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CANADIAN FOREIGN AID AND THE COMMONWEALTH
CARIBBEAN; ISSUES OF LOCAL CONTROL

M A Thesis

University of Ottawa

© Diane Harper, Ottawa, Canada, 1988.

Diane Harper

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CHAPTER ONE - INTRODUCTION

The purpose of this thesis is to study the relationship between foreign aid and development. The central question is whether different forms of aid may not have a differential impact on development, particularly when considered together with their relationship to private sector investment in underdeveloped countries. This question deserves consideration in light of the ongoing debate on whether aid should be linked to investment, and what is the most efficient use of the Canadian aid dollar in achieving development as defined later in this chapter.

External Relations Minister Monique Vezina, "quips Robert Letendre, her chief of staff, 'wants to make CIDA the first profit-making government foreign aid agency in history'...There is one rueful suggestion making the rounds that her compulsion to get the Canadian business community more involved in the agency she inherited will require a change in its letterhead: CIDA - the Canadian International Development Agency, would become CEDA - the Canadian Exports Development Agency."⁽¹⁾ Bernard Wood, director of the North-South Institute, agrees that "'there are some real things private investors can bring to developing countries'. But the institute has taken a strong stand against using aid money to subsidize exports in the name of development, and went so far when the issue surfaced to title a study on aid and export promotion Oil and Water."⁽²⁾

The current debate on how best to spend aid money is especially important because as the federal government tries to reduce spending, a likely place for reductions is the aid program. One recent example of government spending cuts on aid is the decision in the 1986 budget to delay the goal of spending 0.7% of Canada's Gross National Product (GNP) on aid by five years, until 1995. If the federal deficit is of prime concern, it is logical to try to get

the most for our aid dollar by encouraging Canadian industries, through the use of aid subsidies, to invest and thereby stimulate the economy of an underdeveloped region. At the same time, if economic growth is emphasized, it can be argued that aid indirectly provides jobs for Canadians in industries when aid recipients are obliged to purchase their products in Canada as a condition of receiving funds ("tied aid"). However, in spite of these apparent advantages, from another perspective, aid combined with investment does not appear to provide the most long-term benefits either to Canada or the underdeveloped countries receiving aid.

Goodwill between two nations, public awareness of the causes of underdevelopment, and increased feelings of self-worth on the part of individuals in underdeveloped countries are some of the possible benefits of aid programs which are as important as economic growth but are not easily measured, so may be ignored as development indicators. These kinds of benefits are thought more likely to be achieved when non-governmental organizations (NGOs) are the aid givers, because NGOs emphasize social, rather than strictly economic, development. In addition, NGOs may be more cost effective users of aid dollars than companies because of their use of volunteers and grassroots organizations, rather than salaried workers. Although, like intangible benefits, the relative efficacy of private enterprises and NGOs in using aid dollars is difficult to measure, this evaluation must be attempted because it is only by being able to state measurable benefits of particular aid programs that they become visible to senior policymakers and likely to receive continued funding from the Canadian government.

The North-South Institute in Ottawa has published several critiques of the Canadian aid program based on the program's own goals for development,⁽³⁾ and according to Gallup polls cited in Ties That Bind,⁽⁴⁾ public support for

Canadian official bilateral aid is declining. The only groups which seem to favour continued Canadian bilateral foreign aid are Canadian business organizations. At the same time, popular support for non-governmental organizations involved in aid appears to be increasing, judging from the widespread popularity of such fund-raising efforts as the "Live-Aid" concert in Britain and the United States and the "Tears are not Enough" album in Canada, the proceeds from which went to food aid in Africa. It is important to discover whether the perceptions that official bilateral aid supports Canadian business at the expense of development, while non-governmental aid somehow is "better" are valid.

This question will be explored by studying the relationship between two forms of Canadian foreign aid, examining their relationship to Canadian business, and analysing the way they affect development. The Canadian foreign aid program disburses funds through three main channels: bilaterally, through multilateral organizations and through non-governmental organizations. The two types of aid selected for study here will be government-to-government bilateral aid and aid disbursed through non-governmental organizations. Aid disbursed through multilateral organizations, such as the United Nations and the Caribbean Development Bank, is not discussed because these organizations occupy a "middle ground" between the other two forms of aid. No single government in a multilateral organization has as much influence in deciding how funds will be used as does the donor country in a bilateral agreement. The multilateral organizations are larger than any non-governmental organization and do not rely on volunteers to provide most of their human resources.

The central proposition which will be elaborated below in hypothesis form is that bilateral aid, because of its links with Canadian business, reinforces underdevelopment, but non-governmental aid, which does not have

business links, leads to development. I will look at Canadian businesses which trade with or invest in an underdeveloped country, as well as Canadian businesses which provide goods or services for the Canadian aid program. In order to permit detailed case analyses, the study will focus on one region, the Caribbean, specifically the Commonwealth Caribbean. The time period under consideration will be from 1958, when the Commonwealth Caribbean aid program began, to 1983, when Canadian importance in the Caribbean region diminished because of the American Caribbean Basin Initiative.

Development is broadly conceptualized in terms of basic needs, both material (e.g. adequate levels of nutrition, clean water, housing, education) and subjective (e.g. a sense of self worth). For the purposes of this empirical investigation, there is an assumption that the level of self-determination in economic matters, or national economic control, is a prerequisite for development (development will not occur without national economic control, although it is possible to have national economic control without development), although this relationship will not be directly examined here. Rather I shall directly investigate the levels of national economic control defined as the level of local ownership and the level of local control over management of enterprises or associations which undertake economic activity (businesses, unions, marketing boards etc.). Empirical indicators will be specified in Chapter Four. Research on the Caribbean political economy led to the decision that there is no single country which is appropriate for study in isolation. Rather, the common history, language and political structures of the Commonwealth Caribbean, as well as the tendency of aid donor countries to treat the region as a unit, and its own regionalization efforts, indicate that, in spite of their diversity, the countries in the Caribbean region are most successfully analyzed as if they were a single entity.

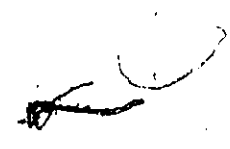
Foreign aid is defined as both official government-to-government bilateral assistance and aid from voluntary, non-governmental organizations which are independent of government policy as far as decisions on where to distribute aid and where to source inputs are concerned. The non-governmental organizations are not necessarily completely independent of government financing, but for the purpose of this thesis they must retain control over where projects are established and how they are organized to qualify as independent. An underdeveloped country is defined as a country which has a history of dependant economic relations with developed countries, and which is currently in a dependant relationship (in terms of aid, trade balance and reliance for news and cultural information). Dependent relationship refers to a situation where countries are "prisoners of the taste patterns and consumptions standards set at the centre, and depend on outsiders for technical advice, capital, and when necessary, for military support of their position"⁽⁵⁾. For the purposes of this study, only those underdeveloped countries which have low to middle income, as determined by the OECD (Geographic Distribution of Financial Flows to Developing Countries),⁽⁶⁾ where there is substantial Canadian business involvement, and Canada is a major contributor of both bilateral and NGO foreign aid will be considered.

Canadian business involvement is defined to include both investment and trade. We look for those firms which undertake direct investment, such as the establishment of a branch plant, and those firms which import from and export to developing countries, in which decision-making control is held by the Canadian component of the business. Control may be determined by the level of ownership (it is assumed that the majority owner usually retains decision-making control). However, in the case of a licensing or franchising arrangement or where management is contracted out to a foreign firm (which may or may not

have a financial stake in the enterprise), it is presumed that the foreign firm has operational decision-making control, even though it is not the majority owner. In fact, the case where Canada has the strongest trade relationship, the Commonwealth Caribbean, has little direct Canadian investment, although it has many firms exporting to and importing from the region, as well as franchising arrangements and management contracts (particularly in the tourism industry).⁽⁷⁾

Based on my research, I will show that national/regional economic control in underdeveloped countries is reduced when official foreign aid and private investment are co-ordinated. I will also evaluate the impact of different types of aid on the level of national/regional control over the economy, and specify which types of aid tend to be co-ordinated with, and act as a subsidy to, Canadian trade and investment. To do so, it is necessary to isolate the types of aid and types of investment and trade (ie. identify specific aid projects and investment or trade programs and categorize them as to whether they are in the areas of manufacturing, high technology, tourism, or agriculture) in order to demonstrate that the simultaneous appearance of aid and trade/investment is the result of co-ordination rather than accident.

The relationship between foreign aid and development has already been the subject of much research, not only by independent scholars but also by governments and international organizations.⁽⁸⁾ The prevailing view is similar to that of modernization theorists: if enough inputs of capital, technology and knowledge are added to an economy, the economy will reach a "take-off point" where its development process is self-sustaining. Walt Rostow, who proposed the theory in 1960,⁽⁹⁾ compared the underdeveloped countries to an airplane accelerating for take-off. The assumption was that as savings for growth-producing investments were accumulated, the rate of growth would accelerate until the underdeveloped country would no longer require foreign



assistance.

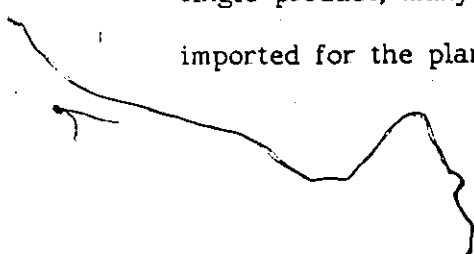
Although aid has been criticized in recent years by both independent scholars and those working for governments and international organizations, the question of whether aid should be given at all is usually not raised. Critical authors such as Spero⁽¹⁰⁾ argue that more aid should be given despite their assessment that aid is being poorly used, unequally distributed and given for the wrong reasons. They argue that if aid programs were reformed and the amount of aid increased, then aid would be beneficial. They contend that aid is given for political rather than humanitarian reasons: if aid were given purely on the basis of need, its distribution pattern would be quite different from what it actually is. Further, these political reasons on the part of donor governments (strategic interests, or scarce commodities unavailable elsewhere) mean that aid will continue to be given, in spite of its flaws. However, Spero and others state that certain reforms such as the kind of aid and the program through which it is disbursed, would enable aid to serve humanitarian as well as political aims.

The belief that aid can be beneficial, if reformed, is in direct opposition to the beliefs expressed by authors writing about aid programs within the dependency theory framework.⁽¹¹⁾ They typically argue that aid cannot possibly encourage development because it encourages trade dependence and foreign investment and benefits only the elites of the recipient country, therefore increasing underdevelopment. Indeed, in the more general studies of development based on dependency theory, aid is not usually discussed because it is presumed to have the same negative effect as foreign direct investment. Because of its typical function of providing infrastructure such as roads and airports, foreign aid can act as a subsidy to foreign direct investment.⁽¹²⁾ This investment is usually in industry and forms of agriculture where the products are destined for wealthy consumers. Aid removes the cost to the investor of providing these

facilities. Even when aid programs provide assistance in the form of such basic needs as adequate housing, aid removes from the investors the responsibility of paying adequate wages for their workers. By providing funds to increase the amount of local capital available for investment, aid permits foreign investors to repatriate more capital without repercussions. In this view, if foreign aid were terminated, it is possible that there would be local mobilization to encourage foreign investors to pay higher wages and reinvest more capital in the host country. Currently, foreign aid is helping perpetuate the pattern of foreign control of the economies of underdeveloped countries.

A variation on dependency theory is the Caribbean "plantation dependency" theory, advanced by Levitt and Best.⁽¹³⁾ The plantation dependency model is similar to the food dependency described by Vergopoulos and others,⁽¹⁴⁾ except that plantation dependency is a result of the slavery which existed for several hundred years in the region, rather than as a result of multinational penetration in agro-industry. When the Caribbean islands were first colonized, the economy was built on large plantations exporting a single product, such as sugar. Slaves were imported to work the plantations. After slavery was eliminated, the plantation structure remained. Most cultivated land is owned by a few large owners, while almost all farms have an area of less than five hectares. In addition, farming is not a respected occupation, because of its links with plantation slavery. The result is that young people are refusing to work as indigenous farmers, preferring to work for the foreign-controlled tourist trade.

The plantation dependency theory also explains current trade distortions in the region. Because the Caribbean economies were based on exports of a single product, many food demands could not be met on the islands. Food was imported for the plantation owners, so that they never adopted the local foods.



Locally produced goods came to be regarded as "slave food". Some food, such as Canadian salt fish, was imported, even for the slaves, because it was less expensive than producing locally at the expense of the sugar crop. Now, even though the cost of importing food is much higher than it was before emancipation, food continues to be imported, and the cost of these imported foodstuffs is increasing. Although consumption of local products is encouraged by both aid organizations and local governments, food dependence continues to exist because consumers' tastes have changed. The trade patterns which are exhibited in plantation agriculture are also in evidence in the resource and tourist sectors of the Caribbean economy. Neither of these industries has contributed to a reduction of dependence on foodstuffs. Both of these sectors have a large degree of foreign control and have few links with the rest of the economy. The Barbadian tourist industry, for example, imports most of its food for the tourists. Few local agricultural products are sold to foreigners.

Neither the modernization nor the dependency theoretical framework will be applied directly in this thesis. One of the major problems with both modernization theory and dependency theory is that neither addresses the goals of the underdeveloped countries. These countries may not have strictly economic development as their main objective, especially once a certain basic level of economic welfare is achieved. For example, some development goals unacknowledged by modernization theory, such as preserving a local language at the expense of greater economic wealth, may be quite different from those of the aid-giving nations, but they may be equally valid. Instead, as I stipulated above, this research project assumes that only national/regional economic control permits the pursuit of a range of goals. The qualitative and quantitative analyses of specific countries and projects will indicate which elements of each theory are most applicable to the Caribbean case.

An analysis of Canadian foreign aid and investment is particularly interesting because Canadian foreign aid policy is unique for several reasons, and Canadian aid is disbursed differently than aid from most other developed countries. First, Canada is one of the few developed countries which is not a former colonial power to donate a relatively large amount of money, in both national/regional and global terms. Second, it has links with both francophone and anglophone underdeveloped countries. This is a result of the fact that its economic relations with underdeveloped countries are spread more or less evenly, rather than being concentrated on former colonies. Third, Canada has established the International Development Research Centre (IDRC), which provides a high level of technical assistance to developing countries (16% of all Canadian aid in 1981). It is one of only two programs worldwide to provide this type of assistance. The only similar program is Sweden's SAREC program. The IDRC is a Crown Corporation, although its Board of Directors has international representation.

A paradox of the Canadian aid program is that Canada gives most of its aid bilaterally, a form of aid which has been criticized by both dependency theorists and scholars. Much of this bilateral aid, 80%, is "tied" meaning that it is given only on the condition that Canadian goods and services are purchased with the aid money.⁽¹⁵⁾ While this is undoubtedly beneficial for Canadian business, because of the guaranteed business, it may not be the most effective use of funds, if development in the sense of national/regional economic control is the criterion for evaluation - local suppliers may thereby be displaced. At the same time, however, Canada also supports forms of aid which permit more input from the recipient countries, such as NGO aid which is distributed based on requests of recipients and is managed by the recipients with minimal supervision from the donors, considered to be "better quality aid" by critics who wish to

reform aid programs rather than stop them.⁽¹⁶⁾ Thus, in contradistinction to the assumptions of the dependency critique of foreign aid, the Canadian aid program also supports many non-governmental organizations which work on small-scale, basic needs projects such as wells, co-operative farming and education. These programs, unlike those of the bilateral assistance program, usually do not include Canadian business as suppliers or as partners (running training programs etc.) but encourage local participation in planning and maintenance. It may be expected that such basic needs programs encourage local control over the economy.

This dual nature of Canadian foreign aid policy is also unique if we compare Canada to the other major donors. According to Robert Gorman,⁽¹⁷⁾ Canadian non-governmental organizations are more independent than American non-governmental organizations of their respective government's aid agency. At the same time, Canadian bilateral aid programs have one of the highest tied aid requirements among the Development Assistance Committee members. The wide differences between these two forms of aid raise questions about 1) which programs best promote development, 2) whether a combination of the two forms of aid is equally or more efficient than one form alone, and 3) if non-governmental organizations alone are the most efficient, which organizations should be chosen. The thesis project is designed to answer these questions. The central question posed is whether official aid relying on continued involvement with private businesses or aid from independent groups which have the stated goal of promoting local participation is the most effective way to promote national/regional economic control.

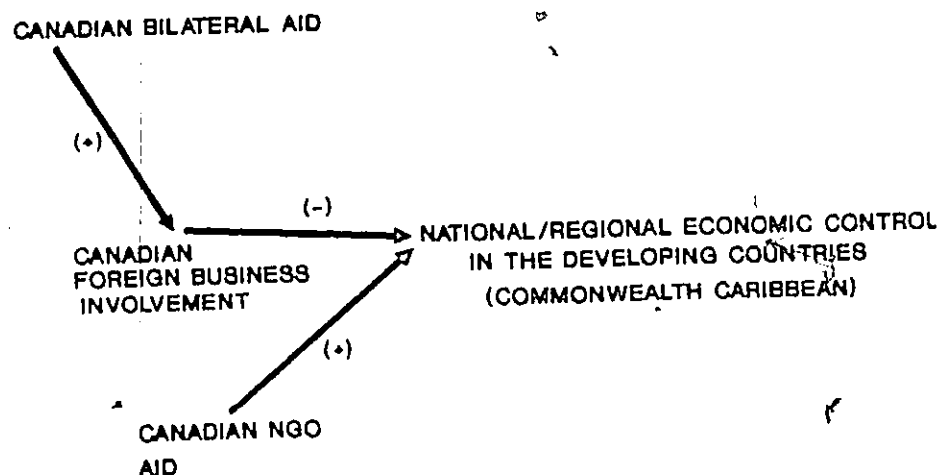
The following hypotheses are proposed:

- (1) Canadian bilateral foreign aid has a negative effect on the level of development of an underdeveloped country, seen here as the level of

national/regional economic control. The subhypotheses are that (1.1) Canadian bilateral foreign aid policy actively encourages Canadian business involvement in the aid program through tied aid requirements and by encouraging Canadian investment as part of aid packages, and (1.2) Canadian business elites influence Canadian foreign aid policy formulation to favour their interests. (1.3) The resultant trade and foreign investment ties reduce national/regional economic control in the aid recipient country.

1 (2) Canadian foreign aid disbursed through non-governmental organizations (NGOs) has a positive effect on the level of development of an underdeveloped country, seen here as the level of national/regional economic control. The subhypothesis here is that (2.1) Canadian foreign aid policy actively encourages NGOs involvement by way of matching grants but does not facilitate their involvement in policy formation, and (2.2) NGO projects enhance self-sufficiency by emphasizing local, rather than imported inputs and by promoting exports of processed rather than primary products from the aid recipient countries.

The model I will be using is shown below. The arrows indicate the direction of the causal relationship (ie. independent variable to dependent variable); (+) indicates a proportional, or positive, relationship and (-) indicates an inverse, or negative relationship.



In order to investigate these postulated linkages between aid and development, I will be examining case studies taken from the Commonwealth Caribbean region. This choice was made after surveying patterns of Canadian aid distribution from 1960 to 1983, in order to locate those regions where Canada consistently was a significant donor (usually the largest or second largest aid donor). Although Canada gives most of its aid to other regions, the Caribbean is the only region where Canada has remained a significant donor. Canada has consistently been among the largest or second largest donors, and has usually contributed at least 30% of all aid received by certain countries. The Caribbean is also the region which receives the most Canadian aid per capita. Finally, the Caribbean region is an important area to study as a test case for foreign aid because almost half of the Caribbean nations are considered to be middle income countries by the OECD. Unlike the poorest regions of the Third World, the Caribbean appeared to be on the verge of being able to move from underdeveloped to developed status in these national/regional income terms when the aid program began in 1958.

If, as is claimed in the "modernization theory" which I shall argue inspires the Canadian foreign aid program, all that is needed for "development" is the injection of sufficient capital and technology then the large amount of aid received by this region should have resulted in fairly clear signs of development. If development, in the sense of national/regional economic control, has not occurred in this relatively favoured region which has received a relatively high amount of aid, then it is a clear indication that the Canadian aid program is not working as predicted by Canadian foreign aid policy-makers, and must be redesigned or abandoned.

The research will combine qualitative and quantitative research methods. First, a statistical survey will be undertaken to situate Canada within global

patterns of aid distribution. The volume, types, country destinations, and Canada's share of all Development Assistance Committee aid distribution from 1960 to 1983 will be considered. Second, I will focus on Canadian aid programs to document changes in official aid policy. This will involve a content analysis of original sources such as CIDA and other official government documentation, as well as documentation provided by private business groups such as the Canadian Exporters Association, in order to demonstrate the increased involvement of business in the aid programs. I will also examine the institutional interaction between business and government departments involved with official development assistance. A case study of several of the non-governmental organizations active in the Commonwealth Caribbean, based mostly on interviews with representatives of the organizations, will permit identification of the core objectives and projects undertaken by the NGOs. After the actors and their roles in the Canadian aid program have been identified, and the trends in aid-giving and most significant recipients for the purposes of this study have been identified, case studies will be made of representative aid programs in several different countries.

In order to establish the link between bilateral aid and Canadian foreign business involvement, a statistical analysis using the indicators noted above will be used. In addition, a qualitative analysis will be attempted, based on information from the business press and CIDA evaluations of projects. The indirect link between bilateral aid and development in the model on page 12 will be established on the basis of the statistical evaluation. The link between Canadian foreign business involvement and development will be established partly through statistical evaluation and partly through qualitative analysis (information from the business press and evaluations of specific projects). The link between non-governmental organization aid and development will be made

mostly through qualitative analysis such as interviews with the agencies involved, but some statistical analysis of the amounts and types of aid correlated to the level of national/regional economic control achieved will also be made. I will be using documentation from the OECD, the UN and CIDA to study the selected region, as well as historical descriptions, mainly by Caribbean dependency theorists and interviews with CIDA development workers and members of non-governmental organizations who are active in the Commonwealth Caribbean.

A combination of qualitative and quantitative analyses is required since it is difficult to evaluate the effect of Canadian aid by one method alone, because it is so widely disbursed that no single country receives enough to be certain that the effects observed are really from aid. More research has been done on the effects of American aid programs, but the focus of their aid programs is different from that of Canadian programs, so they cannot be easily compared.⁽¹⁶⁾ Another problem with evaluating Canadian aid is that donor agencies' evaluations on individual projects and country programs are kept confidential.

The remaining chapters of this thesis have been set up in the following way: Chapter 2 consists of a statistical survey to situate Canada within global patterns of aid distribution. There will also be a historical description of Canada foreign aid policy, showing the institutional links between official government aid agencies and business, and between official government aid agencies and NGO's since Canada's aid program was first established. Chapter 3 describes the history and current economic and political situation of the Commonwealth Caribbean. There is also a survey of Canadian aid programs and Canadian businesses involved in the Commonwealth Caribbean. Chapter 4 begins with an explanation of the indicators used to represent each concept in the

model. Using these indicators, a quantitative analysis has been made, in order to statistically show probable causal relationships. Chapter 5 contains a qualitative analysis of several bilateral and NGO aid projects which are all designed to develop some aspect of the local agriculture industry. Finally, Chapter 6 will present a résumé of results, examine how these results fit the model and whether the model should be revised, as well as what questions should be examined further and what new questions arise out of this study.

ENDNOTES - CHAPTER ONE

- 1) Dan Turner, "Looking for a Return on Aid", The Citizen (Ottawa) February 4, 1986, B1.
- 2) Ibid.
- 3) CIDA, Strategy for International Development Co-operation 1975-1980 (Ottawa: Supply and Services, 1975). North-South Institute, In the Canadian Interest? Third World Development in the 1980's (Ottawa: North-South Institute), 1980, and North-South Institute, North South Encounter (Ottawa: North-South Institute, 1977).
- 4) Robert Clarke and Richard Swift, Ties That Bind: Canada and the Third World (Toronto: Between the Lines, 1982) 151.
- 5) Stephen Hymer, "The Multinational Corporation and the Law of Uneven Development" in Hugo Radice, ed., International Firms and Modern Imperialism (London: Penguin, 1975) 58.
- 6) Organization for Economic Co-operation and Development, Geographical Distribution of Financial Flows to Developing Countries (Paris: OECD, 1983) 282
- 7) Tom Barry, Beth Wood and Deb Preusch, The Other Side of Paradise (New York: Grove Press Inc., 1984) 77-79, 220-225.
- 8) See, for example; Willy Brandt, North-South: A Program for Survival: The Report of the Independent Commission on International Development Issues under the Chairmanship of Willy Brandt (London: Pan Books, 1980); Robert F. Gorman, Private Voluntary Organizations as Agents of Development (Boulder: Westview Press, 1980); Partners in Development. Report of the Commission on International Development, Lester B. Pearson Chairman (New York: Praeger Publishers, 1969); North-South Relations/1980-85: Priorities for Canadian Policy. A discussion paper prepared for the special committee of the House of Commons on North-South Relations (Ottawa: North-South Institute, 1980).
- 9) Walt Rostow, The Stages of Economic Growth (Cambridge: Cambridge University Press, 1960)
- 10) Joan Edelman Spero, The Politics of International Economic Relations, 2nd ed. (New York: St. Martin's, 1981) chapter 6.
- 11) Although aid is not generally discussed as a separate aspect of dependency theory, when it is considered, it is taken to be part of the State, and benefits mainly the co-operating elites in the same way as other aspects of dependent development. The following list includes authors who discuss the role of Canadian aid in particular, as well as an overview of dependency theory in general. Ties that Bind; Robert Carty and Virginia Smith, Perpetuating Poverty (Toronto: Between the Lines, 1981); The Other Side of Paradise (New York: Grove Press Inc., 1984); Douglas Roche, M.P. What Development is all About (Toronto: N.C. Press Limited, 1979); Samir Amin et al, La crise de l'imperialisme (Paris:

- édition de Minuit, 1975); Johan Galtung, "A Structural Theory of Imperialism", Journal of Peace Research (1971) 81-118; Andre Gunder Frank, Le développement du sous-développement, ch. 1 (Paris: Maspero, 1971); Theotonio Dos Santos, "The Structure of Dependence", American Economic Review, LX (May 1970) 231-236; Charles-Albert Michalet, le capitalisme mondial (Paris: P.U.F., 1976); Volker Bornschier and C. Chase-Dunn, Transnational Corporations and Underdevelopment (New York: Praeger, 1985); H. Luton, "The Satellite/Metropolis Model: A Critique" Theory and Society 3 (1976) 573-581; John G. Stoessinger, The Might of Nations 7th ed. (New York: Random House, 1982)
- 12) Clarke and Smith, p. 168.
 - 13) Lloyd Best and Kari Levitt, "Character of Caribbean Economy" in Caribbean Economy, George L. Beckford ed. (Kingston Jamaica: Institute of Social and Economic Research, University of West Indies, 1975) 34-60.
 - 14) Kosta Vergopoulos, "La Crise alimentaire dans le tiers-monde", Les Temps Modernes 41/459 (Oct. 1984) 649-495, and Marion Leopold and G. Gherzi, "La performance des firmes multinationales agro-alimentaires et leurs perspectives de croissance" in Jorge Niosi ed., Firmes Multinationales et Autonomie Nationale (Montreal: Albert Saint Martin, 1983) 83-114.
 - 15) Carty and Smith, p. 86-94.
 - 16) See, for example, The Politics of International Economic Relations, p. 163.
 - 17) Gorman, chapter 6.

CHAPTER TWO - CANADIAN FOREIGN AID

History of Canadian Foreign Aid Distribution and Policy Making

Canada has consistently been one of the world's largest aid donors since it began giving aid in the 1950's. An indication of Canada's position compared to other aid donors and its country destinations is found below.

Canada's Position as an Aid Donor Within the OECD (by Year)⁽¹⁾

Year	Largest Donor (current \$ million U.S.)	2nd Donor	3rd Donor	4th Donor	5th Donor	Canada's position
1960	United States 2,545.00	France 783.60	U.K. 311.52	W. Germany 241.61	Japan 114.61	8th 48.07
1961	United States 3,203.00	France 870.00	U.K. 416.51	W. Germany 329.13	Japan 210.03	8th 45.02
1962	United States 3,349.00	France 858.78	U.K. 380.19	W. Germany 347.41	Japan 160.92	9th 41.92
1963	United States 3,540.00	France 833.80	W. Germany 398.93	U.K. 369.80	Japan 161.30	7th 90.42
1964	N/A	N/A	N/A	N/A	N/A	N/A
1965	N/A	N/A	N/A	N/A	N/A	N/A
1966	United States 3,548.00	France 716.20	U.K. 469.73	W. Germany 449.58	Japan 234.78	6th 180.46
1967	United States 3,143.00	France 787.20	W. Germany 480.43	U.K. 444.80	Japan 345.91	7th 166.82
1968	N/A	N/A	N/A	N/A	N/A	N/A
1969	United States 2,754.0	France 860.0	W. Germany 451.6	U.K. 351.9	Japan 339.7	6th 160.2
1970	United States 2,646.0	France 860.1	W. Germany 466.1	U.K. 399.5	Japan 371.5	6th 267.7
1971	United States 2,870.0	France 946.6	W. Germany 529.6	U.K. 487.8	Japan 532.0	6th 294.6
1972	United States 2,708.0	France 1,128.9	W. Germany 601.4	U.K. 480.9	Japan 477.8	6th 338.3
1973	United States 2,324.0	France 1,267.0	W. Germany 791.4	Japan 765.2	U.K. 442.1	6th 349.4
1974	United States 2,544.0	France 1,389.4	W. Germany 1,015.0	Japan 880.4	U.K. 509.1	6th 496.4
1975	United States 2,927.0	France 1,788.8	W. Germany 1,160.9	Japan 850.4	Canada 612.0	5th 612.0
1976	United States 2,838.0	France 1,845.6	W. Germany 1,044.1	Japan 753.0	U.K. 580.8	6th 528.7
1977	United States 2,897.0	France 1,917.0	W. Germany 1,028.2	Japan 899.3	Netherlands 643.6	8th 475.4
1978	United States 3,474.0	France 2,350.7	W. Germany 1,560.7	Japan 1,531.0	U.K. 854.0	7th 648.2
1979	United States 4,076.0	France 2,786.0	W. Germany 2,160.8	Japan 1,921.2	U.K. 1,162.6	8th 563.4
1980	United States 4,366.0	France 3,460.3	W. Germany 2,323.5	Japan 2,010.4	U.K. 1,327.8	8th 657.3
1981	United States 4,317.0	France 3,545.0	W. Germany 2,244.1	Japan 2,260.4	U.K. 1,326.9	8th 746.1
1982	United States 4,861.0	France 3,312.0	Japan 2,367.3	W. Germany 2,265.2	Netherlands 1,064.1	7th 626.7
1983	United States 5,493.0	France 3,145.1	Japan 2,425.2	W. Germany 2,101.0	U.K. 858.6	6th 848.9

Largest Recipients of Canadian Foreign Aid (by Amount and Year)⁽²⁾

Year	1st country and amount given (millions current \$ U.S.)	2nd	3rd	4th	5th
1960	India 26.6	Pakistan 11.71	British West Indies 3.2	Sri Lanka 1.85	Chile 1.6
1961	India 21.31	Pakistan 13.44	British West Indies 2.75	Sri Lanka 2.38	Malaysia 1.08
1962	Mexico 11.28	India 9.80	Pakistan 9.48	Chile 5.55	Brazil 2.23
1963	India 25.13	Pakistan 20.22	Mexico* 13.77	Argentina 12.84	Chile 5.41
1964	India 40.71	Mexico* 23.86	Pakistan 22.66	Chile 4.32	Brazil 4.25
1965	India 27.15	Pakistan 13.57	Philippines 9.81	Sri Lanka* 4.84	Mexico 3.87
1966	India 101.98	Pakistan 31.68	Sri Lanka 5.15	Malaysia 4.08	Ghana 3.92
1967	India 93.42	Pakistan 29.29	Sri Lanka 7.60	Ghana 3.83	Nigeria 2.62
1968	N/A	N/A	N/A	N/A	N/A
1969	India 69.8	Pakistan 22.4	Tunisia 7.2	British West 4.3	Ghana 4.1
1970	India 105.8	Pakistan 44.9	British West Indies 9.5	Sri Lanka 8.4	Algeria 6.9
1971	India 104.8	Pakistan 34.7	Nigeria 3.4	Ghana 7.7	Niger 7.5
1972	India 70.4	Bangladesh 26.4	Botswana* 15.2	Pakistan 14.5	Tunisia 13.6
1973	Bangladesh 54.9	India 54.8	Pakistan 18.8	Tunisia 11.5	Botswana* 11.4
1974	India 112.6	Bangladesh 48.6	Tanzania 31.6	Pakistan 31.4	Indonesia 25.8
1975	India 109.3	Pakistan 64.6	Bangladesh 64.4	Indonesia 34.1	Tanzania 32.0
1976	India 67.0	Bangladesh 48.1	Pakistan 36.3	Indonesia 22.4	Tunisia 15.6
1977	Pakistan 67.5	Bangladesh 42.1	India 36.8	Sri Lanka 16.2	Malawi 14.8
1978	Bangladesh 77.6	Pakistan 73.2	India 46.3	Tanzania 29.0	Sri Lanka 25.4
1979	Bangladesh 59.2	Pakistan 55.7	Tanzania 28.6	India 17.4	Sri Lanka 17.3
1980	Bangladesh 57.1	India 39.7	Egypt 31.1	Pakistan 29.8	Sri Lanka 29.5
1981	Bangladesh 58.0	India 39.7	Kenya 36.0	Sri Lanka 33.1	Pakistan 29.8
1982	Bangladesh 88.2	Pakistan 49.5	Kenya 39.7	India 39.2	Egypt 33.8
1983	Bangladesh 87.5	Pakistan 57.1	India 48.7	Sri Lanka 36.5	Tanzania 33.9

* Canada is the largest donor.

Canadian foreign aid to the Third World began when the Colombo Plan was developed in 1950. Canada, along with the United Kingdom, New Zealand, Australia and the underdeveloped nations of Ceylon, India and Pakistan met in Colombo, Ceylon. Together, they launched the Colombo Plan for Co-operative Economic Development in Southeast Asia, which had the stated purpose of promoting the economic development of countries which had no immediate chance at industrial prosperity. In Canada, this group was known by two names:

the Colombo Plan Group (which also referred to all of the countries involved, including Canada) and the International Economic and Technical Co-operation Division (IETCD, which referred specifically to the Canadian department which was responsible for administering aid to the recipient countries of the Colombo Plan Group). Its model was the Marshall Plan for the reconstruction of Europe after World War II, although funding never reached the levels achieved during the Marshall Plan, and the circumstances were quite different. Europe still had much of its industry intact, as well as the knowledge to rebuild what had been destroyed, but the underdeveloped countries of Asia had little technology or infrastructure, and an unskilled workforce. According to Carty and Smith,⁽³⁾ the Colombo Plan was not intended to promote industrialization for humanitarian reasons, but to ensure that the recipient countries continued to support the Western democracies rather than the Communist bloc nations.

Over the next two decades, Canada broadened the scope of its development efforts until it was providing assistance to newly-independent countries all over the Third World. In 1958, Canadian foreign aid was extended to include Commonwealth Africa and the Commonwealth Caribbean, as Great Britain's colonies gained political independence. All aid given to these countries was in the form of grants, about two thirds given bilaterally. Assistance was only extended to Francophone Africa in 1961, to "promote its bilingual image abroad and counteract Quebec's aspirations for a direct official role in 'la francophonie africaine'".⁽⁴⁾ This was one of the first indications of how important domestic political motives would become in a program that was supposedly global. Canada also began to fund limited aid to Latin America through the Inter-American Development Bank in 1964 and established a bilateral assistance program to Latin America in 1970. If, in the early years, Canada had provided aid in a responsive manner, during the late 1960's, it

changed its method of allocating funds. It no longer waited for countries to ask for assistance; it began to send task forces overseas to determine which areas were of the "greatest strategic economic importance".⁽⁵⁾

Responsibility for aid was originally divided among three ministries, which jointly controlled the IETCD: External Affairs sponsored votes on aid within the House of Commons as well as chairing the Interdepartmental Group on Capital Assistance. It was in charge of policy making for the Canadian part of the Colombo Plan Group and the Interdepartmental Group on Capital Assistance. The Department of Trade and Commerce exercised day-to-day administrative control, and the Department of Finance was responsible for the budget. Since 1958, responsibility for aid has been shunted between the departments of trade and external affairs, indicating the oftentimes shifting official views on aid as strategic/geopolitical and aid as commercial. In 1958 the IETCD became the central aid office, replacing the other committees and was renamed the Economic and Technical Assistance Branch (ETAB). It reported to the Department of Trade and Commerce. Shortly thereafter, however, in 1960 the External Aid Office (EAO) was formed to replace ETAB. The EAO reported directly to the External Affairs Minister and acted as its administrative arm. Commercial interests continued to have some influence over aid through the Canadian International Development Board, an interdepartmental committee which reviews and coordinates aid policy.

In 1968 the External Aid Office was expanded and its name changed to Canadian International Development Agency (CIDA). It continued to report to External Affairs. In 1970, several new departments within CIDA were formed. One was a planning and economic branch, which made evaluations of individual projects and programs. An operations branch coordinated capital assistance programs, the training of foreign students in Canada and the posting of

Canadian field workers overseas. The first permanent overseas field aid workers were posted at this time. Currently, the Canadian International Development Agency (CIDA) is responsible for managing about 75% of Canada's official development assistance (ODA) budget. The rest is administered by other departments, mostly External Affairs and Finance, as well as the Petro-Canada International Assistance Corporation (PCIAC), and provincial governments which give financial assistance to NGOs. Provincial assistance is given in the form of grants for specific projects, which are administered by the NGOs, along with money they raise themselves.

It was in the late 1950's that the problems of underdeveloped countries were first considered to be chronic, and worsening. This led to the United Nations declaring the First International Development Co-operation Decade in 1961. Canada's part in the new development initiative was an increase in the amounts of both bilateral and multilateral aid, and the institution of bilateral loans on easy credit terms.

The amount of aid given as a proportion of GNP in Canada has not increased significantly since the First International Development Co-operation Decade was launched by the United Nations (UN) in 1961. Since then, the amount of Canadian aid as a proportion of GNP has only moved from .19% in 1960 to .49% in 1984-85. This is especially significant because in 1961 the UN set the goal of "an annual net transfer of financial or other support from the rich countries equivalent to 1% of the Gross National Products"⁽⁶⁾ by the end of the 1960's. This goal was repeated, with a lower target of 0.7% of GNP in 1971, at the beginning of the second development decade. Even this lower target was never achieved by the Canadian aid program. Canadian aid as a percentage of GNP reached its peak in 1975, at .54%. Since that time, it has declined so that the 1985 goal of aid as a percentage of GNP was 0.5%, a level of aid which had

already been exceeded in 1975. The current Canadian deadline for reaching the 0.7% target is 1995,⁽⁷⁾ and the goal of 1% of GNP by 1970 set during the first development decade has been delayed to the next century. Canada's position as one of the largest aid donors has declined, so that as of 1983, it ranked only fifth among Development Assistance Committee (DAC) countries both in terms of per capita and total amounts given, and eighth when calculating aid as a percentage of GNP.⁽⁸⁾

Canadian official aid, as we have already noted, has been split three ways: bilateral, multilateral, and through non-governmental organizations (NGOs). Most aid (59% in 1984) is bilateral, or a direct transfer from Canada to a developing country. Most of the remainder is distributed through multilateral organizations. Finally, a very small proportion of official government assistance (9% in 1984) is directed through non-governmental organizations (NGOs).

Until 1970, multilateral aid was split evenly between the World Bank and the United Nations, with regional development banks receiving only 4% of the aid money. Since 1972, aid to regional organizations has reached 26%, while the remainder continues to be split evenly between the World Bank and the UN. Aid to regional multilateral organizations has increased while assistance to global multilateral organizations such as the World Bank has decreased, apparently because Canadian suppliers are more likely to receive procurement contracts from the regional agencies simply because there are fewer countries capable of competing for the procurement contracts in regional organizations.⁽⁹⁾

In order to understand the reasons for the high share of bilateral aid, it must be recalled that most Canadian aid still has a very high Canadian content requirement, in spite of "formal intentions" to untie the aid, such as expressed in the Strategy for International Co-operation published by CIDA in 1975. Since the 1960's, 80% of all aid money given or loaned by Canada must be used to

purchase Canadian goods or services. If, therefore, aid projects are designed so that Canadian goods and services are required, the 80% requirement can be more easily met. There is no way to require Canadian purchases in exchange for aid when the larger multilateral organizations are used, and these organizations tend to use European consultants when designing programs. These consultants use European standards, which means that only European suppliers can adequately meet the requirements of the program. Similarly, when North American consultants design a program, they use American standards. Canadians are more likely to be called upon to design projects for regional organizations and, in the case of bilateral aid, the government's preference is to give where more opportunities for Canadian contracts are likely. (10)

In addition to official government aid, private investment money also flows from Canada to developing countries. Between 1961 and 1975, private capital flows (not including aid from voluntary organizations) increased from 25% to 44% of all flows to developing countries. Most of this increase has been in portfolio investment, a form of investment in which the investor has no direct control over the firm(s) receiving the investment funds. Other official flows (mainly export credits, a low interest loan provided by the Export Development Corporation to encourage recipient countries to purchase Canadian exports) dropped from 21% to 9% in the same time period. 1970 was the first year that CIDA began encouraging private business to become involved in third world development through investment in underdeveloped countries, when it established its Business and Industry Division. This Division provides start-up funds and feasibility studies for companies interested in investing in developing countries. The move to encourage business involvement was strengthened when the Business and Industry Division was expanded and renamed the Industrial Co-operation Program. (11)

Who Makes Aid Policy

CIDA is today clearly the most important institution in the Canadian aid giving program. The Agency administers most bilateral aid and provides funds for multinational organizations and NGOs. Officially, it is under the authority of External Affairs, even though its budget is much larger than that of External Affairs. Any project costing more than \$3 million (in 1978) for program countries (where there is an overall program of development, incorporating several different projects) and \$1 million for project countries (where there is no overall plan, but projects are designed, evaluated and paid for individually) must be approved by both the Treasury Board and the Secretary of State for External Affairs.

Three interdepartmental committees oversee aid policy. The first is the Canadian International Development Board (CIDB), formed in 1968. It is the formal governing body of CIDA. Its members are: The President of CIDA (Chair), Undersecretary of State for External Affairs, Deputy Minister of Finance, Deputy Minister of Industry, Trade and Commerce, Governor of the Bank of Canada, Secretary of the Treasury Board, and the President of the International Development Research Centre (IDRC). Its mandate is to discuss policy changes, but it rarely meets and is usually bypassed in the procedures for project and program approval. Since the CIDB meets only three or four times yearly, the lower-level Interdepartmental Committee on Development Assistance was formed. It meets more often but less formally. It also discusses and formulates new policy.

The Interdepartmental Committee on Economic Relations with Developing Countries (IDERC) was established in 1974 to coordinate Canadian aid policy with domestic and foreign policy. It has representatives from twelve departments and is chaired by a representative from External Affairs. Its

purpose is the continuing review of aid policies and how they relate to development, economic policies, and the policies of other departments. It also prepares policy positions for international meetings. It does not change domestic and foreign policy to make it more consistent with development goals, but only justifies the existing policy. It has little impact on policy formulation and execution.⁽¹²⁾ Like the CIDB, the IDERC meets only three or four times yearly, so there is a lower level committee which meets more often.

The third and oldest committee is the Interdepartmental Committee on Development Assistance (ICDA). Its "forerunners date to the Interdepartmental Group on Technical Assistance (IGTA) and Interdepartmental Group on Capital Assistance (ICGA), established in 1950".⁽¹³⁾ There is more than one ICDA because the government currently labels any level of interdepartmental meeting concerning aid as ICDA. "In addition, there is the ICDA, whose core consists of senior officials from External Affairs, CIDA, Industry, Trade and Commerce, Finance and the Treasury Board, although representatives from other departments ranging from Agriculture to Energy, Mines and Resources can and do attend ICDA meetings when their interests are at stake."⁽¹⁴⁾ The CIDA representative is usually the chair at both the "main ICDA" and other ICDA meetings.

One of the main purposes of the ICDA during its heyday in the 1970's was to arrange with other departments to get programs which could be called "development" and add them into the CIDA budget. CIDA consulted with other departments' before submitting a country program for formal ICDA approval, even though significant changes were rarely made at the ICDA level.⁽¹⁵⁾ Once a country program was approved by the ICDA, it was translated into a Cabinet Allocations Memorandum (CAM). The Cabinet Allocations Memorandum is one of the stages in the budget approval process. After overall amounts were approved,

the CAM was passed to cabinet to get the breakdown of funds approved. After this translation, it was returned to the ICDA for a second approval, then sent to parliament for final approval as part of a full budget request. Since ICDA has only met twice in the past several years, it appears that this interdepartmental committee's approval is no longer essential, and CIDA goes directly from consulting with other departments to preparing a CAM.⁽¹⁶⁾

Although CIDA has its own staff of planners and administrators, it has little relative autonomy in the government's decision-making process. Thus, although its mandate of promoting development⁽¹⁷⁾ would indicate that it should be free of outside influences, such as business interests, CIDA's structure makes it open to these outside influences. By surveying the institutional actors implicated in aid making policy we can situate the key policy influencers and show if and how business interests have contributed to a trend toward commercialization in CIDA. When the United Nations Commission on International Development, chaired by Lester Pearson, issued a report in 1969 which was critical of past aid,⁽¹⁸⁾ it urged developed nations to improve the quantity and quality of their assistance. Canada responded by producing a policy review in 1969, which encouraged private business to participate in the aid process.⁽¹⁹⁾ CIDA has an Industrial Co-operation Division (ICD), formed in 1978, and External Affairs has its own Program for Export Market Development (PEMD). The PEMD provides information on investment opportunities to both developed and underdeveloped countries, and serves a marketing function. CIDA's ICD program is designed to encourage investment in, and exports to, developing countries by giving grants and subsidies for feasibility studies and start-up costs. It also fills a trade promotion function which was previously part of the Finance Department. In 1985 the ICD had a budget of \$38.5 million out of a total of \$2100.58 million.

The Canadian Commercial Corporation (CCC), a Crown corporation established in 1946, originally to facilitate the filling of U.S. military defence contracts by Canadian firms, now acts as a purchasing agent for CIDA and foreign governments. It finds suppliers when CIDA or the underdeveloped country needs a good or service. It also keeps a list of suppliers who want to trade with the Third World, and informs them of opportunities. It makes foreign supply contracts less risky because it has two separate contracts for each procurement job. The first is between itself and the foreign government. It then has a subcontract with the Canadian firm, in which it guarantees payment to the supplier within thirty days. In this way, the foreign nation can be fairly sure that the supplier is reliable, because the firm has been recommended by the Canadian Government. There are no public tenders for CCC contracts. Companies which wish to be considered for procurement contracts apply to be included in the CCC's list of potential suppliers, and when there is a need, the CCC chooses the supplier from this list. The CCC also reports through External Affairs to Parliament, so wherever External Affairs is involved in CIDA's policy making, the CCC has some indirect influence. Canadian business interests are very strongly represented in the CCC. Seven of nine members on the Board of Directors are from private industry, along with the Assistant Deputy Minister of the International Trade Development Branch of External Affairs, and the President of the CCC.

Another important Crown corporation which affects aid disbursements is the Export Development Corporation (EDC), which was established in 1969 to replace the Export Credits Insurance Corporation established in 1944. Since the late 1970's, CIDA has agreed to, in the words of the Ottawa Citizen "attach aid to business deals financed through the Export Development Corporation helping to create trade-aid combination packages cheap enough to beat out competing

deals offered by firms of other countries".⁽²⁰⁾ This combination is known as credit mixte. It is a blend of aid grants or very low interest rate loans with loans which are slightly below the market interest rate from the EDC, in order to encourage exports and give them a competitive edge against other exporters. The EDC finances deals between exporters and the Third World by acting as the government's bank. It provides financing, guarantees and insurance to companies dealing with the Third World.⁽²¹⁾ The funding is provided in the form of export credits. These credits are loans made to developing countries, with an interest rate below the market rate. The loan money must then be used by the receiving country to purchase goods from Canada. CIDA provides further assistance on these deals through the ICD. When business people apply to the EDC for financing on export deals, they are sent to CIDA. If a CIDA panel is convinced that a project meets its development goals, then the company may receive an aid grant, reducing costs by at least 25%.⁽²²⁾

There are also trade organizations which are sponsored by CIDA. One of these is a program which is jointly administered by the Canadian Association on Latin America (CALA) and the Caribbean Association of Industry and Commerce (CAIC). It conducts trade missions to the Caribbean region, such as an investment forum sponsored by UNIDO in 1985. Canadian companies involved gained business in "joint ventures, transfers of technology, licensing, subcontracting, export/import and consulting services".⁽²³⁾ They were interested in agro-industry, computer technology, construction, consulting, energy, forestry, transport and venture capital.

The most influential business group in aid policy-making is the Canadian Manufacturers Association. It represents 9,000 members, mostly with fewer than 100 employees each. It supports government procurement of goods from Canadian firms, reduced trade barriers within Canada, and supports some tariffs to

protect Canadian manufacturing products.⁽²⁴⁾ A list of the members on its development aid committee, and their business affiliations, is found in Appendix A at the end of this chapter.

Another influential group is the Canadian Export Association. It represents 400 companies. It has lobbied for emphasis "on the role of exporter-led CIDA bilateral programs in developing trade with Third World countries emphasizing parallel financing with EDC",⁽²⁵⁾ an Aid/Trade Fund which would "permit exporters of all commodities, products or services with a developmental component to (i) reduce interest rates and/or extend the term and (ii) provide feasibility studies and/or detailed engineering and project management at no cost to developing country clients",⁽²⁶⁾ and credit mixte. It also lobbied for the establishment of the Trade and Export Facility, which was finally cancelled due to budget restrictions in 1986. The CEA has its own development aid committee, whose membership is listed in Appendix 2.

The links between business and government are strongest in the Department of Regional Industrial Expansion (DRIE), formerly known as the Industry Trade and Commerce Department (IT&C). An IT&C official publicly stated in 1973 that businesses wishing to deal with the Third world should bring their proposals to IT&C so that a proposal which "CIDA will probably have a nightmare over" can be repackaged and sold to CIDA as an aid project.⁽²⁷⁾ It is this kind of export package, disguised as aid, which leads critics of CIDA's commercial orientation, such as Clarke and Swift, to decry the fact that CIDA's "only unequivocal supporter is the Canadian business community which lobbies in favour of continuing aid for all the wrong reasons and is the least interested in a critical evaluation of the impact of aid on the Third World".⁽²⁸⁾ Yet, beyond narrow business interests, part of the reason for the increasing commercialization of CIDA is a widening elite consensus within the Canadian

aid community (employees of non-profit development institutions, self-employed consultants and CIDA bureaucrats) that parts of the Third World are "ready for commercial stimulation as part of their development package".⁽²⁹⁾

Although the Canadian government has produced several policy papers stating its intention of increasing the amounts of aid, "untying" aid⁽³⁰⁾ and proclaiming its central purpose to be development for humanitarian reasons, in fact there does not appear to be any coherent operational definition of CIDA's goals. Officially, "the objective of the Canadian International Development Agency (CIDA) is to facilitate the efforts of the peoples of developing countries to achieve sustainable economic and social development in accordance with their needs and environment, by co-operating with them in development activities, and to provide humanitarian assistance, thereby contributing to Canada's political and economic interest abroad in promoting social justice, international stability and long-term economic relationships, for the benefit of the global community".⁽³¹⁾ During the 1970's, the focus of CIDA's official development policy shifted from infrastructure and capital assistance to the "satisfaction of basic needs, the discovery and application of appropriate technology, and a pre-eminent place for rural development".⁽³²⁾ However, the actual content of programs indicates that the agenda of departments like DEA and DRIE or the claims of special interest groups are more important than meeting CIDA's own declared objectives.

Tied aid and financial support for businesses expanding into underdeveloped countries are two examples of how "Canadian interests" are often equal to, or dominate, the interests of the underdeveloped countries for whom the aid is destined. A central problem posed by the retention of tied aid and increasing commercialization of CIDA is the shift in emphasis from what a developing country needs to what Canada can provide. Journalist Dan Turner

claims that special interest groups pressure CIDA to provide aid programs which benefit them, usually financially, but sometimes furthering their philosophical aims, to the point where some very questionable aid programs are established. He gives the example of pressure being exerted by groups concerned with illegal drug use lobbying successfully to have aid funds spent to try and stop peasants in Thailand from growing hallucinatory crops, "one of the first development programs designed to decrease a community's income".⁽³³⁾

Pressure, through direct lobbying as well as indirectly through the news media and publication of position papers, can be applied because of CIDA's permeability. Its structure, controlled by other departments and with little independent power, makes it vulnerable to outside pressures from special interest groups, as well as the purely strategic political considerations of External Affairs. Canadian "interest groups have access in some cases to 'Crown Corporations, independent and semi-independent boards and commissions'. They can build up important relationships with such bodies, for 'not only are they subject to pressure, but they themselves also make recommendations to government which in many cases reflect the submissions which they receive'".⁽³⁴⁾ Interest groups communicate with decision makers through informal group meetings, appointments, social affairs, telephone calls, letters, formal committee hearings, presentation of briefs, and chance meetings. They may also mobilize public opinion, make personal contact with Cabinet Ministers, lobby jointly with other groups, submit formal briefs and contact members of the bureaucracy. One example of the influence of purely strategic political considerations is the \$200,000 annual discretionary fund which is provided to each External Affairs mission abroad. This money, although provided by CIDA, cannot be administered by the local CIDA field officer, but must be dispensed by the Embassy, Consulate or Mission.⁽³⁵⁾

From this analysis, it appears that the original proposition of a link between business and CIDA has been confirmed. It is clear from a study of the history of Canadian foreign aid policy that (subhypothesis 1.1) Canada's bilateral aid policy actively encourages Canadian business involvement in the aid program through tied aid requirements and, more recently, by encouraging Canadian investment as part of aid packages.

At the same time that CIDA has increased its involvement with business in supplying aid, however, it has also formalized its use of NGOs in distributing aid. CIDA's NGO division was formed in 1968. In its first year of operation it supported 37 NGOs and 50 projects. In 1980, CIDA aided 2,304 projects through its NGO division, and 205 NGOs were supported by CIDA. Although the total amount of NGO aid in 1984 was only 9% of the total CIDA budget, it has increased significantly from 1968/69, when it was 2.2% of ODA. In 1979/80, \$62.5 million was spent on the NGO division, compared to 1968/69, when \$4.12 million was spent.⁽³⁶⁾ CIDA supports NGOs by matching up to 50% of the money they raise with grants. In 1976-78, Canada rated sixth in the world in its matching ratio. It gave \$0.41 for every dollar raised by the NGOs.⁽³⁷⁾ When CIDA first began funding NGOs, funding was matched 1:1 on a project-by-project basis. Later, smaller NGOs received funding on a 3:1 ratio.

CIDA's original NGO division has grown to six departments which fall under the Special Projects Branch. They are divided into three categories depending on the focus or purpose of the program: a) meeting basic needs - Non-Governmental Organization Program (\$2.9 million in 1984-85), Voluntary Agricultural Development Assistance Program (VADA, \$1.3 million in 1984-85), and International Non-Governmental Organizations Program (INGO, \$18.0 million in 1984-85); b) strengthening relationships between Canadian institutions and their counterparts in the Third World - Institutional Co-operation and

Development Services Program (ICDS) formed in 1980 (\$62.5 million in 1984-85), and Management for Change Program (\$2.8 million in 1984-85); c) development education : Public Participation Program (PPP) formed in 1971 (\$7.9 million in 1984-85).⁽³⁸⁾ The most important programs for this study will be the NGO and ICDS programs, the NGOs in these programs are most active in the development work carried on in the Caribbean which is of interest to this thesis.

CIDA does not specify a definition of what it considers to be a non-governmental organization; however, it supports universities, labour unions, credit unions, service groups and churches, among others. A substantial proportion of the NGO budget goes to just three organizations, which are almost totally dependent on government financing. They are Canadian University Service Overseas (CUSO) which sponsors teachers and technicians, Canadian Executive Service Overseas (CESO) which has retired businesspeople training entrepreneurs in the Third World, and Canada World Youth which sends teenagers to work and travel in the Third World. It may appear that almost any organization which promotes links with developing countries receives some assistance, but in fact CIDA does have an internal review system which evaluates the organizations and the projects they support, in order to determine how much funding is allowed for the next year. This evaluation is done on the basis of :

- "a) NGO fund-raising (data provided by the NGO);
- b) quality of the programs;
- c) NGO needs, including NGO expectations based on historical funding patterns used by CIDA; and
- d) available funds at CIDA."⁽³⁹⁾

CIDA does not however provide criteria for what it considers when judging the quality of a program. Evaluation procedures vary from department to department, according to the Canadian Council for International

Co-operation (CCIC, the umbrella organization of approximately 80 NGOs) task force,⁽⁴⁰⁾ but it is not clear what the differences are.

The CCIC has a selective definition of NGOs based on goals, which will be used throughout this thesis. Traditionally, NGOs have been concerned with the development of the poorest of the poor through support of their needs. These needs included emergency relief but also organizational assistance (setting up grassroots collectives and self-help programs) and education. Originally, the NGOs were often charities, primarily churches. The definition of NGO has now grown to encompass other non-profit organizations such as universities, labour unions, co-operatives, development education agencies and coalitions of agencies. Development consulting firms, such as the Institute for Study and Application of Integrated Development are not considered by the CCIC to be NGOs, even though they are registered as non-profit agencies and are hired as consultants to NGOs, because their emphasis is more on studying the phenomenon of underdevelopment than encouraging development.⁽⁴¹⁾

The trend toward increased use of NGOs for distributing aid at the same time as there is an increase in the links between aid and business indicates that CIDA is moving its policy in two apparently opposing directions, according to Valerie Melnikoff of CCIC. In the trend toward aid linked to business, there is an increasing emphasis on conformity to CIDA budgets and project plans, while the increased use of NGOs demonstrates that although it is on a much smaller scale, the emphasis is on aspects of development which cannot be easily measured, such as leadership and equality, even if it means changing a project in mid-stream.⁽⁴²⁾ The two different kinds of aid projects appear to reflect a belief among CIDA policy makers that there are underdeveloped areas and industries which can be developed by providing funding only, and others which

funding, even in the same economic sector.

It is clear from the rapid growth of the NGO program that, in spite of the recent trend toward involving businesses further in development, CIDA also considers NGOs to be essential to the aid program. The reason for this is that NGOs also perform other functions which are complementary to the official aid programs and which could not be filled by them. "The value of NGOs and their greatest contributions to international development lie where governments cannot act, will not act, or ought not to act".⁽⁴³⁾ Government cannot easily act at the community level, working with grass-roots organizations because the structure of government is not designed to provide caring, interpersonal programs. It is designed to provide large-scale projects. NGOs, on the other hand, are designed to provide these closer relationships which according to the Task Force, are often the key to effective development.⁽⁴⁴⁾ However, if the amount of aid is related directly to the amount of development, if large-scale projects are necessary for development, then NGO projects cannot provide as much development assistance as CIDA, because they simply are not large enough. A large NGO project is \$300,000; a small CIDA project is \$2,000,000.

The government also relies on NGOs wherever political restraints prevent direct intervention, even though the need for assistance exists. This has been the case in Kampuchea, which receives no official government assistance, but does have Canadian NGOs assisting in reconstruction. The government "ought not to act where development demands opposition to established governments and their policies".⁽⁴⁵⁾ Government-to-government aid may counteract development objectives in an oppressive political regime; if the aid is given by the government directly to the oppressed groups, it may be interpreted as a subversive act. However, NGOs can work quietly in these circumstances and are often quite effective.

Unlike business, there appears to be only one coalition of NGOs which represents their interests to government. This is the Canadian Council for International Co-operation, which represents 80 NGOs and approximately 400 individuals. It is quite active in lobbying Parliament and the Standing Committee on External Affairs and National Defence. The CCIC considers itself to be effective in its lobbying, considering its size, but it does not have the vast resources of business lobby groups with which it is competing for funding and opportunities to influence policy. In terms of the numbers it represents, it is clearly less powerful than the CMA (9000 members) or CEA (400 companies). Its strength does not appear to be lobbying government directly, but in supporting direct public awareness campaigns at the general public. According to Melnikoff, CIDA is working on ways to involve NGOs even more in the aid process, but differences in philosophy and size have caused problems which have not yet been resolved.⁽⁴⁶⁾

The only NGO which appears to have any direct policy input is CUSO. However, because CUSO is so heavily funded by CIDA, and works so closely with that department, it is questionable who is really being influenced. Churches were influential in the past, but now have a declining role. They have lost their importance because of the increasingly technical nature of foreign policy and their lack of legitimacy, partly due to declining church attendance.⁽⁴⁷⁾ They may also be less important as a single group because many new NGOs (such as Foster Parents Plan of Canada) now fill the development role which the churches alone used to fill. The churches are, however, still a powerful lobby group, especially in influencing public opinion and when they lobby in concert with the CCIC.

We must conclude that those whose development goals are quite different from business goals (NGOs) have little influence on policy formulation, despite

the fact that their work is considered by CIDA to be an important part of the aid program. The policy analysis demonstrates that there are few institutionalized links between NGOs and CIDA although CIDA provides substantial financial assistance to the NGOs, thus confirming subhypothesis 2.1.

APPENDIX ONEMEMBERS OF CANADIAN EXPORT ASSOCIATION
DEVELOPMENT AID COMMITTEE⁽⁴⁴⁾

CHAIRMAN

E. Bennett

Delcanda International Limited

MEMBERS

A.D. Burford

A.D. Burford International Ltd.

N.I. McDonald

AESL International Ltd.

F.G. Hurtubise

Agrodev Canada Inc.

E.H. Roach

Aluminum Company of Canada Ltd.

M.F. Chartrand

Atlas Gest International Inc.

C.E.B. McConachie

Aviation Planning Services Limited

R.A. Jack

Babcock & Wilcox Canada Ltd.

T.J. Bata

Bata Limited

K.N. Murchison

Bell Canada International

J. Pavec

BG Checo International Ltd.

T. Meo

Bombardier Inc.

F. Jansen

BBC Brown Boveri Canada Ltd.

P.E. Rutherford

C-E Canada Power Systems

R.J. Smith

Canada Wire & Cable (International) Ltd.

J. Wilson

Canadian General Electric Company

Y. Davies

Canadian International Construction Corp.

E.R. Amerie

Canedcom International Ltd.

V. Tourangeau

Canadex

R.J. Heath

Canpotex Limited

Mr. Dogherty

Carey Dogherty & Geilich Inc.

M. Sully

Champion Road Machinery Marketing Ltd.

W. Lemmon

Charles E. Napier Company Ltd.

E.T. Thompson

Clark Equipment of Canada

R.A. Kingsmith

Cominco Ltd.

R.A. Jessop

Consolidated Bathurst Ltd.

H. Williams

DB Engineers & Contractors

W. Craig

DeHavilland Aircraft of Canada Ltd.

G.E. Drew

Dominion Engineering Works Ltd.

H. Valle

DSL Dynamic Sciences Ltd.

D.W. Russell

Douglas W. Russell Inc.

C. Thiry

Econofitech Ltee.

E.G. Paul

Esso Chemical Canada

H.E. Mitchell

General Motors of Canada Limited

J.A. Macdonald

H.A. Simons Overseas Ltd.

W. Howe

Howe International Ltd.

C.G. Smallridge

Intercon Consultants

R. Williams

ITEC

L. Carignan

La Societe Maritime March Limitee

P. Laferriere

Laferriere & Associes Inc.

J.C. Villiard

Lavalin Inc.

J. Baheux

Logtrans-International Logistics & Transport

M. Pelletier

Marketing-Exportation C.Q.E.

T.D. McBoyle

McLean Kennedy Ltd.

J.G. Fredette

Monenco Limited

J.L. Thom

Montreal Shipping Inc.

G. Schuthe (alternate)
K. Porter
W.C. Marshall
G. Bagley
K.O. Hillyer
J. Rigby
R. Gray
J. Neville
J.R. Anderson
I.D. Scott
R. Gladu
H.B. Silverstein
D.M.H. Connelly
A. Allan
D.G. Langdon
N.A. Parry

Montreal Shipping Inc.
Noranda Sales Company Ltd.
Northern Telecom International Ltd.
Polysar Limited
Redma Consultants Limited (CALA rep.)
Rigby Trade Limited
Shaver Poultry Breeding Farms Limited
Spar Aerospace Limited
Stelco Inc., Credit Department
The Electrolyser Co. Ltd.
The SNC Group
Thorne Stevenson & Kellogg
Urban Transportation Development Corp. Ltd.
Urban Transportation Development Corp. Ltd.
Westinghouse Canada Inc.
Westinghouse Canada Ltd.

ENDNOTES - CHAPTER TWO

- 1) Organization of Economic Cooperation and Development, Geographical Distribution of Financial Flows to Developing Countries (Paris: OECD, all years from 1960 to 1983).
- 2) Ibid.
- 3) Robert Carty and Virginia Smith, Perpetuating Poverty (Toronto: Between the Lines, 1981) 40.
- 4) Robert Clarke and Richard Swift, Ties That Bind: Canada and the Third World (Toronto: Between the Lines, 1982) 156.
- 5) Perpetuating Poverty, p. 31.
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- 7) CIDA, "Canada and the Third World", Partners in Development (Canada: Minister of Supply and Services, 1985).
- 8) The Development Assistance Committee of the OECD members are; Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States. Geographical Distribution of Financial Flows to Developing Countries, all years from 1960 to 1983).
- 9) Interview with Bob Hollingsworth, Canadian Commercial Corporation, March 19, 1986.
- 10) Ibid.
- 11) In 1986, CIDA announced it was forming the Trade and Development Facility, which was "expected to gobble up more than \$800 million of the Canadian aid budget over the second half of this decade to subsidize Canadian exports to the Third World", although this plan has subsequently been cancelled as part of its deficit reduction. Dan Turner, "Pushing to Get Private Business More Involved", The Citizen (February 1, 1986) B1.
- 12) Thomas C. Bruneau, Jan J. Jorgenson, and J.O. Ramsay, CIDA. The Organization of Canadian Overseas Assistance, Working Paper No. 24, Centre for Developing Area Studies (Montreal: McGill University, 1978), 7.
- 13) Ibid., p. 21.
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- 16) Interview with Doug Shaw, External Affairs, June 19, 1986.
- 17) Mandate and Objectives, p. 1.
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- 19) External Affairs, "International Development", Foreign Policy for Canadians (Ottawa: Information Canada, 1970), 21.
- 20) Pushing to Get Private Business More Involved, B1.
- 21) Export Development Corporation, "What is EDC", EDC Information Circular (December 1985).
- 22) Dan Turner, "Profits and Foreign Aid Uneasy Suitors", The Citizen (February 5, 1986) A11.
- 23) Natalie Serebriak, "Sunny Caribbean Markets", Canadian Export World (November, 1985), 17.
- 24) Pushing to Get Private Business More Involved, p. B1; L'Importance des négociations commerciales (Canadian Manufacturers Association, May 1987); President's Report 1986-1987 (Canadian Manufacturers Association, 1987).
- 25) Canadian Export Association Annual Report 1985, 14.
- 26) Ibid..
- 27) Ties That Bind, p. 169.
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- 29) Pushing to Get Private Business More Involved, p. B1.
- 30) CIDA, Mandate and Objectives (pamphlet distributed by CIDA, September 1984).
- 31) Ibid., p. 1.
- 32) Task Force, p. 2.
- 33) Profits and Foreign Aid Uneasy Suitors, p. A11.
- 34) Helen Jones Dawson, "Pressure Groups and the Canadian Bureaucracy: Farm Organizations in Canada" in W.D.K. Kernaghan, ed. Bureaucracy in Canadian Government (Toronto: Methuen, 1969), 48.
- 35) Perpetuating Poverty, pp. 35-36.
- 36) Task Force, p. 4, 26.
- 37) The leader was Australia, with \$1.266. Task Force, p. 11.

- 38) CIDA, Annual Report 1984-1985 (Ottawa: Supply and Services, 1985), 38-39.
- 39) Task Force, p. 3. CESO is different from most Canadian NGOs in that it has much more business involvement than other NGOs. Its volunteers are consultants (usually retired business people) who have no business or private interest in the service they give, and many prominent members of the business community serve on either its Board of Directors or Advisory Council. CESO's Mission Statement (N.P., N.D.); CESO, Annual Report 1986-1987 (N.P., N.D.).
- 40) Ibid., p. 11.
- 41) Interview with Valerie Melnikoff, CCIC, June 4, 1986.
- 42) Ibid.
- 43) Task Force, p. 7.
- 44) Ibid.
- 45) Ibid., p. 8.
- 46) Melnikoff Interview.
- 47) W. Blair Dimock, The Involvement and Influence of Domestic Interest Groups in Canadian Foreign Policy Making (Carleton University, Norman Patterson School of International Affairs: Unpublished MA Thesis, 1980) 115.

CHAPTER THREE - CARIBBEAN

HISTORICAL DEVELOPMENT PATTERNS: PROFILE OF CANADA-CARIBBEAN INVESTMENT AND AID PROGRAMS

In order to demonstrate the effects of Canadian foreign aid programs on development, I selected one region, Commonwealth Caribbean, where Canada has consistently been one of the largest aid donors, where the countries have experienced a history of dependency and are ranked as middle-income. This chapter begins by looking back at that history in order to elaborate the particular pattern of Caribbean underdevelopment. After reviewing several of the strategies aimed at overcoming dependency, notably regionalization efforts, we identify the region's principal basic needs, specifically the challenge of overcoming food dependency. With an understanding of the needs we will be in a better position to appreciate Canada's contribution to advancing (or retarding) national/regional economic control through its aid programs and trade/investment interests.

The Commonwealth Caribbean, the region selected to investigate the impact of aid on development, is made up of twelve island countries, or micro-states, which have a combined total population of only 4.5 million. They are all members of the Commonwealth Caribbean Regional Secretariat and the Caribbean Common Market (CARICOM), which gives them some administrative and economic unity. Belize and Guyana are not actually islands, but because of their small size, and the inaccessibility of their hinterlands, they are considered to have similar geographic and economic conditions as the islands. The four largest and most economically developed countries are Jamaica, Trinidad and Tobago, Guyana and Barbados. There is a relatively large gap in both size and level of economic development between these countries and the eight small, less-developed countries, which are St. Lucia, St. Kitts-Nevis, Antigua, Belize,

Montserrat, Grenada, St. Vincent and the Grenadines, and Dominica, but all are classified by the World Bank as middle income countries.⁽¹⁾ Anguilla is technically part of St. Kitts-Nevis, but in practice it is an independent state. The Bahamas contributes to the Commonwealth Caribbean Regional Secretariat and has some functional co-operation with Caribbean Common Market (CARICOM), but is not a formal member. Some general indicators can be found in Table 1, below.

Table 1: Commonwealth Caribbean Indicators, 1982⁽²⁾

Country	Population ('000s)	Life Expectancy	Literacy (%)	Unemployment (%)	Foreign Debt (\$million US)	Per Capita Income(\$US)
Antigua-Barbuda	77	62	88	18	54	1,649
Barbados	254	70	98	11	332	2,373
Belize	152	48	91	49 million*	65	1,080**
Dominica	74	58	80	23	58	798
Grenada	111	63	98	14	17	883
Guyana	803	69	86	21	993	697
Jamaica	2,228	69	82	26	2,060	1,428
Montserrat	12	68	76	6	2	1,736
St. Kitts-Nevis	45	68	88	20	11	1,062
St. Lucia	119	69	80	14	18	1,071
St. Vincent	128	67	80	20	16	657
Trinidad & Tobago	1,076	66	97	12	1	2,776

* the number of actively employed.

** GNP per capita.

All of the Commonwealth Caribbean countries have similar histories and resources. All were formerly British colonies established in the early 1600's with plantation economies based on a single agricultural export, either sugar or bananas, using African slaves to provide labour. When slavery was abolished, in

the 1830's, the economic structure of the islands remained unchanged. According to Mandle, this was because former slaves had access to neither farmland nor alternate employment. The plantation owners controlled all the cultivable land, which they would not sell, and there was little nonplantation employment available without leaving the Caribbean. Because of these limited opportunities, former slaves had little option but to continue working on the plantation for very low wages.⁽³⁾ Land resettlement plans for former slaves were first recommended in the West Indies Royal Commission of 1897, although Jamaica had previously begun its own resettlement scheme. In spite of the recommendations, there was little serious effort toward implementing them. The resettlement programs were usually stop-gap measures when crises such as a peasant revolt threatened, and poor quality land, or land on which a plantation had previously failed, were often used instead of sufficiently high-quality land to encourage farm prosperity. In addition, peasant problems, such as their lack of knowledge, capital and organization, or their choice of land were not considered.⁽⁴⁾

The plantation economies of the Caribbean did not achieve rapid economic growth⁽⁵⁾ because the new technology necessary for this growth was rarely, if ever, introduced. In order for new technology to be introduced (for example, modern cane cutting equipment and sugar mills), the plantation owners would need some incentive and the capacity to introduce it. There was little incentive to introduce capital-intensive technology to the plantations because, with the low wages paid to labourers (or slavery in the early days), it was more economical to continue with the labour-intensive production methods already in place. However, even if there had been incentive for technological advancement, there were few in the population who had the "skill, opportunities, or incentives to engage in such a search...The very mechanisms by

which plantations were rendered commercially viable involved decreasing the proportion of the population motivated and even physically able to undertake the kind of experimentation and trial and error processes necessary to advance production methods".⁽⁶⁾ The plantation economy was unchallenged until the 1930's, when the global recession reduced plantation workers' incomes and encouraged rebellion, but there was little real change until the 1950's.

Politically, as well as economically, there was little interaction among the Commonwealth Caribbean territories prior to the late 1950's. The main trading partner, Great Britain, controlled the political systems within the colonies as well as relations with other states. The only other trading partners of importance were Canada and, to a lesser extent until the 1960's, the United States. "In 1967, only about 6 per cent of the total domestic exports of CARIFTA Countries [all the Commonwealth Caribbean countries except Belize, which joined later] went to other CARIFTA Countries, compared with 25% to the U.K. and 35% to the U.S.A."⁽⁷⁾ During the late 1950's, Great Britain began reducing its level of investment in the Caribbean, which opened up opportunities for greater trade among Caribbean islands, as well as greater foreign aid from, and trade opportunities with, Canada and the United States. It was during the late 1940's that W. Arthur Lewis first suggested the Caribbean region should attempt to move from the stagnating plantation economy based on sugar and banana exports to a more industrialized economy.⁽⁸⁾ The view was that industrialization and trade with developed nations would lead to development, while continuing in export-oriented agriculture would lead only to an exacerbation of the problems previously mentioned.

Trade is envisioned, in laissez-faire economics,⁽⁹⁾ as an avenue toward development. International trade, by allowing countries to profit from comparative advantages in production, should provide capital to establish

productive enterprises in underdeveloped countries. These enterprises would create employment not only in the new industry, but also in industries which had linkages with it, such as raw material extraction, agriculture and construction to feed and house workers, etc.. However, underdeveloped countries in the Caribbean did not have the industrial structure necessary for this kind of trade strategy to be successful. The best way to build this industrial base appeared to be through inviting foreign firms to establish branch plants, where local workers could gain knowledge and experience.

It was during the 1950's that the first attempts at export-oriented development began, as recommended by Lewis. This development strategy involved encouraging foreign investors to establish export-oriented industries locally (for example, factories to produce labour-intensive goods such as clothing and toiletries), by protecting the national market and using "fiscal incentives to attract industrial investment".⁽¹⁰⁾ The products were exported to other countries rather than used in the Caribbean, but it was hoped that these new industries would lead to more local capital and expertise so that the development could be expanded to locally-controlled industries. However, since there was no economic integration, each country negotiated individually with investors, rather than as a united region and, because of their small size had little bargaining power.

One of the major problems with an industrial strategy based on direct foreign investment is that a technology capability is not automatically transferred to the host region. Multinational corporations typically retain control over research and development, which is the most critical part of the enterprise because it ensures continued market dominance, while the branch plant workers in Third World host countries are relegated to assembly of prepared inputs at low wages. Further, there is always the risk that if

dependent development is too successful and wages begin to rise, multinationals will relocate their operations to countries where wages are lower. This risk encourages governments to legislate low wages and exercise strict control over workers, in order to prevent any protest which might endanger such development as does occur. There are many examples of branch plants, particularly in the garment industry, losing contracts to other plants because of workers' demands for higher wages or better working conditions. Competition among the islands has meant that multinationals can easily move their operations from country to country, to wherever is most profitable and least troublesome. Similarly, the sugar industry faces quotas and cannot demand a high enough price to meet its costs because of difficulties finding employees to work long hours at the low wages offered.⁽¹¹⁾

The countries of the Commonwealth Caribbean realized that competing against each other for direct foreign investment was benefitting only the multinationals, and they would be in a stronger position to bargain for benefits, better wages for employees, and more local control over their economies if they acted in unity. Although the need for regionalization was recognized in theory, actual movement toward economic unity has been slow because countries profiting from the immediate benefits of direct foreign investment (influx of capital, buildings and capital goods provided at low cost to the local economy, some transfer of technology) were not always prepared to give up those short term benefits in order to strengthen the region's economy by supporting locally controlled firms, regardless of the long term gains. As well, political independence appears to have been considered a prerequisite for national/regional economic control, as the first regionalization efforts dealt with political, rather than economic, matters.

In 1957, the first effort was made toward uniting as a region. The West

Indies Federation was comprised of Antigua and Barbuda, Barbados, Dominica, Grenada, Jamaica, Montserrat, St. Kitts-Nevis-Anguilla, St Lucia, St Vincent and the Grenadines, and Trinidad and Tobago. The Federation was a purely political structure. One of the main goals of the Federation was encouraging constitutional independence. In this, it was quite successful. Although the members of the West Indies Federation were still British colonies at the time of its inception, by the time the Federation collapsed in 1962 four of the colonies had achieved political independence. In fact, the secessions of Jamaica and Trinidad and Tobago after they achieved political independence were the primary cause of the Federation's dissolution. By 1969 six others had achieved Associated Statehood with the U.K. (they still relied on the U.K. for management of their defence and foreign affairs). By the time of its dissolution, there was still no economic integration in the region, not even a free trade agreement.⁽¹²⁾

Regionalization efforts did not, however, end with the collapse of the Federation. In 1968 The Caribbean Free Trade Agreement (CARIFTA) was established. The members of CARIFTA were the same as those in the West Indies Federation, with the addition of Belize and Guyana. It was active only in purely economic matters. CARIFTA did encourage intra-regional trade after 1967. "The share of regional imports in CARIFTA's manufacturing output grew from 7.9 percent in 1963 to 9.1 percent in 1967 and accelerated to 14.9 percent in 1973."⁽¹³⁾ However, this effort at regionalizing trade was not very effective since, although there was an impressive expansion of trade, most of it occurred because multinational firms were able to "take advantage of the larger protected market",⁽¹⁴⁾ and most of the increased trade took place among the four largest and most economically developed countries, while the smaller, poorer islands benefitted very little.

The Caribbean Development Bank was established in 1970 to assist the eight least developed countries (LDCs). It was not very effective when it began, because of lengthy loan approval procedures and stringent credit rating criteria. Its efficiency has improved, however, and it now operates in such a way that the poorest member countries receive low interest rate loans, so that it corrects some of the regional imbalances benefitting the most developed countries (MDCs), within the free trade agreement.

In 1973 the Caribbean Common Market (CARICOM) was established. It began as a customs union, or free trade, agreement. CARICOM was active in co-operation in fields such as health, education, transportation, meteorology, and foreign policy, as well as trade. One of its most important initiatives was a regional agricultural marketing and development program, the Regional Food and Nutrition Strategy. Its purpose was to increase the amount of food grown for local consumption, while gearing the production to local land use and employment needs.⁽¹⁵⁾ The Caribbean Food Corporation was formed in 1976. It is the major regional institution for implementing the Regional Food Plan, and shares are held by all CARICOM countries. The Regional Food Plan was a set of agricultural policy objectives agreed upon in 1975, which had the aim of reducing food imports to the region. The main elements of the program were:

"a. Preliminary proposals for a regional livestock program aimed at achieving a significant level of self-sufficiency in all meat products over the next ten years.

b. Important food production projects to be undertaken by a specially created Caribbean Food Corporation. 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".⁽¹⁶⁾

The largest part of the project was the livestock program, which was designed to replace the 1973 level of livestock imports with locally-produced livestock, as well as most of the new demand, by 1980. Dairy herds were to be concentrated in Belize, Guyana, Trinidad and Jamaica. Beef cattle development was to be concentrated in Guyana and Belize, as were corn and soya. Egg farming was to be developed in the countries of the Eastern Caribbean Common Market.

Although the first efforts at regionalization were made at the same time as the countries of the Commonwealth Caribbean were moving from colony to independent nation status, regionalization should not be regarded as merely a transitional stage between colony and nation. Organizations such as the West Indies Federation were not created only to demonstrate to the colonial power that the Commonwealth Caribbean was capable of organizing itself politically, and therefore capable of self-government; they were important vehicles in the effort made by the countries of the Commonwealth Caribbean to gain economic control over their economies. The fact that regional economic unity has continued to be an official priority from 1957 to at least 1976 (while most of the countries concerned had achieved at least partial political independence by 1969) indicates that organizations to promote regional political and economic unity were considered by the Caribbean governments supporting them to be necessary for more than just the colonial transition.

Besides regionalization, other methods of overcoming economic dependency have been tried. Several countries have attempted unilateral efforts

to increase their level of national economic control. Guyana, Jamaica and Grenada all had socialist governments for varying lengths of time. These socialist governments reduced the level of foreign ownership by nationalizing the industries in which they are dominant, such as the bauxite industry in Guyana.⁽¹⁷⁾ Import substitution in heavy manufacturing did not prove viable because the entire Commonwealth Caribbean region has only a small population. There is insufficient capital to establish the industry and insufficient demand for the manufactured product. The region is too small to create a large enough market for large-scale production. Some import substitution has been possible in lighter manufacturing such as clothing, because light industry can be run on a smaller scale so the industry does not overproduce for the local demand, and requires less capital input. With the exception of Jamaica and Guyana (bauxite) and Trinidad and Tobago (petroleum) there are few mineral resources and the Caribbean economies continue to be based on a combination of agriculture and tourism.

Because Caribbean industry is generally controlled by outside firms which base their business plans around the needs of the head office rather than the branch plant, manufacturing generates few local linkages with other sectors. The same problem also exists in the tourism industry. Most of the inputs required for the industry are imported, and the local industries are simply assembly plants (this includes the tourist industry, where transportation, accomodation and food are all controlled by non-Caribbean firms). Related sectors of the local economy which could provide inputs to the branch plant are not supported through purchases of locally-produced raw materials. This is the case in the shoe industry, where the shoe components are imported and assembled, then the nearly-finished shoes are re-exported. It is less expensive to transport the raw materials to another country, then import the finished

product, than to pay Canadian or American workers to assemble them. Similarly, products which are destined for the regional market are imported partly assembled and the finishing touches are added by local workers, so that TNCs can avoid tariffs on finished goods. Also, since import substitution industries are protected, the non-industrial sectors of the economy are subsidizing them, either by buying industrial goods which are more highly priced than imports, paying higher taxes than the tax-exempt manufacturing industries, or by accepting price controls on non-industrial products. It is not only a problem of too few linkages, but also that manufacturing industry is favoured at the expense of other parts of the economy.

Although foreign banks control many of the financial operations of the Caribbean (Canadian banks are the largest when comparing nations, and Britain's Lloyd's Bank is the largest single bank), the region's governments do not appear to be attempting to regain control of this aspect of their economy. For example, Barbados has recently been promoting itself as an offshore banking entre similar to other Caribbean islands such as the Cayman Islands. Even though foreign banks already dominate the banking market (and credit-granting decisions based on developed country standards of what constitutes a safe risk), the Barbados government appears ready to facilitate even more foreign banking activity, by stating that there will be no requirement to hire native staff.⁽¹⁸⁾

Agriculture is still the most important industry on most islands, and the largest employer. The Caribbean nations are exporters of unrefined fruit and vegetables, even though they are not food self-sufficient. This has led to balance of payment problems because the prices for unrefined agricultural products are lower and more subject to seasonal fluctuations than are processed food imports. In addition to fluctuating prices, agricultural commodity prices have been declining since the 1960's, exacerbating the difficulties in paying for

imports. Because development is here defined in terms of national/regional economic control, agriculture is the industry which will be studied in detail to see the effect of Canadian foreign aid, because "generally it is to agriculture that a country must look if it is to achieve self-reliant growth".⁽¹⁹⁾ Other sectors, such as tourism, might appear to be more promising bases for economic development. However, because of the lack of links with other sectors of the economy, and relatively high wages for the few who manage to find employment, the tourist industry has tended to lead to skewed development, income disparities, and little local input and control over the economy. The high level of tourism from Canada and elsewhere means that the region's reliance on this industry creates a vulnerability to changing tastes and a shift in travel destinations by tour operators. For example a change by Canada's Suntours (partly owned by the Royal Bank of Canada), which brings at least 300,000 tourists annually to the Caribbean, could wreak havoc on the Barbados economy, where there are more Canadian tourists than any other nationality.

National/regional economic control entails both local ownership and effective local control over management of enterprises or associations which undertake economic activity. In the case of the Commonwealth Caribbean, many of the large plantations continue to be controlled by foreign agricultural firms, while local peasants are confined to small farms of only a few acres on poor land. For both Caricom and its member governments, one of the first concerns for development projects is land redistribution and improvement, so that the small farms are economically viable, so that income distribution is less skewed, and assisting locally-controlled, large-scale farming on the plantations (co-operatives have sometimes been started in order to combine the goals of land redistribution and large-scale farming). By encouraging local enterprises in the production of needed goods, the second concern of reducing the level of

dependence on imported food is being met.⁽²⁰⁾

Food dependence is a serious problem because without food self-sufficiency, an economy is extremely vulnerable to outside influences. If a nation is unable to be at least interdependent with other nations in food, and has no other valuable commodities which are required by its trading partners, it is limited in its ability to bargain from a position of strength to ensure continued food supplies in times of economic uncertainty. While dependence on other commodities is not desirable either, the most serious type of dependence is that on food; in terms of our basic needs definition of development, sufficient quantities of locally-produced food grown on locally-owned farms satisfies the one of most important of basic needs while maintaining local economic control.

What is the extent of Caribbean food dependency? Most Caribbean countries import over 50 percent of their food. Barbados, Antigua and Trinidad import over 80 percent. Even food processing firms in the region "import about 80 percent of the food ingredients for their processed products".⁽²¹⁾ This food dependency is partly a result of imported foods to satisfy tourists and partly a result of the locals' acquired taste for foreign foods. The taste for imported foods among local inhabitants results both from contact with foreign visitors and from a historical rejection of locally-grown foods, which were only eaten by slaves before emancipation. However, there are also structural causes for food dependency in the Caribbean.

The main structural reason for food dependency is the inequitable distribution of farm land. 95 percent of Caribbean farms are smaller than 25 acres in size, making up only 30 percent of all farm land, while only about 2 percent of farms are over 100 acres and account for more than 50 percent of all available farm land. The larger farms, most of which are owned by, or export their entire crop directly to, foreign-owned multinationals, are involved

in "commercial, export-oriented agriculture".⁽²²⁾ Land reform programs have been suggested and attempted for many years, but have not been very successful because the new farms created were too small for gainful employment. One reason for this may be that even the large estates are not big enough to break down, unlike those in Latin America after which the schemes were patterned. The large estates in the Caribbean are usually less than 1000 hectares in size, and even the very largest are rarely larger than 5000 hectares, but those in Latin America are often several hundred thousand hectares.⁽²³⁾

The small farms achieve less than maximum efficiency in providing food for the local population for several reasons: 1) The small size of the farms means that many owners are forced to work elsewhere in order to supplement their income. Rather than producing labour-intensive food crops for local consumption, crops such as banana plants, cocoa bushes and nutmeg trees are often grown because they require less supervision, leaving farmers free to seek supplementary employment. 2) Yields are low because of "poor cultivation practices in terms of replanting time and density of plants; poor and inadequate use of inputs such as fertilizer; and the absence of proper soil conservation and irrigation methods".⁽²⁴⁾ 3) The farmers' land frequently is divided into several scattered small plots, because of the inheritance system in which each heir receives a portion of land. This leads to difficulties in operating weed and pest control programs, as well as wasted time travelling between plots. In addition, these plots often consist of the poorest quality land because land distribution efforts after emancipation did not force landowners to give up their better-quality land.

Even the large, export-oriented farms do not achieve maximum efficiency because not all land is cultivated. Usually, only one crop is grown on the best

land, while marginal land lies fallow. As well, the crop which is grown may not necessarily be the most suitable for the land, in terms of maximum yields and minimum soil depletion, because the crop is chosen for its usefulness to the multinational's parent company. The large estates also suffer from chronic labour shortages because the wages are low compared to other industries, the work is very strenuous and agriculture is looked upon with disfavour because of its associations with slavery. This has led to the harvesting of burnt cane, which reduces yields but means that workers can cut more cane per day. Even though agricultural wages are low compared with other sections such as manufacturing and tourism, the high cost of agricultural production in the Caribbean compared to other Third World regions means that agricultural production is not always economical. For example, in the last few years, the prices earned by sugar were sometimes below the cost of production.⁽²⁵⁾

Canadian Business in the Commonwealth Caribbean

There is a clear need to improve infrastructure, education and credit facilities in order to increase the level of agricultural production so that the most serious food deficiencies are reduced. In order to evaluate Canada's efforts at meeting these needs, it is necessary to understand the trade patterns between Canada and the Caribbean region and to what extent Canadian aid programs have been designed to increase national/regional economic control over the agriculture industry. The following pages will provide an overview of what Canadian industries invest in the Caribbean. An overview of Canadian bilateral and NGO aid programs in the region, along with detailed case studies, is found in Chapter Five.

The Commonwealth Caribbean has had economic links with Canada dating back over a century. In the earliest years, they were both part of a triangular trade pattern with their common imperial power, Great Britain. Canada was a

major export destination for sugar and rum, and its most important imports were salt cod and wheat. Since 1958, when Canada initiated its Commonwealth Caribbean Aid program, the value of Canadian exports to the region has remained stable while the value of Canadian imports has declined, partly due to the decrease in value of the Caribbean's commodities. Although the U.S.A. has overtaken the Caribbean as Canada's major trading partner, the Caribbean is still an important outlet for Canadian exports.

The Canadian businesses currently active in Caribbean direct investment are concentrated in banking, mining and transportation. The book value of these investments in 1977 was approximately US \$850 million.⁽²⁶⁾ Those companies with three or more subsidiaries are Alcan (mining), Bata (shoes), Canadian Pacific (travel, food), Scotts Hospitality (travel), Seagram (liquor), Canadian Imperial Bank of Commerce, Royal Bank of Canada and Bank of Nova Scotia (banking). The Commonwealth Caribbean is a popular place for Canadian foreign investment because the national/regional economy is such that there is room for investment by smaller firms investing in only one place outside the home country, as well as large transnational firms. In addition, the governments in the Caribbean have maintained relatively open economies which have not attempted to nationalize industries, unlike the governments in other Third World regions such as Africa. The main exception has been the mining industry in Jamaica and Guyana. In fact, when there has been disinvestment, it has usually "come at the initiation of the TNCs and not the host governments".⁽²⁷⁾

The main agricultural investments from Canada are in the sugar industry and in milling. Canadian involvement in the Caribbean sugar industry dates back well over a century, especially in the Maritimes: Barbados rum is the main ingredient in Newfoundland "screech". In spite of the reduced demand for sugar, declining prices and the rapid loss of workers to manufacturing and tourism

(nearly 30% of the sugar workers currently employed will retire by 1987) the Caribbean remains a major centre for foreign investment. In addition to the Purity Bakery in Barbados, which is controlled by Canadian Pacific, Maple Leaf Mills, and Global Food Processors are active in the Caribbean.

Although Bata Shoe has factories in Guyana and Trinidad, and Alcan Aluminium is active in the bauxite-producing countries, there is little other Canadian investment in Caribbean manufacturing and heavy industry. The only exception is petroleum. Canada's state-owned Petro-Canada International Assistance Corporation (PCIAC) is investing in both Trinidad and Tobago and Barbados, with the stated aim of helping reduce their reliance on imported oil. It is not yet clear whether the cost of developing indigenous oil fields will be less than importing oil, since the oil discoveries to date have been relatively small and oil prices are now dropping. However, it is certain that the current export of equipment and technology from Canada will lessen the effects of dropping oil prices on the Canadian oil industry.

Canadian companies are active in the tourism industry. They include Canadian Pacific and Air Canada, which owns Venturex (tour operator) and 26% of Air Jamaica. Scotts Hospitality, which owns Holiday Inns, operates under a licensing operation. "A hotel owner pays an initial fee of \$300 a room and a 4 percent royalty on gross room revenues. In return, the corporation trains management, inspects the hotel, and provides manuals and training films for the staff. Another 2 percent royalty permits the hotel to hook into Holiday Inns' international reservations service".⁽²⁸⁾ This type of indirect control has been criticized because management decisions are not being made by cost-conscious owners. In almost every case where there were financial problems with a hotel connected with a foreign multinational hotel firm, the multinational was not directly involved financially, but in every successful hotel with a licensing

contract the multinational had invested directly.⁽²⁹⁾ An exception to the foreign domination of the tourism industry is Barbados, where although 70% of all the luxury hotels are owned by foreign firms, many of the smaller hotels are locally-owned.

Canadian banks are among the largest in the region, and have been active there almost as long as the sugar traders. They have been involved not only in loans to foreign private investors, but have recently started loaning money at non-concessional rates to some Caribbean governments, such as Barbados, since the governments are no longer striving to avoid accumulating large debts. The first Canadian bank in the Caribbean was the Bank of Nova Scotia, which established a branch in Jamaica in 1899. It now has 54 branches and subsidiaries in the Caribbean. The Royal Bank of Canada started operation in Trinidad and Tobago in 1902 and currently has 63 Caribbean branches, subsidiaries and affiliates. The Canadian Imperial Bank of Commerce has 29 branches and subsidiaries, the first being in Jamaica in 1919. The Toronto Dominion Bank and the Bank of Montreal were late entering the region. The TD Bank has only 2 branches and subsidiaries, while the Bank of Montreal no longer has any.⁽³⁰⁾ In addition to banking, the Canadian financial community is involved in insurance. The three major companies with Caribbean offices are Sun Life Assurance, Imperial Life Assurance and Dominion Life Assurance.

With this brief overview of Canadian business involvement and some understanding of the region's dependency over time, we can now begin to explore the relationships between aid and development in our research model.

ENDNOTES - CHAPTER THREE

- 1) Sidney E. Chernick, The Commonwealth Caribbean. The Integration Experience, World Bank Country Economic Report (Baltimore: Johns Hopkins University Press, 1978) 3. The middle-income countries are defined as having a GNP per capita of between \$420 and \$,500 (U.S. funds) per annum in World Bank, World Development Report 1982 (Oxford: Oxford University Press, 1982) 110.
- 2) The Other Side of Paradise, introduction. The population and per capita income for Belize are from Geographical Distribution of Financial Flows 1983. Life expectancy, literacy and active population (no figure on unemployment was available) for Belize are from United Nations Conference on Trade and Development, Handbook of International Trade and Development Statistics (New York: United Nations, 1983). Belize foreign debt is from World Debt Tables 1985-86 (Washington: The World Bank, 1986).
- 3) Jay Mandle, Patterns of Caribbean Development (New York: Gordon & Beach Science Publishers, 1982) 45.
- 4) Andrew Axline, Agricultural Policy and Collective Self-Reliance in the Caribbean (Boulder: Westview Press, 1986) 50-51.
- 5) Jay Mandle, Patterns of Caribbean Development, p. 46.
- 6) Ibid., p. 48-49.
- 7) Commonwealth Caribbean Regional Secretariat, CARIFTA and the New Caribbean (Georgetown Guyana: Commonwealth Caribbean Regional Secretariat, 1971) 11.
- 8) W. Arthur Lewis, cited in Patterns of Caribbean Development, p. 56.
- 9) See The Stages of Economic Growth, as well as Raymond Vernon in Thomas J. Bierstecker, Distortion or Development? (Cambridge, Mass.: The MIT Press, 1978, reprinted 1982) chapter 2.
- 10) Agricultural Policy, p. 12.
- 11) The Other Side of Paradise, pp 33, 37, 59, 61, 70. For further reading on the effect of multinational corporations, see: Lawrence Alschuler, "Multinationals and Maldevelopment: Alternative Development Strategies in Argentina, The Ivory Coast, and Korea", Scandinavian Journal of Development Alternatives II, 1 (March 1983) 3-26; Distortion or Development?; Volker Bornschier, C. Chase-Dunn and R. Robinson, "Cross-National Evidence of Foreign Investment and Aid on Economic Growth and Inequality: A Survey of Findings and a Reanalysis", American Journal of Sociology 84, 3 (Nov. 1978) 651-683; Volker Bornschier and C. Chase-Dunn, Transnational Corporations and Underdevelopment (New York: Praeger, 1985); Sanjaya Lall and Paul Streeten, Foreign Investment, Transnationals and Developing Countries (London: Macmillan, 1977) 3-46; Gilberto Mathias and Pierre Salama, L'etat surdeveloppe: des metropoles au Tiers-Monde (Paris: Maspéro, 1983); Robert N Stauffer,

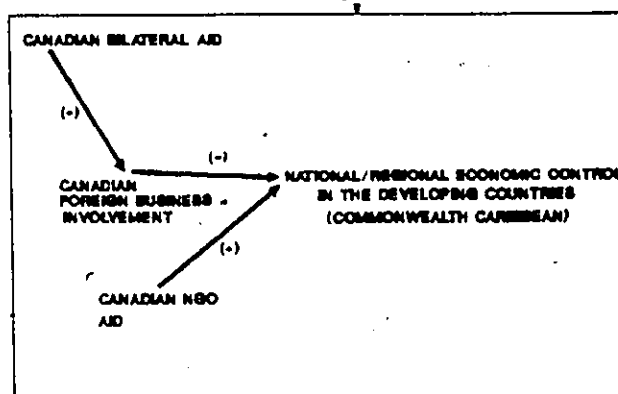
Transnational Corporations and the State (Sydney: University of Sydney, 1985).

- 12) The most important legacy of the West Indies Federation is the University of the West Indies, which has campuses on Barbados, Jamaica and Trinidad and Tobago, as well as offering courses and scholarships to students on the other islands.
- 13) The Other Side of Paradise, p. 13.
- 14) The Commonwealth Caribbean. The Integration Experience, p. 187.
- 15) W. Andrew Axline and Lynne K. Mytelka, "Société multinationale et intégration régionale dans le groupe andin et dans la communauté des caraïbes", Études internationales VII, 1 (1976) 163-192.
- 16) The Commonwealth Caribbean. The Integration Experience, p. 128. Canada contributes to the Regional Food Plan through its multilateral program.
- 17) Isaac A. Litvak and Christopher J. Maule, "Alcan Aluminum Limited", Royal Commission on Corporate Concentration Study #13 (Ottawa: Supply and Services, February 1977) 160-168. For further readings on nationalization, see N. Girvan, "The development of dependency economics in the Caribbean and Latin America: review and comparison", Social and Economic Studies 22 (1973) 1-33; Axline and Mytelka, "Société multinationale et intégration régionale dans le groupe andin et dans la communauté des caraïbes"; Institute of Social and Economic Research, "An Overview of Public Enterprise in the Commonwealth Caribbean", Studies in Caribbean Public Enterprise (I.S.E.R.: N.P., 1979); I.A. Litvak, Foreign Subsidiaries as Instruments of Host Government Policy, paper delivered to the International Conference on Nationalism and the Multinational Enterprise: Legal Economic and Managerial Aspects (Montreal: McGill University, August 23-25, 1979); Isaiah A. Litvak and Christopher J. Maule, Foreign Investment: The Experience of Host Countries (New York: Praeger Publishers, 1970).
- 18) The Other Side of Paradise, p. 156.
- 19) Patterns of Caribbean Development, p. 71.
- 20) Agriculture Policy and Collective Self-Reliance in the Caribbean, pp. 51-61.
- 21) The Other Side of Paradise, p. 28.
- 22) Patterns of Caribbean Development, p. 102.
- 23) Jean Crusol, Économies insulaires de la Caraïbe (Paris: Éditions Caribéennes, 1980) 63.
- 24) The Commonwealth Caribbean. The Integration Experience, p. 122.
- 25) The Other Side of Paradise, p. 32.

- 26) Ibid., p. 221.
- 27) Ibid., p. 25.
- 28) The Other Side of Paradise, p. 79.
- 29) Ibid.
- 30) Its only involvement had been as part of the now discontinued operations of the Bank of London and Montreal, which was partly owned by the Bank of Montreal until 1970. "The Internationalization of Canadian Bank. Capital (With a Look at Bank Activity in the Caribbean and Central America)", 73.

CHAPTER FOUR - QUANTITATIVE ANALYSIS

This chapter contains a quantitative analysis of the relationships between the parts of the model being examined. As indicated in Chapter 1, the model being investigated is:



The indicators used for the parts of the model are both statistical and qualitative. Both will be described below. The statistical, or quantitative indicators, will be analyzed in this chapter, along with some qualitative analysis. A more detailed qualitative analysis using specific case studies will be made in Chapter Five. The indicators used are:

Canadian bilateral aid - amount of Canadian bilateral aid to the Commonwealth Caribbean region measured in thousands of constant (1971) Canadian dollars. The amount of bilateral aid is a valid measure of commitment, because in statements on foreign policy, increased commitment to development goals is equated with an increase in the amount of foreign aid.⁽¹⁾ Since the social aspects of development are also a priority, the kind of aid given is as important as the amount given. Therefore, a qualitative analysis will also be made, using a project which is representative of the agricultural projects in the Caribbean supported by the bilateral aid department of CIDA.

Canadian business involvement - amount of Canadian exports to the

Commonwealth Caribbean region measured in millions of constant (1971) Canadian dollars. Foreign direct investment is often used in development theory⁽²⁾ as a measure of economic control over the underdeveloped economy. However, in this case, it is an inadequate measure because most Canadian involvement in the region's economy is based on trade rather than direct investment. This trade is concentrated in live animals, foods and agricultural supplies. As stated in Chapter Two, it appears that CIDA's policies are designed to encourage Caribbean imports of Canadian supplies necessary to the export-oriented agricultural sector, as well as foodstuffs for local consumption. Therefore, in this case, both the amount of Canadian exports and the structure of exports appear to be appropriate to indicate Canadian business links with the local economy.

Non-governmental organization aid - ratio of the amount of money disbursed by CIDA as part of its NGO programs compared to the amount disbursed through its bilateral programs, given as a percentage. This measure was chosen instead of simply the total amount given through CIDA because that total does not take into account the money disbursed through the private organizations. There do not appear to be any statistics kept on the total amount of aid disbursed through the NGOs. The ratio was chosen because, when taken into consideration with CIDA's policy decisions on NGO aid as outlined in the last chapter, it appears to reflect the Canadian governments's, and by extension the Canadian people's, attitude toward supporting NGO aid projects. Therefore, it gives an indication of NGO aid donations to the Commonwealth Caribbean. Other possible measures of NGO aid such as the number of projects each year, or the number of Canadians involved in all projects, were rejected as invalid because they do not fit NGO priorities. NGOs often work together to carry out one large project which would be beyond the scope of a single NGO. In the

same way, it is difficult to accurately measure the number of projects because in the past several NGO's may have supported different parts of the same project. In recent years, there has been a shift toward combining several small projects under the auspices of one NGO, although several may support them financially, in order to minimize administrative expenses. In addition, NGOs tend to have small budgets, so careful planning is necessary; limited funding means that the goal of one well planned and executed project rather than a number of poorly-run projects is a very high priority. Finally the NGOs' emphasis on indigenous development is reflected in their efforts to involve as few Canadians as possible in development projects; rather, they provide support for local NGOs to run the projects themselves. The number of Canadian people involved in projects has been reduced as project emphasis has moved more and more toward supporting local Caribbean NGOs. A case study using a project which is representative of the agricultural projects carried out by Canadian NGOs in the Caribbean will supplement the quantitative analysis.

National/regional economic control - ratio of regional imports to world imports, the ratio of regional exports to world exports, and the total amount of food and live animal imports to the region, measured in constant (1971) Canadian dollars. If the amount of world imports declines relative to the amount of regional imports, this indicates that there is more local self-sufficiency (and therefore economic control) as the region depends on relatively fewer imports, especially when combined with a high ratio of regional/world exports. Although this indicator could also be used to show that the poverty level is rising because the region can afford to pay for fewer imports, if the total amount of imports continues to rise then it is likely that the changes in the import ratio are not due to increased poverty but rather to a change in the region's choice of where to buy its goods. A higher import ratio indicates that the region is

supporting local firms rather than MNCs located in the region. Similarly, an increasing rate of exports within the region, compared to world exports indicates more national/regional self sufficiency (and therefore economic control) as the countries within the region use relatively more of their resources among themselves, rather than exporting them to the rest of the world. Although it is possible that increased regional trade (imports and exports) compared to world trade may be between branch plants of MNCs, it is unlikely given the historical pattern of trading between branch plants and the centre, with little trade among the branches. In the same way, if the amount of food and live animal imports declines, even if the amount of other imports increase, this indicates that the level of self sufficiency in food, the most important component of national/regional economic control, as defined in this thesis, is rising. The lowered level of animal imports at the same time as the total level of imports is rising indicates a shift in the choice of where to purchase goods, and an increased level of national/regional self-sufficiency. Control over agricultural businesses, as well as over local resources will be discussed as part of the case studies.

In order to use quantitative data effectively, it is necessary to perform certain statistical tests, in order to bring out the various relationships clearly. The strength of a relationship between two variables, or how much the independent variable affects the dependent variable, is shown by the regression line, or slope, of an equation. The steeper the angle of the line, the greater the impact of the independent variable upon the dependent variable.

A measure of association, or coefficient, shows how well the regression line fits the data given. A coefficient measures the probability that if one variable is known, the other variable can be accurately predicted: it measures how closely associated two variables are. If the coefficient is +1, there is a

100% probability that both measures will be high or both measures will be low (positive correlation). If the coefficient is -1, there is a 100% probability that if one measure is high, the other will be low (negative correlation). A + means that the indicators vary in the same direction, ie. high-high or low-low. A - means that the indicators vary in the opposite direction, ie. high-low or low-high. +1 and -1 are the maximum limits of the coefficient. The closer the coefficient is to either +1 or -1, the higher the probability of being able to predict where the second variable will be from the position of the first variable. The closer a coefficient is to 0, the less probability there is of accurately predicting the position of the second variable from the first variable. A coefficient of 0 means there is no probability of accurately predicting the position of one variable from the other, beyond the usual chance probability.

The data used for the statistical analysis is found in Appendix 5 at the end of the chapter. The statistical test, or coefficient, which has been used to show causal relations between the indicators is Pearson's r. It was chosen because the scattergram which accompanies it makes tendencies easily visible, but at the same time is a refined measure of relationships using metric data. The formula for calculating Pearson's r is $r = \frac{(\sum xy)}{\sqrt{\sum x^2 \sum y^2}}$. X is the independent variable and Y is the dependent variable. "The formula is a ratio of the common variation of the two variables (xy) to the square root of the product of their separate variation (x and y are, respectively, the variances of X and Y). If the two variables are perfectly related, then they will always vary together and the resulting ratio will be 1.0. If the two variables have no relationship with each other, then they will have no common variation; consequently, the numerator will be zero and the ratio will also be zero....Pearson's r measures the amount of linear relationship and not the total relationship. Two variables can be perfectly related in a nonlinear manner and Pearson's r might nonetheless equal

zero".⁽³⁾ Pearson's r is most easily interpreted by squaring it; r^2 , also known as the coefficient of determination, "is the percentage held in common of the total variation of the two variables".⁽⁴⁾ In other words, r^2 is the percentage of variation in the dependent variable which can be explained by the independent variable.

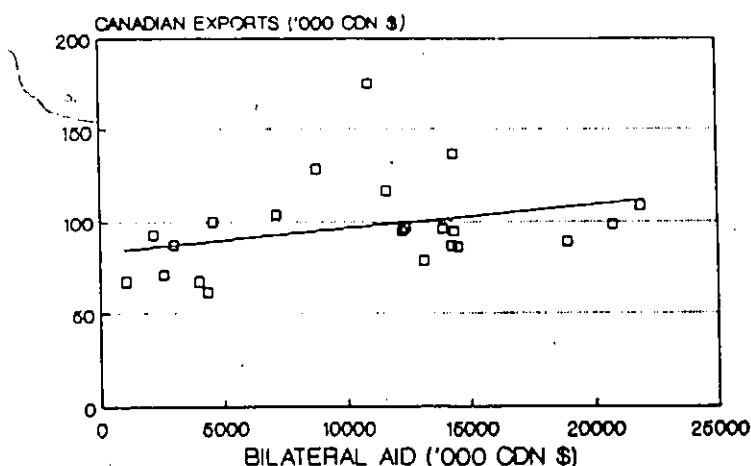
Once the values for Pearson's r have been derived, it is necessary to measure the level of significance. This is a way of measuring the risk that the relationship found in a sample is nonrandom; ie. it would appear even if no relationship appears in the whole population. The significance test for Pearson's r is called the F-distribution. The formula for the F-distribution in a simple Pearsonian r is $F = \frac{r^2(N-2)}{1-r^2}$, where r = simple coefficient of determination and N = the total number of cases. "This F-score, as well as the others to follow, is a ratio between the amount of variation explained by the independent variable(s) and the amount left unexplained, with the ratio adjusted according to the degrees of freedom."⁽⁵⁾ For this metric F-score, the first degree of freedom equals the number of independent variables. The second degree of freedom equals the total number of cases minus two ($N - 2$). Different combinations of the two degrees of freedom result in different F-distributions.⁽⁶⁾ For the purposes of this study, the risk must be less than 5% that the relationship found in the samples is nonrandom, in order to be considered significant.

It is important to remember that correlations between variables do not necessarily prove causal relationships. They can only indicate that such relationships are likely to exist. There is always a possibility of error or a hidden relationship. Because of the complexity of the phenomena being studied, there may be important influences affecting the model which are not currently part of the model. Some of these possible external influences will be discussed after the statistical analysis.

The causal propositions in the model are found below, along with the scattergraph showing the relationship between the dependent and independent variables in graph form, the slope of the line best describing the scattergraph, the calculation of Pearson's r , r^2 , and the F-distribution. At the end of each test, there will be a short explanation of the results obtained.

1) Canadian bilateral foreign aid has a negative effect on the level of development of an underdeveloped country, seen here as the level of national/regional economic control. The subhypotheses are that (1.1) Canadian bilateral foreign aid policy actively encourages Canadian business involvement in the aid program through tied aid requirements and by encouraging Canadian investment as part of aid packages, and (1.2) Canadian business elites, because of their formalized links with CIDA, are in a position to influence Canadian foreign aid policy formulation to favour their interests. (1.3) The resultant trade and foreign investment ties reduce national/regional economic control in the aid recipient country. Subhypotheses 1.1 and 1.2 are best shown by case studies, but they should also appear graphically. If Canadian business and the Canadian bilateral foreign aid program have a positive correlation, then the amount of Canadian bilateral foreign aid and Canadian exports and foreign business links should both increase.

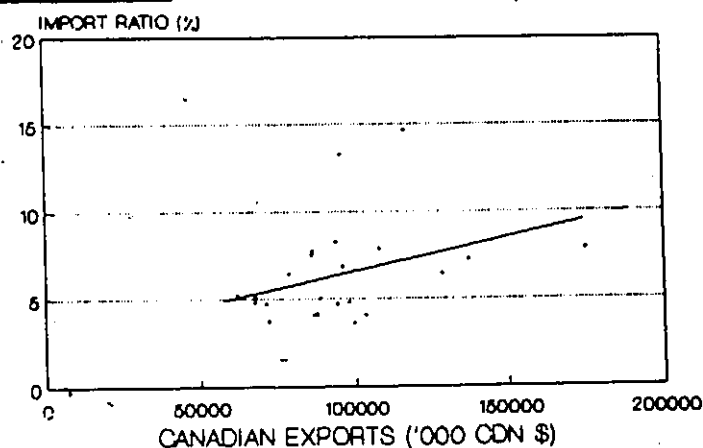
Canadian Bilateral Foreign Aid to the Commonwealth Caribbean → Canadian Exports to the Commonwealth Caribbean (7)



The slope of the line is 7.280. Pearson's r is .285, r^2 is .081 and F is 1.767. There is a positive relationship between the level of Canadian bilateral foreign aid and the level of Canadian exports to the Commonwealth Caribbean. Pearson's r shows that the slope does not describe this relationship very well; only 8% of the variation in Canadian exports can be explained by the variation in the amount of Canadian foreign aid. This relationship has a greater than 5% risk of appearing in the whole population, because of the size of F , therefore it must be considered that there is no statistically reliable relationship between these two variables.

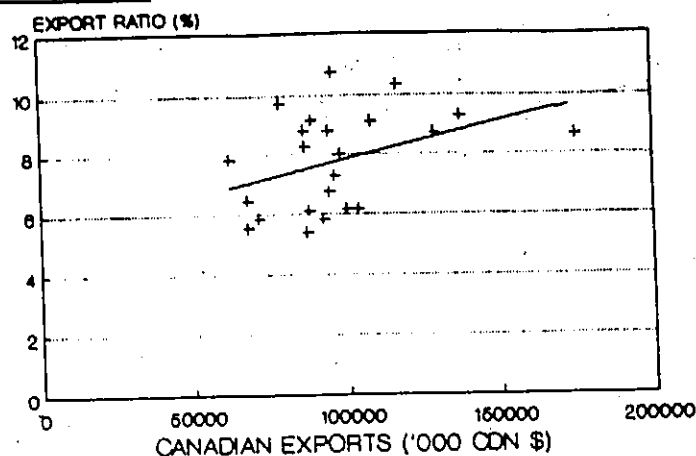
The link between Canadian business involvement and national/regional economic control can be measured by comparing the amount of Canadian exports to the Commonwealth Caribbean with our three measures of national/regional economic control: ratio of regional imports to world imports, the ratio of regional exports to world exports and the amount of animals measured in thousands of 1971 Canadian dollars, all in the Commonwealth Caribbean.

Canadian Exports to the Commonwealth Caribbean → Ratio of Caribbean Regional Imports to World Imports⁽⁸⁾

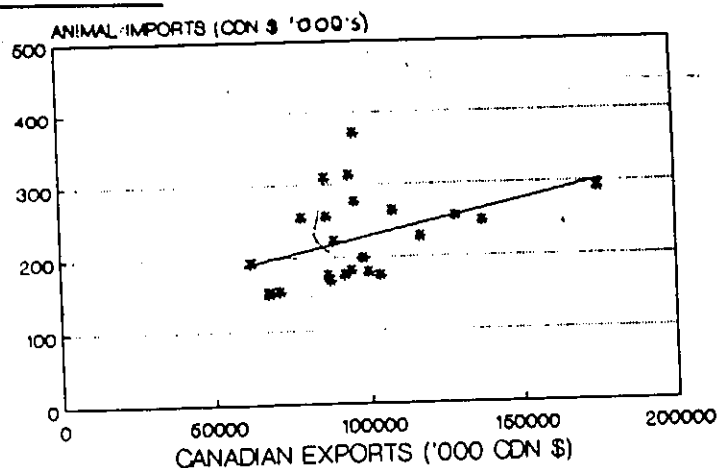


- = ratio of Caribbean regional imports to world imports
- + = ratio of Caribbean regional exports to world exports
- * = Animal imports to the Commonwealth Caribbean

Canadian Exports to the Commonwealth Caribbean → Ratio of Caribbean Regional Exports to World Exports⁽⁹⁾



Canadian Exports to the Commonwealth Caribbean → Animal Imports to the Commonwealth Caribbean⁽¹⁰⁾

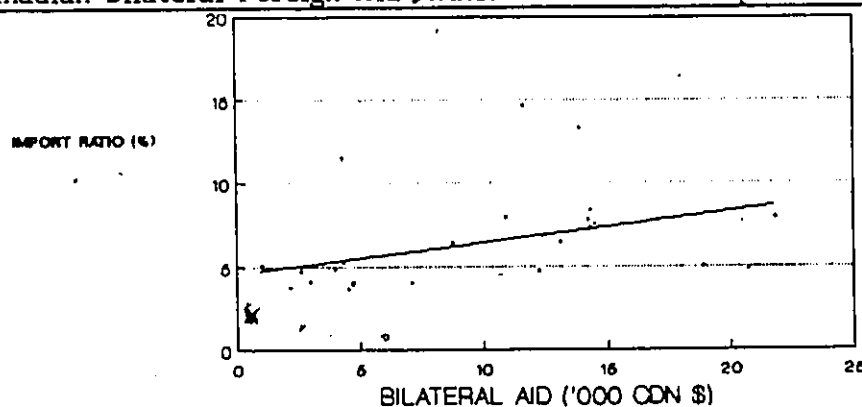


In the comparison of exports to the import ratio, the slope is 6.4597×10^{-5} , Pearson's r is .329, r^2 is .108, and F is 2.548. There is a slight positive correlation, with almost 11% of the import ratio variation explicable by the variation in the amount of exports. F is so small that the risk of this relationship appearing in the whole population is greater than 5%. The slope is 7.076×10^{-5} , Pearson's r is .380 and r^2 is .145 when comparing Canadian exports to the Caribbean export ratio. This is a slightly positive relationship with 14.5% of the variation in the export ratio explained by the variation in the Canadian exports. In this case F is 3.549, which means that there is a greater

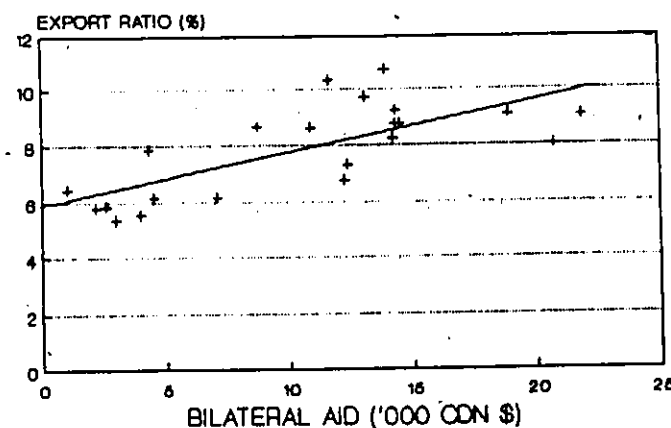
than 5% risk of this relationship appearing in the whole population. The relationship between Canadian exports and animal imports to the Caribbean is slightly stronger, with the slope being 2.25019, Pearson's r being 4.03 and r^2 being .163, meaning that 16% of the variation in animal imports is held in common with the variation in Canadian exports. Once again, there is a greater than 5% risk that this relationship could be found in the whole population as F is 4.081.

Since there is no clear statistically measurable relationship between Canadian exports and various measures of Caribbean national/regional economic control, there is a possibility that the relationship between Canadian bilateral foreign aid and national/regional economic control is direct rather than indirect. The possible direct relationships between Canadian bilateral foreign aid and the same three measures of national/regional economic control are explored below.

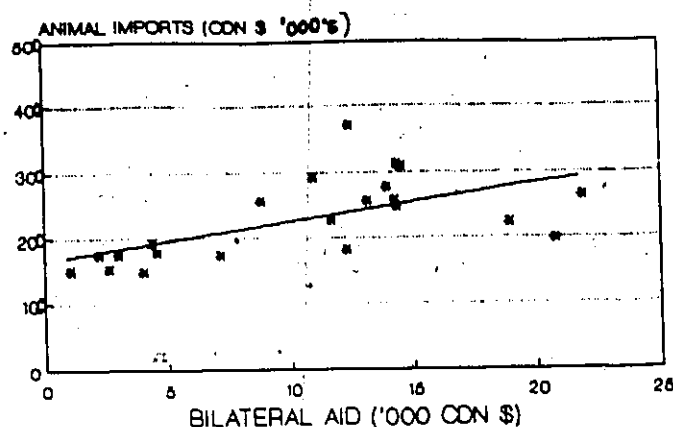
Canadian Bilateral Foreign Aid → Ratio of Caribbean Imports to World Imports⁽¹¹⁾



Canadian Bilateral Foreign Aid → Ratio of Caribbean Exports to World Exports⁽¹²⁾



Canadian Bilateral Foreign Aid → Amount of Caribbean Animal Imports⁽¹³⁾



In the comparison of foreign aid and the import ratio, the slope is 5.13835×10^{-4} , Pearson's r is .334 and r^2 is .112, which shows a slightly positive relationship with only 11% of the variation held in common between the two. F is only 2.512, which means that there is a greater than 5% risk that this relationship could be found in the whole population. The comparison between Canadian bilateral foreign aid and animal imports shows a strong positive relationship, which supports the hypothesis that Canadian bilateral foreign aid decreases the amount of national/regional economic control. The slope is 17.77846, Pearson's r is .505 and r^2 is .255, which means that 25.5% of the variation in animal imports is explicable by the variation in the amount of Canadian imports. F is 6.864, which means that the risk of this relationship showing up in the whole population is less than 5%. However, the slightly positive relationship which appears in the comparison between Canadian bilateral foreign aid and the export ratio appears to show a relationship which refutes the hypothesis, because the measure of regional economic control increases as the level of bilateral foreign aid increases. The slope is 6.09×10^{-4} , Pearson's r is .643 and r^2 is .414, which means that 41% of the variation in the export ratio can be explained by the variation in the amount of bilateral Canadian foreign aid. F is 14.132, so the risk is less than 5% that this

relationship would show up in the whole population.

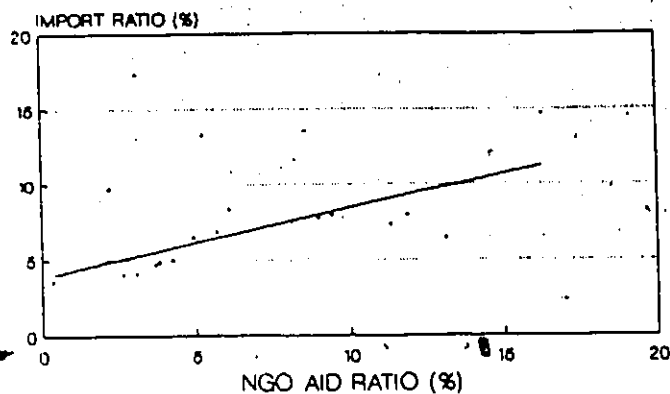
Part of this opposition can be explained by the fact that part of Canada's bilateral aid program has involved importing live animals for stock improvement programs in the Caribbean, so an increase in the amount of aid would necessarily correspond with an increase in the amount of animal imports. It is necessary to conclude from these conflicting results that the best possible indicators of national/regional economic control have not been chosen, or that in some sectors, national/regional economic control has increased, but the level of national/regional control over agriculture has decreased. Further study will be necessary in order to determine more suitable measures of national/regional economic control and to determine if agriculture is an isolated case of declining national/regional control while control is increasing over other parts of the Commonwealth Caribbean economy.

The weak relationships between bilateral Canadian foreign aid, Canadian business involvement and national/regional economic control indicate that there may be more relationships than originally postulated acting on the model. It is possible that the amount of Canadian exports may be acting as an intervening variable in a multivariate relationship. It is also possible that another variable, not accounted for in the hypothesis, is acting on the model. These possibilities will be explored later in the chapter.

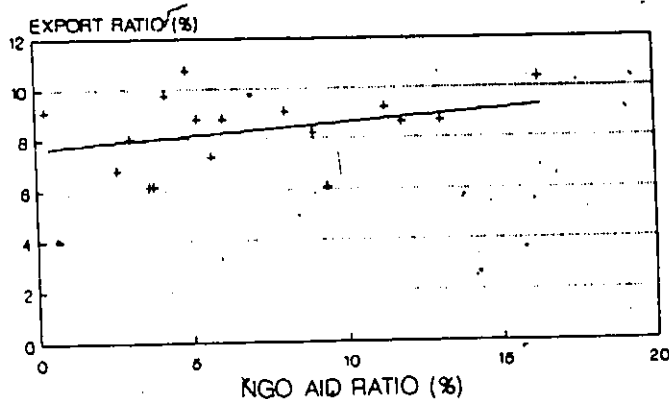
The final direct relationship to be explored is that between Canadian NGO aid and the three measures of national/regional economic control. Given the small size of the NGO aid program compared to the bilateral aid program and the fact that the model postulates opposing relationships, statistically significant relationships are not expected to appear between Canadian NGO aid and the three measures of national/regional economic control. Nevertheless, they must be explored, if only to confirm that there are no statistically

significant relationships.

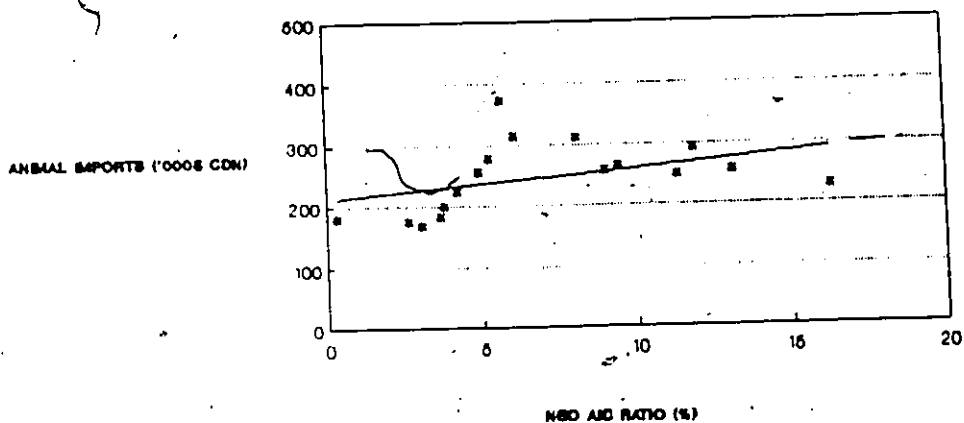
Ratio of Canadian NGO Aid to Total Official Aid → Ratio of Caribbean Imports to World Imports ⁽¹⁴⁾



Ratio of Canadian NGO Aid to Total Official Aid → Ratio of Caribbean Exports to World Exports ⁽¹⁵⁾



Ratio of Canadian NGO Aid to Total Official Aid → Amount of Caribbean Animal Imports ⁽¹⁶⁾



The slope is .84141, Pearson's r is .515 and r^2 is .265 for NGO aid compared to the import ratio. In this case, there is a moderately positive relationship with 26.5% of the variation in the import ratio held in common with the variation in the NGO aid ratio. There is a less than 5% chance of error that this relationship could be found in the whole population as F equals 5.406. The slope for NGO aid and the export ratio is .90808, Pearson's r is .304 and r^2 is .092. There is a moderately positive relationship but the amount of deviation from the slope line means that only 9% of the dependent variable is explicable by the independent variable. F is 1.527 which means that there is a greater than 5% risk this relationship would be found in the whole population. The relationship between NGO aid and animal imports has a slope of 26,534, Pearson's r of .156 and r^2 of .024. This slope is almost vertical, indicating that there is probably no measurable relationship between the two variables. However, like the case of the very small slopes (above), this is the result of using two variables which are measured in different ways (% to '000 \$). In order to measure these variables in a more meaningful way, it will be necessary to find more similar measurement systems. There is considerable variation from the slope line, so only 2% of the variation in animal imports is explicable by the variation in NGO aid. F is .372, which means that there is a greater than 5% possibility that this relationship would be found in the whole population.

The variables explored in this chapter show almost no statistically significant relationship. This is partly because Canadian aid and business have a relatively small influence on the Caribbean economy, due to their small size in comparison to the aid programs and business involvement of other nations (particularly the United States and Great Britain). This points out a major problem for evaluating Canadian aid programs; if no significant relationships can be shown to exist between Canadian aid and development, shown here as

national/regional economic control, in the Caribbean, where the Canadian aid program is relatively larger than in any other region; how can the effectiveness of Canada's aid programs be evaluated?

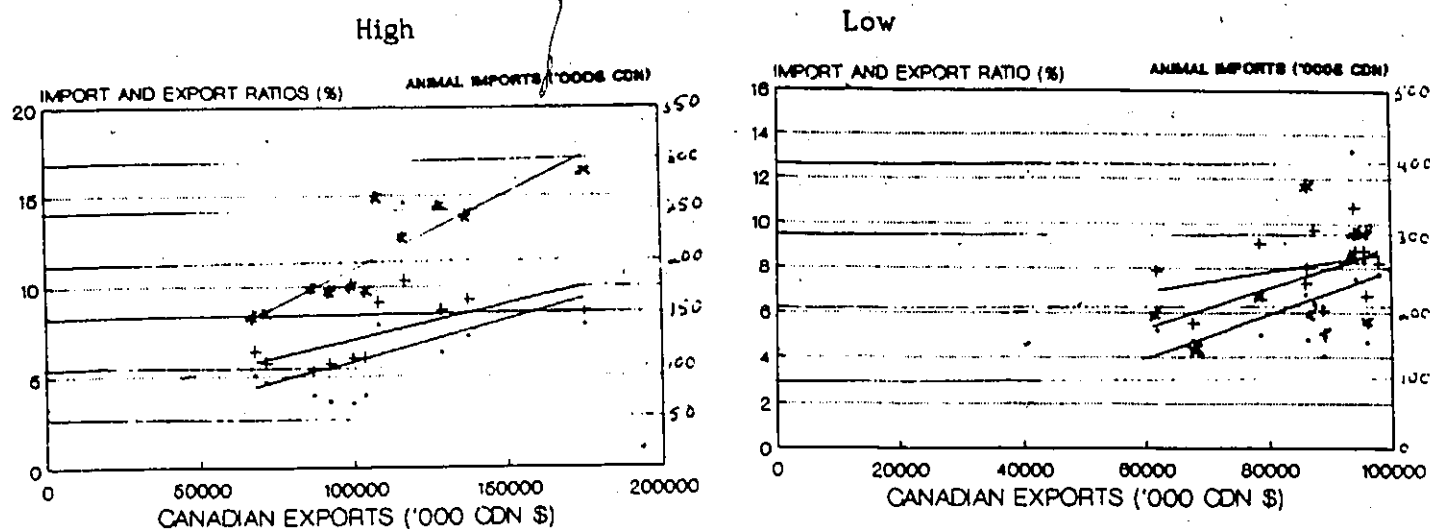
The statistical analysis, while inconclusive at this stage, must still be considered important, since case studies alone can be deceiving in that they can give a disproportionately large significance to a given input.⁽¹⁷⁾ For example, a case study can show the effectiveness of NGO assistance to farmers' co-operatives resulting in reduced reliance on food imports for a certain neighborhood. However, if it is not also shown that the effect of NGO assistance on the whole economy is relatively small, through the use of a statistical analysis, then the effectiveness of the NGO aid could be exaggerated.

Although the statistical analysis has not provided clear direct causal relationships, it does point out some possible modifications to the model. First, the importance of pressure groups, which because of their formalized links with CIDA are in a position to influence the formulation of Canadian aid policy, has been demonstrated in the qualitative discussion of how aid policy is established, although the amount and direction of the influence have not been quantitatively established. If the influence of pressure groups can be studied using a metric measurement, in order to statistically verify the pattern which appeared in the qualitative analysis of Chapter Two, it should be an intervening variable in the model. The intervening variable would operate in such a way that if the pressure groups favoured business involvement, then the level of business involvement would rise, no matter what the official aid policy. In the same way, if pressure groups were to support reduced business involvement and increased NGO aid, the level of NGO aid would increase while the level of business involvement drops.

Aid policy should be considered as a separate variable from bilateral aid and NGO aid actually given because the amounts and distribution of aid proposed in CIDA's official policy is sometimes quite different from the aid actually given (this is made clear in CIDA's policy statements which advocate changes in the type of aid without significantly changing the amount given.⁽¹⁸⁾

The regionalization efforts of the Commonwealth Caribbean nations, discussed in Chapter Three, were made in order to increase national/regional economic control. Therefore, regionalization efforts by the Commonwealth Caribbean nations should be added to the model as an intervening variable between both forms of aid and business involvement, and national/regional economic control, because when regionalization efforts are divided into high and low (measured by new treaties signed or renewed efforts to uphold CARICOM and other regional programs), then it is possible to see that, in some cases, the apparent previous lack of relationship between the independent and dependent variables divides itself into two opposing relationships. Based on the historical study of Chapter Three, the following years are considered to have high levels of regionalization efforts; 1960, 1961, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977. All other years are considered to have low levels of regionalization efforts. When regionalization efforts are high, then national economic control is also high, but when regionalization efforts are low, then national economic control is also low. A metric measure for regionalization efforts would have to be developed in order to definitely establish a clear direct relationship between it and national/regional economic control.

Business Involvement → National/regional Economic Control, Controlling for Regionalization Efforts (20)



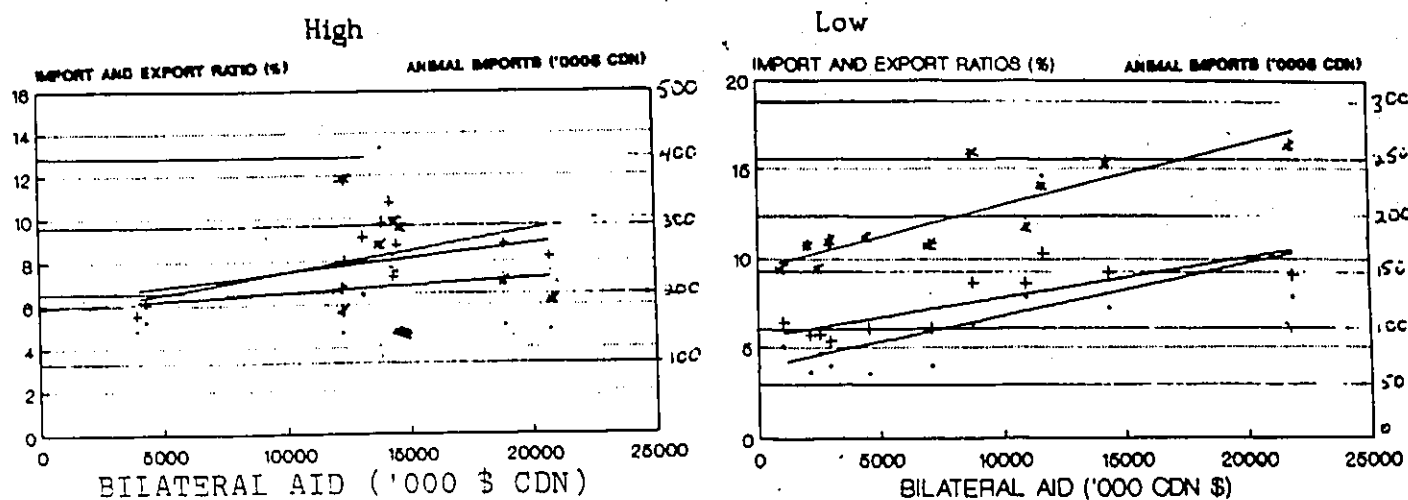
In the comparison of Canadian exports to the Commonwealth Caribbean to the ratio of regional imports to world imports, when regionalization efforts are high, the slope is 7.57×10^{-5} , Pearson's r is .3221, r^2 is .10375, and F is 1.1576. There is a slight positive relationship, with 10% of the variation in the import ratio explicable by the variation in Canadian exports. In the comparison of Canadian exports to animal imports, the slope is 2.79, r is .4429, r^2 is .19617 and F is 2.440367. There is a positive relationship, with 19% of the variation in animal imports explicable by the variation in Canadian exports. In the comparison of Canadian exports to the Commonwealth Caribbean with the ratio between regional exports and world exports in the Commonwealth Caribbean, the slope is 9.273×10^{-5} , r is .27314, r^2 is .07460 and F is .80619. There is a slightly positive relationship, with only 7% of the variation in the export ratio explicable by the variation in the amount of Canadian exports. In all three cases, the size of F indicates that there is a greater than 5% probability of this relationship occurring in the whole population; therefore, the relationship is not statistically significant. The expected relationship would have

been positive between Canadian exports and animal imports, and negative between Canadian exports and the other two measures of national/regional economic control.

In the comparison of Canadian exports to the Commonwealth Caribbean to the ratio of regional imports to world imports, when regionalization efforts are low, the slope is 5.728×10^{-5} , Pearson's r is .4376, r^2 is .19339 and F is 2.1578. There is a slightly positive relationship, with 19% of the variation in the import ratio explicable by the variation in Canadian exports. The F value indicates that this relationship has a greater than 5% probability of being found in the whole population; therefore, it is not considered to be statistically significant. The comparison between Canadian exports and animal imports, when regionalization efforts are low, shows a slope of 1.8944, and r value of .89777, r^2 of .80600 and F of 37.38897. There is a strong positive correlation, with 81% of the variation in animal exports explicable by the variation in Canadian exports. The F value indicates that there is less than 5% probability that this relationship would occur in the whole population; therefore, this must be considered a statistically significant relationship. The relationship between Canadian exports to the Commonwealth Caribbean and the ratio between regional exports and world exports has a slope of 6.675×10^{-5} , r of .67489, r^2 of .45547 and F of 7.5282. This is a slightly positive relationship, with most points being near the slope line so 45% of the variation in the export ratio explicable by the variation in Canadian exports. The F value indicates that there is a less than 5% chance that this relationship would be found in the whole population. It was expected that when regionalization efforts are low, the relationship between Canadian exports and animal imports would be inverse, while between Canadian exports and the two import ratios it would be positive.

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Bilateral Aid → National/regional Economic Control, Controlling for
Regionalization Efforts (21)



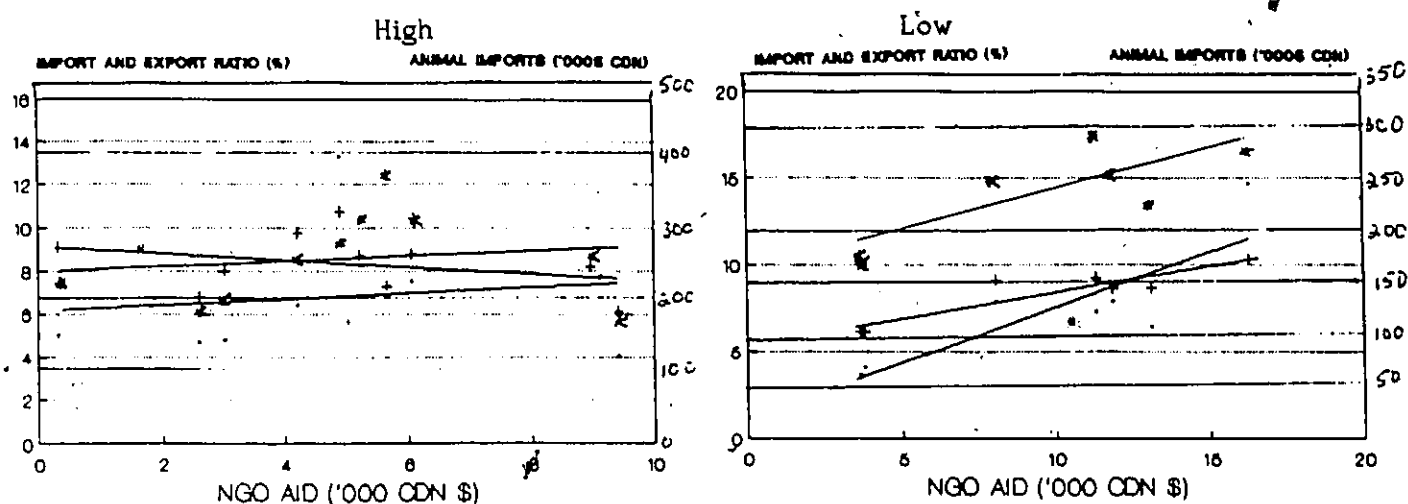
In the comparison between Canadian bilateral aid and the ratio of regional imports to world imports, when regionalization efforts are high, the slope is 4.6×10^{-4} , r is .13529, r^2 is .01830 and F is .16795. There is a slight positive relationship, with 2% of the variation in the import ratio explicable by the variation in bilateral aid. The F value indicates that there is a greater than 5% probability of this relationship occurring in the whole population; therefore, it is not considered statistically significant. In the comparison between Canadian bilateral aid and the amount of animal imports, the slope is 17.23, r is .2997, r^2 is .0898 and F is .8883. This is a potentially strong relationship, but since there is considerable deviation from the slope line, with only 9% of the variation in animal imports is explicable by the variation in bilateral aid. In the comparison between bilateral aid and the ratio of Caribbean exports to world exports, the slope is 5.76×10^{-4} , r is .50669, r^2 is .2567 and F is 3.108. This is a slightly positive relationship, with little deviation from the slope line, so 26% of the variation in the export ratio explicable by the variation in bilateral aid. The F value indicates that there is greater than 5% probability that this relationship

would be found in the whole population; therefore, this relationship is not statistically significant. It was expected that the relationship between bilateral aid and the import and export ratios would be inverse, while the relationship between bilateral aid and animal imports would be positive.

In the comparison between Canadian bilateral aid and the ratio of regional imports to world imports, when regionalization efforts are low, the slope is 6.05×10^{-4} , r is .57586, r^2 is .33162 and F is 4.4654. There is a slightly positive relationship, with little deviation from the slope line so 33% of the variation of the import ratio is explicable by the variation in the level of bilateral aid. The F value indicates that there is less than 5% probability that this relationship would appear in the whole population; therefore this relationship is statistically significant. In the comparison between bilateral aid and animal imports when regionalization efforts are low, the slope is 20.19, r is .807, r^2 is .65129 and F is 16.81. There is a strong positive relationship, with 65% of the variation in animal imports explicable by the variation in Canadian bilateral aid. F indicates that there is less than 5% probability that this relationship would be found in the whole population; therefore it must be considered to be statistically significant. In the comparison between bilateral aid and the ratio of regional exports to world exports, the slope is 6.71×10^{-4} , r is .80274, r^2 is .64439 and F is 16.309. There is a slightly positive correlation, with little deviation from the slope line so 64% of the variation in the export ratio is explicable by the variation in bilateral aid. The F value indicates that there is less than 5% probability that this relationship would occur in the whole population; therefore it must be considered statistically significant. It was expected that the relationship between bilateral aid and the import and export ratios would be positive, while the relationship between bilateral aid and animal imports would be inverse. The results of the bilateral aid/animal imports

relationship can be partly explained by the fact that much of the bilateral aid given in the Commonwealth Caribbean has been in the form of live animals. Further consideration must be given to finding a more appropriate measure of national/regional economic control for this case.

Canadian NGO Aid → Three Measures of National/regional Economic Control, Controlling for Regionalization Efforts (22)



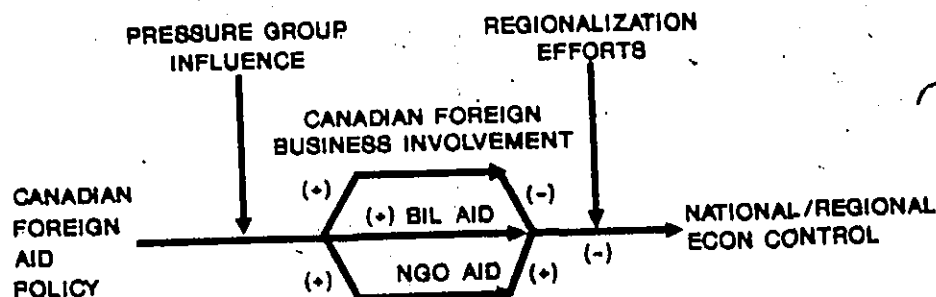
In the comparison between NGO aid and the ratio of regional imports to world imports, when regionalization efforts are high, the slope is 1.0980, r is .14373, r^2 is .02659 and F is .16876. This is a positive relationship with only 3% of the variation in the import ratio explicable by the variation in the level of NGO aid. The F value indicates that there is greater than 5% probability of this relationship occurring in the whole population. The comparison between NGO aid and animal imports has a slope of 18,811, r of .8268993, r^2 of .68376 and F of 6.486536. There is a strong positive relationship, with 68% of the variation in animal imports explicable by the variation in NGO aid. F indicates that there is less than 5% probability of this relationship appearing in the whole population; therefore this relationship is statistically significant. In the comparison between NGO aid and the ratio of regional exports to world exports, the slope is 1.2697, r is .31635, r^2 is .10008 and F is .88969. There is a positive relationship with

32% of the variation in the export ratio explicable by the variation in NGO aid. The F value indicates that there is greater than 5% probability of this relationship appearing in the whole population. It was expected that there would be a positive relationship between NGO aid and the import and export ratios and an inverse relationship between NGO aid and animal imports.

In the comparison between NGO aid and the ratio of regional imports to world imports when regionalization efforts are low, the slope is 1.909798, r is .14373, r^2 is .02066 and F is .16876. There is a positive relationship, with considerable deviation from the slope line, so only 2% of the variation in the import ratio is explicable by the variation in NGO aid. The F value indicates that there is a greater than 5% probability of this relationship appearing in the whole population. In the comparison between NGO aid and the amount of animal imports, the slope is 20,924, r is .6497, r^2 is .4221 and F is 3.65217. There is a strong positive correlation, and 42% of the variation in animal imports is explicable by the variation in NGO aid. However, the F value is low, indicating that there is greater than 5% probability that this relationship would appear in the whole population; therefore, it is not statistically significant. In the comparison between NGO aid and the ratio of regional exports to world exports when regionalization efforts are low, the slope is .633848, r is .67667, r^2 is .45788 and F is 2.5339. This is a moderately strong relationship with 46% of the variation in the export ratio explicable by the variation in the NGO aid ratio. However, the F value indicates that there is a greater than 5% probability that this relationship would be found in the whole population; therefore, this relationship is not statistically significant.

The results of statistical tests on the model indicate that it could be modified to include some new inputs, as outlined below. However, the model should not be permanently changed until after the case studies are examined.

The statistical analysis can only indicate possible relationships; there are too many ways to read statistical evidence to use it alone as the basis for modifying the model.



Controlling for regionalization efforts has made the relationships between the variables somewhat clearer, but they are still not very strong. The possibly causal relationships might be strengthened if the variables which clearly do not fit the general trend of the scattergram were examined closely to determine the reasons why they did not fall within the general bounds of the scattergram. One possible reason for deviation is inaccurate data. Therefore, the deviant variables should be re-examined to ensure that the most accurate possible data has been used. Most of the raw data used appeared to be relatively good (it was generally consistent from one source to another, and there was little variation when the data was repeated from year to year in the same source). However, there was some variation and some information which was missing for entire years. If the data sources are basically accurate, then by adding more cases to the relationships studied, the effects of the deviant variables would be minimized. In a future research project, this should be attempted in order to confirm either that there are stronger relationships than shown in this study, or that there is in fact no statistically demonstrable causal relationship among the variables in the model.

Data Used in Statistical Analysis

Year	Ratio of Caribbean Imports to World Imports (%)	Animal Imports to Commonwealth Caribbean (1971 CDN \$)	Canadian Bilateral Aid to Commonwealth Caribbean ('000 1971 CDN \$)	Ratio of NDO Aid to Total Canadian Aid (%)	Amount of Canadian Exports to Commonwealth Caribbean ('000 1971 CDN \$)	Ratio of Inter-Caribbean Exports to World Exports (%)
1960	5.20	192430	4329	0	61907	7.85
1961	4.77	150167	3962	0	67642	5.53
1962	5.06	151793	1071	0	67565	6.45
1963	4.67	153379	2558	0	71096	5.85
1964	4.03	175364	2966	0	86729	5.39
1965	3.68	175241	2144	0	92061	5.81
1966	3.56	179063	4528	3.65	99647	6.14
1967	4.00	173258	7100	3.77	103473	6.15
1968	4.04	167299	0	9.41	87497	6.11
1969	4.67	181210	12249	2.80	94241	6.76
1970	4.78	198089	20721	3.02	97983	8.00
1971	5.00	221531	18890	0.31	88816	9.12
1972	6.41	251800	13106	4.21	78590	9.74
1973	13.27	276506	13889	4.90	95654	10.73
1974	6.80	370153	12381	5.65	95879	7.29
1975	8.28	312406	14318	5.22	94023	8.76
1976	7.50	309296	14494	6.06	86107	8.77
1977	7.69	255843	14220	8.97	86356	8.24
1978	7.85	262584	21829	8.07	108066	9.05
1979	7.25	246817	14324	11.31	137198	9.24
1980	7.87	290563	10911	11.85	174986	8.63
1981	6.37	254568	8775	13.10	128493	8.68
1982	14.63	226411	11630	16.26	116690	10.33

ENDNOTES - CHAPTER FOUR

- 1) CIDA, Mandate and Objectives, p. 5.
- 2) Volker Bornschier and Christopher Chase-Dunn, Transnational Corporations and Underdevelopment (New York: Praeger, 1985) chapter 4-6, Sanjaya Lall and Paul Streeten, Foreign Investment, Transnationals and Developing Countries (London: Macmillan, 1977) chapter 7-10, and Raymond Vernon, "Multinational Enterprises in Developing Countries: Issues in Dependency and Interdependence", in David Apter and Louis Goodman, eds., The Multinational Corporation and Social Change (New York: Praeger, 1976) pp. 40-62.
- 3) E. Terrence Jones, Conducting Political Research (New York: Harper & Row, 1984) p. 128.
- 4) Ibid., p. 128.
- 5) Ibid., p. 173.
- 6) See Table A2.4, "Distribution of F", in Conducting Political Research for some samples of what the F-Distribution must exceed in order for the risk to be equal or less than a given % error.
- 7) CIDA, Annual Report (Ottawa: Supply and Services, all years from 1966-1983); IMF, Direction of Trade Statistics Yearbook (Washington: International Monetary Fund, all years from 1960-1983) and Geographical Distribution of Financial Flows to Developing Countries (all years from 1960-1983).
- 8) Direction of Trade Statistics Yearbook (all years from 1960-1983).
- 9) Ibid.
- 10) Ibid.
- 11) CIDA, Annual Report (all years from 1966 to 1983); Direction of Trade Statistics Yearbook (all years from 1966 to 1983).
- 12) Ibid.
- 13) Ibid.
- 14) Ibid.
- 15) Ibid.
- 16) Ibid.
- 17) See, for example, T. Biersteker, Distortion or Development? (Cambridge: MIT Press, 1978) and P. Stevenson "External Economic Variables Influencing the Economic Growth Rate of Seven Major Latin American Nations". Canadian Review of Sociology and Anthropology 9 (1972) 4.

- 18) External Affairs, "International Development" Foreign Policy for Canadians (Ottawa: Information Canada, 1970); CIDA, Strategy for International Development Cooperation 1975-1980 (Ottawa: Supply and Services, 1975); CIDA, Foreign Policy Objectives (Ottawa: Supply & Services, 1984)
- 19) Direction of Trade Statistics Yearbook (all years from 1960-1983).
- 20) CIDA, Annual Report (all years from 1966-1983); Direction of Trade Statistics Yearbook (all years from 1966 to 1983).
- 21) Ibid.

CHAPTER FIVE - QUALITATIVE ANALYSIS

Through the exposition of case studies of both Canadian bilateral and NGO aid programs, this chapter will show the relative effectiveness of projects in meeting the recipient countries' goals for development through national economic control. Appendix 2 and Appendix 3 at the end of this chapter display all the Canadian bilateral aid projects oriented toward agriculture in the Commonwealth Caribbean from 1958 to 1983 and NGO agricultural projects from 1972 to 1986. The second list is incomplete because of the unavailability of records for early years and for all NGOs.

A major area of concern for the Caribbean governments, as we saw in Chapter Three, as well as the CIDA bilateral program and the NGOs has been nutritional levels. Although there is little hunger, many are malnourished due to a lack of protein and vegetables. The bilateral agricultural programs have therefore concentrated on increasing the level of protein consumption through improving and increasing the amount of livestock and improving and increasing the local food sources for livestock. The bilateral program has also sought to improve the quality and quantity of foods for export (tropical fruits, cocoa, spices), thereby broadening the spectrum of exports and reducing dependence on a single export product. Agricultural productivity and income can also be improved indirectly, because they "depend significantly on infrastructure, including feeder roads and other transport and marketing facilities; on credit and extension services; and on education and research programs relevant to the needs of the region's farmers".⁽¹⁾ As can be seen in Appendix 2, Canada's official bilateral aid projects have attempted to meet the needs of Caribbean farmers in all these areas.

Canadian NGOs have also provided assistance in all these areas, but have

concentrated on the education and extension services which are particularly important to the small farmers, who are among the poorest groups in the Caribbean. Appendix 3 shows some of the NGOs which have or had agricultural projects in the Caribbean, and what type of aid was given. Currently, one of the most important aspects of NGO work in the Caribbean is institution-building.⁽²⁾ The NGOs responded to the problem of malnourishment by aiding projects which concentrated on increasing the production of small animals and vegetables for local consumption through co-operatives, and by involving previously underemployed or unemployed people in farming.

Before beginning the case studies, it was necessary to survey and categorize all the projects in order to choose case studies which could be considered representative. The projects were categorized depending on their location, whether they were designed to improve export-oriented agriculture or local self sufficiency, whether they depended on direct inputs from Canada (aside from monetary assistance), whether they were designed to reduce dependence on imported inputs, and whether they appeared to be successful in reducing dependence on imported inputs (this was determined by the project sponsor's evaluation). Projects which were among the majority in each of the categories were considered to be representative. The sources for most of the information in this chapter were project files, project summaries and evaluations made by the CIDA departments and NGOs involved, supplemented by interviews with the project officers who supervised them, where possible.

Of the 38 bilateral aid projects surveyed, 20 were in the four largest and most developed Caribbean countries. 15 of the projects were designed to improve export-oriented agriculture. 10 relied on direct inputs from Canada, although 15 were designed to reduce dependence on imported inputs (Canadian inputs were not discussed in the remaining 13 projects). Of the projects

designed to reduce dependence on foreign inputs, only 5 appeared to have been completely successful. Of the NGO projects, 19 out of 35 were in the eight smallest and poorest countries. 3 were designed to improve export-oriented agriculture, but one of these was aimed both at improving a crop which was not currently being cared for, although the plantation already existed, and producing garden vegetables, while another was designed to use waste matter to improve the value of the crop. 33 of the projects were designed to reduce dependence on imported inputs. 25 of the projects designed to reduce dependence on imported inputs were considered by their sponsors to have been successful, 3 were not clear as to whether they were considered successful or not, and 5 were unsuccessful (4 of these were in Grenada during the political upheaval of the early 1980's).

The survey of all agricultural projects revealed that although they all had stated goals of increasing incomes, CIDA bilateral projects were more concerned with increasing the overall income of the business and nation, assuming a "trickle down" effect to the employees of the firm involved in the project. In contradistinction, the NGO projects directly affected the small farmers and unemployed labourers who are the people with the lowest incomes in the country. While CIDA, by relying on "trickle down", appears to support the current status quo of trade patterns, the NGO projects are designed to reverse those trade patterns by reducing the level of food imports and increasing the amount of processed goods available for both export and local consumption.

One of the most important development priorities of CIDA for several years was improving the sugar industry in Barbados. Eight projects were undertaken to improve the efficiency of the sugar mills, and at the same time, develop alternate uses for sugar byproducts. These projects fall into the representative category for bilateral projects; therefore, they have been chosen

the bilateral aid case study. In the same way, co-operative farming projects were chosen as representative of the NGO aid program.

BILATERAL AID PROJECTS

The Canadian bilateral aid programs to the Commonwealth Caribbean have concentrated on four main areas since they began in 1958: transportation, education, water and agriculture. Until the early 1970's, infrastructure such as roads, bridges, airports, ports, school buildings and sewage systems were the main priority. Of these, roads and bridges were most important for rural agriculture, while port facilities encouraged exports and imports both within the region and with the rest of the world. Some regional agricultural exchange was encouraged by the provision of two Canadian freighters, but they were costly and were designed for human as well as agricultural product transportation. The remaining aid projects appear to have been mainly designed to encourage industrial development and tourism in the cities, with some export-oriented agriculture development. The emphasis was on developing the productive sectors of the economy.

Between 1958 and 1983, agricultural bilateral aid to the Commonwealth Caribbean was concentrated into capital and technical assistance. Capital assistance was usually in the form of specific products, such as cattle, fertilizer or equipment, although there were at least two cases where the aid was in the form of a line of credit (Guyana 1978-79 and Jamaica 1980-81). Technical assistance was generally limited to studies and assistance to research facilities such as the University of the West Indies and the Windward Island Banana Growers Association (WINBAN). There appears to have been little assistance directly to farmers, although there were two projects designed to benefit fishermen (Belize fishermen went to Nova Scotia for training 1978-82, Guyana fishermen trained in small engine repair 1985).

Rural development became a priority within Canada's aid program in the mid 1970's, when the focus of CIDA's official development policy shifted from infrastructure and capital assistance to the satisfaction of basic needs and emphasis on rural development. Some of the most important agriculture projects were a five-year assistance program of the faculty of agriculture at the University of West Indies, rehabilitation programs for the coconut industry in Dominica and the cocoa industry in Grenada, and the Agricultural Development Fund, which was funded equally by CIDA and the Caribbean Development Bank. The aid projects which can be most closely linked with the Caribbean's own development plans, as articulated in the Regional Food Plan are the dairy breeding assistance program in Guyana, Trinidad and Barbados, development of livestock feed from comfith (the inner core of sugar cane), and a large project in co-operation with Nova Scotia's Department of Fisheries which trains fishermen from Belize.

Although one of the stated goals of the bilateral aid program is to reduce agricultural dependence, many of the projects have been designed to improve and expand export-oriented agriculture (Grenada and Dominica cocoa industry 1981-82, Windward Islands banana industry 1967-78, Dominica grapefruit processing 1973-74). Even those projects which appeared on the surface to reduce dependence on food imports have not had the predicted results. One series of projects which appeared to have great potential when it began, but which subsequently became one of CIDA's largest failures in the Caribbean, was the series of sugarcane separation projects from 1970 to 1981. These projects involved studies on the feasibility of using separated sugarcane as a substitute for imported animal feeds, the installation of a cane separator, and tests on the feasibility of using cane fibre to make panel board and structural lumber.

The need for sugarcane separation technology appeared when

commodities prices began to fall. As the price of sugar dropped, it became less and less cost-effective to grow cane. However, the structures (trained workers, trade connections etc.) and processing facilities were already in place for sugarcane. Therefore, it seemed sensible to find a use for the byproducts of sugar making, which might help raise the value of the cane. It also made sense to use cane to produce animal feed instead of sugar, when the money raised by exporting sugar was not enough to cover the cost of imports, especially animal feed. Finally, new separator technology was becoming necessary because high fibre varieties of cane were being developed in response to higher energy prices. Waste material from the sugar processing (bagasse) could be used as an a source of alternative energy (for example, it is often used to fuel the sugar mills). Although the high fibre cane has a higher biomass, or energy, potential, it cannot be processed efficiently using the current technology. The difference between conventional sugar processing and separator processing is that conventional sugar processing "produces one primary product - sugar - with a number of by-products",⁽³⁾ while the separator "opens the way for a combination of main products such as sugar/particleboard, sugar/paper, particleboard/alcohol and particleboard/animal feed."⁽⁴⁾ The advantages of combining sugar and another process are higher mill capacity and smaller sucrose losses in the waste material, higher juice quality and higher boiling house recovery because of lower sucrose losses in molasses. There may also be savings in overhead cost-sharing, and economies in steam and electrical power generation. These economic benefits will vary from factory to factory, as they depend on the site selected (transportation costs etc., which must also be considered when measuring the benefits of sharing the mill site with at least one by-product processing plant).

The sugarcane projects were successful in demonstrating that the

principle of separation works. The separator was capable of handling various grades of cane and extracting juice. Fibreboard was produced, performance studies on the board were conducted, and experimental houses using fibreboard were built. However, the sugarcane technology projects were not accomplished according to the original plan. Instead of a one year project, it stretched into more than five years, subdivided into several projects. In the first series of projects, which should have had the separator working to capacity, only the cleaning and billeting facility functioned according to plan, and even this has some problems because it cannot be used on mechanically harvested cane. The actual separator worked only intermittently and below capacity. The diffuser to extract sugar from comfith (the inner core of sugar cane) also failed to work. In the second series of projects, there was some development of the separation process, including limited success in the operation of the separator under test conditions, and "extraction of juice from comfith, experimental production of demonstration rindboard houses in Barbados, performance studies of rind fibreboard and feasibility studies of a fibreboard plant in Barbados".⁽⁵⁾

The projects were unsuccessful for a number of reasons. They were begun using inaccurate assessments of the state of the technology as their basis, the equipment used was not capable of performing as promised, local experts were not brought in to the project until very late in the program, costs escalated without adequate controls, and at least one phase of the program lacked coordination with local partners. Each of these problems will be explained in more detail below.

The state of the technology and equipment capabilities - Considerable development work is necessary before the separator will be commercially feasible. The most essential area of development is in cleaning and billeting (cutting into pieces of the correct length) the cane. Currently, the cane must

be cut manually and loaded by hand into the separator, because "(i) the separator is far more sensitive than conventional processes to extraneous matter, particularly soil and rocks; (ii) billets of less than 6-inch length or those not cleanly cut through cause jamming of the separator".⁽⁶⁾ The current separator is sensitive enough to require that the cane has a preliminary cleaning in the field, and a second cleaning at the plant. The extra cleaning and manual cutting are essential, as they result in "higher grinding capacity, better extraction and overall recovery as well as less wear of the equipment".⁽⁷⁾ The problem of the separator's sensitivity combined with inadequate mechanical cleaning and billeting facilities is most acute in areas where the cane is harvested mechanically, because often more than 10% of mechanically harvested cane is extraneous material (rocks etc.) and trash (leaves).

The second major area which needs work is separator testing. The separator has never run for more than seven hours in any twenty-four hour period. It has never proven its ability to run continuously in a manner comparable to conventional equipment, so that it may be considered for commercial operations. Unfortunately, the separator was sold to several countries before it was really ready for distribution. The problems encountered there as well as in the Caribbean, in what was essentially a prototype separator, followed by the subsequent downturn in the amount of research carried out in separator technology, indicates that the premature sales of the new technology may have seriously hindered the acceptance of what might have been a valuable tool in reducing Caribbean dependence on imports from developed countries.

Costs of converting to the new technology - Once the cleaning and separating facilities are improved, fibreboard, cattle feed and sugar production can be considered. These applications of the separation facilities face both

technical and financial limitations. One problem is sugar in the rind. If the sugar in the rind is recoverable by conventional means, then this represents a cost of production. Experiments are continuing on ways to remove this sugar using various methods. Another problem may be termites. They nest in the cane, and may damage rindboard unless a suitable preservative is found. Financial restrictions include the fact that the Barbados economy is very small, there are short operating seasons and equipment costs rise proportionally because they are not in use year-round, and high costs to remove sugar from the rind and protect the fibreboard. In the case of cattle feed, although the costs of importing grain are reduced, it is still necessary to import vitamin and protein supplements (some of which were not needed when grain was the primary feed).

The costs for the sugarcane separation projects was much higher than originally anticipated. The original project was to have lasted one year and cost \$1,600,000 in loans. Instead, it lasted from 1973 to 1977 and cost \$1,569,000 in loan funds and \$534,000 in grants. Because the project did not meet its original goals, it became Phase I and a second phase was added in order to complete the development program. An original \$900,000 was authorized to complete Phase II, and \$920,000 was actually expended. One of the reasons for the extra costs and poor results is that "unrealistic objectives and plans were established by CIDA at the start of the project given the information at the time".⁽⁸⁾ In addition, when costs began to rise while objectives were not being met, there was little in the way of evaluation or spending controls. "During the project, CIDA could have paid more attention to contract administration and could have monitored and controlled the project more regularly."⁽⁹⁾ The intent of the project was outlined, but it did not include such specifics of the operation as schedules of activities and completion dates, or a structure of reporting and organization.

It is interesting to note that in spite of the efforts to introduce this

costly new technology, it did not appear to make any real difference. Only a few model houses were built with rindboard, and experiments on cattle and livestock showed that the benefits of feeding them separated cane were not sufficient to justify the costs involved. The cattle grew as well or better on chopped cane. CIDA's involvement with suarcane separation appeared to be over after it sponsored a conference on the technology in 1981. However, CIDA was still working on sugarcane technology projects in 1987.

Coordination with local partners - The first stage of the sugar separation projects did not appear to directly involve local experts and workers until several years after the projects began. When the project was first proposed, the advice of experienced sugar processing experts was apparently not sought, and there was no suggested collaboration with representatives of the Barbados sugar industry. The separator was designed and built by a Canadian firm, Canadian Cane Equipment (although there were already several unnamed specialist manufacturers producing separation equipment), and the consultants used by CIDA to evaluate its feasibility and run the operation in Barbados were also Canadian. Canadian Cane Equipment became involved in milling in Barbados when it was invited by the Barbadian Government to help select a site for conversion from conventional milling to separation. As a result of direct lobbying by employees of CCE, the Government of Barbados approached CIDA for a long-term loan to install a separator plant. When the initial failure of the separator became apparent, R.G Fuller, a former employee of CCE, was contracted along with Strapp consultants and Sandwell Engineering (who provided the initial analysis underestimating the amount of development work still required before the separator would be commercially feasible) to make repairs and/or modifications to the separator plant. Fuller was eventually transferred out of the project because he had been unable to establish an

acceptable work relationship with his Barbadian counterparts and was frequently unavailable when his duties were required. According to CIDA's own report, the poor performance and judgement by both the Canadian consultants and firms were major reasons for the poor results in the first phase of the projects. (10)

The separator ordered was not delivered; instead, one with a radically different design was sent and could not be returned. The consultants who studied the separator's abilities before it was ordered produced reports with test results using inaccurate information, thus leading to unrealistic expectations of what the equipment could do. The test plant in Barbados was poorly designed by Canadian consultants, and the (faulty and poorly designed) equipment deteriorated rapidly. In 1974 Canadian Cane Equipment, the suppliers of the separator, went into voluntary liquidation. As a result, equipment defects could not be corrected and there were no maintenance or operating manuals or drawings available.

These problems might have been at least partially avoided if local sugar producers had been consulted to offer their expertise. However, it was not until four years after the projects began that local engineers were brought into the project. Shortly after they were hired, the Canadian project manager was transferred out of the project because he did not develop an acceptable working relationship with his Barbadian counterparts and "was also reported to be frequently unavailable when his project management duties were required". (11) From then until the end of the first phase of the project, there were several successful tests of the separator equipment and the project appeared to run more smoothly.

In addition to excluding the intended benefactor of the project, Barbados Sugar Factories Limited (BSF), which is wholly owned by Barbadians, from the decision making, CIDA erred in not determining what its own goals were. The

Uplands Sugar Factory, where the tests were conducted, was scheduled to be closed by BSF. Therefore, it had little interest in investing further in the plant. In addition, BSF apparently felt that scarce human resources were best used in operational concerns, rather than a potentially costly development project, as it was in the process of rationalizing its factories. Perhaps if CIDA's goals for development of the sugar industry had been more in line with BSF's own goals, BSF would not have suffered from a lack of interest and negative attitude towards the project, and would have contributed more of its expertise, thus eliminating some of the costly problems with equipment and design which did occur. In fact, CIDA's goal of assisting in the rationalization of the sugar industry was not only not met, the project hindered the rationalization by keeping the Uplands Sugar Factory open one year longer than had been scheduled. The Uplands Sugar Factory has now been closed for several years and the separation equipment is in storage, awaiting further investment in this area of agricultural research.

Finally, although the cane separation experiments were not successful in reducing dependence on imported lumber or cattle feed, and did not meet the goals of the agricultural firms involved, they were laudable because they matched the goals of the Barbados government. The government of Barbados considers cane separation a means for potential diversification in the sugar industry, and has stated that it considers "separation development the number one priority in Canadian aid assistance".⁽¹²⁾ This highlights one of the difficulties of government-to-government bilateral assistance. Providing the assistance requested by a host government is as much a goal as is providing successful projects using appropriate technology. When the host government requests development assistance which is not appropriate (as in this case where what was provided was not development assistance but experimental research),



then a government development agency must juggle its goal priorities.

The Barbados cane separation experiments were not the only aid projects which did not work according to plan because the technology introduced did not fit with what already existed. One of the most successful bilateral projects in terms of involving local people in a project designed to reduce dependence on food imports was the Artisanal Fisheries Project in Guyana. Six fishing co-operatives were provided with motors and equipment in order to upgrade their fishing boats and improve the quality of their catch for local consumption. The motors and repair equipment were delivered on time and within budget, but none of the fishermen could repair them when they broke down. Eventually, several fishermen were brought to Canada and trained in motor repair at the factory where the motors had been built. They have since returned to Guyana where they have shared their skills with other fishermen. However, one problem which still has not been resolved is that all replacement parts and more motors must still come from Canada. The supplier is Outboard Marine in Peterborough. As previously stated in Chapter Two, tendering for contracts is not public, so there is currently no way to judge whether the supplier influenced CIDA's decision to procure the motors in Canada rather than support a local small engine industry in Guyana. Further investigation is required to establish whether the supplier, Outboard Marine, lobbied to have the contract in Canada rather than have CIDA procure the goods from a Caribbean firm, either directly, or through the institutionalized links such as the CMA or CEA. It is not listed as being on any of the committees at either CMA or CEA, although it may be a member (the full membership lists were not available). The project did nothing toward establishing an indigenous motor boat building and repair facility in the Caribbean region, where much transportation takes place by water, and the basic problem of lack of local supplies still exists. When the fishermen's boats

break down, they are still dependent on Outboard Marine for replacement parts. Nevertheless, at least this project did involve local people in planning and construction, more fish is being caught than before the project began, less fish is wasted now that there are preservation facilities, and while some imports are necessary, they may eventually be replaced by local inputs.⁽¹³⁾ However, not all projects are this successful. The Artisanal Fishery Project is representative of the bilateral projects studied in that it was designed to assist one of the poorest sectors of the population through popular participation and was relatively successful because it met its own goal of involving local people in the planning and construction of the fisheries, and did increase local incomes by reducing waste, although dependence on imported equipment continues, while the least successful projects, such as the sugarcane separator case, were not designed specifically to assist the poorest segments of the population, but rather assisted larger businesses which had little input into the project's design and relied on them to pass on increased income to their workers through a "trickle down" effect.

NGO AID PROJECTS

Projects assisted by NGOs are more homogenous than those sponsored by CIDA's bilateral program. All the projects in the Caribbean were carried out in co-operation with local NGOs, either a co-operative or farmer's union. The direct beneficiaries were always farmers and under- or unemployed youths and women. An important consideration in approximately two thirds of the projects was whether they were reproducible elsewhere. If a project is successfully reproduced elsewhere by the host country NGO without further assistance, then Canadian NGOs achieved their goal of helping the underdeveloped country reach its goal of self-sufficiency⁽¹⁴⁾. The majority of NGO projects studied were carried out in the smallest, least-developed countries, as can be seen in the

summary of NGO aid projects.

During the 1970's, the stated focus of CIDA's official development policy shifted from infrastructure and capital assistance to the "satisfaction of basic needs, partly through increased emphasis on rural development".⁽¹⁵⁾ NGOs received more funding as a result of this official policy shift because, according to the CCIC, "NGOs are crucial to this new strategy for the following reasons: NGOs are skilled at adapting technologies to people and paying suitable attention to the simpler technologies, as well as the more complex ones; NGOs are easily able to operate in rural settings, and because they stress the project at the personal level are able to take into account the social factors that so often have brought to a disastrous conclusion ambitious schemes for rural social engineering; the approach of the NGOs is collaborative - fundamental to their outlook is a spirit of sharing experience and of mutual learning; NGOs can gauge the pulse of the society and express the felt needs of the community; and finally, NGOs are flexible - they do not lock vast resources into projects and are therefore able to be instruments of experimentation and innovation".⁽¹⁶⁾ In addition, the emphasis on indigenous development where support is given to local NGOs to run projects themselves, rather than sending Canadians to run the project for them, means that the NGO-supported projects become self-supporting. According to Claudette Legault at OXFAM, this method encourages self-sufficiency and helps to ensure that projects will continue after the Canadian aid component of the project has stopped.⁽¹⁷⁾ The case study and other projects discussed below do indeed provide concrete evidence for Legault's and the CCIC's claims.

One of the difficulties in studying NGO aid projects is that most Canadian NGOs involved in foreign aid are relatively young. None of the NGOs examined in the survey of aid projects had been active for the full 23 years

covered by the study. In addition, there are fewer written records of projects before the late 1970's. Therefore, the case study chosen is late in the study period, but it has many characteristics which make it representative, when compared to the to earlier projects. As well, it has the advantage of having more documentation than many earlier projects, which increases its value for the purposes of this study.

③ The case study chosen is the Caye En Bouc Farmers' Co-op in Dominica. It is representative in that it involved several NGOs on one of the smaller, poorer islands, and was concerned primarily with establishing an agriculturally self-sufficient project which aided the poorest of the poor and was reproducible elsewhere. OXFAM Canada, the Co-operative Union of Canada and CUSO were all involved in various parts of the project. Dominican NGOs which were involved with the co-op included SPAT (Small Projects Assistance Team) and the Banana Bunch (a group of formerly unemployed women which was not involved in the planning or development of the Co-op but uses rejected bananas from this site for their own project of making several flavours of banana chips and packaging and marketing them as a local substitute for imported snack foods).

There is always a risk a project will fail because the people involved have a low level of skills needed, or because it is built around the enthusiasm of one dynamic individual who gets the project going and then turns over control to others who are less enthusiastic. This was often the case in early co-operative projects;⁽¹⁸⁾ however, as both donor and recipient groups have gained experience and skills, the quality of assistance has improved and there are fewer failures. One of the reasons the Caye En Bouc co-operative was successful was that its members were already farmers. The co-operative was set up in 1981 with 15 members who were previously plantation workers who had small backyard plots of their own. The Dominican government gave former

plantation land to local farmers who had previously worked on the estate, as part of a land redistribution project.

The co-operative farmers planned to increase the efficiency of their farm by intercropping bananas with the coconuts which were already growing there. They also planned to raise poultry for eggs and vegetables for distribution under the SPAT Farms to Market project (a marketing project sponsored by OXFAM which has the goal of improving agricultural self-sufficiency in the region by setting up a food marketing and distribution system to transport foods for local consumption from island to island). The combination of cash crops (bananas are the main export crop while coconuts are used in the largest industry, soap making) with products for local consumption, and the development of a marketing system for small farmers was intended to provide a model and be a catalyst for other small farmers to set themselves up in co-operatives. It was also to be an example for youth, who form the majority of the unemployed, because all of the co-operative's members were young (average age was 24 in 1983).

The Caye En Bouc co-operative was established in order to meet a need for local foods. The Marigot area, where the co-operative is located, has traditionally provided the bulk of export crops since the 1950's. When the estates, or plantations, in the area were sold to the Dominican government in the 1970's, the land was divided into parcels of 10 acres or less for individual farmers to grow bananas. Food for local consumption was not a priority until the early 1980's. In Dominica, 15-20% of imports was for basic food items in the early 1980's. By pooling machinery, inputs and expertise in democratically elected co-operatives, it was hoped that dependence on imported foods could be reduced.⁽¹⁹⁾

OXFAM Canada began assisting the co-operative in 1983. At that time,

it had three objectives: 1) "To develop an economically viable co-op that will combine the rehabilitation of 45 acres of intercropped cash products with the development of protein and vitamin sources for local consumption. 2) To effectively manage a co-op that will serve as an example to catalyse small farmers and especially youth to do likewise. 3) To develop a marketing system for small farmers in the area".⁽²⁰⁾ OXFAM Canada projected these goals would take three years to achieve and in order to meet them, undertook to raise \$20,000. Of that money, \$14,000 was to be used to buy a truck, \$2,000 for tools and \$4,000 for vegetables. The funds were provided by OXFAM (\$2,500), British Columbia Aid (\$2,500) and CIDA (\$15,000).

When the co-operative was established, 75% of its land was in mature coconut groves which had not been regularly harvested or maintained since 1979. The coconuts have been rehabilitated and intercropped with bananas which are now sold as export crops. These export crops are different from export crops sold under a plantation system because both the bananas and coconuts are partly processed and packaged at the co-op before being sold, and some of the bananas and all the coconuts are completely processed locally (for banana chips and soap). Neither crop is sold directly from the field to a agro-industry multinational. In addition, 5 acres have been planted with vegetables. There is 1 acre each of tomatoes, cabbage and carrots, and 1/2 acre each of cucumber, sweetpepper, lettuce and celery. The vegetables are marketed locally, as well as through the Farm to Market project. The only part of the project which was not successfully established was the poultry production.

The Co-operative Union of Canada (CUC), another NGO, provided assistance to the Caye En Bouc co-operative in order to improve the existing facilities and also to bring in new sources of income. The project was to

provide funds for a water system and a water dryer from 1983-1987. A total of \$31,373 was provided for a water system and a copra dryer. The funds were provided by CUC and the Government of Saskatchewan (\$3,565 each), while CIDA provided \$22,817. The remainder was provided in labour by the co-operative. The pump and water facilities were needed because they would "enhance vegetable production, banana processing (they must be washed prior to boxing; the group has a small boxing plant), and would open up the possibility of chicken/egg production. The coconut dryer would enable the group to sell copra rather than simple nuts; the price is better, the demand steadier, and transport is simplified."⁽²¹⁾

In 1983, the water tank had been built, the copra dryer was built and in operation, and the pipes to transport the water to the tank had been laid but the diesel pump to move the water had not been delivered to the co-op. This meant that the expanded vegetable project was on hold although the plot had been prepared and fencing purchased. Three people were directly employed at the copra dryer and other local farmers had found an outlet for their coconuts by selling them to Caye En Bouc, which dried them. By 1985 the pump had arrived but could not be installed because it had to be set up on government land and the co-op had difficulty getting approval. The approval was not given until 1987, but in spite of the delays the co-operative had been amassing fixed assets since 1984. It appears that the poultry facility was never built, because there is no mention of it in the annual reports to CIDA, but in spite of this the project was considered to be a success, especially because of its role as a catalyst for other farmers. This co-operative has organized training sessions for other groups on co-operative management and financing. OXFAM's final assessment concluded that the project was important to encourage Dominican Farmers Union members that democratic, organized collectives can bring them

many benefits.

While the interviews with NGO workers and the files on the projects indicate that the Caye En Bouc co-operative was a successful venture, there is little specific evaluation of this or any of the other NGO projects. Even though CIDA provides the largest proportion of funds for many NGO projects, as was the case for Caye En Bouc, there is almost no reporting required to account for how the funding was spent, except for a short report at the end of the project. In contrast, the analysis both before and after a bilateral project done by CIDA seems to be excessive, even considering that much more money is spent on individual bilateral projects than is spent on the NGO aid program.

One potential criticism of NGOs is that there are many people from different groups all involved in different aspects of the same project, leading to unnecessary duplications of effort and expenditure. Although the model purported to describe the effects of aid on national/regional economic control, rather than describe the relative efficiency of aid channels, efficient use of aid resources is a potentially important variable which could be added to the revised model (Chapter Four) if an appropriate statistical indicator is established. Measuring the relative efficiency of aid channels is important because aid policy is made, at least in part, based on the policy-makers' perception of where they can get the most value for their aid dollar. Traditionally, many small NGOs have been involved in small aid projects, rather than concentrating their funds in a few large projects. Sometimes, more than one NGO supports the same aid project. For example, there were at least three Canadian NGOs involved in the Caye en Bouc co-operative. However, there is a great deal of co-operation among the NGOs, so that one officer will visit potential or current aid sites on behalf of several of the NGOs. In the case of Caye En Bouc, there is no record of an NGO officer visiting the site on behalf

of several NGOs, but the funding was coordinated so that each NGO supported one aspect of the project. In addition, a new trend is appearing in which one NGO does all the administrative work and reporting to CIDA on behalf of several groups, which only provide funding. This has been the case for the Farm to Market marketing and distribution project, which is too large for a single NGO to fund alone, but which is being administered through a single group. In contrast, several sugarcane projects were undertaken using the same resources from CIDA, which meant that all aspects of the planning could be easily coordinated since only one group was involved. However, as the case of the cost overruns and non-use of local experts on the sugarcane projects demonstrates, a project is not necessarily more cost-efficient merely because it uses fewer people from a single agency.

In conclusion, the qualitative analysis of aid projects to the Commonwealth Caribbean supports hypothesis 1, that Canadian bilateral foreign aid has a negative effect on the the development of an underdeveloped country, seen here as national/regional economic control, although further analysis is necessary in order to conclusively demonstrate that trade and foreign investment ties with the bilateral aid program (subhypothesis 1.3) reduce national/regional economic control in the aid recipient country. The qualitative analysis also supports hypothesis 2, that Canadian foreign aid disbursed through NGOs has a positive effect on the level of an underdeveloped country, seen here as the level of national/regional economic control. Subhypothesis 2.2 is confirmed in both the survey of the kinds of NGO projects found in the Commonwealth Caribbean, as well as in the case study. The case study has further demonstrated that NGOs may go beyond emphasising local inputs and promoting processed exports, by encouraging integrated economic activity which encourages co-ordination among several sectors of the local economy, in order

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to reduce foreign inputs and produce processed goods in each.

Appendix 2: Canadian Bilateral Agricultural Projects in the Commonwealth Caribbean (continued)

Country	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
Region	1% of all funds to agriculture.		Concentration of productive employment is priority. Agriculture is not mentioned.	Country focus began (emphasis on a few countries rather than scattering a small amount of aid to many countries).	Development assistance to be doubled to \$350 million between 1982 and 1987.	
Guyana	Projects identified in artisanal fisheries and agriculture.	\$1.7 million line of credit for purchase of equipment to generate counterpart funds for development projects in agriculture and manufacturing.				
Trinidad & Tobago		Sugar cane technology work including the integration of cane as cattle feed. Test conducted on sugar cane separator to determine potential.				
Jamaica	Technical assistance in planning 2 large agricultural areas.	Projects aimed at agricultural production.		\$6.3 of \$16 million line of credit extended. Some was spent on agricultural goods (tractor parts, farm implements, seed, potatoes, fertilizers, bee-keeping equipment). 12 rural bridges to help farmers get goods to market.		
Barbados		Sugar Cane technology work including cane separation leading to the production of panel board and structural lumber. Tests conducted on sugar cane separator to determine potential.				
Leeward		\$36 million worth of new projects which are mostly in job-intensive agriculture and manufacturing.			Attention focussed on agriculture for balanced development and self-sustained economic growth. \$3.2 million fish plant with cold storage, processing & freezing facilities, insulated trucks for distribution Grenada-\$7.3 million to cocoa revitalization (replacing old trees, bringing 4,000 hectares back into production, repairing existing facilities, adding new nurseries. Dominica-\$4 million to rehabilitate & expand cocoa industry, bringing 1000 hectares into production. Farmer training and fertilizer.	\$11 million to Windward, Leeward & Barbados. Especially important are incentive programs for coops growing in Grenada and Dominica.
Windward		\$550,000 to WINMAN banana research in St. Lucia for irrigation research.	Dominica-\$950,000 in food and agriculture aid after hurricane.			
Belize	Integrated approach to agriculture with land settlement, marketing & training components.	\$1.91 million for grain storage facilities. Fishermen coming to Nova Scotia to learn new fishing techniques. Provincial Department of Fisheries provides teachers and training. CIDA pays for travel.			Direct loans to productive sectors of agriculture.	

Appendix 3: Canadian NGO Agricultural Projects in the Commonwealth Caribbean(23)

Country	1972-74	1976-77	1978-79	1980-81	1982-83	1984-85	1986-87
Dominica				CUC-Banana boxing plants OXFAM-Dominica Farmers Union agricultural reconstruction Inter Pares-Dominica Farmers Union agricultural reconstruction- OXFAM-agricultural development, rural development	Inter Pares, OXFAM - Farms to Market CUSO, CUC-Caye en Bouc Farmers Co-op OXFAM -Caye en Bouc Farmers Co-op		OXFAM-Banana Bunch (banana chip making) (to 1987)
Grenada				OXFAM-agriculture education in schools CCI-agricultural devel. CDF-co-op-farming	OXFAM-seedling centre (1982-1986) OXFAM-Tivoli Agricultural Co-op (to 1985) co-op		
Guyana				CCI-agricultural devel. Scarboro Foreign Mission Society-agriculture education			
Jamaica	Cansave-agricultural centre for the deaf	OXFAM-Adelphi Roots Co-op Society		OXFAM-3M development cheesemaking CUC-Adelphi intermediate technology	Inter Pares-Social Action Centre		
Barbados	CUSO-agricultural volunteer McGill U.-peologic fisheries, fishery research equipment, marine resource equipment	CUC-BAS(Barbados Agriculture Society) support project		CCI-agricultural development CUC-BAS food distribution and extension services. CUC-BAS support project	CUC-BAS Anglo-Nubian goat stock improvement		
Belize				CCI-agricultural development CUC-cassava co-op	CUC- peanut producers		
St. Lucia				Match-rabbit raising Inter Pares-Windward Island Farmers Union exchanges CCI-agricultural development	CUC- Market Forecasting		
St. Vincent				Inter Pares CUSO OXFAM COODP CCI Cdn NPU-farm reconstruction			

ENDNOTES - CHAPTER FIVE

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- 3) Conference on Sugar Cane Separation Technology, Sponsored by the Canadian International Development Agency, The Government of Barbados (Barbados: April 27-30, 1981) p. 6.
- 4) Ibid.
- 5) Canadian International Development Agency, Evaluation of Separated Sugarcane Projects, Volume 1 (December 1980) p. 18.
- 6) Ibid., p. 9.
- 7) G.B. Hagelberg, Evaluation of Separated Sugarcane Projects, Volume 3, Appendix D, p. 23.
- 8) Evaluation of Separated Sugarcane Projects, Volume 1, p. 17.
- 9) Ibid.
- 10) Ibid.
- 11) Evaluation of Separated Sugarcane Projects, Volume 2, pp. 6, 9, 13.
- 12) Evaluation of Separated Sugarcane Projects, Volume 1, p. 19.
- 13) Interview with Claudette Legault, OXFAM, February 11, 1987; Interview with Kenton Eggleston, April 28, 1987.
- 14) Donald Fraser, George Matthews and Donald Reeve, Assistance to the Artisanal Fisheries Through Provision of a Line of Credit for the Purchase of Fishing Requisites Off-Shore, A Draft Final Report to the Canadian International Development Agency (October 1980); Plan of Operation - Infrastructure - Artisanal Fisheries, CIDA Project Number 440/11054, 1 Juin, 1984 Revised December 1985; Terms of Reference for Evaluation Fisheries Line of Credit Guyana (No Date); Dr. C.L. Mitchell, The Fisheries Equipment Facility Project 3 (Ottawa: February 1985); Terms of Reference for Evaluating Fisheries Equipment Facility Project 3; Interview with Don Wood, Project Team Leader, Canadian International Development Agency, October 1, 1986.
- 15) Task Force, p. 10.
- 16) Ibid., p. 2.
- 17) Interview with Claudette Legault.
- 18) Interview with Kenton Eggleston.
- 19) OXFAM, Dominica Caye en Bouc Farmers' Co-op Project Submission

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- 20) Ibid., p. 2.
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CHAPTER SIX - CONCLUSIONS

This study set out to establish the links between official bilateral aid, business and regional economic control and between NGO aid and regional economic control within the Canadian context. It was predicted that the links established would show a positive relationship between bilateral aid and business involvement, and an inverse relationship between these two variables and regional economic control. It was also predicted that the connection between NGO aid and regional economic control would be positive, supporting the view that the only realistic way for development (in this case considered to be both material and psychological basic needs) to occur is through local efforts by the people directly affected at gaining control of their economy.

The model purported to describe the effects of Canadian foreign aid and Canadian trade and investment in the Commonwealth Caribbean has been partially validated through case studies of aid projects and qualitative analysis of Canadian foreign aid policy. Based on case studies and examination of official policy alone, it would appear that the critics are accurate in depicting bilateral aid, administered in cooperation with business, actually hindering development efforts with NGO aid, which emphasizes local self-help efforts, counteracting the effects of business and official aid, albeit only in a very small way. The statistical analysis does not strongly reinforce the model, which indicates that although the model has some explanatory power, the Canadian aid program must be examined together with other aid relationships and within the context of the world economy.

Canada's foreign aid program has never been large enough to conclusively determine either that aid is beneficial, as stated in modernist theory, or harmful and counter to development, as stated in dependency theory.

the statistical analysis was inconclusive, as the proportion of Canadian aid compared to the total amount of aid and the total economy of any recipient country is too small to clearly demonstrate causal relations between the variables. The causal relationships proposed in the model were not strong enough to be considered statistically significant in most cases. In addition, the control variables inserted into the model resulted in new relationships which indicate that local efforts at economic reform through reduction of dependence on food imports and increase in regional trade and cooperation are more important to Third World development than aid alone, at least in countries which are not suffering from severe shortages of basic necessities, but only some shortages and unequal distribution of resources.

Although the case studies of bilateral and NGO aid show the effects of various forms of aid on the regional economic control of the recipient countries, the incomplete lists and case studies of all aid projects mean that significant information could be missing. In addition, the penetration of the recipient country's economy by multinational corporations based in the donor country, central to dependency theory,⁽¹⁾ was not clearly in evidence in the Canadian/Commonwealth Caribbean case. While there has been some penetration by Canadian multinationals, very little occurred in the agricultural sector, and was therefore outside the scope of this study.

Based on the case histories, we would argue that the most beneficial aid programs concentrate on local development initiatives and provide little except funding and administrative assistance until the project is self-sufficient, the case studies raise questions of how to terminate projects which are not benefitting the recipients and how to encourage beneficial programs without having unnecessary duplication of funding and personnel. The difficulty of abandoning a project was illustrated by the Sugarcane Separator case. The

government of Barbados considers the separator a means for potential diversification in the sugar industry and has stated it considers "separation development the number one priority in Canadian aid assistance."⁽²⁾ This makes economic development efforts difficult because although this particular project has not been successful, to cancel it would conflict with the objective of encouraging local decision-making by providing assistance requested by the underdeveloped country, in order to accomodate their goals for development.

The Sugar Separator project did not meet all expectations mainly because its participants did not fully recognize "the experimental nature of the projects and the ensuing scope of work."⁽³⁾ We would conclude that in future, projects involving a high level of research and development should be recognized as reasearch, not aid. If they are to be kept as part of CIDA because of their possible eventual aid applications, they should be run in their own division devoted to research (possibly the IDRC should be doing more in this direction, and CIDA less), with the projects divided into distinct development phases which are effectively monitored and controlled.

If "experimental" aid is separated from CIDA's other assistance, the remaining aid could be somewhat more like NGO aid, which concentrates on assistance which has immediate tangible benefits. NGOs will continue to have an important place in Canada's aid program because 1) they support people rather than projects by providing institutional support so local groups will have continuity and legitimacy in the eyes of their own government and 2) they are an important non-government voice promoting awareness of development issues in Canada. Finally, NGOs have demonstrated that their members are at least as well educated and informed as their counterparts in CIDA, and through cooperation with other NGOs (in groups such as the Interagency Working Group) they can provide an excellent ratio of development benefits to expenses

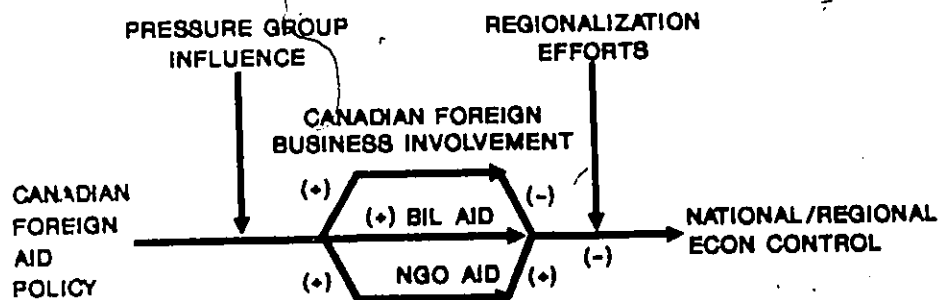
incurred.

Regionalization efforts, used as an intervening variable to test the causal relations between the variables in the model, showed that the original relationship, which was not statistically significant, contained two relationships which counteracted each other. The effect of regionalization efforts is thus shown to be important enough to be included in the model. The addition of a variable - regionalization efforts - which is not controlled by the donor country points out the importance not only of broadening the model to include more inputs from the recipient countries but also considering the effect on economic control of other (non-aid) aspects of the world economy. This observation also suggests the need for a multifaceted perspective on Canadian policies - beyond aid - which may affect development because aid is only one part of Canada's economic and cultural policies which affect underdeveloped countries.

Canada has not been very involved in encouraging regional economic control through non-aid assistance such as encouraging the modification of trade patterns. Canada's main non-aid instrument, the General Preferential Tariff, was introduced in 1974. Canada enacted this tariff as its part of the United Nations General Agreement on Tariffs and Trade (GATT), a system of tariffs which is generally accorded by most industrial nations. The General Preferential Tariff allows certain types of imports into Canada from underdeveloped countries with lower tariffs than are placed on similar goods imported from developed countries. The purpose of the General Preferential Tariff is to encourage Third World industrialization and exportation of goods by lowering the cost of importing a product from an underdeveloped country, thus making it more competitive in price, and increasing consumer demand for the product. This is one area where Canada might be able to encourage much more development than it has in the past, because according to the CCIC, "in the

long run, it will be much more important for countries to modify their industrial strategy and trade policies."⁽⁴⁾ However, it excludes low-technology categories of imports which might be profitable for developing countries (textiles, footwear and clothing), and its tariff cuts are not very significant. In this respect, Canada is no different than other developed countries, particularly the United States, which all have similar protectionist policies. The insignificance of the tariff cuts is exemplified by the following example: one third of a 10% tariff might be removed, lowering the cost of a \$1.10 product (including the tariff) to \$1.07. In addition there are non-cumulative rules of origin, which means that "each item from each beneficiary country must meet the 60% rule regarding local value added."⁽⁵⁾

It appears that the model originally postulated in Chapter One will have to be modified to reflect the importance of underdeveloped countries in influencing their own development through encouraging regional economic development, and the fact that official aid policy can be affected by pressure group influence. Consideration should be given to whether relative importance of the variables in the model should also be illustrated in its schematic diagram. I have not attempted to do so in this study, as the best possible metric indicators have not been found for each of the variables. Further study is necessary in order to determine whether trade policies and commodity prices should also be variables, and how they will affect the model. Below is a revised model (first shown in Chapter Four) which warrants close examination.



It must be remembered, however, that the relationships studied in this model involve a country which is relatively one of the largest aid donors and which has a good reputation in the development community for its generally beneficial programs, but has relatively little foreign investment in the Third World, and a region which is relatively wealthy and industrialized compared to other underdeveloped countries. It may not describe the relationships found between Canada and other countries which receive its aid, or between other donor and recipient countries. This study has shown that aid programs can encourage development in the form of national/regional economic control if they concentrate on that goal rather than emphasizing strategic or donor country economic interests. However, in order to establish that the results obtained here are not simply a result of the region's own development efforts, it is necessary to conduct similar studies using cases where the recipient countries are poorer and in a weaker position to promote their own development, and where the donor country provides a greater proportion of the total aid to the recipient country.

ENDNOTES - CHAPTER SIX

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