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CANADA-WEST INDIES TRADE 1944-1964

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Thesis presented to the Faculty of Social Sciences of the University of Ottawa as partial fulfilment of the requirements for the degree of Master of Arts

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INTRODUCTION

Trade between Canada and the British West Indies began over one hundred and fifty years ago and this trade has made a worthwhile contribution to the incomes of both areas. In this twentieth century the total merchandise export value for Canada was not so large when related to Canada's total exports, yet Canada continued to be one of the major exporters to the West Indies. Furthermore, Canada has remained important as a significant importer of West Indian goods.

The size of the West Indies' market for Canadian exports is not in the same magnitude as Canada's trade with the larger countries, but certainly has more possibility of improvement. If trade with this underdeveloped territory so near to Canada cannot be developed, after the long history of mutual British ties, Canada need worry about her future exports to other less friendly areas.

Mutual concern over continuing and expanding the volume of trade have resulted in many trade conferences between the two areas. The 1966 Commonwealth Caribbean-Canada Conference was the latest meeting and this conference recommended that a Standing Committee on Trade and Economic Affairs be established to strengthen "their trade and economic ties." Therefore the importance of Canada-West

Indies merchandise trade is evident and does merit economic analysis.

Two other dissertations[1] on Canada-West Indies Trade have been presented to graduate schools in Canada, both at Queen's University, one for a Master of Arts degree in History and one for a Master of Arts degree in Economics.

The two theses dealt with a description of trade relations and because of the requirements of the two academic disciplines only the types of methodology were different. The historical study dealt with a description of Canada-West Indies trade to the Second World War and the study for the economics department included both a description and an analysis of this trade to 1950.

This thesis began with research into the final years of the Second World War when the value of Canada's export trade with the West Indies and Canadian aid and loans to the Sterling Area were at an extraordinarily high level. Then the subsequent changes from this high point to the much lower

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[1]Fayne T. Bullen, Relations with Canada and the West Indies, unpublished Master's thesis presented to the History Department, Queen's University, Kingston, Ontario, September 1961.

M. J. Lawrence, Canada-West Indies Trade 1939-1950, unpublished Master's thesis presented to the Economics Department, Queen's University, Kingston, Ontario, April 1952.

levels of Canadian exports in the later years were described and annalyzed.

Only the British West Indian countries that were included in the former Federation of the British West Indies were considered as constituting the West Indies. Thus statistics for Jamaica, Trinidad & Tobago, Barbados and the Leeward and Windward Islands were included and only data for Guyana, formerly British Guiana, and the British Honduras were excluded.

Statistics have been compiled of exports and imports between Canada and the West Indies for the years 1944 to 1964. The statistics for the West Indies have been aggregated from the individual countries and totalled as West Indies trade.

In January 1961, the Dominion Bureau of Statistics introduced a new commodity classification of exports, which was later followed in 1964 by a similar classification of imports. These reduced the main commodity sections of trade from nine to seven sections; and the emphasis was placed primarily on the stages of fabrication and end use rather than emphasizing the principal component material of the commodities.

For the results of this research to be consistent, all the export statistics prior to 1960 and import statistics prior to 1963 were reclassified as closely as possible to the new system of commodity classification. Also some general commodity headings were used that could be related to the Standard International Trade Classification of the West Indian countries.[1]

This study was divided into three significant periods of time. The first period included the peak trading years in the post-war when dollar aid to the Sterling Area was at its highest point, and ends in 1950 when devaluation of the pound and other import controls to combat the subsequent dollar shortage decreased Canada's exports sharply. The second period between 1950 and 1957 were the years when Canadian investment in the Caribbean began to be important. The West Indies implemented a gradual liberalization of import controls and Canadian exports began to increase. Finally, 1958 was chosen as the beginning of the third period. This was the year of the establishment of the political Federation of the British West Indies and the end of the Suez Crisis.

[1]See Appendix A for some notes on the methods employed.

CHAPTER I

SOME HISTORICAL NOTES ON CANADA-WEST INDIES TRADE

1. Trade Before Canada's Confederation

For generations Canada has been a close trading partner of the West Indies bound together not only by mutual ties with the British Empire but by their geographical proximity and differences of climate. Canada traded goods produced in their more temperate climate for West Indian tropical products.

Canada and the New England colonies exported dried fish[1] and lumber to the West Indies and in return the West Indies traded rum and molasses. The rum and molasses were then exchanged for British manufactured goods by the northern colonies. Thus a triangle of trade developed with Great Britain playing a central part in Canada-West Indies trade.[2]

After the New England Colonies gained their independence, the United States continued to export to the

[1]The fish was a high protein and a cheap food to feed the slave workers of the large West Indies sugar plantations.

[2]Fayne T. Bullen, op. cit., p. 15.

West Indies despite the loss of their British tariff preferences, as Canada could not produce enough lumber and foodstuffs to satisfy the requirements of the West Indies.[3]

Canada did reap some benefits from these United States exports as one of the clauses of The Treaty of Versaillesin 1783 was that the American exports to the West Indies were obliged to be transhipped through Canadian ports.

This practice was however discontinued in 1803 and finally in 1823 the West Indian duties on exports of the United States, that were especially required,[4] were lowered to be the same as the duties on similar Canadian exports.

Great Britain's change from rigid mercantilism to a more liberal trade policy was a disturbing event for the West Indies as this meant the West Indian sugar producers had to compete with the rest of the world in selling their sugar to the Mother Country. A good example of this change in policy affecting Canada-West Indies trade was Great Britain's bilateral trade agreement with Germany, in 1865, whereby German sugar could be sold in Great Britain or

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[3] H. A. Innes, and A. R. M. Lower, Selected Documents in Canadian Economic History 1783-1885, Toronto, University of Toronto Press, 1933, p. 404.

[4] Lumber and the supplies for the British Navy were some of the more important West Indian requirements.

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Canada with no special duty to protect sugar from the West Indies.

The Slave Emancipation Act in 1833 created further problems for the West Indian sugar producers as a serious labour shortage developed when the ex-slaves left the plantations to do their own farming or in some instances left agriculture completely. As a result indentured employees were allowed to immigrate to supply the labour requirements of the West Indian planters.[5] As a consequence, the opposite situation developed during the latter part of the nineteenth century when new job opportunities did not appear for the subsequent excessive labour supply.[6]

2. Period 1867-1912

Canada advanced to more independent "decision making" government with the development of the central and western provinces and with eventual Confederation in 1867. By the year 1900 the Canadian economy had reached a relatively high level of prosperity and this increased the Canadian businessmen's desire for a wider export market for their surplus production.

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[5] G. E. Cumper, The Economy of the West Indies, Institute of Social and Economic Research, University of the West Indies, Kingston, Jamaica, 1960, p. 27.

[6] *Ibid.*, p. 152.

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The West Indies were already a valuable trading partner and so the Canadian Government sought to enlarge this trade. As an incentive for the West Indies to grant reciprocal preferences to Canadian imported products, Canada imposed a special duty on European sugar in 1903. However, the West Indies did not respond and Canadian exports to that area did not increase to any appreciable extent. Indeed ten years prior to the placing of the special duty on European sugar, from 1893 to 1903, Canada had a surplus in their merchandise balance of trade with the West Indies and subsequent to 1903 this surplus became a deficit.[7]

As a result the Canadian Government convinced the British Government to set up a Royal Commission on Trade Relations between Canada and the West Indies in 1910. After an investigation of several months the Commission recommended that there should be a trade conference between the two areas and Great Britain to discuss tariff preferences.

3. Canada-West Indies Trade Agreement of 1912

The 1912 Agreement enumerated eighty products that were to be given tariff preferences and they were listed in two schedules, A and B. These schedules divided the articles being exported by Canada and the West Indies

[7] Fayne T. Bullen, op. cit., p. 155.

respectively. It was agreet that these goods would have a general 20 % tariff preference over all other foreign imports i.e. the duties would not be over 80 % of the normal duties of the most favoured nations. Specific preferences were set at minimums for flour, sugar, cocoa, arrowroot, lime juice and limes to ensure their advantage over foreign produce.

Trade increased substantially from 1917 until 1920. The increase at first was caused by more exports from the West Indies than from Canada, but the gap narrowed in 1918 and 1919. In these years Canada still had a deficit in her merchandise balance of trade with the West Indies but not nearly as large as before.[8]

Both Canadian and West Indian exporters were enthused[9] especially with booming trade from 1917 on and most of the credit was given to the 1912 Agreement. Thus in February 1920 The Associated Chamber of Commerce of the West Indies suggested that the three parties concerned, Great Britain, Canada and the West Indies should confer to enlarge the latter Agreement to include more goods on the preferential tariff list. This suggestion was not ignored

[8] Fayne T. Bullen, op. cit., p. 155.

[9] Ibid.

and the West Indies, Great Britain and Canada met in conference at Ottawa, on May 31, 1920.

4. 1920 Canada-West Indies Trade Agreement

This time the conference proposed that all goods traded between the two areas be given a special lower tariff instead of the original tariff preferences on the 80 articles specifically noted in the 1912 Agreement. However, the question arose as to whether the proposed tariff preferences between Canada and the West Indies should be extended to the Empire as a whole, making trade to the West Indies a closed market for everybody but the members of the British Empire. Canada realized that this would give the United Kingdom the same preferences and Canadian goods would surely lose ground to such formidable competition.[10] The West Indies, who relied on duties for the major part of their public revenues were worried about the severe loss to their treasury if the whole Empire were given preferences. Nevertheless, the conference agreed to give the West Indian preferences to all the Commonwealth.

In the 1920 Agreement Canada gave increases in the specific preferences for rum to $2.00 per gallon, sugar from

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[10] Canada, Report of the West Indies Conference, 1920, Ottawa, Queen's Printer, 1920, p. 1.

33 3/4 cents to 83 7/10 cents per hundred pounds, and all other products subject to duty would have at least 50 % tariff preferences. The West Indies gave only nominal increases to previous preferences because of their reliance on duties for their national revenue.

5. Canada-West Indies Trade Agreement of 1925

A new Trade Agreement was signed in 1925 which is in effect at the present time. This Agreement is divided into three parts. The first part deals with the specific trade concessions granted by the two parties. Canada increased her sugar preference to $1.00 per hundred pounds and granted free entry to several West Indies products eg. bananas, cocoanuts, arrowroot, onions, fresh limes, ginger, nutmeg. Canada also granted Barbados a special preferential tariff on their cocoa exports. West Indian bananas' and cocoanuts' free entry into Canada was contingent upon these goods being shipped directly to a Canadian port i.e. no transhipments.

Other Canadian special tariff preferences are allowed on rum, coffee, spices and other tropical produce. Furthermore all West Indies' goods which were not specifically mentioned in this Agreement were granted a general tariff preference in that the custom duties on these goods would never be more than fifty per cent of the General Tariff of Canada.

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The West Indies' territories granted special concessions to most Canadian goods in this Agreement. For example Barbados and Trinidad granted Canadian goods maximum duties of 50 %, the Leeward and Windward Islands 66 2/3 %, and Jamaica 75 % of the most-favoured nation's tariff.

Also the West Indies conceded special rates for important Canadian exports. Canadian flour received a two shilling per barrel preference from all territories. In addition Jamaica gave a preference of 50 % of the most favoured nation tariff on Canadian butter, cheese, lard, condensed milk, meat and fish of all kinds. Canadian spirits, wine, beer and ale were also allowed special preference by all the islands.

Part two of the Agreement stated that Canada must endeavour to provide for better transportation services between Canada and the West Indies.[11] Each of the West Indies' Governments agreed to give small annual subsidies to this operation.

The steamship services were given particular schedules and rates for the different islands and the size

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[11] The steamship service from Canada to the islands did not have sufficient cargo to warrant adequate service and hence the Canadian Government had been granting subsidies to the shipping lines since 1890. However this was still a major obstacle for increased Canada and West Indies trade.

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of the vessels were designated. Passenger and freight allocations of space on the vessels to and from the individual islands were specified in detail.

The third part of the Agreement dealt with the proper procedure for termination of the Act.

Canadian exports to the West Indies did increase during the first five years after the 1925 Agreement but in the thirties Canadian exports and total Canada-West Indies trade decreased sharply[12] because of three major factors.

First in 1931 the Sterling Area came into existence and Great Britain and the British Commonwealth of Nations, except Canada,[13] abandoned the gold standard. Thus all countries in the Sterling Area maintained a fixed exchange rate with the English pound and held their exchange and monetary reserves in England.

Secondly in 1932 the Ottawa Agreement extended bilateral preferences to all members of the British Commonwealth. Now all members of the Commonwealth gave the same special tariff preferences to each other. Hence not only were the West Indies trade preferences to Canada granted to

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[12] M. J. Lawrence, op. cit., p. 60.

[13] Canada by remaining on the gold standard was in effect drawing away from the Commonwealth and closer to the United States. Great Britain was drawing the other members of the Commonwealth closer to her.

the British Commonwealth but also Canada's special tariff concessions to the West Indies were granted to the others.

Thirdly, the United Kingdom's and the United States' manufactured goods were still competing with Canada's goods for the West Indies market. British products were considered of better quality by the Caribbean consumers and with Commonwealth preferences they were not more expensive. The United States, although they did not have the Commonwealth preferences, were geographically closer, particularly to Jamaica, and this enabled them to have cheaper transportation rates with better service and delivery. Furthermore, their products were of good quality and not more expensive than the Canadian equivalents in most cases.

Therefore, Canada exported considerably less, and most of these Canadian exports consisted of foodstuffs[14] and lumber. The West Indies continued to maintain a surplus in their merchandise trade balance with Canada and more than two thirds of their exports were raw sugar, bananas and coffee.

The Agreement apparently satisfied the West Indies but not Canada and in 1939 the latter called for a new trade conference. However, World War II ensued and the trade conference was postponed, but both parties agreed to

[14] One third of the total Canadian exports to the West Indies was flour.

continue this Agreement indefinitely unless cancelled by either party with six months notice.

6. World War II, 1939-1944

In Canada and the West Indies the war brought about higher employment[15] and higher aggregate demand, hence more external trade and higher prices. Therefore, both the volume and value of Canada-West Indies trade increased.

The United Kingdom was unable to supply the goods that she usually exported to the West Indies because her production had been diverted to the war effort. In addition the problems of shipping, caused by submarine activities, also changed the direction of West Indies' imports from the United Kingdom to the North American continent i.e. Canada and the United States. Thus the war enabled Canada finally to overcome her trading deficit with the British Caribbean.

7. Conclusion

Canada and the British West Indies up to 1939 were mainly trading food and raw materials, despite Canada's desire to diversify and enlarge this trade. Besides the normal competitive problems of lower prices and better

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[15]The building of United States bases in the British West Indies was an important factor.

delivery in the other sectors, there were the existing trading patterns with Great Britain and the United States that hindered any major changes. However the Second World War disrupted all the previous patterns and Canada West-Indies trade increased to new high levels.

The economic development of Canada had already led to a need for more export markets for their manufactured goods and the Second World War gave added impetus to this sector. Therefore the Canadian goods that were exported to the British Caribbean not only increased in value but were also more varied.

The War had similarly accelerated the development of the West Indies and many economic and political changes were being considered. However, they still were colonies and the fiscal, commercial and monetary policies which affected their external trade were still made by the Mother Country.

CHAPTER II

A PERIOD OF DOLLAR AID AND DOLLAR RESTRICTIONS (1944-1949)

1. Background to Trade

After the Second World War the United Kingdom had to reconstruct her economy and in the first few years of this period her volume of exports was relatively low because of the temporary lack of manufacturing for export. In addition, the United Kingdom's demand for imports from the dollar countries during the rebuilding period was contributing to inflationary pressures in both Canada and the United States. The resulting higher prices for her dollar imports contributed also to inflation in the United Kingdom and indirectly caused a serious dollar shortage in the Sterling Area.

In the first few years of this period this dollar shortage was alleviated by loans and credits from Canada and the United States. One of the American loans granted in 1945 was given on the condition that the pound would be made freely convertible in July 1947 with the dollar. This was an overy optimistic concession by the United Kingdom and free conversion was shortlived and severe controls were reinforced on exchange and imports in the whole Sterling Area.[1]

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[1]John M. Cassels and Frances L. Hall, "The Current British Crisis and the Board 'Dollar Problems'," _Foreign Commerce Weekly_, Vol. XXIX (Nov. 29, 1947), p. 4.

Some of the pressure on the pound was relieved when the United States instituted the Marshall Plan recommending the economic cooperation of European nations by "the pooling of resources, the breaking down of economic barriers and the assessment of needs on a continent-wide basis."[2] The plan was to be administered by the Economic Cooperative Administration, (E.C.A.) and involved sixteen European nations including the United Kingdom.

Two other important events that affected international trade occurred in 1947, first, the Food and Agricultural Organization (F.A.O.) was established to improve the world's agricultural production and to raise the world's standard of living and secondly, the International Trade Organization (I.T.O.) was proposed to promote international trade. This latter organization was not chartered until 1948 but a General Agreement on Trade and Tariffs (GATT) was immediately enacted and twenty-three major trading nations concluded 123 trade agreements.[3]

In 1949 the United Kingdom was obliged to devalue the pound as it had been overvalued at one pound for 4.02 American dollars since the beginning of the War. The demand

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[2] Harold U. Faulkner, American Economic History, English Edition, Harper & Row, New York, 1959, p. 727.

[3] Ibid., p. 726.

for the pound was not sufficient to maintain this high exchange rate and the pound was devalued to 2.80 American dollars. This depreciation normally would reduce imports of dollar goods with relatively high elasticity of demand; however, those dollar imports with relatively low elasticity of demand were controlled and given quotas.

Before these import restrictions and depreciation of the pound the West Indies imported a large amount of goods from the dollar area. Aid from Canada[4] provided some of the dollars required to pay for the West Indies excess imports, but additional dollars were also available from the earnings of West Indians who had worked in the construction of American bases in the Caribbean and in the harvesting of crops in the United States during the war.

Thus this period initially was an era of high consumer spending in the West Indies to satisfy the "pent up" demand for goods that were not available during the war. Later, in 1947, these expenditures, particularly on goods from the dollar area, were curtailed severely by the dollar shortage in the Sterling Area.[5] Indeed during the British West Indies Conference, in Montego Bay, it was decided to

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[4] West Indies Year Book 1945, Montreal, Thomas Skinner of Canada Ltd., p. 15.

[5] C. D. Blyth, Canadian Journal of Economic and Political Science, "Canada's International Financial Relations", Vol. XII, 1946, p. 304.

restrict imports from all the dollar countries.[6] From that time the West Indies were obliged to purchase more of their goods from the Sterling Area which until 1949 made the sterling imports, in some instances, more expensive than similar dollar goods due to the overvaluation of the pound.

The Colonial Development and Welfare Corporation, which set commercial policy for the West Indian colonies, also attempted to encourage industries which would manufacture goods that were previously imported especially in the food and manufacturing sectors in the West Indies. Money was allocated to research in agriculture and in the fishing industry.[7] In 1949 investment in the manufacturing sector was encouraged by legislation in Jamaica designed to give incentive to "Pioneer Industries" which would manufacture domestic goods to compete with imports. These incentives included special tax exemptions and tariff protection to control imports.[8] If this legislation was successful in its objective, it would tend to shift imports from consumer to capital goods, raw material and semi-fabricated.

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[6] M. J. Lawrence, op. cit.,

[7] The Caribbean, British, Dutch, French, U.S., edited by A. Curtis Wilgus, University of Florida Press, Gainsville, 1958, p. 16.

[8] Secretary of State, Great Britain, British Dependencies in the Caribbean and North Atlantic 1939-1952, H. M. Stationery Office, London, 1952, p. 37.

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In Canada the wartime economy was booming in 1944 and Gross National Expenditure per capita reached a peak of 1,333 constant 1949 dollars as compared to 846 dollars in 1939 and 1,215 dollars in 1949.[9] The period between 1944-1949 was one of large consumer expenditures in Canada not only on domestic goods but also on consumer goods imported from the United States.

Foreign trade was encouraged by substantial loans to Canada's large overseas customers to enable them to purchase the Canadian goods required to reconstruct their war-damaged economies.[10] Furthermore, Canada continued its cooperation with other international organizations[11] to rebuild world trade. However, despite these efforts, total Canadian exports declined gradually throughout this period, but the

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[9]George W. Wilson, Scott Gordon, Stanislaw Judek, Canada: An Appraisal of its Needs and Resources, The Twentieth Century Fund, University of Toronto Press, Toronto, 1965, p. 7.

[10]The Royal Commission on Canada's Economic Prospects, Canada, Final Report, November 1957, H. M. Printers, Ottawa p. 90. "It is estimated for example, that in 1946 one third of all Canada's exports were financed by the Canadian Government."

[11]United National Relief and Rehabilitation Agency International Monetary Fund, and the International Bank for Reconstruction and Development were good examples.

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slack in this sector of the economy was easily taken up by domestic consumption expenditures.[12]

In an attempt to counteract "the inflationary forces from abroad, particularly from the United States",[13] the Canadian dollar was restored to parity with the United States dollar in 1946. However, this appreciation of the Canadian dollar resulted in capital outflows from Canada and thus in 1947 there was not sufficient exchange to pay for the large volume of goods being imported from the United States. This serious balance of payments crisis for Canada prompted the Canadian Government to impose special taxes, controls on American imports, and restrictions on travel expenditures in the United States.[14] These actions considerably alleviated the exchange crisis and by 1949 Canadian foreign exchange resources were more than adequate.[15]

Thus at the end of this period Canada had achieved reasonable stability in her foreign exchange reserves and had a current account surplus in her balance of payments. In spite of these facts Canada depreciated the Canadian

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[12] Canada, op. cit., p. 84.

[13] R. Craig McIvor, Canadian Monetary, Banking and Fiscal Development, Toronto, The MacMillan Company of Canada Limited, 1958, p. 212.

[14] R. Craig McIvor, op. cit., p. 213.

[15] George A. Wilson, op. cit., p. 52.

dollar to 10% vis-a-vis the United States dollar in an overt attempt to counteract some of the effects of the devaluation of the pound.

2. Canada's Merchandise Exports to the West Indies

In 1944 Canada's merchandise exports to the West Indies amounted to 40.1 million current dollars and increased to a peak of 61.2 million dollars in 1947 and declined in 1949 to 30.9 million dollars. The average annual merchandise exports from Canada to the West Indies were 43.6 million dollars and only 1946 and 1947 were above the average.

i <u>Country of Destination</u>

As shown in Table I, more than 70% of Canadian merchandise exports to the West Indies went to Jamaica and Trinidad. Trinidad, the second largest island in population, was the main recipient of Canada's exports to this area in this period with an average of 41% of the total exports to the West Indies.

Jamaica, first in size of population and geographical territory in the West Indies, was the second largest recipient of Canada's exports. During this period Jamaica received an average of 32% of the total Canadian exports to the region. The Leeward and Windward Islands and Barbados

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TABLE I

CANADA'S EXPORTS TO WEST INDIES BY COUNTRIES

SELECTED YEARS (1944-1949)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1944		1949		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Trinidad	16.5	41	12.3	40	17.9	41
Jamaica	13.9	35	9.1	29	13.9	32
Leeward and Windward	5.5	14	4.5	15	6.0	14
Barbados	4.2	10	5.0	16	5.8	13
Total Exports	40.1	100	30.9	100	43.6	100

*This is an annual average of all year of this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issue, various years. Catalogue No. 65-004, Ottawa.

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followed with averages of the total Canadian export of 14 and 13 percent respectively.

ii Major Sections and Commodities

The majority of Canadian exports to the West Indies were of the food, feed, beverages and tobacco commodity category, as outlined in Table II, and this group comprised approximately 60% of the total exports in this period. This category increased in importance again when total exports began to drop after the dollar restrictions in 1948.

One section that increased in volume and then decreased sharply was the fabricated materials inedible section. Table III indicated an increase of 55% in 1947 over 1946 but this was followed by an acute decrease in 1948 and again in 1949 of 43 and 37 percent respectively.

The group of commodities that fluctuated the most in value and quantity in the post-war period was the end products inedible group which increased up to 1947 and then dropped 69% in 1948 and in 1949, another 82%.

Table IV indicated that processed and unprocessed cereals were the largest group of goods in the food section exported from Canada and these goods had comprised 50% of the total exports in this section during this period.[16]

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[16] West Indies Year Book 1950, op. cit., p. 15.

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TABLE II

CANADA'S EXPORTS TO WEST INDIES BY MAJOR SECTIONS

SELECTED YEARS (1944-1949)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1944		1949		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Food, Feed, Beverages & Tobacco	23.1	58	23.0	75	25.2	58
Crude Material Inedible	.2	1	. .	.	.3	1
Fabricated Material Inedible	6.8	17	4.3	14	7.4	17
End Products Inedible	9.1	23	3.1	10	9.8	22

*This is an annual average of all years for this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issue, various years. Catalogue No. 65-004, Ottawa.

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TABLE III

PERCENTAGE CHANGE OF CANADA'S MAJOR SECTIONS OF EXPORTS TO THE WEST INDIES

	1944	1945	1946	1947	1948	1949
Food, Feed, Beverages & Tobacco	. .	+ 3	+ 8	+ 9	- 1	- 17
Fabricated Materials Inedible	. .	- 3	+ 22	+ 48	- 43	- 37
End Products Inedible	. .	+ 9	+ 23	+ 55	- 69	- 82
Total Exports	. .	+ 3	+ 20	+ 27	- 33	- 24

Source: Calculated from Table II

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TABLE IV

MAJOR COMMODITIES EXPORTED BY CANADA TO WEST INDIES

SELECTED YEARS (1944-1949)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1944	1949
Processed & Unprocessed Cereals	11.2	10.7
Smoked & Salted Fish	1.1	4.1
Unprocessed Tobacco	.9	1.1
Vegetable & Vegetable Products	.5	.5
Cured and Cooked Meat	1.3	1.1
Animal Feed & Other Prepared Foods	.5	.4
Milk & Other Dairy Products	3.0	1.7
Beer, Ale & Porter	.9	..
Plywood, Shingles, & Other Wood Products	1.8	1.6
Broad Woven Cotton Fabrics & Others	1.0	.1
Newsprint & Other Light Paper	.8	.9
Insulate W. & Other Building Materials	.3	.1
Chemicals	.1	..
Paint, Lacquer, Varnish etc.	.3	..
Footwear	1.5	.2
Motor Vehicle & Parts	1.4	.3
Clothing	1.5	.1
Medicine & Drugs	.5	.1
Metal Wire Mining Con. & Industrial Machinery	.1	.1
Soap, Cleaning Agents	.3	..
Household Furniture	.1	..
Printed Matter, Books, Stationery	.1	..

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

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Flour was the main item of the cereals shipped as it had been in the past. The Canada-British West Indies Trade Agreement of 1925[17] guaranteed a preference of two shillings per barrel of flour from Canada and this has helped to maintain the stability of this export through the years.

In 1949, there was a sharp decline in cereals not only due to the devaluation of the pound, but also because of a general drop in the world prices bringing the value down.[18] Furthermore the total purchases of the West Indies from all sources were somewhat less[19] due to stricter import controls.

The above Agreement gave preferences also to Canadian butter, cheese, lard, condensed milk, meat of all kinds, fish (canned, preserved, dried, salted, smoked or pickled). However once again the shortage of dollars and the devaluation of the pound led to a considerable decrease in Canadian exports of the foregoing items.

More than one half of the fabricated materials inedible section consists of plywood, shingles and other wood products, broad woven cotton fabric and newsprint and

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[17]Supra, p. 7.

[18]Commonwealth Economic Committee, Grain Crops, London, Great Britain, H. M. Printers, 1953, p. 29.

[19]West Indies Year Book 1951, Thomas Skinner of Canada Limited, Montreal, pp. 201, 145.

other light paper. The large decreases in 1948 and 1949 were mainly due to import controls imposed in 1947 to conserve dollars.

The greater part of the end products section consisted of footwear, clothing, motor parts, medicine, drugs, soap and cleaning agents. The latter item virtually disappeared from the list of important exports in 1948 and the others similarly diminished to negligible amounts in 1949.

The United Kingdom, which was better able to export in 1948 and 1949 supplied the major items in this section and so the pre-war pattern of trade re-emerged and Canada mainly provided the food items as she had in the past.

3. Canadian Imports from the West Indies

In 1944 Canada's imports from the West Indies were 22.9 million dollars but in 1949 they had increased by almost 80% to 38.5 million dollars. The average annual imports into Canada were 24.3 million dollars and only 1945 to 1947 were below this value.

i Country of Source

Table V showed that the main West Indian exporting country to Canada throughout this period was Jamaica. In early years of 1944 to 1947 Barbados was the second largest

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TABLE V

CANADA'S IMPORTS FROM WEST INDIES BY COUNTRIES

SELECTED YEARS (1944-1949)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1944		1949		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Jamaica	12.6	55	16.5	43	10.8	44
Barbados	8.2	36	7.1	18	6.7	28
Leeward & Windward	1.1	5	.3	1	.6	2
Trinidad & Tobago	1.0	4	14.6	38	6.2	26
Total Imports	22.9	100	38.5	100	24.3	100

*This is an annual average of all years of this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issue, various years. Catalogue No. 65-006, Ottawa.

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supplier, but in 1948 Trinidad replaced Barbados as the second largest source of Canadian imports from the West Indies.

ii <u>Major Sections and Commodities</u>

Similarly to Canadian merchandise exports to the area the West Indies' exports to Canada were primarily in the food, feed, beverages and tobacco section, which was clearly shown in Table VI. This is the most important group of Canadian merchandise imports from the West Indies and during this period it comprised on the average 89% of the total West Indies merchandise exports to Canada.

In 1948 the end products inedible section contained 28% of the total of Canada's merchandise imports from the West Indies. However in 1949 it decreased to only 14% due to increased total imports in the food section.

The principal commodities in the food section in Table VII were the sugar and confectionery goods. They covered over fifty percent of the total products including molasses, etc. In 1945, there were sharp decreases of almost thirty percent caused by first, a shortage in the world sugar supply as world production dropped[20] and secondly, Canada bought more sugar from Cuba and Australia.

[20]Commonwealth Economic Committee, Great Britain, <u>Plantation Crops</u>, 1948, p. 5.

TABLE VI

CANADA'S IMPORTS FROM WEST INDIES BY MAJOR SECTIONS

SELECTED YEARS (1944-1949)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1944		1949		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Food, Feed, Beverages & Tobacco	22.5	98	32.9	85	21.7	89
End Products Inedible	. .	..	5.3	14	2.3	10

*This is an annual average of all years of this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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TABLE VII

CANADA'S IMPORTS FROM WEST INDIES BY MAJOR COMMODITIES

SELECTED YEARS (1944-1949)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1944	1949
Sugar & Confectionery	18,121	29,599
Bananas	1,970	4
Liquor & Rum	430	1,209
Coffee & Cocoa	609	1,021
Ginger, Pimento & Spices	161	115
Frozen Orange Juice & Citrus Fruit	26	173
Lime Juices not refined	. .	5,274

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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There were shortages of sugar in the world after the war especially for the newly liberated European countries and in 1945, Canada's and the other more favoured nations' allocations were decreased to the point that there was not enough sugar to supply their individual requirement. This shortage persisted into 1946[21] and therefore until 1947 sugar was rationed in Canada.

The Canadian Government, through the Canada Wartime Prices and Trade Board, negotiated with the Combined Food Board for her sugar purchases from the West Indies. This board consisted of representatives from the United Kingdom and the United States and was organized in 1942 to allocate scarce food resources among the allies. Canada joined the board in 1943.[22] The sugar allotment was decided on by the Combined Food Board and Canada then negotiated the price and delivery with the United Kingdom.

The Combined Food Board, a wartime agency, was replaced by the United Nations Food and Agriculture Organization, who set up an International Emergency Food

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[21] Report of the Wartime Prices and Trade Board Jan.1, 1946, to Feb.1, 1947, Ottawa, Canada, Queen's Printer, 1947.

[22] Department of Agriculture, War Food Administration, United States, Report of the Combined Food Board, Progress of the work from June 1942, to December 31, 1944, Washington, Government Printing Office, 1945, p. 1 and 6.

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Council,[23] and international allocation continued of all the exportable surplus until early 1949. From this year on, the amount and prices of sugar and its byproducts imported into Canada from the West Indies was negotiated between the British Ministry of Food and the Canadian Ministry of Agriculture. This continued until 1952 as the United Kingdom had agreed to purchase all of the Commonwealth sugar surplus until that year.[24]

In 1949 Canada's sugar imports increased substantially and as a result total Canadian merchandise imports from the West Indies rose from 25 million dollars in 1948 to 38 million in 1949. The main reason for this was of course the devaluation of the pound which made sugar from the sterling area cheaper[25] and so Canada bought less from the Dominican Republic and Cuba.[26]

Prior to the War the United Kingdom was a major market for the banana production of the West Indies, which primarily was a Jamaican export, but during the war, because

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[23] Review of International Commodity Arrangements, United Nations, New York, 1947.

[24] Commonwealth Economic Committee, Great Britain, Plantation Crops, 1950, op. cit., p. 13 and 14.

[25] Plantation Crops, Great Britain, 1952, op. cit., p. 19.

[26] West Indies Year Book 1950, Thomas Skinner of Canada Limited, Montreal, p. 801.

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of rationing and shipping, this export was diverted to Canada and the United States. This item is important in the immediate post-war period but in 1947 decreased to be an insignificant Canadian import from the West Indies because after this year the West Indies banana crop was bought under contract by the United Kingdom.

In 1947 petroleum became an important item in the end products inedible section, and in 1948 and 1949, Canada imported petroleum products to the value of 5.6 million and 5.2 million dollars respectively from the West Indies. Trinidad supplied these Canadian merchandise imports.

4. Balance of Trade and Summary

Table VIII indicates a pattern of a surplus of Canadian merchandise exports to the West Indies and reached its highest point in the post-war period. This peak activity was mainly stimulated by three factors. First, considerable consumer demand had developed in the West Indies due to the import restrictions during the war years. Secondly, the United Kingdom, the major supplier prior to the war, had devoted their total industrial effort to the war and time was required for reconstruction to normal manufacturing of goods for export. Thirdly, dollar loans were provided by Canada and the United States in the immediate

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TABLE VIII

CANADA'S EXPORTS, IMPORTS, AND BALANCE OF TRADE, 1944-1949

(MILLIONS OF CURRENT CANADIAN DOLLARS)

Year	Exports[1]	Imports[2]	Balance of Trade
1944	40.1	22.9	+ 17.2
1945	41.3	18.7	+ 22.6
1946	47.4	20.9	+ 26.5
1947	61.2	20.0	+ 41.2
1948	41.3	25.3	+ 16.0
1949	30.9	38.5	- 7.6

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

[1]Canadian merchandise exports to West Indies

[2]Merchandise imports into Canada from West Indies

post-war years which provided some of the necessary exchange to purchase goods from the dollar countries.

During the final years of this period Canadian exports declined as the United Kingdom was more able to satisfy some of the needs of the West Indies especially in the fabricated material inedible and end products inedible sections. Furthermore, outside of the Marshall Plan, "dollar aid" gradually decreased and in the later years of this period a serious dollar shortage had developed in the Sterling Area. As a remedy import restrictions on goods from the dollar area were applied more strictly in 1947 and finally the pound was devalued in 1949.

West Indies merchandise imports into Canada however increased steadily and in 1949 a post-war, high level was recorded. The devaluation of the pound had made West Indies products, mainly sugar, cheaper than the similar products from the dollar area.

Therefore, the pattern of Canada-West Indies trade had changed relative to its initial start of expanding Canadian export trade at the beginning of the period to expanding West Indies exports at the end. In 1947 Canada had a surplus of 41.2 million dollars in her balance of merchandise trade with the West Indies and two years later a deficit of 7.6 million dollars.

CHAPTER III

LIBERALIZATION OF DOLLAR RESTRICTIONS (1950-1957)

1. Background to Trade

The early fifties were years of booming international trade in the western world for two major reasons. First the economic recovery of both the united Kingdom and the western European countries had progressed to the point that their trade was at record levels. Secondly, the Korean War in 1950 and 1951 had increased trade especially with the United States. Finally after the Korean War the United States began stockpiling strategic materials to avoid anticipated shortages.

The entire Sterling Area had expanded exports considerably and by 1952 their gold and dollar reserves had increased sufficiently to warrant relaxation of some of the restrictions on dollar imports.

This policy of relative liberalization of import controls continued throughout this period despite a serious decline in their reserves at the end of 1954.[1] By 1957

[1] The Royal Commission on Canada's Economic Prospects, The Future of Canada's Export Trade, H. M. Printers, Ottawa, Canada, p. 68.

virtually all controls in the Sterling Area had been removed from most of the raw materials and basic foods.

Free convertibility of the pound with the dollar remained the main objective of the Sterling Area but although there had been some relaxation of exchange transfers among the Sterling Area members themselves, convertibility had not yet been possible.

The interruption of international trade and the consequent loss of reserves by the Sterling Area due to the Suez Crisis in 1956 added further obstacles to any change in Sterling Area exchange policies. In addition the European move towards a Common Market in Europe after 1957 created a new problem which suggested that sterling convertibility would be delayed indefinitely.[2]

The West Indies also were experiencing a period of rapidly expanding trade and although the post-war boom in consumer spending was over, both the private investment and export sectors now contributed more to the economic progress of the area.[3]

The discovery of bauxite in Jamaica had led to heavy private investment in this industry by both Canadian and

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[2] *Ibid.*, p. 68.

[3] G. E. Cumper, Editor, *op. cit.*

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American interests.[4] This relatively new source of raw materials for the production of aluminum was a new important supply for the aluminum plants being built in North America. Thus, increased productive capacity for both the Canadian and the American aluminum industries made them better able to satisfy the increased world demand.

In addition to the new exports of bauxite and alumina[5] from the West Indies the Korean conflict had increased the total quantity and value of West Indian exports of sugar and petroleum. The United States demand for stockpiling was a strong force in strengthening demand for these West Indies exports.

Jamaica did have a deficit in her current account of her balance of payments in 1951 and 1952 partly due to her increased imports of machinery and metals for the construction of the bauxite plants but also more imports were necessary to repair the damages inflicted by a hurricane in 1951. In addition the quantity and value of Jamaica agricultural exports decreased in 1951 due to the severe losses to the crops caused by the same hurricane.[6]

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[4] A. Curtis Wilgus, op. cit.

[5] The Canadian investors decided to invest more capital and build a plant to refine the bauxite further into alumina which resulted in 3 tons of bauxite being reduced for export to 1 ton of alumina. The United States tariff barriers prevented a similar development by the Americans.

[6] G. E. Cumper, op. cit., p. 16.

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Nevertheless the period between 1950 and 1957 was one of relative substantial growth in the West Indies especially from 1954 to 1957 when the two major countries in the area, Jamaica and Trinidad, had average rates of growth of Gross National Product of more than 10% per year.[7]

In 1956 the Suez crisis created shortages in both the sugar and petroleum world supply. The world's sugar supply was decreased because of shipping being interrupted in the Suez Canal and the petroleum shortage developed when the Arab countries stopped their exports of petroleum. This caused a heavier demand and higher prices for West Indies petroleum. In fact, this boom in world prices for petroleum brought about increases in investment to expand Trinidad's production.[8]

In 1950, the McLagan Report had recommended a political federation of the West Indies, which would include British Guiana (Guyana) and British Honduras.[9] Final plans were drawn up at the British Federation Conference in London

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[7] Aspects of Development and Trade in the Commonwealth Caribbean prepared by Alister McIntyre for Eleventh Session Economic Commission for Latin America, United Nations, New York, 1965, p. 81.

[8] Ibid., p. 15.

[9] G. E. Cumper, op. cit., p. 255

in 1956[10] and royal assent to the consequent British Caribbean Federation Bill was given in August 1956.[11] However, the Federation did not include British Guiana and British Honduras, who had decided not to join this new political unit.

The post-war economic expansion in Canada had similarly continued throughout most of this period despite a slight contraction in 1954. Prices were higher during the Korean War but generally this was a period of relative price stability.

In 1950 the Bank of Canada removed the fixed exchange rate on the Canadian dollar of 10% depreciation vis-a-vis the United States dollar and allowed the dollar to fluctuate freely in the international market. This was primarily a policy calculated "to obtain relief from the inflationary pressures arising from the financing of the embarrassingly large capital inflows,"[12] which had come into Canada in 1949 and 1950.

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[10] West Indies Year Book 1956-1957, Thomas Skinner of Canada Limited, Montreal, p. 11.

[11] Ibid., p. 410.

[12] R. Craig McIvor, op. cit., p. 218. (1957-58)

2. Canadian Merchandise Exports to the West Indies

Canada's merchandise exports to the West Indies were not as large as between 1944 and 1950, but total volume in the following years increased in each year. Table IX indicates that total Canadian exports in 1950 were 21.2 million Canadian dollars and increased to 40.3 million Canadian dollars in 1957.

i Country of Destination

The West Indies economic growth as well as population increases would account for normal increases in Canada's exports, but there were two other forces that helped boost Canadian exports.

First the heavy investment in the bauxite and alumina industry in Jamaica by Canadian investors brought increases in exports to Jamaica. The latter country, in 1957, imported 48% of Canada's total exports to the West Indies. In fact Jamaica had been the major importing country throughout this period receiving an annual average of 40% of Canada's exports followed by Trinidad with 34% and Leeward and Windward Islands and Barbados each with 13%. All the Caribbean countries imported more from Canada but especially Jamaica. Jamaican imports from Canada almost tripled in value.

TABLE IX

CANADA'S EXPORTS TO WEST INDIES BY COUNTRIES

SELECTED YEARS (1950-1957)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1950		1957		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Jamaica	7.5	36	19.5	48	12.8	40
Trinidad	7.5	36	11.8	29	10.8	34
Leeward & Windward Islands	3.2	15	4.3	11	4.0	13
Barbados	3.0	13	4.7	12	4.2	13
Total Exports	21.2	100	40.3	100	31.8	100

*This is an annual average of all years of this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issue, various years. Catalogue No. 65-004, Ottawa.

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Secondly, the British West Indies' Liberalization Plan was enacted in 1950. This plan increased somewhat West Indies imports of Canadian goods by setting quotas based on Canadian shipments of various goods to the West Indies during the peak post-war years of 1946 and 1947 and specifying what percentage of these Canadian exports in peak years would be licensed for entry into the West Indies.

ii Major Sections and Commodities

The food, feed, beverage and tobacco section continued to be the largest category of Canadian exports to the West Indies during this period but increased only slightly in value. Table X shows that in 1950 these particular exports were 85% of the total and decreased to be only 55% of total merchandise exports in 1957. This was due to an overall increase in total Canadian exports to the West Indies which almost doubled in value from 21.9 million in 1950 to 40.3 million dollars in 1957.

The fabricated materials inedible and end products inedible sections gained the most in quantity and value. The former increased from 10.5% of the total Canadian merchandise exports to the West Indies to 21.9% and the latter from 4.6 to 22.2%. These were significant shifts in the type of exports Canada shipped to the West Indies.

TABLE X

CANADA'S EXPORTS TO WEST INDIES BY MAJOR SECTIONS

SELECTED YEARS (1950-1957)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1950		1957		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Food, Feed, Beverages & Tobacco	17.8	85	22.2	55	21.3	67
Fabricated Material Inedible	2.2	10	8.8	22	5.7	18
End Products Inedible	1.0	5	9.0	22	4.5	14

*This is an annual average of all years in this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

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Table XI lists the major commodities exported by Canada to the West Indies and it is apparent a good portion of West Indies' imports of processed and unprocessed cereals were shipped from Canada and these commodities were the major exports in the food, feed, beverages and tobacco section. However, cereal exports did not expand to any great extent and only exports in 1951 were above average. Thus despite the Trade Liberalization Plan cereal exports were relatively stable during this period.

The major factor in this lack of growth for these goods was that United States flour had become more important to the West Indies. The United States were also taking advantage of the West Indies Trade Liberalization Plan and their flour prices were not as high as Canadian prices even with British Commonwealth tariff preferences. This was made possible because of the United States Government policy of subsidizing their flour exports.[13]

Smoked and salted fish exports increased in volume and value and in 1957 West Indies imports were over 50% higher than the 1950 figure.

The hurricane in 1951 which severely damaged the southeast portion of Jamaica necessitated increases in

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[13] Foreign Trade 1957, Ottawa, Canada, Queen's Printer, September 21, Vol. 107, p. 5.

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TABLE XI

CANADA'S EXPORTS TO WEST INDIES 1950-1957, BY MAJOR COMMODITIES

SELECTED YEARS

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1950	1957
Processed & Unprocessed Cereals	11.6	9.3
Smoked & Salted Fish	3.1	5.6
Unprocessed Tobacco	1.2	1.8
Animal Feed & Other Prepared Foods	.7	.9
Canned Fish	.5	1.4
Milk and Other Dairy Products	.4	.9
Vegetables & Vegetable Products	. .	.8
Plywood Shingles & Wood Products	1.3	1.4
Broad Woven Cotton Fabrics and Others	.1	1.1
Newsprint & Other Light Paper	.2	2.5
Shoe Leather	. .	.2
Motor Vehicle & Parts	.1	1.6
Medical Drugs	.1	.4
Footwear	. .	.4
Clothing	. .	.6
Metal Works & M. Con. Ind. Material	. .	. .
Tires, Tubes & Rubber Hose	. .	.3
Other Industrial Machines	. .	2.3
Switchgear & Other Industrial Electric Equipment	. .	.6

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

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imports of goods especially required for construction. Therefore, Canadian exports of plywood, shingles and other wood products increased substantially in that year.
Table XII indicates that in 1951 the entire end products inedible section increased 183% over 1950. The other commodities used in construction such as sheet strip steel and other building materials, increased in value throughout this period. These goods were mainly used in the building of the bauxite and alumina plants. This same industry imported heavy industrial machines and tools which increased the volume of Canadian goods imported into the West Indies in the end products inedible section. The greatest increases were in 1956 and 1957 when the Canadians decided to build another plant to further refine the bauxite to alumina.

3. Canadian Imports from the West Indies

The annual average of Canadian imports from all the countries in the West Indies increased during this period, but 1952 and 1953 were years of less than average imports. Nevertheless there was a substantial increase in total Canadian imports from the West Indies and in 1957 Canadian merchandise imports reached 58.4 million dollars as compared to 44.8 million dollars in 1950.

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TABLE XII

PERCENTAGE CHANGE OF CANADA'S MAJOR SECTIONS OF EXPORTS

TO THE WEST INDIES 1950-1957

	1950	1951	1952	1953	1954	1955	1956	1957
Food, Feed, Beverages and Tobacco	. .	+ 13	- 1	+ 1	+ 4	+ 2	+ 6	- 7
Fabricated Materials Inedible	. .	+ 18	+ 12	- 32	+ 11	+ 15	+ 29	+ 20
End Products Inedible	. .	+183	+ 12	+ 10	+ 17	+ 36	+ 32	+ 26

Source: Calculated from Table X

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i Country of Source

Table XIII gives evidence to the importance of Canada to Jamaica. That country was the major West Indian exporter to Canada and shipped an annual average of 49% of total West Indies' exports. Trinidad's share of Canadian imports remained at approximately the same level as the previous period but still this value was only surpassed by Jamaica. Barbados average percentage decreased to be only 19% of total Canadian imports from this area. The Leeward and Windward Islands increased their annual average percentage from two percent to four percent of the total.

ii Major Sections and Commodities

During this period the crude material inedible section of West Indian exports to Canada began to be an important category of imports and in Table XIV this group comprised an annual average of 16% of the total.

However, the food, feed, beverage and tobacco section still was the major group being imported from the West Indies, although there was a considerable decrease in value and the annual average percentage share of the total declined to be only 68%.

The end products inedible section increased to be 15% share of the total Canadian imports from the region, but the

TABLE XIII

CANADA'S IMPORTS FROM WEST INDIES BY COUNTRIES

SELECTED YEARS (1950-1957)

	1950		1957		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Jamaica	19.1	43	40.2	69	19.1	49
Trinidad & Tobago	15.2	34	8.2	14	10.9	28
Barbados	10.1	23	7.6	13	7.6	19
Leeward & Windward Islands	.4	..	2.4	4	1.4	4
Total Imports	44.8	100	58.4	100	39.0	100

*This is an annual average of all years in this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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TABLE XIV

CANADA'S IMPORTS FROM WEST INDIES BY MAJOR SECTIONS

SELECTED YEARS (1950-1957)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1950		1957		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Food, Feed, Beverages & Tobacco	38.2	86	30.6	52	26.6	68
Crude Material Inedible	.2	..	23.8	41	6.3	16
Fabricated Material Inedible	.3	1	.3	1	.2	1
End Products Inedible	6.0	13	3.7	6	5.8	15

*This is an annual average of all years in this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Imoorts by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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annual average value was almost three times as large as the total in the previous period at 5.8 million dollars.

Sugar and confectionery, which includes most sugar products were again the key items in the food, feed, beverage and tobacco group, although Table XV indicates almost a twenty percent decrease in value when 1957 is compared with 1950.

Up to 1952 the West Indian sugar output was bought by the United Kingdom and the prices paid for Canadian sugar imports were negotiated with the respresentatives of that country. After 1952 the Commonwealth Sugar Agreement specified the maximum quantity of sugar that would be bought by the United Kingdom from the individual Commonwealth sugar producers.[14]

For the years 1950 to 1957 the United Kingdom agreed to buy a total of 1,550,000 long tons of sugar from all Commonwealth producers for a price to be negotiated annually and the West Indies would supply the major portion. The price would be calculated from a complex formula[15] based on

[14]The United States had a similar agreement with Cuba and both the United States and Canada were signatories of the International Sugar Agreement.

[15]Sir George Steele, Development and Welfare in the West Indies 1951, Colonial Office, Great Britain. Bridgetown, Barbados, The Advocate, 1952, p. 20.

The method to be used in calculating sugar prices to be paid by the United Kingdom is described on page 20 of this report.

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TABLE XV

CANADA'S IMPORTS FROM WEST INDIES BY MAJOR COMMODITIES

SELECTED YEARS (1950-1957)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1950	1957
Sugar & Confectionery	33,770	27,130
Coffee & Cocoa	914	1,117
Liquor & Rum	978	1,056
Ginger, Pimento & Spices	225	232
Frozen Orange Juice & Citrus Fruits	1,152	14
Sauces & Vegetable Products	99	9
Lime Juice not refined	30	17
Arrowroot	27	45
Alumina & Bauxite	2	23,313
Salt for Sea or Gulf Fish	. .	10
Fabricated Materials Inedible	50	41
End Products Inedible	5,550	3,507
Shrimps & Prawns	. .	16

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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spot prices in New York, which are generally considered world prices.

The United Kingdom's price policy in effect subsidized the West Indian producers in times of low world prices for the agreed quota and in times of high prices discounted the costs to the United Kingdom refiners. However the surplus would have to be sold in the world market place at world prices.

Strong world demand for sugar continued through 1950 and 1951 and although world production increased the supply was still not adequate, so prices remained high, but declined sharply in the following years as the supply increased.

After 1952 Canada no longer negotiated with the United Kingdom's Minister of Food for her purchases of West Indies sugar, but dealt directly with the West Indian producers. Selling at world market prices created difficulties for the West Indies if the world sugar prices were low, as the West Indies production costs were generally at this time higher than the other sugar producers. The West Indies planters were accustomed to having their entire output bought by the United Kingdom at a subsidized price and this price had some relation to their costs which were increasing not decreasing.

The Canadian sugar refiners bought more from the West Indies when the world prices were high because the Commonwealth preferences made the West Indies sugar cheaper than the other producers, but when the world prices decrease to low levels the Canadians usually bought more from other cheaper sources. Therefore, Canadian imports of West Indies sugar declined with low world prices and increased with higher prices.

Exports by Jamaica of bauxite started in 1954 and increased considerably by the end of this period in 1957. During this latter year Jamaica also began exporting alumina to Canada. These exports alone were responsible for the growth of importance of the crude material inedible section.

Trinidad continued her exports of petroleum to Canada, but unlike sugar, the quantity and value decreased when there were world shortages. For example from 1950 to 1952 Trinidad shipped most of her output to the United Kingdom. After the Suez Crisis in 1956 and again in 1957, the value of Canada's imports of West Indies petroleum decreased as the demand for crude petroleum by the United Kingdom increased and most of Trinidad's output was diverted to that country.

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4. Balance of Trade and Summary

Table XVI shows that in 1953 Canadian merchandise exports were larger than Canadian imports from the West Indies and indeed exports increased throughout the period.

These Canadian exports began to increase in this period for three major reasons. First the gradual liberalization of the West Indies import controls on most basic foodstuffs and raw materials contributed substantially to the expansion of trade. Secondly the years between 1950 and 1957 were years of expanding world trade which stimulated the economic growth of both Canada and the West Indies. The Korean War and the Suez Crisis although disrupting some of the normal patterns of trade caused increases in trade for the two areas. Finally the substantial investment by the Canadian aluminum industry in the bauxite industry in Jamaica brought about increases in Canadian exports of construction and capital goods to that country.

The Canadian imports of West Indies' goods decreased in the middle of this period because Canada could buy her sugar from cheaper sources as the world prices declined.

The new Commonwealth Sugar Agreement which went into effect in 1952 limited the amount of sugar to be bought by the United Kingdom from the West Indies and therefore, the West Indian producers had to sell any surplus production on

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TABLE XVI

EXPORTS, IMPORTS, AND BALANCE OF TRADE

SELECTED YEARS (1950-1957)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

Year	Exports[1]	Imports[2]	Balance of Trade
1950	21.2	44.7	- 23.5
1953	29.6	23.4	+ 6.2
1957	40.3	58.4	- 18.1

[1]Canadian exports to West Indies

[2]Imports into Canada from West Indies

Source: Dominion Bureau of Statistics, Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

the world market after filling the United Kingdom's quota. The West Indies' sugar production costs remained generally higher than that of other producers, therefore when world prices were low, Canadian importers could buy from cheaper sources.

The balance of merchandise trade between Canada and the West Indies did temporarily shift to a surplus balance for Canada in 1952 and 1953 because of the above, but returned to the normal deficit after 1954 with the increased shipments of bauxite and alumina from the West Indies.

CHAPTER IV

FEDERATION AND INDEPENDENCE FOR THE WEST INDIES (1958-1964)

1. Background to Trade

International trade was affected by a recession in the United States in 1958 and by a change in attitude toward stockpiling. As a consequence world demand slackened considerably for exports of primary commodities. However the economy of the United States recovered in the early sixties and this recovery along with the renewed economic growth of the United Kingdom expanded world trade.

The nations of Europe had re-emerged as strong competitors in the world market for manufactured goods. Furthermore European markets especially in the six countries[1] of the European Economic Community who had formed a common market in 1957, were now more difficult to penetrate by other countries because of the tariff structure among the members.

The United Kingdom, who had been accustomed to trading with these European countries, had this new problem of increased competition against some of their goods. Nevertheless, the United Kingdom managed to maintain slight

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[1]Netherlands, France, Luxemburg, Germany, Italy and Belgium.

surpluses in her current account every year between 1958 and 1964 except 1960 and 1964.[2]

The economic growth of the West Indies was slower from 1958 to 1964 than during the previous period from 1950 to 1957. For example in Jamaica the Gross Domestic Product advanced only 3.4% in 1962 and in Trinidad the Gross Domestic Product in current prices in 1963 only increased 4%.[3] The rapid rates of growth in the previous period were associated with booming international demand for West Indies bauxite and petroleum and an assured market for sugar and other agricultural products in the United Kingdom.

World demand for the above West Indies' exports was not as strong during this period and production of bauxite and alumina in Jamaica increased only 11% per annum between 1958 and 1962 as compared to 30% between 1955 and 1957. Similarly investment in the bauxite industry decreased radically from over 31 million American dollars between 1956 and 1957 to an average of slightly over 4.5 million American dollars per annum between 1959 and 1962.[4]

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[2] Robert Triffin, The World Money Maze, New Haven, Yale University Press, 1966, p. 133.

[3] Alister McIntyre, Aspect of Development and Trade in the Commonwealth Caribbean, for Eleventh Session Economic Commission for Latin America, United Nations, New York, 1965, p. 7.

[4] Ibid., p. 7.

The petroleum industry in Trinidad had prospered under conditions of high world prices during the Suez Crisis caused by shortages in the world supply of petroleum products. As the world conditions returned to normal, the rates of growth of output especially of crude petroleum in Trinidad declined especially between 1961 and 1964. However, Trinidad's refining industry had expanded and additional crude petroleum was imported from Venezuela for refining for export.[5]

In 1958 Jamaica and Trinidad suffered a serious drought which decreased total output of sugar and other agricultural products severely.[6] Also world sugar prices were very low for all years between 1958 and 1964 except 1962 and 1963 when the world supply decreased when Cuba had a serious crop failure.

The tourist industry, especially in Jamaica and Barbados, had become an important dollar earner for the West Indies during this period. In Jamaica alone 26 million American dollars had been earned from the tourist trade in 1958.[7]

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[5] *Ibid.*, p. 17.

[6] *Foreign Trade 1959*, Ottawa, Canada, Queen's Printer, October 24, Vol. 111-112, p. 3.

[7] *Ibid.*, p. 7.

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In September 1958 the Commonwealth Trade and Economic Conference took place in Montreal and the conference made plans to remove most of the dollar goods on the West Indies restricted import list.[8] By the end of 1959 the Trade Liberalization Plan, established in 1950, was abolished as most dollar imports were no longer restricted. However, the West Indies were considering new import restrictions to protect their new industries.

These new commercial policy decisions were developed to further long range economic planning by the West Indies as Jamaica, Trinidad and Barbados had evolved five year plans to promote their economic growth and employment. Industrial Development Corporations had been established in these countries to foster the establishment of secondary manufacturing to produce goods for domestic consumption and for export. Custom duties were waived on the imports of capital equipment for the industries approved by the various Industrial Development Corporations and special tariff barriers were imposed on competing imports.

The constitution of the Federation of the West Indies was to be reviewed after five years i.e. in 1962. However in September 1961 Jamaica held a referendum to vote on whether to leave the Federation and the resulting vote

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[8] *Ibid.*, November 8, 1958, Vol. 109-110, p. 18.

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was in favour of leaving. In August 1962 both Jamaica and Trinidad were granted independence outside the Federation and the remaining islands in the Federation were still undecided whether to continue their smaller Federation or also ask for independence.

Canada had agreed to give aid to the Federation of the West Indies at the Montreal Conference of 10 million dollars between 1959 and 1963 and this amount was further increased by 2.1 million dollars in 1964. After 1962, when the larger Federation dissolved Canadian aid was given to the individual islands on a pro rata system.[9]

The Canadian economy also had begun a period of relatively slow growth from 1958 to 1961. The United States' recession during 1957 and 1958 and the general slackening in world demand for 'resource based' exports from Canada were two strong factors in the slow-down. In addition the European and Japanese competition in the world market for manufactured goods was causing difficulties for some Canadian sales. Consequently business investment in these sectors declined.

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[9]Karl Levitt and Alister McIntyre, Canada, West Indies Economic Relations. The Private Planning Association of Canada, Montreal, Quebec, p. 113.

A good outline of the distribution of Canadian aid to the West Indies is given in this book.

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However from 1961 Canada's economy began to strengthen and Canada's real output increased an average of 5½% annually through 1964.[10] World demand for Canadian exports, particularly the demand for wheat by the Communist nations, began to rise after 1961. Furthermore, once again the United States and the United Kingdom were expanding markets for Canadian exports.

This economic growth did not cause any great domestic price increases but the Canadian dollar did have difficulties in the international market.

In 1962 this exchange crisis caused the Canadian Government to devalue the Canadian dollar and fix the exchange value at approximately 92.5 cents vis-a-vis the American dollar[11] which helped keep Canadian imports from increasing and also discounted Canadian export prices.

2. Canadian Exports to the West Indies

Canadian exports to the West Indies decreased over 10% in 1958 and only reached a total value of 35.8 million Canadian dollars. However by the end of this period

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[10]George W. Wilson, Scott Gordon, Stanislaw Judek, op. cit., p. 61.

[11]Paul Wonnacott, The Canadian Dollar 1948-1962, Toronto, University of Toronto Press, 1965, p. 204.

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in 1964 total Canadian exports had increased to 61.6 million dollars.

i Country of Destination

Table XVII indicates that Jamaica was the leading West Indies destination for Canadian exports in this period and imported an annual average value of 20.6 million dollars and an annual average percentage of 45% of the total Canadian exports to the West Indies. In 1961 Trinidad received almost the same value of Canadian exports as Jamaica, receiving 18.4 million dollars as compared to Trinidad's 19.1 million dollars, but this was a misleading statistic. Five and one half million Canadian dollars were given as foreign aid to the entire Federation of the West Indies and shown by the Dominion Bureau of Statistics as a Canadian export to Trinidad. Thus Trinidad was the second largest recipient of Canadian exports in the West Indies, followed by the Leeward and Windward Islands and Barbados. The Leeward and Windward Islands imported more Canadian goods during this period than Barbados, which was a change from the last period when the Leeward and Windward Islands imported less than Barbados.

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TABLE XVII

CANADA'S EXPORTS TO WEST INDIES BY COUNTRIES

SELECTED YEARS (1958-1964)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1958		1964		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Jamaica	15.7	44	28.9	47	20.6	45
Trinidad	11.6	32	17.8	29	14.9	33
Leeward & Windward Islands	4.3	12	8.0	13	5.5	12
Barbados	4.2	12	6.9	11	4.7	10
Total Exports	35.8	100	61.6	100	45.7	100

*This is an annual average of all years of this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issue, various years. Catalogue No. 65-004, Ottawa.

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ii Major Sections and Commodities

Table XVIII summarizes the major sections of Canadian exports to the West Indies. The food, feed, beverages and tobacco section remained the most important section and increased every year except 1960. Table XIX shows it decreased in value by 10% due to Jamaica and Barbados buying less flour, fish and tobacco.

The fabricated material inedible section continued its growth except for 1961 when the value decreased slightly by 4%. This was due to less sales in construction materials and textiles. The latter Canadian export to the West Indies now competed with cheaper Japanese and Hong Kong goods.

The end products section continued its growth and the list of Canadian exports in this category became more varied, especially after the Trade Liberalization Plan ended in 1960 and most dollar imports were no longer restricted.

As previously mentioned 1961 showed an unprecedented increase of over 61% from 1960 in the end products section which consisted mainly of a gift from Canada of two Canadian ships valued at 5.5 million dollars. Thus the Canadian Government had given over half of the ten million dollars aid promised to the Federation of the British West Indies at the Commonwealth Conference held in Montreal. Nevertheless

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TABLE XVIII

CANADA'S EXPORTS TO WEST INDIES BY MAJOR SECTIONS

SELECTED YEARS (1958-1964)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1958		1964		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Food, Feed, Beverages & Tobacco	22.3	62	31.0	50	24.8	55
Fabricated Material Inedible	6.3	18	12.4	20	8.7	18
End Products Inedible	6.9	19	16.8	27	11.4	24

*This is an annual average of all years in this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

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TABLE XIX

PERCENTAGE CHANGE OF CANADA'S MAJOR SECTIONS OF EXPORTS

TO THE WEST INDIES 1958-1964

	1958	1959	1960	1961	1962	1963	1964
Food, Feed, Beverages and Tobacco	. .	+ 8	- 10	+ 3	+ 12	+ 7	+ 14
Fabricated Materials Inedible	. .	+ 9	+ 20	- 4	+ 13	+ 10	+ 23
End Products Inedible	. .	+ 18	+ 13	+ 61	- 22	+ 3	+ 38

Source: Calculated from Data obtained from the Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

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this remained an important category of Canadian exports to the West Indies throughout this period.

In 1959 the Jamaica Trade Board announced liberalization of restrictions on imports of motor vehicles and parts from the dollar countries and Canada began to ship more to the West Indies.[12] Table XX shows that the motor vehicles and parts section increased substantially. In 1964 Jamaica imported passenger vehicles from Canada to the value of almost two million Canadian dollars.

Canadian businessmen invested money for the construction of plants to manufacture various goods that would fall under the special West Indies legislation giving them special tax incentives. These new Canadian sponsored industries began to import more varied products from Canada.

3. Canadian Imports from the West Indies

The total quantity and value of Canadian imports decreased considerably in 1958 from 58.1 million dollars in 1957 to 43.1 million dollars in 1958. However by 1964 West Indies exports to Canada had reached a record level of 73.5 million dollars. There were increases in Canadian imports every year during this period except 1962 when there was

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[12] Foreign Trade, February 28, 1959, Queen's Printer, Ottawa, Canada, Vol. 111-112, January to December 1959.

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TABLE XX

CANADA'S EXPORTS TO WEST INDIES BY MAJOR COMMODITIES

SELECTED YEARS (1958-1964)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1958	1964
Processed & Unprocessed Cereals	8.1	10.2
Unprocessed Tobacco	1.9	.1
Smoked & Salted Fish	4.4	7.1
Animal Feed & Other Prepared Foods	.9	1.1
Vegetable & Vegetable Products	1.2	2.2
Cured & Cooked Meats	.4	3.0
Canned Fish	1.5	2.8
Fruit & Fruit Juices	.4	.7
Milk & Other Dairy Products	. .	.7
Newsprint & Other Light Paper	1.6	2.7
Plywood, Shingles & Wood Products	1.3	2.4
Broad Woven Cotton Fabrics	.8	1.5
Chemicals	.4	.1
Sheet Strip Steel & Other Materials	.3	.9
Shoe Leather & Oil Products	.3	.8
Motor Vehicle & Parts	1.1	3.0
Footwear	.4	.8
Clothing	.8	1.3
Medicine & Drugs	.3	.7
Other Industrial Machinery	.6	.8
Switchgear & Industrial Electric Equipment	.3	.5
Tires, Tubes & Rubber Hose	.2	1.1
Refrigeration & Household Goods	.1	1.1
Housing Furniture	.1	.8

Source: Dominion Bureau of Statistics. *Trade of Canada, Exports by Commodities*, December issues, various years. Catalogue No. 65-004, Ottawa.

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a slight decrease from 60 million dollars in 1961 to 58.7 million dollars in 1962.

i Countries of Source

Canada imported the greater part of her goods from Jamaica. Table XXI shows that the latter country exported an average through 1958 to 1964 of 66% of all West Indies exports to Canada. Thus Canada's leading customer for her exports to the West Indies was also the leading supplier to Canada from the West Indies. Trinidad was the second leading supplier followed by Barbados and the Leeward and Windward Islands.

ii Major Sections and Commodities

The food, feed, beverages and tobacco section was no longer the major section of Canadian imports from the West Indies, as Table XXII indicates that the crude material inedible section averaged 45% in this period. Indeed even in the peak year of the period, 1963, the food section was only 33.3 million dollars compared to 34.4 million dollars of imports in the crude materials inedible section. The annual average of the food, feed, beverages and tobacco section comprised 23.6 million dollars and 40% of the total whereas the crude materials inedible section's annual

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TABLE XXI

CANADA'S IMPORTS FROM WEST INDIES BY COUNTRIES

SELECTED YEARS (1958-1964)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1958		1964		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Jamaica	27.6	64	47.8	66	39.2	66
Trinidad & Tobago	9.9	23	20.7	28	14.6	24
Barbados	3.8	9	3.9	5	3.9	7
Leeward & Windward Islands	1.8	4	1.1	1	1.6	3
Total Imports	43.1	100	73.5	100	59.3	100

*This is an annual average of all years in this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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TABLE XXII

CANADA'S IMPORTS FROM WEST INDIES BY MAJOR SECTIONS

SELECTED YEARS (1958-1964)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1958		1964		Annual Average*	
	Amt.	%	Amt.	%	Amt.	%
Food, Feed, Beverages & Tobacco	17.9	42	30.8	42	23.6	40
Crude Material Inedible	19.2	44	30.0	41	26.9	45
Fabricated Material Inedible	.4	1	.6	1	.3	1
End Products Inedible	5.4	12	11.4	16	8.8	14

*This is an annual average of all years in this period.

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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average was 26.9 million dollars and an average of 45% of the total.

It is apparent in Table XXIII that sugar remained as the major item imported by Canada from the West Indies in the food, feed, beverages and tobacco section. When the world prices rose during the Suez Crisis, Canada bought more from the West Indies, however when world prices dropped in 1958 Canada bought less from the West Indies and more from cheaper sources. World prices reached record level in 1962 and 1963 because of the failure of the Cuban crop and a poor European harvest[13] and Canada once again purchased considerably more sugar products from the West Indies especially in 1963.

Frozen juices and citrus fruits imported into Canada from the West Indies also increased in 1963 and 1964. The main reason for this increase was due to frost damages to the Florida crops and the consequent shortage of American citrus products for export to Canada.

Bauxite and alumina were the major items in the crude material inedible section of West Indies' imports into Canada. These imports decreased considerably as world demand for aluminum products diminished in 1957 and 1958.

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[13] Alister McIntyre, op. cit., p. 20.

TABLE XXIII

CANADA'S IMPORTS FROM WEST INDIES BY MAJOR COMMODITIES

SELECTED YEARS (1958-1964)

(MILLIONS OF CURRENT CANADIAN DOLLARS)

	1958	1964
Sugar & Confectionery	13.7	28.2
Liquor & Rum	1.2	.9
Cocoa & Coffee	1.1	.8
Ginger, Pimento & Spices	.3	.5
Frozen Orange Juice & Citrus Fruits	.03	.4
Aluminum Ore & Bauxite	18.5	29.9
Petroleum & Petroleum Products	5.0	11.1

Source: Dominion Bureau of Statistics. Trade of Canada, Imports by Countries, calendar year issues, various years. Catalogue No. 65-006, Ottawa.

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The aluminum industry in both Canada and the United States had increased their capacity to a peak which was now greater than the demand. In addition, the relaxation of international tension lessened stockpiling of strategic materials. Nevertheless, world demand for aluminum increased again in 1962 due to the rapid economic growth of the European country and bauxite and alumina shipments began to increase in value.

Exports of petroleum and petroleum products increased in value from five million to over eleven million dollars. These products were the major items exported to Canada in the end products inedible section of imports from the West Indies. Some part of these exports included refined products such as light fuel oils.

4. Balance of Trade and Summary

Table XXIV summarized merchandise exports and imports for this period. Canadian exports to the West Indies decreased in 1958, but increased gradually to reach a new high level in 1964. The Trade Liberalization Plan had been discontinued in 1959 and virtually all dollar goods now had unrestricted entry into the West Indies. This had led to a more diversified list of Canadian exports especially in the end products section.

TABLE XXLV

EXPORTS, IMPORTS, AND BALANCE OF TRADE, 1958-1964

(MILLIONS OF CURRENT CANADIAN DOLLARS)

Year	Exports[1]	Imports[2]	Balance of Trade
1958	35.8	42.9	- 7.1
1959	39.7	50.7	- 11.0
1960	39.5	56.1	- 16.6
1961	46.3	59.9	- 13.6
1962	46.8	58.6	- 11.8
1963	50.6	73.6	- 23.0
1964	61.6	73.5	- 11.9

Source: Dominion Bureau of Statistics. Trade of Canada, Exports by Commodities, December issues, various years. Catalogue No. 65-004, Ottawa.

[1]Canadian exports to West Indies

[2]Imports into Canada from West Indies

However, economic plans for growth and development had been evolved in the West Indies which recommended special tax incentives and import restrictions for manufactured goods which were produced by new domestic industries.

Canadian imports from the West Indies also decreased as the world sugar prices declined and as the world demand for bauxite and alumina decreased. Canadian sugar producers bought from cheaper sources during the early years of low prices, but as prices went up in 1962 and 1963 Canadian imports of sugar from the West Indies increased. Similarly as world demand began to increase in the sixties for Canadian aluminum products, Canadian imports of bauxite and alumina from the West Indies increased.

Throughout the period 1958 and 1964 Canada had a deficit in her balance of merchandise trade which reached a high level of 23 million Canadian dollars in 1963. However in 1964, this deficit declined to only 11.9 million dollars.

CHAPTER V

THE FUTURE OF CANADA - WEST INDIES TRADE

1. The Forecasting Method

The purpose of this chapter is to attempt a forecast of merchandise trade between Canada and the West Indies in 1970 and 1975 based on statistical data from the period 1954 to 1964. The statistical method of "least squares" was used to provide an objective fit of a straight-line trend for Canadian merchandise exports to the West Indies. This provided the estimating equation for making the required projections. Canadian merchandise imports from the West Indies were estimated from projections of the three main imports sugar, aluminum ores and petroleum products.

The forecasts necessarily are based on the assumption that the trading background will be relatively similar in the forecast period to what it was during 1954-1964. If there are differences these changes must be relatively minor so as to not seriously upset the statistical trend. For example, a world war, or a severe recession in Canada or the West Indies would necessarily change the patterns of trade.

2. A Projection of Canada's Exports to the West Indies in 1970 and 1975

Merchandise import forecasts have been usually made on simple statistical relationships between imports and

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national income.[1] Therefore a simple correlation was made using current Canadian dollars from 1954-1964 for Canadian exports to the West Indies and West Indies Gross National Product and a correlation factor of .84 was calculated.

However Canada's exports to this area have been mainly basic essential foodstuffs and consumption of these goods usually increase with increased population. Population changes in the West Indies when related to Canadian exports to the West Indies over 1954 to 1964 demonstrated a higher correlation factor of .94. Hence, population growth rates in the West Indies also bear an important statistical relationship to Canadian exports to the West Indies.

Increases in Gross National Product per capita are good indications of improvement in a nation's standard of living. Thus this is an important factor affecting imports of semi-finished goods and finished goods as when personal incomes rise more money is available for non-food consumption. This factor was also compared to Canadian exports to the West Indies 1954-1964. This time a lower coefficient of correlation was arrived at of .76. This independent variable may be subject to auto-correlation but still will be used in our multiple correlation as this effect is very slight.

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[1]The Royal Commission on Canada's Economic Prospects, Canada's Imports, Queen's Printers, Ottawa, p. 80.

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Table XXV indicates that the multiple correlation using all these independent variables yielded a high multiple correlation coefficient of .96555.

The regression equation for projecting Canadian exports to the West Indies was calculated from the data shown in Table XXVI and the result was:

$$Y = 150.60744 - 0.01078X_1 + 80.49838X_2 - 0.0242X_3$$

Y = Canadian exports to the West Indies

X_1 = West Indies Gross National Product

X_2 = West Indies Population

X_3 = West Indies G.N.P. per capita

The 1970 and 1975 forecasts of Canadian merchandise exports to the West Indies can now be made when "X_1", the Gross National Product for the West Indies "X_2", Population of the West Indies and "X_3", Gross National Product per Capita of the West Indies for the years 1970 and 1975 can be estimated.

A projection of Gross National Product for the West Indies in 1970 and 1975 was made using the forecasts of the various Five Year Plans[2] of Jamaica and Trinidad which predicted an annual real increase of 4 and 5% respectively.

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[2]Trinidad and Tobago, Five Year Plan, Port of Spain, Government Printers, 1965.

Jamaica, Five Year Plan, Kingston, Government Printers, 1965.

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TABLE XXV

SIMPLE AND MULTIPLE COEFFICIENTS OF CORRELATION AND DETERMINATION FOR CANADIAN MERCHANDISE EXPORTS TO THE WEST INDIES WITH THREE INDEPENDENT VARIABLES

	$r_{1.2}$	$r_{1.3}$	$r_{1.4}$	R
Correlation Coefficients (r)	.84180	.94619	.76975	.96555
Determination Coefficients (r^2)	.70863	.89527	.59252	.93228

1. Canadian Merchandise Exports to the West Indies
2. Gross National Product
3. Population of the West Indies
4. Gross National Product per capita of the West Indies

TABLE XXVI

CANADIAN MERCHANDISE EXPORTS TO THE WEST INDIES (Y) AND THREE INDEPENDENT VARIABLES X_1, X_2 AND X_3

(CURRENT CANADIAN DOLLARS)

YEAR	Y	X_1	X_2	X_3
1954	31.3	636.2	2.43	261.8
1955	33.9	706.3	2.49	283.7
1956	28.7	849.0	2.54	334.2
1957	40.3	993.8	2.57	286.7
1958	35.8	1,067.9	2.62	407.6
1959	39.7	1,171.1	2.65	441.9
1960	39.5	1,213.0	2.67	454.3
1961	46.3	1,248.8	2.74	455.7
1962	46.8	1,264.2	2.78	454.7
1963	50.6	1,341.9	2.85	470.8
1964	61.6	1,424.6	2.94	484.5

Y = Canadian Merchandise Exports to the West Indies

X_1= Gross National Product of West Indies

X_2= Population of the West Indies

X_3= Gross National Product per capita of the West Indies

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The second independent variable the total population for the various islands for 1970 and 1975 was estimated on the basis of a decennial rate of increase.[3]

The third variable Gross National Product per capita was extrapolated from the foregoing estimates of 1970 and 1975 West Indies Gross National Product and Population.

With the foregoing estimates Table XXVII shows the forecasts of Canadian merchandise exports to the West Indies for 1970 and 1975.

3. A Projection of Canadian Imports from the West Indies in 1970 and 1975

Canadian imports to the West Indies consist of three main groups, sugar and sugar products, bauxite and alumina, and petroleum products. Sugar and sugar products are exports of the majority of the British Islands and are one of the major factors in the forecast. Bauxite and alumina are from Jamaica only, but are also an important determinant of Canadian merchandise imports from the West Indies, because of the large quantities shipped to Canada.

Petroleum products are from Trinidad and Tobago only and are also important but not on the same scale as the

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[3] World Population Prospects, United Nations, Population Studies, New York 1966, No. 41, p. 148.

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TABLE XXVII

CANADIAN MERCHANDISE EXPORTS TO THE WEST INDIES (Y)
AS A FUNCTION OF THREE INDEPENDENT VARIABLES

(MILLIONS OF CURRENT CANADIAN DOLLARS)

YEAR	Y	X_1	X_2	X_3
1964	61.6	1,424.6	2.94	484.5
1970	66.7	2,102.9*	3.18	661.4*
1975	77.3	2,847.1*	3.46	820.0*

Y = Canadian exports to the West Indies

X_1 = West Indies Gross National Product

X_2 = West Indies Population

X_3 = West Indies Gross National Product per capita

* = These figures include a 3% inflationary factor on the real term projections of G.N.P.

previous two items. These three Canadian imports alone form almost eighty percent of the total Canadian merchandise imports from the West Indies from 1960 to 1964.

Therefore, these three items were chosen as the three independent variables to be correlated with Canadian imports from the West Indies for the period 1954 to 1964. Each of these variables were correlated individually with Canadian merchandise imports from the West Indies and Table XXVIII shows these coefficients.

These individual correlation coefficients demonstrated the relative importance of the aluminum ore shipments to total Canadian merchandise imports from the West Indies. The two other variables were not as closely related to the trend but when correlated along with aluminum ore to Canadian merchandise imports from the West Indies 1955 to 1964 yielded a high coefficient of correlation of .99379.

In order to estimate Canadian imports from the West Indies for 1970 and 1975 sugar, aluminum ores and petroleum was presumed to remain at 80 % of the total future imports and the following equation was used: $\dfrac{Y = X_1 + X_2 + X_3}{.80}$

Sugar imports from the West Indies into Canada over the past ten years have not shown any consistent trend and can not be forecasted by direct extrapolation of figures. The sugar surplus of the West Indies that is available for

TABLE XXVII

SIMPLE AND MULTIPLE COEFFICIENTS OF CORRELATION AND DETERMINATION FOR CANADIAN MERCHANDISE IMPORTS FROM THE WEST INDIES WITH THREE INDEPENDENT VARIABLES 1, 2 AND 3

	$r_{1.2}$	$r_{1.3}$	$r_{1.4}$	R
Correlation Coefficients (r)	.70626	.94533	.44108	.99379
Determination Coefficients (r^2)	.49880	.89365	.19455	.98762

1. Canadian Merchandise Imports from the West Indies
2. Sugar Products
3. Aluminum Ore
4. Petroleum Products

TABLE XXIX

CANADIAN MERCHANDISE IMPORTS FROM THE WEST INDIES (Y)
AND THREE MAJOR COMPONENTS X_1, X_2 AND X_3

(CURRENT CANADIAN DOLLARS)

YEAR	Y	X_1	X_2	X_3
1954	31.5	9.8	3.1	6.8
1955	35.4	6.3	7.1	6.7
1956	42.5	10.8	11.9	7.4
1957	58.4	14.9	23.3	3.5
1958	42.9	6.5	18.5	5.1
1959	50.7	9.8	19.1	8.9
1960	56.1	9.2	26.5	7.7
1961	59.9	8.8	27.7	8.9
1962	58.6	8.4	29.8	9.6
1963	73.6	15.9	33.5	7.7
1964	73.5	15.5	30.0	11.1

Y = Canadian Merchandise Imports from the West Indies

X_1= Sugar Products

X_2= Aluminum Ore

X_3= Petroleum Products

export after sugar purchases by the United Kingdom under the Commonwealth Sugar Agreement has also not shown any consistency. Indeed the surplus available in 1954 was 20,000 metric tons more than in 1964.[4]

Sugar prices in New York have varied from four cents per pound in 1954 to a high of nine cents per pound in 1963 and to a new low of two cents per pound in 1966. Thus sugar prices and West Indies sugar output do not show any tendency to increase over the years.

In addition the governments of the individual West Indies countries have all advocated plans to diversify their economies, so that sugar will no longer be their main export. The various five year plans have called for a modernization of the present facilities and technique of production so that their sugar would be more competitive in the world market. However these plans advocate more diversion to other sectors of the economy which would be more stable than sugar as far as world demand and prices are concerned.

The exportable surplus of sugar from the West Indies for the largest five years from 1960 to 1964 were averaged and priced at the average price for the years 1954 to 1964. Canada's imports of sugar from the West Indies over the

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[4]International Sugar Council, Sugar Year Book 1955 to 1966, London, 1966.

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latter period have been averaging 42% of the West Indies exportable surplus and this calculation resulted in a forecast for 1970 and 1975 at 12.5 million Canadian dollars for both years.

This outlook was established arbitrarily but seems to be reasonable in light of past experience and the long range plans of the various West Indies Governments. Indeed this is over the 10.5 million Canadian dollars average of the 11 years 1954 to 1964.

Canada's imports of aluminum ores from the West Indies did not show any discernible trend until 1957, when shipments reached a value of 23.3 million Canadian dollars. In 1964 the value of these imports reached 30 million Canadian dollars. The annual rate of increase over the seven years was calculated from these two figures and 1970 imports were forecast as 38.03 and 1975 imports at 44.6 millions of Canadian dollars.

Canada is the world's largest exporter of aluminum and therefore world demand is important in calculating Canada's future bauxite requirements. It is reasonable to expect increases in world demand and while this forecast does predict an increase, it does not predict an increase as large as the potential increase in the world's demand for aluminum, mainly because the Canadian aluminum manufacturers are now joining with overseas companies in building new

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smelters closer to the market and where the cost of the factors of production for smelting aluminum are now more comparable to those in Canada.[5]

Canada's petroleum requirements have been increasing annually and both total imports and domestic production of petroleum products have also been rising. However it is difficult to correlate any trend of petroleum imports from the West Indies with increases in total Canadian petroleum imports, because in many cases in the past ten years Canadian petroleum imports from the West Indies have decreased when total Canadian import increased.

Therefore, an attempt was made to calculate the change in the past ten years by the annual rate of increase between 1954 from 6.8 million to 11.1 million current Canadian dollars in 1964. With this rate of annual increase 1970 petroleum imports were projected to reach a volume of 12.6 million and 1975 of 19.0 million current Canadian dollars.

From these projections the arithmetic equation was resolved and produced Table XXX which forecasts Canadian merchandise imports from the West Indies in 1970 and 1975 of 80.0 million and 95.1 million Canadian dollars.

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[5]Recent joint ventures by Alcan with companies in Norway and Japan are two good examples.

TABLE XXX

CANADIAN MERCHANDISE IMPORTS FROM THE WEST INDIES FOR THE YEARS 1964, 1970 AND 1975

(CURRENT CANADIAN DOLLARS)

	Y	X_1	X_2	X_3
1964	73.5	15.5	30.0	11.1
1970	80.0	12.5	38.9	12.6
1975	95.1	12.5	44.6	19.0

Y = Canadian Merchandise Imports from the West Indies

X_1 = Sugar Products

X_2 = Aluminum Ore

X_3 = Petroleum Products

4. Balance of Trade and Summary

This forecast of Canada's merchandise trade with the West Indies estimates that Canadian merchandise imports from the West Indies will increase at a steady rate, but not Canadian merchandise exports to the West Indies. Thus Canada will continue to have a deficit in her balance of merchandise trade with the West Indies in 1970 and 1975.

TABLE XXXI

EXPORTS, IMPORTS, AND BALANCE OF MERCHANDISE TRADE (MILLIONS OF CURRENT CANADIAN DOLLARS)

YEAR	MERCHANDISE[1] EXPORTS	MERCHANDISE[2] IMPORTS	BALANCE OF MERCHANDISE TRADE
1964	61.6	73.5	- 11.9
1970	66.7	80.0	- 13.3
1975	77.3	95.1	- 17.8

[1]Canadian Merchandise Exports to West Indies

[2]Merchandise Imports from West Indies

This entire forecast of exports and imports depends on the accuracy of the different independent variables used in developing the trend and this trend will only be valid if the trading environment between the two areas during the sample time period does not differ radically from the forecast period.

The optimistic estimates of Gross National Product of the West Indies are the main factors causing the forecast of smaller increases in merchandise exports to the West Indies than imports. Whereas the estimate of real significant increases in the value of Canada's petroleum imports and Canada's aluminum ore imports are the main factors leading to the result of more total merchandise imports than exports in 1970 and 1975.

SUMMARY AND CONCLUSION

1. Summary

Merchandise trade between Canada and the West Indies up to the Second World War had been mainly food and raw materials. This trading pattern had been fostered by the commercial policies of Great Britain especially with respect to the West Indies colonies who had not reached the state of political or commercial independence from the Mother Country that Canada had achieved. Moreover with the formation of the Sterling Area in the thirties, the British West Indies were drawn closer to the Mother Country.

The Second World War interrupted these normal trading patterns as Great Britain's entire economic force was involved in a total effort to win the war and could not continue to supply the West Indies. Therefore, Canada was able to fill the void and Canadian merchandise exports to the area reached record proportions. The dollars that the West Indies lacked were either given outright as gifts by Canada and the United States or were part of war loans to the United Kingdom which were diverted to the West Indies.

In the immediate post-war period Canada's merchandise trade with the West Indies continued to increase and the type of exports were more varied as in this period Canadian finished and semi-finished goods were finding good markets in all the islands of the British West Indies.

With the gradual phasing out of dollar aid and war loans to the United Kingdom, the entire Sterling Area was faced with a growing dollar shortage. This crisis led to the devaluation of the pound in 1949 and stringent controls on imports from dollar countries. As a result Canada's exports decreased sharply and once again primarily consisted of goods in the food section. On the other hand West Indies merchandise exports to Canada began to increase because of the immediate effect of devaluation, making sugar and other West Indied products cheaper.

Canadian merchandise exports began to recover in the fifties with the discovery and exploitation of bauxite deposits in Jamaica, as Canadian investment in this industry led to more dollars being available for extra Canadian exports. Furthermore, Canadian imports of these aluminum ores began to be a further source of "hard" currency. These factors and the partial recovery of the entire Sterling Area led to a gradual liberalization of dollar controls in the West Indies.

Canada's sugar imports from the West Indies were not as large, after the new Commonwealth Sugar Agreement instituted by the United Kingdom went into effect, as other sugar producing countries were selling sugar at lower prices than the West Indian producers. However, the bauxite shipments to Canada added to total Canadian merchandise imports from the West Indies and thus the total value of imports continued to increase.

The Federation of the British West Indies in 1957 did not survive past 1962 as both Jamaica and Trinidad left the Federation and became independent member countries of the British Commonwealth in that year. Unfortunately not even an economic union of the West Indies was left after the dissolution of this political Federation.

The governments of these newly independent countries and the other British West Indies instituted incentive plans to encourage the establishment of domestic industries and established tariffs to protect these new industries. This created an artificial barrier to all West Indies imports from both the Dollar and Sterling Area. Nevertheless exports to the West Indies by 1964 were almost as much as the peak post-war years and Canada's merchandise imports from the West Indies, because of the aluminum ore, were at new high levels.

2. Conclusion

Canadian merchandise exports to the West Indies were at extraordinary high levels between 1944 and 1947. In 1947 the value of these exports comprised 2.35 percent of total

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Canadian merchandise exports. If Canadian merchandise exports to the West Indies in 1964 had maintained this percentage share of Canada's total merchandise exports their value would have been 190.3 million Canadian dollars instead of the actual value of 61.6 million Canadian dollars, or 0.72 percent share of total Canadian merchandise exports.

Canadian total post-war loans, advances, and export credits to other countries in 1947 amounted to 1,542 million Canadian dollars, of which the United Kingdom received 1,015 million dollars.[1] Canada's total foreign aid programs in the fiscal year 1964-65, including loans made under the Export Credit Insurance Act, amounted to 226 million Canadian dollars.[2] Total Canadian aid to the Caribbean was nine million Canadian dollars in this same period.[3]

Thus the post-war period was an unusual period of international cooperation by Canada. The Canadian Government supplied Canadian dollars for purchases of Canadian goods with the result that total Canadian merchandise

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[1] The Canadian Balance of International Payments 19 to 19 , Department of Trade and Commerce, Dominion Bureau of Statistics, Ottawa, Canada, Queen's Printer, 1949, p. 94.

[2] K. Levitt and A. McIntyre, Canada-West Indies Economic Relations, Private Planning Association of Canada, Montreal, 1967, p. 107.

[3] Ibid.

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exports and total exports to the West Indies were at record high levels.

However after devaluation of the pound in 1949 Canadian merchandise exports to the West Indies decreased sharply. Canadian exports to the West Indies, without the same amount of Canadian aid and loans as in the forties, increased after 1950 but less spectacularly. Canadian business investment in the West Indies was a strong force in setting this increasing trend, especially in Jamaica, and was also important in the overall economic growth of the area. The Projection of exports in 1970 and 1975 of 66.7 million Canadian dollars and 77.3 depends on this economic growth. Therefore Canadian aid and loans will have to be directed to this end and thus the amount of aid should increase substantially if more substantial export targets are desired.

Furthermore Canadian aid has been tied to a mandatory requirement of eighty percent Canadian content which has limited the type of aid Canada can give.[4] Canada is not basically an exporter of capital goods and most types of industrial projects require capital goods that in some cases are either cheaper elsewhere or are not made in Canada. K. Levitt and A. McIntyre have advocated decreasing the

[4]K. Levitt and A. McIntyre, <u>op. cit.</u>, p. 107.

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Canadian content requirement to fifty percent and the loss would be regained by special agreements to use an amount equal to forty percent of the aid on increased purchases of other types of Canadian goods.[5] This is a good recommendation but it would be more effective if the same principle would be made more flexible so that even the fifty percent could be decreased if necessary. Then aid for the West Indies would not be evaluated mainly by what Canada has to supply, but more to what is immediately required by the west Indies. This policy would not only contribute to their economic growth but also to future larger Canadian exports.

In the past some indirect aid towards achieving the above objectives has been made by Canada's aid programs in providing teachers, advisors and training awards.[6] However more direct aid could be given in assisting and counselling the West Indies governments in establishing new industries.

An industrial development commission could be established with representatives of both the Canadian and West Indies governments and business communities. This commmission would cooperate with the various industrial development corporations already in existence, but with the

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[5] Ibid.

[6] K. Levitt and A. McIntyre, op. cit., p. 109.

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difference that the new commission would be a regional board who would consider the entire West Indies as one economic unit.

This new industrial development commision could cooperate with other interested countries, such as the United States and the United Kingdom; however this should be primarily a Canadian-West Indies group. Canadian aid or loans would be channelled into an industrial development fund or bank to be administered by this commission and should be funded at certainly not less than 65 million Canadian dollars.[7] The commission could consider the establishment of industries with possible markets in the Caribbean region itself as well as the export sector. Research should ensure that the industries would be located in areas best suited to both the resource requirements of the industry and the economic needs of the area.

This type of program will encourage investment by West Indian and Canadian businessmen especially if the new industry is also given access to the Canadian market without restrictive tariffs.

This study has already confirmed that investment by Canadian companies in the West Indies have increased

[7]This is the amount of aid promised by Canada in 1966 to the Caribbean region including British Honduras and Guyana over the next five years.

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Canadian exports to that area in the past. Thus this type of Canadian aid will have tangible effects eventually by increasing Canadian exports.

However Canadian exports require dollars and the West Indies can only earn dollars by exporting to the dollar countries. If imports are more from the dollar countries than West Indies dollar exports, the West Indies will have a dollar shortage. This has been the pattern in the past and could be the same in the future. Therefore, it is also obvious Canada should be considering selective aid to assist the West Indies in maintaining reasonable stability of prices and quantity of their present dollar exports.

Canada should support the West Indies in finding a way to establish a more stable international sugar market. Already Canada has agreed at the Commonwealth Caribbean-Canada Conference in 1966 to attempt to establish a tariff-free quota of sugar for entry into Canada. Nevertheless, it is still a major problem for the West Indies and Canada could provide money for research into methods to achieve higher productivity, better methods of marketing and potential new by-products.

West Indian exports of bauxite to Canada will increase with the growth of world demand and in addition the West Indies will also be increasing their bauxite exports to other countries who have built aluminum smelters. Canada

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can assist in developing industries for further processing of the ores and indeed help in developing an aluminum fabricating industry that will manufacture aluminum products for both domestic consumption and export.

Petroleum shipments to Canada from Trinidad have consisted mainly of crude oil[8] because of Canada's tariff on refined products. The possibility of diminishing reserves and increasing costs for the West Indian crude oil industries signifies that Canadian imports from the West Indies could eventually decrease. Therefore, initially Canada should assist by enacting special tariff concessions for Trinidad's refined petroleum products and finally by assisting the Trinidad government in their effort to diversify the products of the industry. The refineries are already in Trinidad and this capacity could be used to supply the raw materials for the manufacture of one or more of the new petro-chemical products.

With regard to citrus fruits, juices and other West Indies tropical food products it has been suggested that an agency be set up in Canada "to undertake promotional campaigns and secure marketing contacts."[9] A sales agency

[8] This is a strange phenomenon as Trinidad imports more crude oil than it produces.

[9] K. Levitt and A. McIntyre, op. cit., p. 49.

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certainly would help sales but would not be adequate in itself. The marketing problem of the West Indian citrus products is also a problem of location, when the long distance from the Canadian market is compared with the overland distance from the United States. Therefore, a marketing board consisting of Canadian and West Indian representatives of both governments and interested businessmen[10] could be established to act not only as a sales agency but also as a warehousing agency. Canadian aid could be used by the board in researching potential Canadian markets[11] and in the establishment of cold storage facilities in Canada (100 percent Canadian content) to have the tropical produce available for immediate delivery to the Canadian outlets or later, as the goods are required.

West Indian manufactured goods exported to Canada are insignificant in value at the present time, partly because there are Canadian tariffs against importing manufactured goods and partly because the scale of manufacturing

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[10] Members of the Canadian Food Brokers Association would be important representatives.

[11] The Canadian Government has already sponsored a food mission for interested Canadian businessmen to the West Indies in 1964. Perhaps Canada could sponsor a food mission of West Indian businessmen to Canada in the next few years.

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and type of product[12] in the West Indies in many cases might limit the competitiveness of West Indian products in Canada, even without tariffs. However, it has already been stated above that new industries should be established with other markets such as Canada in mind, and the Canadian government should assist this effort by removing restrictive tariff barriers on some of the goods of these new West Indies industries.

The 1966 conference also recommended a "study of the question of a free trade area between the Commonwealth-Caribbean and Canada might be made."[13] This question was already studied by the Economist Intelligence Unit in 1962 and they concluded that if a free trade area was established the gain in trade from the West Indies would be limited in both the short and long terms, "as the 'complementarity' of the two economies is, to a considerable extent, allowed free play by their two tariffs, and is already reflected in trade patterns."[14] This statement was based primarily on a study

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[12] For example, different consumer taste in color of textile fabrics.

[13] Commonwealth Caribbean-Canada Conference, op. cit., final communique.

[14] Economist Intelligence Unit, A Free Trade Area Between the West Indies and Canada, London, S.W. 1, Vol. 1, p. a.

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of what has been traded between Canada and the West Indies in the past. Thus the study concluded that tariffs of both areas have always allowed special entry for goods required but not produced by the importing country. Nevertheless tariff barriers do restrict other trade and at the present time free trade would benefit Canada in the short term, because of Canada's more advanced manufacturing sector, but with the establishment of new secondary industries in the Caribbean the West Indies could gain. Therefore free trade should be the objective, first in the entire West Indian region itself and then between Canada and the West Indies.

The West Indies and similar underdeveloped countries are good markets for present Canadian manufactured goods, and if developed with Canadian aid and investment[15] they will be larger markets in the future.

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[15] American investment in Canada in the past has resulted in a continuous good market for United States' exports in Canada.

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APPENDIX A

The Dominion Bureau of Statistics introduced the new Export Commodity Classification in January, 1961 and the new Import Commodity Classification in January 1964. These new classifications grouped commodities mainly with regard to the stage of fabrication and purpose, rather than the previous method used in the older classifications of grouping according to their principal component material.

Instead of nine major groups of commodities there are presently only seven groups containing 1,020 classes of Export Commodities and 2,383 classes of Import Commodities.

The Dominion Bureau of Statistics developed a convertibility key for the new classifications which had a direct comparison to 53% of the older classes, accounting for 81% of the total value of Canadian export trade, but this was based on the larger items that comprise Canada's foreign trade and therefore this percentage was found to be much lower with regard to Canada-West Indies Trade.

Consequently these comparisons based on commodity class total levels instead of class by country totals limited the value of the key and any statistical research into specific countries involved converting thousands of commodity classes every year from 1944 for each West Indian country, and then every commodity was either converted to the commodity class by the Dominion Bureau of Statistics Key or if there was no new comparable class listed, the commodity was placed under the proper new Commodity Major Group. These new Groups were totaled and balanced with the totals given by the older system and then these totals by country were added together and became Canadian Exports and Imports to and from the West Indies.

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