOM Secretariat and the CDB as being the heart and soul of the economy and social development efforts of the Commonwealth Caribbean (1981: 266-267). Significant amounts of Canadian ODA are disbursed through the CDB. The author feels that these aid flows should continue and that the recent action of increasing the tied nature of flows to/through this organization (Levitt, 1981: 263) should be reversed. An increased role of the Secretariat in Canadian aid disbursements to the region should also occur. As Levitt states after

¹View expressed in confidential interview with CARICOM official in Georgetown, Guyana.

noting dissatisfaction with the Canadian effort in regard to the Canada-CARICOM agreements, "(there is) an urgent need for discussion at the highest (Canadian-Caribbean) level concerning these matters" (1981: 266-267).

APPENDIX I: EXTRACT FROM THE TREATY OF CHAGUARAMAS

PREAMBLE

The Government of the Contracting States, determined to consolidate and strengthen the bonds which have historically existed among their peoples;

Sharing a common determination to fulfil the hopes and aspirations of their peoples for full employment and improved standards of work and living;

Conscious that these objectives can most rapidly be attained by the optimum utilization of available human and natural resources of the region; by accelerated, co-ordinated and sustained economic development, particularly through the exercise of permanent sovereignty over their natural resources; by the efficient operation of common services and functional cooperation in the social, cultural, educational and technological fields; and by a common front in relation to the external world;

Convinced of the need to elaborate an effective regime by establishing and utilizing institutions designed to enhance the economic, social and cultural development of their peoples....

ARTICLE 4 OF THE TREATY

The Community shall have as its objectives:

- (a) the economic integration of the Member States by the establishment of a common market regime (hereinafter referred to as "the Common Market") in accordance with the provisions of the Annex to this Treaty with the following aims -
 - (i) the strengthening, co-ordination and regulation of the economic and trade relations among Member States in order to promote their accelerated harmonious and balanced development;

- (ii) the sustained expansion and continuing integration of economic activities; the benefits of which shall be equitably shared taking into account the need to provide special opportunities for the Less Developed Countries;
 - (iii) the achievement of a greater measure of economic independence and effectiveness of its Member States in dealing with states, groups of states and entities of whatever description;
- (b) the co-ordination of the foreign policies of Member States; and
- (c) functional co-operation, including -
- (i) the efficient operation of certain common services and activities for the benefit of its peoples;
 - (ii) the promotion of greater understanding among its peoples and the advancement of their social, cultural and technological development;
 - (iii) activities in the fields specified in the Schedule and referred to in Article 18 of this Treaty.

APPENDIX 2: THE CARIBBEAN GROUP FOR COOPERATION
IN ECONOMIC DEVELOPMENT

A coordinating body of donor nations to the wider Caribbean region is the Caribbean Group for Cooperation in Economic Development (CGECD). This organization was created in 1977 and operates the sponsorship of the World Bank in association with the International Monetary Fund (IMF), United Nations Development Project (UNDP), the Inter-American Development Bank (IDB) and the CDB. The consultative mechanism of the Caribbean Group comprises 31 donor and recipient countries and 16 international institutions, providing an analytic base, and negotiating and coordinating mechanisms for donor assistance to the region.

All Caribbean countries (with the exception of Cuba) are beneficiaries of the group which acts as a regional consultative body to monitor economic crisis, respond to needs which cannot be met by normal public and private capital flows and coordinates bilateral aid. The group makes requests from the donor nations channelling funds received through established agencies — such as the World Bank, IADB or the CDB (Levitt, 1981: 134).

One achievement of the Group has been the establishment for a period of up to five years of the Caribbean Development Facility (CDF) which allows eligible countries to finance priority development projects while implementing required economic stabilization measures.

Country reviews of the recipient's developmental problems and performance which are an essential part of the process to increase assistance flows are carried out on the basis of detailed studies prepared by the World Bank (IBRD), with assistance from the IMF, UNDP and the CDB.

Table 16 illustrates expected CDF pledges at or before the 4th meeting of the Caribbean group, 1981.

Of a total of \$US 670 million, \$US 452.8 million or 67.6 percent is allocated to Jamaica, Guyana and Barbados, three of the Commonwealth Caribbean region MDC's; but only \$US 8.3 million or 1.2 percent to the LDCs in the Caribbean Community.¹ In June 1982 close to \$US 800 million was committed by donors for disbursement in fiscal 1983 (CDB, 1981: 30). The discrepancy in allocations between the LDCs and MDCs in the Commonwealth Caribbean contrasts with Canadian aid to the region, where a more significant portion of total flow is directed to the LDCs.

¹ Statistics derived from Table 16.

TABLE 16

CARIBBEAN DEVELOPMENT FACILITY

EXPECTED CDF PLEDGES AT OR BEFORE 4TH MEETING OF
THE CARIBBEAN GROUP ON COOPERATION IN ECONOMIC
DEVELOPMENT (CGCED), 1981¹

(Millions of U.S. Dollars)

	JAMAICA	GUYANA	DOMINICAN REPUBLIC	HAITI	BARBADOS	GRENADA	ST. VINCENT	DOMINICA
World Bank	100	22.0	-	-	-	-	-	-
IDB	20.0	18.0	-	-	-	-	-	-
Mexico	45.0	-	50.0	10.0	3.4	-	-	-
Venezuela	61.0	-	55.0	10.0	3.8	-	-	-
OPEC	20.0	10.0	10.0	4.5	4.0	2.0	2.0	2.0
U.S.	62.0	5.0	30.0	9.4	4.0	-	-	-
U.K.	11.0	-	-	-	-	-	-	-
Canada	9.6	4.0	-	-	-	-	-	-
Germany	5.0	-	-	-	-	-	-	-
Netherlands	4.0	-	-	-	-	-	-	-
France	9.0	2.0	-	-	-	-	-	-
Norway	4.0	-	-	-	-	-	-	-
Columbia	5.0	-	-	-	-	-	-	-
Japan	16.0	2.8	-	-	-	-	-	-
EEC	4.0	-	-	-	-	-	-	-
Brazil	-	2.5	-	-	-	-	-	-
T & T	-	-	30.0	-	3.7	(0.6) ¹	(0.6) ¹	(1.1) ¹
	375.6	58.3	175.0	33.9	18.9	2.6	2.6	3.1
Min. shortfall	75.0	2.0	-	-	1.1	1.2	-	-
Max. "	98.4	41.7	-	6.1	1.4	2.4	3.4	2.9
Min. reqmnt.	450.6	60.3	-	33.9	20.0	3.8	6.0	6.0
Max. "	474.0	100.0	137.4	40.0	20.3	5.0	6.0	6.0

Source: (Levitt, 1981: 235).

APPENDIX 3

CANADIAN TRADE WITH CARIBBEAN COUNTRIES 1958-1981
Value of Total Exports and Imports

	1958		1959		1960		1961		1962		1963		1964		1965	
	E	I	E	I	E	I	E	I	E	I	E	I	E	I	E	I
Barbados	4.2	20.6	4.1	4.7	3.8	2.4	4.0	5.0	4.5	3.1	5.5	4.0	7.0	3.8	6.8	3.0
Belize	0.2	0.1	0.3	0.09	0.4	0.09	0.6	0.7	0.9	0.6	0.7	1.7	1.0	1.9	1.0	1.2
Guyana	4.0	3.7	4.4	18.0	7.4	19.0	5.3	23.0	5.1	23.4	5.0	31.3	7.1	35.7	7.8	22.5
Jamaica	15.5	27.5	18.5	31.0	18.0	37.7	19.0	38.5	21.9	39.7	22.3	51.5	29.0	47.8	30.1	36.0
Leeward and Windward Islands	4.2	1.8	4.4	2.0	4.7	1.5	4.8	1.3	5.6	2.2	6.6	1.0	8.0	0.8	8.0	0.9
Trinidad and Tobago	11.5	9.8	12.6	12.7	13.0	14.5	18.3	14.3	14.8	14.1	16.2	15.8	17.8	20.7	21.5	16.6

Figures in millions of dollars

E = Exports
I = Imports

APPENDIX 3: CANADIAN TRADE WITH CARIBBEAN COUNTRIES 1958-1981 (Cont.)

	1966		1967	
	E	I	E	I
Barbados	8.1	2.3	8.4	3.1
Belize	.9	1.5	1.1	1.9
Guyana	9.9	29.1	12.1	30.0
Jamaica	33.5	37.3	39.0	31.9
Leeward and Windward Islands	8.8	0.9	9.7	1.4
Trinidad and Tobago	23.3	16.1	20.1	18.8

CANADIAN TRADE WITH CARIFTA COUNTRIES 1958 - 1981
Value of Total Exports and Imports

	1968		1969		1970		1971		1972		1973		1974		1975	
	E	I	E	I	E	I	E	I	E	I	E	I	E	I	E	I
BARBADOS	10.0	1.4	8.8	1.5	11.0	1.6	11.2	2.5	11.5	2.1	16.0	3.1	13.5	4.7	13.7	8.0
BELIZE	1.3	2.4	1.7	2.5	1.7	3.0	1.6	3.5	1.7	2.8	1.6	4.2	2.1	1.8	2.3	1.4
GUAYANA	9.3	29.4	8.4	31.1	12.2	29.0	6.6	25.1	6.2	16.0	8.1	14.4	10.8	14.2	14.0	11.7
JAMAICA	34.4	34.0	40.5	50.0	46.5	27.0	39.2	28.6	41.1	19.6	43.2	22.0	45.4	24.6	49.8	18.1
LEeward and FINDWARD Islands	8.4	1.3	10.4	2.5	14.0	3.3	9.7	2.4	11.4	5.5	11.0	2.3	12.8	0.6	15.1	0.9
TRINIDAD and TOBAGO	16.2	20.0	19.4	17.7	21.2	7.5	20.3	7.7	23.2	13.6	28.1	13.7	26.2	22.3	30.8	24.8

E = Exports
I = Imports

Figures in millions of dollars

CANADIAN TRADE WITH CARIFTA COUNTRIES 1958 - 1981 (continued)

	1976		1977		1978		1979		1980		1981	
	E	I	E	I	E	I	E	I	E	I	E	I
BARBADOS	14.3	5.2	17.3	5.9	20.0	6.7	31.0	8.6	34.8	11.5	40.7	9.3
BELIZE	1.9	0.9	1.7	.6	3.6	0.5	5.5	1.0	3.4	1.8	3.5	3.2
GUYANA	11.9	5.9	8.1	12.6	8.1	31.9	12.6	33.0	15.8	35.7	16.9	22.6
JAMAICA	43.8	14.8	38.5	55.3	51.5	70.6	63.4	50.1	65.2	49.9	80.7	97.5
LEEWARD and WINDWARD ISLANDS	12.3	.6	20.9	.6	21.5	1.1	22.9	3.1	29.1	2.3	33.2	1.8
TRINIDAD and TOBAGO	39.0	21.3	53.3	39.9	71.0	28.5	130.1	19.0	123.7	11.2	105.1	75.3

Source: Canada Yearbook, 1960; Canada Yearbook, 1969; CIDA, 1970-1971; CIDA, 1973-1974; CIDA, 1975-1976; CIDA, 1977-1978; CIDA, 1981-1982).

APPENDIX 4: METHODOLOGY

In order to examine the effects of Canadian ODA on regional integration in the Commonwealth Caribbean, the potential effects of ODA on a type III movement are discussed. A type III model is used since this type of integration scheme is seen as best suited to the needs of developing countries. Regional integration in the Commonwealth Caribbean is also perceived as evolving from CARIFTA, a type I scheme, to CARICOM, a type II scheme which also contains elements of a type III model.

A discussion on effects of ODA on regionalism indicates that ODA disbursements can promote or adversely effect integration movements. These conclusions are used in the measurement of the impact of Canadian aid flows on CARICOM. A historical review of Canadian ODA to the region is presented. ODA disbursements from 1975 to the present are then analyzed. The characteristics of these flows are compared to characteristics of aid disbursements which promote or adversely effect a type III integrative scheme, in an attempt to effectively measure the impact of Canadian ODA on Caribbean regionalism.

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APPENDIX 5

CIDA REGIONAL AND TECHNICAL ASSISTANCE PROJECTS - 1981

Aid Donors Coordination Meeting

February 25th 1981

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

Regional; Technical Assistance Projects

PROJECT OPERATIONAL	DESCRIPTION	CIDA CONTRIBUTION IN '000 C'DN \$	REMARKS
Mobile Veterinary Laboratory Health Services	<p>This project is cofinanced with the Pan American Health Organization (PAHO) and the World Health Organization (WHO). CIDA's contribution consists of financing the salaries and related allowances of two veterinarians and two laboratory technicians for up to a three year period. The primary duties of the veterinarians are to advise and assist in the development of animal health and veterinary public health programme and to train local counterparts provided by the recipient governments. At the end of the second year it was agreed that the staff should be reduced to one veterinarian and one laboratory technician.</p>	520.0	<p>The project will be terminated by the end of April 1981. A request for a second phase may be considered.</p>

PROJECT OPERATIONAL	DESCRIPTION	CIDA CONTRIBUTION IN '000 C'DN \$	REMARKS
Third Country Training Phase III	To provide scholarships for individuals from the Leeward and Windward Islands to study at regional or Canadian Institutions in diploma or degree level courses.	4887.7	Last intake of students for this phase has been completed. Phase IV project being considered.
CIDA/PAHO Water Management Training Phase II	To provide funds to PAHO to carry out a training programme aimed at upgrading the capability of maintenance and operational personnel in the various water utilities in the Eastern Caribbean. The project would also develop an indigenous training capability on each island so that further outside support would not be required. This project complements an earlier Phase I programme which was aimed at training professional and technical personnel.	375.0	On-going potential problem in obtaining government commitment to continue programmes once donor funding stops.
Small Business Development	Publication and distribution of small Business Management Instructional manuals developed by the Barbados Institute of Management and Productivity and the Manitoba Institute of Management.	600.00	Project just commencing with first project being launched in Monserrat.

PROJECT OPERATIONAL	DESCRIPTION	CIDA CONTRIBUTION IN '000 C'DN \$	REMARKS
Management Assistance West Indies Ship- ping Corporation (WISCO)	This project consists of management consultancy service with seven specialists contributing to a total of about 24 man months to be fielded at the WISCO office in Trinidad. The services, extended over a 22 month period, will focus on current operational problems in the areas of scheduling, maintenance, management information system and marketing. Approximately 12 man months of practical attachments by WISCO staff are also financed.	500.0	On-going
Regional Drug Testing Laboratory	An adequately staffed and equipped regional laboratory with the capability of conducting microbiological and Pharmacological tests for control of drugs for import and domestic production in the Caribbean Region	321.5	On-going, involved co-financing with PAHO/WHO
Management Studies U.W.I.	A twinning programme with the University of Western Ontario to provide (a) 21 man years of professional staff to campuses of U.W.I. at Mona and (cont'd)	1000.0	On-going, to be completed in June, 1981

PROJECT OPERATIONAL	DESCRIPTION	CIDA CONTRIBUTION IN '000 C'DN \$	REMARKS
	<p>St. Augustine; (b) training for 35 scholars on MBA programmes; (c) provision of short-term training and faculty exchanges. The objectives are to increase the number of professionals trained in the field of business management and to assist U.W.I. in establishing an educational institution which can meet the needs of business management within the Caribbean</p>		
<p>Faculty of Engineering Development - U.W.I.</p>	<p>The project involves technical assistance, training for U.W.I. faculty, scholarships, and equipment and books to increase capabilities in agriculture and industrial engineering at the Faculty of Engineering, U.W.I., St. Augustine Campus, Trinidad.</p>	<p>2250.0</p>	<p>On-going</p>

Source: (CIDA, 1981a).

APPENDIX 6: REGIONAL INTEGRATION AND THE CARIBBEAN
BASIN INITIATIVE: THE U.S. PROPOSED 1982
CARIBBEAN BASIN

The initiative which encompasses the Caribbean and Central America — proposes that traditional aid be complemented by trade and investment in the "communist threatened area" (Reagan, 1982: 6). Proposed measures include: additional aid of \$US 350 million, the free entry of goods from the region to the large US consumer market, and tax incentives provided by the US congress for US investment in the Caribbean Basin, and technical assistance and training to the private sector (Reagan, 1982: 6).

The CBI or the "divisive initiative" as labelled in a West Indian newspaper (Renwick, 1982: 11), connotes a harmful effect on the regional integration movement. Within the initiative the US has ignored regional institutions such as the CDB and the CARICOM Secretariat in proposals for implementing the plan though both are key multilateral regional institutions already widely used by other metropolitan donors under the earlier aid initiative, the Caribbean Development Facility (CDF) devised by Jimmy Carter (Renwick, 1982: 10). The plan also adopts a bilateral approach to dealing with territories. This has been termed a desire to apply pressure to individual regional governments to liberalize their political systems if this is deemed necessary. The US answer to this was expressed by US Trade Representative, William Brock as:

We've tried not to establish hard and fast criteria, because we intend to negotiate this arrangement with each country and try to devise a package that is suited to that country's individual needs.¹

Guyana, a CARICOM country condemned by the US state department for violations of certain human rights, qualifies as a 'hard hit' economy, however, does not benefit from the direct aid component of the plan though it will enjoy the trade opportunities and US investment on favourable terms, if, and only if, it comes to an agreement with the US. Grenada has been specifically excluded from the aid component allocated to the Eastern Caribbean grouping. Prime Minister, Maurice Bishop, labelled the CBI as "the biggest confidence game of the century," further stating that the bilateral concept "could pose a threat to, and even destroy, regional unity."²

Without a regional approach being clearly formulated, the initiative forces the Caribbean Commonwealth Countries to individually seek the best possible deal for itself. This will doubtlessly further fragment the region.

¹Quoted in (Renwick, 1982: 10).

²Quoted in (Renwick, 1982: 11).

APPENDIX 7: CIDA BUREAUCRATIC DIVISIONS

Country Focus Branch

In 1980-81 CIDA dissolved their Bilateral Programs branch and established four new geographic branches -- Anglophone Africa, Francophone Africa, the Americas and Asia. In the new "Country Focus" approach the Corporate Indicative Planning Figure (an indication of the amount of country to country ODA provided by Canada over a 5 year period to a recipient country, through NGO's, other private sector organizations or government to government loans or grants), is developed before an examination is made of the most suitable delivery mechanism to meet the identified needs of the country. Assistance includes food aid, commodities, infrastructure projects, lines of credits or any combination of these. (CIDA, 1981-1982: 6).

Multilateral Division

Multilateral aid takes several forms: grants to international organizations such as UNDP and the World Food Programme (WFP), loans to special funds of the major international development banks such as the International Development Association (IDA), a World Bank affiliate. The IDA along with other institutions offers soft loans to the world's poorest countries; capital subscriptions are also made to development banks and financial institutions including the World Bank, the Inter-American Development Bank and other regional development banks such as the CDB. These are considered Canadian assets or shareholdings.

Canada contributes to 65 multilateral institutions but most of its support goes to international financial institutions and food aid. Multilateral aid is not tied to procurement in Canada, but most multilateral aid is usually spent on goods and services which are only available in the Northern Industrial Countries; aid is also disbursed to disaster and refugee relief organizations. (CIDA, 1981-82: 6).

APPENDIX 8: TECHNICAL ASSISTANCE PROJECTS

Status in July 1981 was as follows:

1. Manpower Planning - detailed project under formulation.
2. Technical Assistance in Sea Transport - project document complete and ready for implementation.
3. Herd Improvement - terms of reference for the study completed and ready for implementation.
4. Commonwealth Caribbean Technical Assistance Fund (CCTAF) - ready for implementation.
5. Pharmaceutical Programme - detailed project to be formulated by September 1981.
6. Technical Assistance on Air Transport (economic analysis) - implementation details being finalized.
7. Feasibility studies for CARICOM Industrial Programming - document completed, consultants selected by CIDA, approved by CARICOM, ready for implementation.
8. Investment Promotion Programme - details for implementation being worked out.
9. Entrepreneurial/Management Training (FIT) - training programme to facilitate the successful implementation of regional industrial programming in preparation with CDB and ECCM Secretariat.
10. Standards Development - Consultant already on stream.
11. Export Promotion Expert - project document (including terms of reference already finished) to be finished shortly.

12. Canadian Association for Latin American/Caribbean Association of Industry and Commerce (CALA/CAIC) Industrial Cooperation promotion - implementation details to be worked out by CAIC in consultation with the CARICOM Secretariat.¹

¹Project list from (CARICOM, 1981a).

APPENDIX 9: LINE OF CREDIT PROPOSAL

The proposed project was to provide;

1. Support for Secretariat staff in the form of Regional and non-Regional experts in the conduct of:
 - (a) preparatory planning missions;
 - (b) macro economic analysis and planning;
 - (c) pre-feasibility studies and project identification;
 - (d) feasibility studies for small projects;
 - (e) implementation of projects;
 - (f) other project-related studies;
2. Support for the Secretarial Staff in carrying out special studies required on a basis for making proposals for action relating to schemes in the area of functional cooperation and for advising on the implementation of such schemes;
3. Support for Secretariat Staff in the form of field related expenses to participate in the above exercises;
4. Development of Secretariat Staff by financing the costs of short training courses;
5. Small capital equipment to facilitate the execution of the indicated programmes financed under the line of credit;

6. Administrative support for the Secretariat to facilitate its handling of the technical assistance programme.

It was envisaged that the resources would be applied as:

Sectoral Integration	-	67 percent
Market Integration and Functional Cooperation	-	33 percent

The Sectoral Integration allocation was to accommodate programmes in Agriculture, Industry, Transportation and Tourism. The remaining part was to supply the Secretariat's needs in areas of market integration and functional cooperation as well as requests from the LDCs.

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