



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Who Lost the Caribbean?

by Paul Durand
November, 2016

POLICY PAPER

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Prepared for the Canadian Global Affairs Institute
1600, 530 – 8th Avenue S.W., Calgary, AB T2P 3S8
www.cgai.ca

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ISBN: 978-1-988493-07-07

► **Executive Summary**

There was a time, in the not too distant past, when relations between Canada and the countries then known as the Commonwealth Caribbean (now the Caribbean Community or CARICOM), were close and mutually beneficial. Canadian capabilities complemented Caribbean economic development requirements, and their support as a group in international institutions was highly valued. Meetings at the level of Prime Minister were organized on a regular basis; personal relations among them were informal and friendly. However, since the late nineties to the present day, those positive relations have drifted to the margins of Canadian foreign policy. Why did this happen?

This paper will attempt to answer this question, outline a path to rebuild the relationship, and explain how that would serve the interests of both parties.



INTRODUCTION

For purposes of clarity, the focus here will be on the 14 former colonies of the United Kingdom, plus Suriname (while Haiti became a member of CARICOM in 2002 it is not, in practical terms, an integrated part of the organization for reasons of history, language and culture).

Canada became active in the Caribbean when the British colonies - with the enthusiastic support of the 'mother country' - began acquiring independence in the sixties and seventies. As this progressed, Canada, the UK, and the US made generous commitments to help the new nations develop their economies, in the expectation that they would eventually acquire a degree of self-sufficiency.

These were vain hopes; it was soon realized that due to their small size, isolation, and paucity of resources, these countries – with a few exceptions such as Trinidad & Tobago - were simply not economically viable. Some exported sugar, but couldn't compete with large-scale producers in the world market; others tried exporting bananas and other tropical fruit but encountered the same limitations of scale. In the case of bananas, the end of preferential EU tariffs in 2012 as a result of the 'banana wars' with Latin America effectively ended the industry in the Caribbean. The only industry that met with some success was tourism, which allowed them to exploit their natural endowments (sun, sea, sand and rum), but it had its own limitations.

Various attempts were made to achieve economies of scale by encouraging regional integration, to no avail. Geography worked against integration; in addition to small size, they were too dispersed across a wide area to make integration feasible. Further, local politicians were keen on the new prerogatives of independence, and not inclined to share them through any form of unification or burden-sharing. The same strain of regional dysfunction was evident in failed attempts at policy reform, which can be attributed to individual personalities as well as the poorly organized CARICOM secretariat.

The [Caribbean Community](#) (CARICOM), was created in 1973 with the ambitious goals of promoting integration and developing a single market economy. The organization launched a reform process in 2013 aimed at producing a five-year strategic plan and a re-organized secretariat; progress has been slow. The [Caribbean Development Bank](#) (CDB) was established in 1970 to channel funds into development projects in the least developed members, projects that were typically too small for the larger international financial institutions to handle.

The one organization that achieved some efficiencies of scale was the [Organization of Eastern Caribbean States](#) (OECS), which allowed the micro-states of the Eastern Caribbean to share and rationalize certain services such as diplomatic representation. More recently - in 2001- the [Caribbean Court of Justice](#) was formed to give some Caribbean countries independence from the British Privy Council as a court of last resort.

Today, the countries suffer from lack of investment – foreign or domestic – as well as weak aggregate demand and high public indebtedness. As a result, governments are chronically short



of financial resources to fund essential domestic programs. Economic conditions have deteriorated with low commodity prices, and the tourism sector is suffering from health and security concerns, natural disasters and the looming prospect of Cuba ramping up its share of the market.¹

DEVELOPMENT ASSISTANCE

Development assistance programs today are mainly delivered through multilateral channels (United Nations; [Inter-American Development Bank](#); Caribbean Development Bank; and the [Organization of American States](#)). This is a marked shift from the earlier post-independence period when most development assistance was provided bilaterally; this change has had a major impact on relations between the Caribbean countries and the donor community, particularly Canada.

Initially, Canada's bilateral programs were of necessity small and focused on sectors where there were obvious needs and where Canada had the required expertise. Thus, Canada implemented programs to build schools, airports, roads and water systems – essential items for any newly independent, developing society. Complementing the infrastructure programs, serious investments were made in the education sector. This included a variety of scholarships to study in Canada, teacher training and support for the fledgling [University of the West Indies](#) (UWI), as well as a wide range of technical training programs.

These programs were appropriate to the conditions of the recipients, i.e., many of them island micro-states with weak economies. They were sometimes criticized, however, as being a form of quasi-budgetary support, carrying the risk that Canada would be creating dependency, and simply stepping into the shoes of the former colonial masters.

POLITICAL RELATIONS

Canada was a logical partner for the newly emerging Caribbean nations, one with whom they had much in common through membership in the Commonwealth, similar forms of government, and a shared history of trade and immigration going back centuries.

These links were strengthened over time, with frequent bilateral contacts and regular meetings of Caribbean and Canadian heads of government; Canadian Prime Ministers were particularly attentive to their personal relations with their Caribbean counterparts.

Relations were further buttressed by the increasing presence of Canadian banks, following their clients to the region to take advantage of relaxed taxation regimes. At the same time, the number of Canadian tourists was on the rise, making a valuable contribution to the always-thin foreign exchange reserves.

It did not go unnoticed that the Caribbean countries represented a useful, supportive bloc in approaching multilateral issues – including votes that could be counted on in various international fora. This was best illustrated in 1998, when every Caribbean country supported



Canada's (successful) bid for a seat on the UN Security Council. Needless to say, this was not the case in our next (failed) bid in 2010 - nor would it be today.

The growing Caribbean diaspora, centered in Toronto, was an important element that was factored into the political equation.

DIVERGING INTERESTS

The advent of Hugo Chavez as president of Venezuela in 1999 was a watershed event for the region and for Canada-Caribbean relations. With aid flows from all conventional sources diminishing and the price of oil rising, Caribbean countries found themselves on the brink of insolvency in the early years of the 21st century. Sensing an opportunity, Chavez launched '[PetroCaribe](#)', a program which provided subsidized oil to the Caribbean states. While his motives can be questioned, there is no doubt that this was a lifeline to these increasingly desperate countries; neither was there any doubt that, as a result, they became beholden to their new benefactor and gradually switched their loyalties and their support.

NAFTA had already done serious economic damage to CARICOM countries, killing off their fledgling light industry (mainly textiles) which moved to the more cost-effective Mexico. More recently, Canadian banks have been reducing their profile in the region.

During this upheaval, Canada discontinued most bilateral, country-to-country project aid to the Caribbean, opting to channel assistance through regional programs and multilateral institutions. The assistance provided is still of value, offering technical assistance in areas like disaster management, tax regimes, and justice systems. However, channeling aid through multilateral institutions has broken the direct link between Canadians and Caribbean recipients, and the Canadian identity formerly attached to our assistance has been lost, along with any sense of loyalty.

The damage was compounded when Canada ended meetings of the Canadian and Caribbean Prime Ministers, breaking a well-established and highly valued tradition. Together, these decisions marginalized Canada's influence in the region - an unfortunate development for which the consequences are still being felt.

DOES THE CARIBBEAN MATTER?

Yes. While it may not be the most important region in the world strategically, it embodies a number of issues and values that have a direct bearing on Canadian interests. No other part of the developing world has so successfully sustained constitutional democratic systems, or shares with us basic values, legal and parliamentary systems, cultural, and language links. These positive aspects, however, do not tell the whole story. Other issues have serious, often negative connotations:



Security

The uneven line that runs from the Bahamas to the coasts of Mexico has become in real terms not only a Canadian border, but Canada's most porous and vulnerable frontier:²

- A high percentage of cocaine and other drugs consumed in Canada is transshipped through the Caribbean, where organized crime is increasingly sophisticated. Because of the close people-to-people links with Canada, this is reflected in criminal activities in major metropolitan centers, principally Toronto.
- Some governments have created tax regimes that do not meet OECD requirements, leading to the establishment of questionable financial institutions which facilitate money laundering, terrorist financing, and other illicit financial activities; in some instances, these institutions have infiltrated local governments.³
- The region's airports and ports do not meet acceptable security standards – an issue when some 1.5 million Canadians travel to the region annually.

Health

- The rising incidence of communicable diseases in the Caribbean (HIV/AIDS, tuberculosis, dengue, hepatitis, Zika), inadequate monitoring and the volume of human traffic in both directions make the region one of Canada's most dangerous disease vectors.

Strategic Considerations

- Learning from experience, the Caribbean countries have adopted a practice of voting *en bloc* in multilateral settings, thus increasing their leverage when important issues are on the table. Their support can be important in the UN and the Commonwealth, but *decisive* in the Organization of American States (14 of 34 votes), where they now side with Venezuela on a regular basis.
- More recently, Chinese resources and influence are complicating an already complex regional picture. With unlimited resources to influence these small economies, China has projects under way from Belize to the Bahamas. No matter that commitments often are delayed or unmet; what is left is more than other donors have been stumping up recently.⁴

REBUILDING THE RELATIONSHIP

There can be no nostalgic return to that period, some fifty years ago, when Canada and the Caribbean had similar interests and objectives, and a shared world outlook. The world has changed, new players are involved and the Caribbean has acquired a heightened awareness of the (limited) cards they hold. They have a weak hand but play it well.

Renewed Canadian interest, however, would be very well received; many of the values we shared still hold, and Canada is still regarded as a generally positive, friendly actor. The initiative would be Canada's to take; some considerations:



- Canada should resume implementation of bilateral projects in individual countries, especially in the smaller islands of the Eastern Caribbean, in addition to multilateral/regional channels. This shift of emphasis would establish a greater Canadian presence at the national level and facilitate closer political relations.
- The scholarship program for post-secondary studies in Canada should be reinvigorated and expanded. Properly executed, this would achieve dual objectives: benefits to the Caribbean of a cadre of well-trained professionals, and longer-term strengthening of relations resulting from Caribbean opinion-makers and leaders with first-hand knowledge of Canada.
- Health Canada, together with PAHO, should conduct an in-depth analysis of Caribbean requirements and readiness to deal with communicable diseases and pandemics, with a view to upgrading and strengthening health and hygiene systems in each country.
- Canada currently provides extensive security assistance to the region, mainly through DND's Military Training & Cooperation program. Given rapidly changing conditions, however, those government departments most involved should assess regional requirements and, in consultation with allies, be prepared to respond to any identified shortfalls in areas that include but go beyond the war on drugs. Special attention should be paid to developing a proper disaster response program.
- Looking to the future, when Canada takes delivery of its Arctic/Offshore patrol Ships (scheduled for 2018), consideration could be given to stationing one or more in the Caribbean for anti-drug patrols, etc., during the winter months when demand decreases in the far north".
- Canada should, without further delay, accede to and ratify the UN Small Arms Treaty, to help curb the flow of illicit arms to the Caribbean. The treaty has been available for signature since 2013, and 130 countries have already signed – including all NATO members except Canada.
- After years of effort, free trade negotiations reached an impasse and were suspended in 2015. This was due to CARICOM's insistence (and Canada's refusal) that development assistance commitments be included in any FTA, similar to the CARICOM/EU agreement. Canada should revisit the issue to see if the deadlock can be broken.
- Democratic government survives in the Caribbean but, as in most areas of the world, it is fragile and needs support. Canada can provide such support; through technical assistance, parliamentary links and the moral support of a like-minded friend.
- A 'whole of government' approach should be adopted to address the various issues at play in the Caribbean, including security, development assistance, immigration, health and political issues. The combined approach - a collective Caribbean strategy - should be coordinated by Global Affairs Canada.

Finally, the Prime Minister should convene a CARICOM/Canada heads of government meeting, hosted by Canada, to initiate a dialogue on the above approach and listen to their concerns and



suggestions. The purpose would be to signal our interest in re-engaging with the region, forming a new relationship based on mutual cooperation. A commitment should be made to hold these meetings at regular intervals, as well as at the level of key ministers.

TIMING IS KEY

When Canada joined the Organization of American States in 1992, there were high hopes for the Americas and for Canada's place in the Hemisphere. Unfortunately, for a variety of reasons (Venezuela's negative influence, the Iraq war, trade disputes) these hopes did not pan out - the regional dynamic turned negative and any sense of a hemispheric 'project' was lost. Canada's once close friendship with the Caribbean fell victim to these events - and to our own short-sighted decisions.

Twenty years on, there are again grounds for optimism and an opportunity for Canada to play a useful role. There is new economic potential in a number of areas - recent oil and gas discoveries; new port facilities accessing the enlarged Panama Canal, with consequent opportunities for light manufacturing; upgrading of tourism markets; and even expansion of legitimate offshore financial services in those countries that "do it right".

These are especially propitious times now that Venezuela is no longer able to play the spoiler, which will create space for CARICOM countries to adopt pragmatic political and economic policies. With good management and international support, the region could begin to realize the post-independence hopes of self-sufficiency.⁵

CONCLUSION

Unlike other parts of the world, this is one where Canada has some influence and can actually make a difference. Most of the initiatives suggested here (security, health, etc.) serve Canada's interests as much as, or more than, the Caribbean's. Regarding development assistance, for a tiny fraction of the cost of some of our Asian or African programs (or even Haiti's), we could resume small bilateral programs and be a serious player.

Thus, for a relatively modest investment of political and financial capital, Canada could regain lost ground and re-position itself in a region that is close, friendly and well known to Canadians.

¹ Foreign Policy, July 7, 2015 – "Cuba's New Tourism Industry is Potentially Bad News for the Rest of the Caribbean"; by David Francis

² Foreign Policy, February 1, 2016 - "How Captain Jack Sparrow Explains the problem in "America's Backyard"; by James Stavridis

³ The Economist, September 10, 2016 – "The Bahamas Cocks a Snook at the War on Tax-Dodgers"

⁴ The Economist, June 4, 2013 – "China & the Caribbean: Sun, Sand and Xi"

⁵ The View from Europe, September 11, 2016 – "The Changing Face of the Caribbean"

► **About the Author**

Paul Durand is a former Canadian diplomat who worked in international banking in Latin America prior to joining the Canadian government. In government, he worked in CIDA, PCO and the Department of Foreign Affairs and International Trade. He served in the Caribbean for several years, and as ambassador to Costa Rica, Panama, Chile and the Organization of American States in Washington, D.C. He is a fellow at the Canadian Global Affairs Institute.

► **Canadian Global Affairs Institute**

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