THE POLITICS OF CANADA'S FOREIGN AID PROGRAMME

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INDONESIA--A CASE STUDY

THE POLITICS OF CANADA'S FOREIGN AID PROGRAMME: INDONESIA--A CASE STUDY

by

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ABSTRACT

With the expansion of Canadian Development assistance since the end of World War II, a need for a clearly defined aid policy developed. The Canadian government found that there was a need to be able to account for development assistance to one country and not to another. By outlining a criterion for development assistance, the government would also be able to explain different levels of aid at different times. Authors like Triantis, Spicer and Reuber developed a trilogy which accounts for the Canadian motives in having a development assistance programme. Humanitarian interests have often introduced the donor country to the needs of the recipient nation. Implicit in this motive was that aid was given freely with no strings attached. Secondly, economic interests may have been an instigating factor in having an aid programme. As a middle power, Canada depended on trade for its own economic well-being. By tying eighty percent of ODA to goods and services originating in Canada, Canadian markets were expanded. Many developing countries have been considered rich in natural resources that were needed by Canada and other developed countries. Aid could be exchanged in return for these resources. Thirdly, ODA was provided for political/security interests. Rather than giving a hostile power the chance to extend aid and their influence over the social and economic development of Third World countries, the Canadian government chose to provide assistance.

In the case study the Canadian government's motives for having an ODA programme with Indonesia are examined. While there may have been some

evidence of humanitarian and economic motives, the case study argues that political interests dominated in the Canadian government's decision to have an aid programme with Indonesia. As political interests intensified, ODA increased. Aside from these factors, the case study also shows that while CIDA is responsible for the administration of Canadian development assistance, the aid programme with Indonesia reflected the concerns of other federal government departments such as External Affairs. Also, political concerns of the Canadian government that instigated its interest in development assistance exist to a certain extent today.

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TABLE OF CONTENTS

LIST OF TABLES

INTRODUCTION

Since the end of the Second World War the concept "foreign aid" or "development assistance" has become increasingly important in foreign policy. The notion of the "rich north" versus the "poor south" is significant in that there is a need for reconciliation between the two extremes. Poor countries justify the continuation of aid as one of the ways in which they can fight the battle against underdevelopment. Because of their poverty, poor countries find it difficult to gain access to the ordinary sources of finance for economic development.[1] As a result, the idea of rich nations assisting their less developed counterparts has evolved.

The Canadian government has chosen to provide assistance to certain countries which they consider less fortunate. Through a case study of aid to Indonesia, this thesis will examine the reasons why a developed country like Canada wanted to help in alleviating the conditions of poverty in another country. The government has made its choice in singling out Indonesia as being a recipient of Canadian assistance. This choice was a direct reflection of the priorities of the government in their foreign aid programme and also in their overall foreign policy. Inevitably, the interaction between decision makers and governments would have a direct bearing on the factors that result in Canada having an aid programme with another country. These factors would have to be examined within the context of the government's motives for having the aid programme at the given time. Because different aspects of aid are to be examined, the concept as it applies to this thesis needs to be defined.

In David Wall's book, The Charity of Nations, aid is defined as being government-sponsored flows of resources made available on concessional terms to foreign governments, either directly on a bilateral basis or indirectly via multilateral organizations.[2] Mikesell, on the other hand, has preferred to define aid as:

> a transfer of real resources or immediate claims on resources from one country to another which would not have taken place . . . in the absence of specific official action designed to promote the transfer by the donor country.[3]

These transactions or transfers may appear to be "gift-like" but they have generally been regarded as a form of exchange, with political influence, national security, or commercial advantage representing the necessary quid pro quo.[4] The terms of aid may be in grants which are often considered the true form of assistance. Or, aid may take the form of loans that are repayable after a certain period of time. Here we will be concerned with bilateral assistance whether in loans or grants. Aid will refer to the flow of resources designed to promote growth in a developing country. Hence, the terms "official development assistance (ODA)" or "development assistance" will be used in referring to this flow of resources or what is commonly known as "aid."

Canada has been classified along with her Western allies as one of the rich, "have" countries. Therefore, the idea of providing assistance to those areas of the world where her presence could be felt has been adopted. There has been an increasing awareness for the need to provide foreign aid to poor countries. ODA was required because the poor felt that the rich had an obligation to help them. Donor countries like Canada provided assistance to secure their own economic and social well-being. Finally, aid was provided with political undertones.

Focus and Framework of the Study

In this thesis, the motivations of the Canadian government to provide Indonesia with development assistance are examined and explained. To adequately understand why Indonesia did not qualify as a major aid recipient until after 1972, the development of the aid programme has to be traced from 1949, when the country was granted independence from the Netherlands, onwards. This thesis, then, consists of a survey of Canadian-Indonesian aid relations for the period 1949-1978.

Triantis[5] has outlined a framework that suggests that the government's selection of aid recipients is the result of rational choices. Acting as a monolithic bloc with options planned in advance, the government's decision is a response to strategic problems they are facing at that particular time. From the number of policy options that the government has to make its choice, that decision which best allows it to maximize its strategic goals and objectives is chosen. The final decision is based on a combination of the nation's values, the perceived alternatives and the government's estimation of the consequences of its choice. The fact that there are decisions implies actors--these actors have all directed their activities toward the objectives outlined by the government. Furthermore, the rationality in the government's decision suggests that not only are goals value-maximizing but there is consistency among the goals that have been set.[6] In other words, the goals and objectives outlined at one point will be inherent in the actions of the government in the future.

The Triantis framework outlined the basic interests in having an aid programme with any country. However, the framework failed to consider

process and how it affects outcomes. Decision-makers, in agreeing upon aid recipients, will ensure that a development assistance programme with a certain country is not damaging to Canada's own political and security interests.[7] Authors like Bird,[8] Sanger[9] and Lyon suggested that political motivations are a strong determinant in having an ODA programme. Bird noted that bureaucratic interests tend to complicate the aid system and resulted in the "professionalization" of aid agency employees. Interests of bureaucrats are manifested through political connections between politicians in donor countries and recipient countries.[10] Lyon, on the other hand, pointed to the "fierce, interdepartmental conflicts"[11] that occur between the different government agencies and suggested that there was a need for harmony in designing aid programmes. Sanger felt that CIDA was relatively powerless within the government bureaucracy. Their inability to sucessfully carry out their own objectives was the result of other departments "pushing their weight around." Sanger also stated that through building up friends, Canadian foreign aid was an alternate way to free Canada from American economic domination.[12] Dudley and Montmarquette found that political acts were often covered up by economic overtones. Aid was provided in return for the recipient's support in international forums or in return for behaviour favourable to the interests of the donor country.[13] The existence of political links with Canada practically guaranteed recipient countries a positive amount of aid from Canada.[14] Impressing governments, claimed Spicer, was present in a number of projects that Canada undertook in Ceylon, Ghana and Trinidad in the early 1960's. Canadian aid was fashioned by non-political criteria but was allocated in terms of Canada's own political interests.[15]

In examining the interests of other Western donors, it was apparent that the political motivation could not be down played. Jacob Kaplan, in The Challenge of Foreign Aid, found that American development assistance was provided to many Western European countries in the form of both military equipment and defense support. In return for allying themselves with the U.S., they would receive aid and defense from the U.S.[16] Similarly, Liska found that especially in the late 1950's American aid was selective. Recipients who would maintain an independence from control of international communism would receive a positive amount of assistance. Aid was provided in exchange for joining the U.S. in an alliance against the communist bloc.[17] Great Britain's interest in aid evolved around having a strong Commonwealth and the maintenance of ties with Great Britain. Tanzania ceased to receive assistance from Britain when they broke off diplomatic relations.[18]

Within the trilogy, the political motivation for development assistance needed to be expanded upon beyond the security and economic factors mentioned by Triantis. The concept of "bureaucratic interest" as suggested by Bird, Sanger and Lyon was that within the government there is a hierarchy of players. Actors consist of top political figures who hold positions of power within the governmental circle. Decisions result from a decentralized coordination of pressures from interests of different actors with each actor attempting to achieve his ultimate goal. As a result, decisions are characterized by compromise, conflict, confusion and, ultimately, bargaining--the features that Lyon pointed to. The notion of "where you stand depends on where you sit" comes into effect when the demands of each player governs his priorities in the decision-

making process. To a large extent, the final outcome of an aid programme would depend on the ability of different government departments to secure their interests in the aid programme. Those political figures at the top of the governmental circle normally stand to gain the most in the bargaining process.[19]

Other approaches to studying foreign policy have been suggested. While few deal specifically with foreign aid, most can be incorporated into studying ODA. These approaches include Allison's conception of organizational politics and the notion of incrementalism; Brecher's framework; Weinstein's use of foreign policy in Indonesia; McKinley and Little's study of foreign aid in the U.S. Organizational politics sees the actors as being government leaders who sit on top of loosely allied organizations. These organizations are considered to make up the government. Governmental behaviour may be understood as "outputs of large organizations functioning according to standard patterns of behaviour." Decisions are made on the basis of routines established in the organization prior to the decision.[20] But one of the underlying assumptions behind this approach is that change is gradual and not sudden. In looking at aid allocations for Indonesia, however, it was apparent that there were sudden changes in Canada's interest in having this ODA programme. Therefore, the organizational approach did not appear to be acceptable in studying Canadian ODA motivations.

Brecher's research design is based on the concept of a "foreign policy system." To Brecher, the principal components of the foreign policy system were input, process and output. He noted that the components are much the same as those in the domestic environment. Brecher

also specified that the boundaries "encompass all inputs and outputs, in the realm of interstate relations."[21] However, as the case study shows, factors outside of Canadian relations with Indonesia affect the levels of ODA and the decision to provide assistance. Also, the design proposed by Brecher has been broken down into several different stages. By the time an issue reached the operational environment, certain options of action would have been eliminated. Top decision-makers are forced to make decisions with incomplete information.[22]

Weinstein has outlined a model for the uses of foreign aid in Indonesia. His framework was based on attitudinal data using Indonesian officials' perception of the utility of development assistance in the country. While this framework may be useful in the study of the recipient country's attitudes toward development assistance, it lends little support in determining why a "rich" country is interested in providing development assistance.[23]

McKinlay and Little have chosen to explain motivations for development assistance in the U.S. through the foreign policy interests of the donor. The "commitment and dependency" the donor has via the recipient are expressed through aid. One of the underlying factors of development assistance was this commitment-dependency relationship. The result of this proposition was a six component model that McKinley and Little term the foreign policy view. In the framework, the authors have chosen to neglect the humanitarian needs of recipients. They tend to imply that aid is "imposed" on the recipient country. The authors, then, neglect a very important aspect of ODA--the input from the Third World country. Any recipient country may choose not to accept assistance from a certain

country. Finally, dependency exists, according to McKinlay and Little, when one party relies on another without this reliance being reciprocated. But in any long term relationship, there is bound to be "dependency" on the part of both parties.[24]

The framework proposed for this thesis, then, consists of a combination of Triantis' conception of rationality in donor country motivations and the bureaucratic interests introduced by other authors. There are humanitarian, economic and political interests underlying Canadian ODA. These interests provide Canada with the initial interaction with the developing country. However, as the ODA programme matures, the government's economic interests and sometimes humanitarian motives reflect the political interests Canada has in the ODA programme. Decision-makers, in choosing eligible aid recipients, will ensure that these interests are guarded. As a result, aid agencies are not always successful in carrying out the aid programme as they would like.

Outline of Chapters

CHAPTER I will outline the current motivations which could account for an aid programme in a country like Canada. Canada's philanthropic, economic and political interests in ODA are examined through the secondary sources. This chapter concludes by looking at the official government position as stated in White Papers and statements by government officials.

CHAPTER II surveys Canada's initial interest in Southeast Asia and in Indonesia. This survey will begin in 1949 when the country received independence from the Netherlands and will carry through to 1968 when the Canadian government altered its position on Indonesia's status as an aid recipient. An interest developed in Southeast Asia as a result of

political factors--the threat of communist expansion and the fear that it would filter through to Commonwealth countries. However, Canada's domestic interests guarded against sending assistance to this newly independent country. With the change in government in Indonesia in 1967, there was an open door for the newly elected Trudeau government to take a more active role in development assistance to Indonesia in 1968.

CHAPTER III looks at the Canadian government's 1970 decision to concentrate ODA on Indonesia. Political interests in the area intensified as a result of the threatened American withdrawal. The government was more aware of the strategic importance of Indonesia to the area and inevitable to Western powers. A trade relationship had developed in the late 1960's, which provided an added incentive to concentrate aid in the area. The second part of the chapter looks at the period of hiatus after the government had made its decision. This two-year period could be explained in terms of the government's priorities in foreign policy. It could have been the result of unfinished business that the government wanted to clear up before taking on new ODA projects.

CHAPTER IV examines the development assistance programme since 1972. In this chapter, the interests of the three main federal government departments are examined: CIDA's concern for the developmental aspect; the interests of IT&C in the commercial component; and External Affairs for political interests. Canada's interest in Southeast Asia was manifested in the Association of Southeast Asian Nations (ASEAN), which was gaining in strategic importance as well as providing an element of security for the countries of Southeast Asia. The final part of this chapter will examine the criticisms of the aid programme that have resulted from its sophistication.

CHAPTER V, the concluding chapter, will determine the extent to which the trilogy of motives for ODA existed in Canada's aid programme to Indonesia. From the case study it becomes apparent that the Canadian government's political interests in the area to a large extent determine the direction of the ODA programme. As a result, CIDA "plays along" with External Affairs' efforts to increase ODA allocations. Economic and humanitarian considerations are secondary.

Methodology

The secondary sources have suggested that development assistance can be understood through a trilogy of objectives. To support the framework, it is necessary to look at the government's position through White Papers and through public statements. The official government position can be found in the 1970 White Paper, Foreign Policy for Canadians. A further elaboration and update of this is found in the 1975 White Paper, Strategy for International Development Cooperation 1975-1980. To outline the various points of view of Members of Parliament, CIDA, External Affairs and IT&C officials, House of Commons Debates, Standing Committee of External Affairs and National Defence proceedings and Statements and Speeches were used.

A major source of information was five confidential interviews with desk level officials from CIDA, External Affairs and IT&C, and a senior official from the Indonesian Embassy. The interview at CIDA was a joint interview with two officials. Each lasted approximately one-and-a-half hours to three hours and were relatively unstructured in that questions were posed but officials were permitted to speak freely on the different components of our aid to Indonesia. In speaking directly with

the officials, the motivations behind the different Departments in the development assistance programme could be better understood. The Indonesian officials provided their evaluation of Canadian ODA. This was useful in that the official could provide a perspective that was not biased in favour of any federal government agency. It was an evaluation of the overall aid programme. Because of lack of concrete written information on Canadian-Indonesian relations, the interviews were important in putting into perspective Canada's overall interests in that developing country.

Finally, statistical information was provided through CIDA's Annual Review and Statistics Canada. Bilateral disbursements for each year were important in determining the level of aid and in explaining these levels.

NOTES TO INTRODUCTION

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CHAPTER I

RATIONALITY IN DEVELOPMENT ASSISTANCE PROGRAMMES

Canada's interest in providing development assistance or foreign aid initially stemmed from a desire to help the European countries rebuild themselves economically after World War II. Canada and the United States were the only two countries that had emerged from the war with economies that had actually been strengthened.[1] As a result, the Canadian government decided to provide assistance to nations that Canada felt an emotional attachment toward, for example, Great Britain.

Since Canadian development assistance in the post World War II days was directed at the reconstruction of Europe, aid to newly independent Third World countries did not commence until the late 1940's and early 1950's. The United Nations launched a technical assistance programme in which Canada participated. The United Nations Expanded Programme of Technical Assistance held meetings in Ottawa. The Programme was designed to decide upon the machinery to co-ordinate aid operations.[2]

It was with the launching of the Colombo Plan in 1950 that Canada began providing assistance to countries outside Europe.[3] The Plan was designed to help the "newly independent Commonwealth nations in Asia" to improve their standard of living. The prime motivation of Western countries who were partners in the Plan was political; they were concerned about the growth of Communist influence.[4] Canada had assisted in setting up the Colombo Plan which provided Canada with an added incentive to be an active participant.

The main aim of the Colombo Plan was to stop the spread of communism in Europe and then Asia. It would also press for a free multi-racial Commonwealth. With these aims in mind, foreign aid was to serve as a "tactical weapon" in the Cold War.[5] Frustrations resulting from a low level of economic development could lead poor countries to turn to the communist bloc for assistance. By providing them with aid that they needed, Colombo was, in effect, checking the spread of communism.

In due time, the Commonwealth countries who had taken the initiative to establish the Colombo Plan found that it would be appropriate to attack the low standards of living and the related economic and social problems in South and Southeast Asia.[6] This was based on the conviction that these countries could achieve a "sustained rate of economic growth that would yield them a fuller life."[7]

Keith Spicer takes Canadian motives one step further. According to him, Canada, through Colombo, hoped to create a "sympathetic image of a peaceful, conscientious friend to reinforce even modestly the bases of world peace."[8] Canada would have liked to have seen these countries follow the "Canadian tradition of keeping our diplomatic hands clean."[9] Canada had no overseas empires. She had adopted a policy of non-interference in affairs concerning other states. This policy should be followed by developing countries. Foreign aid was an alternative to expressing an interest in other states without having a tangible influence on their actions.

The Colombo Plan was the beginning of Canada's bilateral assistance programme outside of Europe. It marked Canada's response to what Spicer has termed as impoverished, inexperienced and dislocated administra-

tions throughout Asia. In comparison to Mao Tse Tung's China, many of the newly independent countries in Asia were considered fragile and subject to communist subversion.[10] More importantly, however, through the Colombo Plan an effort was made to frame a coherent aid policy which would be in harmony with Canadian foreign policy in general.[11] Colombo provided the organizational framework for the conduct of Canadian foreign aid. Consistency with the broader goals of foreign policy was a theme that has been carried through to the present.

In time it was realized that large-scale development assistance was a more complex challenge than what had initially been conceived. Economic and political interests intensified. The sector of the general public sought to understand the government's actions. These factors resulted in a demand for a more clearly defined aid policy.[12] Canada, like other Western aid donors participating in Colombo, found it necessary to outline some type of criteria which would explain the motivations behind having a development assistance programme. The types of assistance to different countries and the reasons why there was aid to one nation and not to another when basically the same poverty type conditions prevailed could be determined. The criteria provided a guideline for the Canadian government in determining the levels and types of assistance to different countries.

The Government's Motivations in Development Assistance

In applying the rational actor concept to development assistance, the actors are defined as federal government agencies who are interested in some aspect of development abroad. They have a succinct interest in promoting the Canadian image abroad. Their concern evolves around Canada's

own economic and political well-being. A conglomeration of political, economic and humanitarian concerns which were prevalent resulted in the decision to launch into and continue to participate in an aid programme under the Colombo Plan. This action was considered most plausible at the time since Canada did have some resources that would help Third World countries. Failure to participate in Colombo would have placed Canada in a position in which they could have been scrutinized and criticized by other members of the Western alliance for failing to take seriously their obligations toward the international community. The level of ODA funding was based on the resources that the Canadian government had available for the following fiscal year. In any case, the budget for development assistance was and continues to be determined well in advance of its spending. This alone would suggest that there is rationality in the government's actions.

Triantis,[13] Spicer[14] and Reuber[15] have argued that the objectives behind Canadian development assistance and for that matter most Western aid programmes in the 1950's still existed to the same extent in the 1960's. The government continued to act in such a way that Canadian interests abroad would be ensured. ODA remained to be understood through a trilogy of objectives: philanthropic, economic and political. Triantis defined philanthropy as being the result of the government's feeling that providing aid was the right thing to do. There is a genuine concern for the people of another country. Implicit in the concept of humanitarianism was that nothing is expected in return for the donor country's efforts. Economically, foreign aid involves the export of Canadian products. Many of the countries of the Third World are considered rich in raw materials

and natural resources which are required by many of the more developed nations. Combined, these factors lead to increased export promotion for Canada and economic development for the Third World country. Politically, aid can act as a stabilizing influence and be a move in the direction of a peaceful world. Aid can also be used to fill a power vaccuum left by another bloc rather than letting a hostile power fill it.

Triantis has drawn a distinction between 1) the motive or purpose served through the Canadian aid programme and 2) the development abroad by which the purpose is served.[16] The first can be referred to as the motive while the second is the objective. Bird[17] has also drawn this distinction but he notes that it is not possible to distinguish between the two too sharply. However, economic development would be one of the objectives by which some Canadian purpose might be served.[18] Here we will not be as concerned about the economic development abroad or what happens to the ODA in the recipient country as the motives of the Canadian government to provide development assistance.

Humanitarian Aid

Philanthropy is the most frequently cited reason for providing aid. Too often it is claimed that rich, developed nations have a moral obligation to help poor countries. This feeling stemmed from such concepts as Christian charity and social justice as they are applied between nations and governments.[19]

By contrast, others have argued that a government is an "agency of the people," existing to promote the public good. They must, therefore, act on behalf of the selfish interests of the state it serves.[20] Charity toward other countries should not be one of its conscious objectives.

The government is often faced with criticism from the unemployed or from people in depressed rural areas at home.[21] Representatives from these areas feel that the funds going to Third World development could be used to improve the living standards or promote economic development on the domestic scene. The Canadian government, they feel, has not been totally "charitable" where the needs of these people are concerned. If charity is to begin at home, the government should concentrate on developing depressed rural areas within Canada before going abroad. The "moral obligation" the government feels it has toward people begins here.

Thomson and Swanson[22] attribute the low level of ODA to a lack of support from the private sector. Lyon felt that "democratic governments" are not compelled to "act in accordance with the wishes of the majority of their citizenry on every issue."[23] If governments felt strongly about charitable assistance they would go ahead and provide it. On the other hand, because they seek re-election, the government would think twice before handing out ODA without expecting anything in return. Teresa Hayter[24] implied that there are no charitable aims within political systems. The conditions placed on aid are directly intended to serve the interests of the government providing it. For their own survival, states do not often provide assistance on solely charitable grounds. Humanitarian aid for one underdeveloped country would require the same status be given to another. This could drain the donor country's own resources.

Triantis suggested that the Canadian people are generally apathetic toward foreign aid. They have a meagre knowledge of the nature of the government's development assistance programme. They may be somewhat more informed on the amount of funding going toward aid. The unimportance of

aid may render Canadian aid policy more autonomy[25] in that it is free from domestic constraints. But to speak of strictly humanitarian aims of Canadian foreign aid is, as Escott Reid suggests, "to confuse policy with the ethics of individuals moulding it, to mix government objectives with personal motives."[26] Reid felt that there was no philanthropy in foreign aid if:

> we of the Western World persist in our present policies on aid to poor countries, we will have earned the contempt of our children and our grandchildren.... They will not easily forgive us for our short sightedness and ignorable policy of foreign aid.[27]

Authors like Reid feel that philanthropy is not the sole motive behind aid programmes. But concern for other human beings is often considered the objective of non-governmental organizations and private volunteer activity. These groups feel that the world's resources, both human and physical, can best be utilized through international cooperation.[28] Small groups can better relate to the needs of the recipient country. They would be more effective in getting to the root of the problem because of their close contact with the people. In this respect, the humanitarian motive cannot be underestimated. The ability of non-governmental organizations to relate back to the Canadian people the poverty of Third World countries can be an important factor in the nature of the government's aid programme. Public opinion may sometimes go further in its support of external aid than the government but its support is often unreliable and loses force the moment the problem of financing aid through taxation becomes apparent.

The success of volunteer groups will depend essentially on two factors. The first would be the degree of awareness of the Canadian people toward the conditions of poverty in poor countries, and secondly,

the strength of the people's philanthropic motive.[29] As was previously mentioned, the extent of aid funding depends on the ability of organizations to mobilize support. CIDA's non-governmental organizations branch provides volunteer activity with a channel to express their views to the government. Access of this sort is important in that it provides NGO's who are concerned about development abroad with a channel to relate and express their views back to some level of government.

Humanitarianism may be rejected as the official government objective. It is, however, useful in gaining tactical support for aid policies so they may be conceived in more rational terms.[30] If an aid programme needs justification, the government can always fall back on the moral obligation that the rich have toward the poor.

The economics of philanthropy suggests that humanism may not be the only or even the main purpose of Canadian development assistance. Foreign aid is more than just a redistribution of wealth between "haves" and "havenots." It involves the transfer of income with the condition that the money be invested in the recipient country. Development assistance may also result from the desire to project the "Canadian image" abroad.[31]

Economic Motivations

Economically, ODA has been considered beneficial because it assists domestic industry and it provides markets for the donor country. Triantis found that foreign aid was conducive to introducing Canadian goods into foreign markets. In a nation like Canada which is among the major trading countries of the world, there existed a "vested interest in expanding world trade."[32] As a result, economic interests take on an added

significance.[33] Canada's middle power status requires that a healthy international trading environment be maintained.

At one time aid was designed to create an environment in which it would no longer be required to rely on foreign aid to achieve sustained growth.[34] The internal environment of developing countries would be enhanced by promoting economic development. It was assumed that Third World countries would eventually become self reliant and stand on their own without external financial support. McKinnell argued that Canada shared in the paramount objective of promoting economic development[35] in the developing countries of the world.

More recently, economic motivations for ODA suggest that Canada's own interests must be served before those of the recipient country. Tying aid is an example of the importance of economic objectives in an aid programme.[36] Approximately eighty percent of Canadian bilateral assistance is tied to products originating from within Canada.[37] The rationale behind this is that tied aid tends to command more public support. Tying assistance was and remains to be a precautionary measure taken to ensure that Canadian aid funds would be spent on the purchase of Canadian goods. Such tied aid may not be used in foreign markets for commodities that could be purchased in Canada.

On the other hand, tied aid does not permit the Canadian business community to expand their areas of expertise. They would be getting demands from those sectors that Canadian expertise remains unchallenged. Tied assistance would not cover the whole range of capital goods Canada could provide.[38] Critics of tied aid argue that if Canada was so sure of its competitiveness or preeminence in certain areas, it might have the

courage to offer funds for a particular sector but allow the recipient to look around for the best bargain.[39] The fact that the Canadian government is unwilling to untie aid suggests that Canadian products are not being offered at internationally competitive prices.

Tied aid has been considered "unfair" because it displaces "normal" trade. Aid to one country can be detrimental to the development of another.[40] Mettrick uses the example of Uganda's exports of cotton to India being damaged by U.S. shipments.[41] Sanger cited some problems that developing countries have experienced as a result of assistance being tied. He notes Botswana where social development fell behind economic development. Botswana had to deal with a whole range of new problems.

Resources allocated to foreign aid served directly to stimulate the growth of the Canadian economy by contributing to the level of production, export and employment rate.[42] Asher found this to be especially true in the case of American foreign aid. The economic rationale behind U.S. commitment to development is that it was good business. It widened the markets for U.S. exports and it provided new opportunities for productive private investment. Aid buildt more promising lower cost resources of supply for imports and it introduced the low income world into the ground rules for the conduct of international trade and international finance transactions. This permitted the less developed country to become more responsible partners.[43] A similar case can be made for Britain where "commercial considerations alone would suffice to justify participation in the aid effort, both bilaterally and through international cooperation."[44] Canada would find herself in a similar situation. Like most Western donors, Canada has become increasingly dependent on Third

World countries for the supply of certain raw materials and for markets. Firms and corporations have invested heavily in poor countries to take advantage of the resources and markets.[45] The government would tend to support these firms if only for the financial backing they can provide the government.

Alternately, poor countries make poor markets. Asher, while he found that development was good business, also noted that better markets can help the U.S. only if they are willing to buy more in Third World countries to permit the developing nation to purchase more American products.[46] Because Third World countries have often been considered to be unreliable sources for a very limited range of imports[47] the majority of trade remains to be between developed countries. Despite the need for diversification[48] Canada has established her trading partners with other Western developed nations and will seek to maintain them. In fact, Lyon noted that over ninety percent of Canada's trade continues to be with other developed countries, especially the U.S.[49] He also felt that Canadian trade with the Third World would increase if an "economic tradeoff"[50] occurred in these countries. On the other hand, developed economies must continue to expand if they want to maintain their present living standards.[51] Developing countries, because they have the resources, can assure this expansion.

Because aid is tied, it is considered an injection of capital which created jobs and is, therefore, a direct investment.[52] This is considered one of the main short-term benefits of aid. But because of the size of Canada's aid budget, an ambitious role in stimulating economic activity of this sort is denied. Aid should be synchronized with periods

of sluggishness. However, we cannot impose shipments of aid, we are left with unsold surpluses in the Canadian economy[53] especially in the area of food aid.

Opening up new markets by introducing Canadian goods and services and by establishing standards for products are considered long term effects of aid. But here the government runs the risk of endangering future exports through their "awkward" attempts to secure a "foothold" in competitive markets. In order to protect Canadian exports from the rigours of international competition, Canada must increase world trade. Canadian exporters may be building up customers but they are also creating rivals.[54] And on its own Canada would lack the "muscle" to create any substantial increase in world trade.

The economic rationale for aid suggests that it is a selective process. The allocative criteria were in favour of those countries which are willing and able to absorb Canadian exports.[55] Furthermore, the transformation of developing countries into "authentic commercial partners"[56] supposedly is something those countries desire as much as Canada.

Political Motivations

David Wall, in The Charity of Nations, argued that the existence of an aid programme implied that a political decision had been taken to transfer in one way or another, resources from taxpayers in rich countries to various groups of people in poor countries.[57] From the very onset, there are political interests in aid. Often they are disguised by humanitarian or economic motives. Canada's initial interest in aid through Colombo was political--to create a sympathetic image and establish a free, multi-racial Commonwealth. The choice of countries of concentration

suggested that political motives were active when the government selected these countries. Canada will provide assistance to communist countries, but its policy in this respect is very selective. More recently political motivations evolve around the desire to "thwart the expansion of unwanted political ideologies and systems . . . foreign aid is an alternative way to purchase security."[58]

In the late 1950's and early 1960's Canada's foreign policy was opposed to communism and a predominant fear at the time was its spread. The security objective was most clearly defined in countries such as Vietnam, Korea, Thailand and Formosa. This area was considered to be in the periphery of the Soviet empire. The U.S. provided large amounts of assistance to these countries. It would enable them to maintain military establishments which would be capable of dealing with actual or threatened aggression.[59] Canada shared in this objective. To build up the political systems of developing countries was, in effect, creating barriers to resist antagonistic forces. Canada's aid was systematically refused to countries hostile to Canadian policy. Until the mid-1960's, Spicer notes that Indonesia, Ghana and Guinea were eligible for only limited Canadian aid.[60] North Korea was not considered eligible.

Spicer felt that the anti-communist theory was not thought through very thoroughly in terms of feasible alternatives. The theory assumed that because Western countries were providing assistance they would expect pro-Western behaviour in the recipient's diplomacy.[61] This was considered to be one of the strings attached to aid. The polarization of nations and Cold War tensions do not exist to the same extent today as in the early 1960's. But the need to contain communism remains to be an important goal in Western political systems.

A reduction of Canada's forces in NATO and NORAD may have helped to increase spending on foreign aid. Rather than play a superficial role in these alliances, Canada would aim to become one of the two "leading nations of the world in the struggle against poverty and anarchy in the hungry two-thirds of the world."[62] Hence, aid has become a defence and security strategy.

A high volume of Canadian aid was needed to encourage other Western donors to be generous. In the early 1960's President Kennedy felt that:

> the burden of sustaining foreign assistance is falling unfairly upon the U.S. and that industrialized countries can and should do more than they are doing.... Among our specific aims should be for Canada to raise the volume of aid.[63]

Increasing Canada's aid would have heartened the U.S. to at least maintain and perhaps enlarged their present assistance.[64] Canada was to take the lead in this respect.

Claire Culhane, through her experiences in Vietnam, found that Canadian assistance did little to fulfill the purpose it claimed but rather, the "government's aid programme, being part of the overall political policy of the donor government, becomes another facet of its foreign policy."[65] Culhane also suggested that in the case of Vietnam Canada played the role of the "butcher's helper."[66] Aid, then, was to serve the purpose of impressing other participants of the Western alliance. The Canadian government was more likely to respond to these countries than to the needs of developing nations. This is further expressed when the volume of Canadian aid to specific countries is compared with other Western donors; it is directly related to that of the other donors. In other words, the government stressed quantity rather than quality.

Stemming from the Cold War, aid was to serve as a tactic in the preservation of peace. Economic development was to bring developing countries stability.[67] Developing countries would then be less tempting "prey."

Innovations such as television, radio and rapid means of transportation have been identified by social scientists as creating a "horizon of rising expectations,"[68] which when frustrated can lead to political tensions. Therefore, those in control of aid programmes will want to keep the developing nation happy. As long as these countries have before them a reasonable prospect for the improvement of their living standards, they will not become unduly excited by the standard of living of others.[69] Aid, then, subliminates the so-called "revolution of rising expectations" into the eminent task of economic construction.

The fact that eighty percent of aid is tied suggests that political strings attached to assistance are still prevalent today. It forces developing countries to buy from their Western counterparts, thus reducing the amount of contact these countries have with nations outside the Western alliance. This is another way in which Canada could do its part in transforming Third World countries into political and commercial adversaries.

In recent years, a fear has stemmed from the fact that Third World countries are frustrated. The disparity between the developed and the underdeveloped may produce "violent economic upheavals and world-wide revolution if the balance is not reduced."[70] Of the major problems Canada faces, Ivan Head, President of the International Development Research Centre, pointed to the continuing gap between the north and

south as being the most urgent. If Third World countries were to revolt, Canada would be in a vulnerable position and in an even more vulnerable one if trade with the U.S. should happen to be cut off.[71] Hence, there is an added incentive behind Canadian aid.

The preceding pages have discussed the Canadian government's interest in development assistance as it was outlined in the secondary sources. It was generally agreed upon that there were three underlying motives: humanitarian, economic and political. Humanitarian concerns are often the instigating factor behind an aid programme. A developed country may be introduced to the problems of a poor nation through a voluntary agency that has been involved in trying to improve living standards. Economic objectives result when the wealth in terms of natural resources of the poor are recognized. The need to maintain this wealth results in the political motivation to keep the aid programme and to provide the security to do so. The overwhelming emphasis on the political objective suggests that the decision to initiate in a country aid programme is somewhat more complex than it has been outlined by Traintis and that economic and humanitarian links have only a marginal effect on political interests.[72]

The Voice of Government

To substantiate the arguments laid out in the secondary sources it is necessary to look at the official statements of government leaders. In their support of the trilogy argument, political leaders validate the rationality of the government's interest in development assistance. Secondly, the statements of political leaders are important in that they often are more directly involved in the ODA programme and are required to back development assistance to the recipient countries. Therefore,

in the following section, the official position of the Canadian government regarding development assistance is examined first through statements of leaders and then through written documents such as White Papers.

Canadian political leaders would support the basic arguments presented by Triantis: that participation in a development assistance programme was the result of an interplay of humanitarian, economic and political motives. Paul Martin, in a series of speeches on Canadian foreign affairs, made while he was Secretary of State for External Affairs, stated that he regarded:

> humanitarian considerations to be foremost in the minds of those who supported and sustained the principle of Canadian foreign aid to developing countries.[73]

Mitchell Sharp supported Martin's position when he spoke to the Canadian Manufacturers Association in 1969. He hoped that the aid offered by Canada would give some people the "sinew they needed to raise and case aside the cruel weight of an unjust and unprincipled government."[74] Both Sharp and Martin were clearly speaking out against the injustices of certain political systems. Paul Gerin-Lajoie, President of the Canadian International Development Agency (CIDA) at the time, found that because of a "personal involvement" by the Canadian people, development assistance had a humanistic foundation. Prime Minister Trudeau himself in commenting on Canada's foreign aid programme in the 1970's noted that if he:

> were to identify any single criterion by which I hope Canada's presence in the World would be judged, I hope it would be its humanism, its pursuit of social justice... a dedication to the improvement of the basic human condition in every way we are capable and which is likely in the long run to be of some effect.[76]

The idea of doing something without expecting returns in terms of the different officials' attitudes involved taking stands against certain

governments or pursuing social justice. Not one of the officials mentioned the actual transfer of material goods.

In examining the economic rationale for development assistance, Paul Martin in commenting on the concept of "tied aid" stated in his speeches that:

> so long, however, as we continue to provide developing countries with goods and services which Canada can supply on an internationally competitive basis, I think a good case can be made for a country like Canada to provide aid that way [tied].[77]

In a comment in Partners in Development, Pearson found that aid tying imposed costs on the recipient country. It required them to purchase goods at prices substantially higher than those in competitive world prices.[78] Trudeau, in essence, agreed with Pearson in that tied aid:

> diminishes the real value of development assistance by increasing the cost. Yet an element of tying with the immediate benefit it implies for Canadian production may be an important factor in assuring wide domestic support for the aid programme.[79]

In contrasting the position of officials on the subject of "tied assistance" Pearson and Trudeau were clearly aware of its implications. Martin, however, tended to feel that having Canadian goods in the market at internationally competitive prices was the most important aspect of aid. Both Martin and Trudeau seemed to agree that Canadian goods and services needed to be promoted and, therefore, tying aid was acceptable. Both men suggested that Canada's own economic interests were to be served before we could concern ourselves with the needs of the developing country.

The political rationale, as far as it concerned officials, for ODA may be traced back to the early 1950's when Pearson, then Secretary of State for External Affairs reported to the House of Commons the

results of the Colombo Conference. He explicitly stated that "Communist expansion may now spill over into Southeast Asia as well as the Middle East."[80] In referring to Southeast Asian countries in general, Pearson claimed that if:

> we feel that if you [could] help these countries help themselves and to raise their standard of living, that in itself is a good way of stopping communism.[81]

In the early 1960's, Howard Green, Secretary of State in the Diefenbaker government, spoke in the House of Commons about the success of Canadian aid. He felt that Canada had been a:

> lot more effective in gaining friends for Canada than has been the case with aid from some other nations which are now being critical of us.... We are able to make bigger fellows of ourselves and win more friends for Canada.[82]

During this period threat of communist expansion remained prevalent. To be able to keep in contact with developing countries and to be on friendly terms was indirectly checking this expansion. In the late 1960's when this fear was no longer as strong, Martin noted that:

> I do not conceive of foreign aid as a means of imposing our political views and attitudes on the developing countries. That in my mind would be a self-defeating objective. It would create hostility instead of confidence.... Not only would a foreign aid programme with political strings be self-defeating, but it would be unrealistic.[83]

From this statement, it appeared that Martin would not support ODA when it served the function of developing a Western type political system. However, later in the same speech, Martin said that if "the ultimate effect of foreign aid is intended to be economic, its political significance can hardly be overestimated."[84] It was mentioned earlier that eighty percent of aid remains to be tied to the procurement of Canadian

goods and services. This alone would suggest that there are very definite political strings attached to Canadian aid. Lacking in Martin's statement was the notion of "buying friends." Rather, the views of Western political systems would be imposed on developing countries. Allan MacEachen, as Secretary of State, claimed that Canada would be expected to play a key role in assisting with "bridge-building" between Western industrialized societies and the Third World.[85] Canada would have to do its part in transforming the Third World into political and commercial partners.

The government's official position on foreign aid as stated by officials substantiated the rationality of the government's approach as it was outlined by Triantis. The trilogy of motives was also present in the White Paper.

In response to humanitarianism, the government's policy outlined that:

> development assistance will be an important and integral programme toward achieving the basic aims to improve the quality of life and social justice within the domestic and foreign environment in which Canadians have to live and work in the remaining decades of this century.[86]

According to this statement, foreign aid was deemed important because of a desire to have humanitarianism enhanced.

Economically, the Paper notes that one of the primary motives of Canadian development assistance would be economic and social development.[87] This is further stressed in the Strategy paper when it is stated that development assistance is to support the efforts of developing countries in fostering "economic growth and the evolution of their social systems."[88] Whatever the needs of the developing country might be, Canadian aid ensures that our commercial interests will benefit.

The White Paper implied that the Canadian government would try to influence developing countries to follow the type of government found in Western type political systems:

> ...development assistance will tend to be concentrated in countries whose governments pursue external and internal policies that are broadly consistent with Canadian values and attitudes. The government believes that the development objectives can complement and reinforce other Canadian objectives in the developing country.[89]

The frustrations of the developing countries can be detrimental to Canadian interests. The Paper suggests that this frustration is:

> ...likely to manifest itself in various ways. Developing countries will increasingly set aside their political differences to form regional blocs that will urge and put pressure on developed countries to adopt policies that will accommodate the needs of developing countries.[90]

The Paper clearly stressed the implications of these frustrations. They will lead to a sense of impotence that will make the struggle to gain a more equitable distribution of needed resources more bitter.

Stemming from the need to outline some type of criteria, the humanitarian, economic and political motivations that dominated Canadian foreign aid in its initial years have resulted in a systematic way to study ODA. There is a general agreement between the secondary sources and the government's stated position on this approach. Like other Western donors, the Canadian government sought to answer questions regarding development assistance using the arguments in the trilogy. In adopting this framework, the government hoped to justify development assistance programmes to certain countries and not to others as well as levels of ODA to recipient countries. The utility of this framework will be examined in three time periods in the following chapters for a single country aid programme.

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CHAPTER II

ORIGINS OF CANADIAN ODA TO INDONESIA

Immediately after the war with the emphasis placed on the reconstruction of Europe, there was little activity in Canadian relations with Indonesia in the area of development assistance or foreign policy in general. In the period from 1949 when Indonesia received independence until 1968 when the Canadian foreign policy review was conducted, this feature would continue to be prevalent in Canadian-Indonesian relations. It would be further reflected in the flow of development assistance to the country. An overall lack of interest which was accompanied by a lack of awareness of the poverty of this third world country could characterize Canadian-Indonesian development assistance in the period 1949-1968. A limited amount of assistance was provided in the form of food aid grants as well as receiving students from Indonesia in Canada under the Colombo Plan. Canada was not involved directly in any extensive bilateral assistance that would help the nation overcome its economic backwardness. On the other hand, Canada did provide Short Take-off and Landing (STOL) aircraft at one point but the utility of that type of assistance needs to be questioned.

In this chapter, the factors that may have caused this lack of interest or awareness of the disparity of the people of Indonesia are examined. The Canadian government's decision not to provide Indonesia with extensive ODA was initially a direct result of the importance Canada placed on this developing country prior to 1968. The government placed

priority on Commonwealth ties and stemming from this was the fact that Canadian aid would be directed accordingly. During 1949-1968, Canada's peacekeeping role dominated over extending aid to countries which had been granted a low priority position in the government's areas of interest. Finally, the type of government Canada would be dealing with in the case of Indonesia prohibited Canada from providing assistance to that country. The Canadian government had no desire to get involved with the military type of regime that Sukarno led and especially not after the confrontation with Malaysia.

Overall Importance of Southeast Asia

One of the major factors directly related to a lack of interaction between the Canadian and Indonesian governments in the area of development assistance was a result of the importance Canada placed on Southeast Asia. Prior to 1968 this region occupied only a minor role in the government's external relations. Canadians were not aware of the prevalence of poverty, illiteracy and disease in the area and for those who did have some conception of it, they argued that it was unimportant in comparison with the vivid problems of India, Pakistan and Ceylon.[1] When Southeast Asia was discussed in forums in the House of Commons, for example, these discussions evolved around communist expansion. After the Colombo Conference of 1950, Pearson, who at the time was the Secretary of State for External Affairs, reported to the House of Commons that:

> Communist expansion may now spill over into Southeast Asia . . . . If Southeast Asia and South Asia are not to be conquered by Communism, we of the democratic world . . . must demonstrate that it is we and not the Russians who stand for national liberation and economic progress.[2]

Even in this sense, it was not Southeast Asia that was to be the issue of major concern to the Canadian government. Rather, this interest was a reflection of the "falling dominos theory;" that if Southeast Asia were to fall into the hands of the Communist Bloc, then before long, other more important areas would fall into the same trap. At this point, no reference had been made to the poverty of the countries of Southeast Asia.

On one occasion, aid to Southeast Asia was discussed in the House of Commons with reference to the Korean crisis and the possibility of complementing the defense budget that the government had for the area. Pearson's reaction to this was that while Canada would do its part:

> These countries themselves would do everything in their power to raise the standards of living of their people. That means a strong and stable government, government as strong and stable as they can find in the present circumstances. It also means that they should devote some of their resources to economic and social development.[3]

Pearson's statement clearly suggested that while there was an awareness of the turbulance in Southeast Asia, Canada was unwilling at the time to take on the responsibility of providing development assistance to help overcome some of the problems the area was having. To develop their economies was a task that these countries should take upon themselves. Pearson felt that too much of the budget of Southeast Asian nations was being spent on their defense[4] rather than on their own economic and social development. If the roles were reversed, the Western powers who were more capable of defending the area could take on defense responsibilities in Southeast Asia. The Third World countries would then be able to concentrate on their own economic development rather than devoting their budgets to defense. As well as being a direct result of the vague conception Canada had of Southeast Asia, Pearson's attitude reflected a factor that

will be discussed in greater detail later; that of St. Laurent's preoccupation with peacekeeping.

During the 1950's and 1960's, Canada became more familiar with Southeast Asia through peacekeeping activities and through relations with China and Japan. While Canada had established a presence in the area through these means, Southeast Asia remained to be a vague concept in the minds of those people who decided upon ODA allocations for underdeveloped countries. Even where there was acknowledgement of the low living standards in Southeast Asia, no effort was made to rectify the situation.

If Southeast Asia maintained a low priority position in Canadian foreign affairs during the late 1940's and well into the 1950's Indonesia would not occupy a position of any great importance in Canada's external relations. Rather, Indonesia would be considered as just one among many countries in Southeast Asia and the Canadian government would treat them accordingly. Officials in Ottawa made no apparent efforts to familiarize themselves with the developmental needs of Indonesia and, therefore, no effort was made to extend any substantial amounts of ODA to them.

Government Priorities--St. Laurent

A major factor shaping the image Canada had of Southeast Asia--and a factor directly responsible for the lack of ODA provided to Indonesia--was Canada's relationship with other Commonwealth countries. To a large extent, Commonwealth ties determined the direction of Canadian development assistance. The St. Laurent government felt that a large percentage of Canadian aid should be directed toward India, Pakistan and Ceylon.[5] In referring to Southeast Asia, Pearson, St. Laurent's Secretary of State for External Affairs, related Canada's concern for the people in the area

to "our close relationship to the United Kingdom, Australia, New Zealand and the three Asian members of the Commonwealth."[6] Pearson stressed the importance of the social and economic development of the countries of Southeast Asia but he felt that this should be left largely to these countries themselves. He did feel, however, that it was the responsibility of the Canadian government to do what they could to improve the economic conditions of non-communist Asia.

> We [the Canadian government] must try to work with rather against the forces struggling for a better life in that part of the World [Southeast Asia]. Such cooperation may in the long run become as important for the defense of freedom--and therefore for the defense of Canada--as sending an army to Europe . . . .[7]

Concern over Communist expansion reflected back to a previous statement made by Pearson--that of the falling dominos theory. Communist expansion would go beyond Southeast Asia to include other developing countries. Sooner or later Western powers would find themselves isolated from other areas of the World. Surrounded by antagonistic powers, communist influence would rub off on Western powers, including Canada.[8] It was, therefore, necessary to cooperate in controlling communist infiltration in Southeast Asia before its spread got totally out of hand.

Pearson, in the same statement, went on to say that:

> For Canada to supply either capital or the technical assistance in any substantial volume would mean considerable sacrifice, now that the demands of our new defense programme are imposing new strains on our economy.[9]

Pearson felt that Canada could not be expected to accept responsibility for the area's defense. To Pearson, the protection of Southeast Asia should be a collective responsibility of Western powers.[10] Canada would act upon recommendations made by the UN.[11] The government ranked defense

as being increasingly more important than development assistance. The extent to which defense had priority became apparent when the St. Laurent government was unwilling to alter the defense budget to help alleviate the poverty that prevailed in Indonesia and other countries of Southeast Asia. Nor was the St. Laurent government willing to alter the defense budget to help in defending Southeast Asia which, again, pointed to the unimportance the area had in Canada's external affairs. However, the St. Laurent government did in fact admit that it was vaguely aware of the need for development assistance for these countries but because Southeast Asia did not fall into one of the categories of the government's foreign policy priorities, ODA was not considered.

At one point, aid to Indonesia was mentioned in the House of Commons by Maurice Boisvert (Lib. Nicolet-Yamaska). Boisvert quoted St. Laurent in considering the need to increase relations with Asia as a result of a:

> . . . desire of our people to assist our Asia friends to improve their social and economic conditions . . . . We must deal with them in the realization that while we may seem to have much to give, they too have a very important contribution to make to the general welfare of the World.[12]

St. Laurent was referring to the Commonwealth countries of Asia. However, Boisvert felt that this assistance should be extended beyond certain countries to include Indonesia, Africa and some countries of South America. On his world tour in 1954, St. Laurent visited Indonesia and reported that Indonesians had expressed an interest in Canada and Canadian efforts to build a strong and unified nation. Canada was considered a new country and in many ways still a developing one to the Indonesian officials. The officials felt that to maintain the rate of growth Canada had

experienced, good relations would be required with the whole world including Third World countries. This growth would provide an element of stability that would be of benefit to the "whole world in its intercourse in the family of nations."[13] Indonesian officials seemed to express an interest in Canada's developmental efforts and considered it something that they would be able to learn from. But at no point did St. Laurent mention the possibility of extending aid to Indonesia nor, according to his report to the House of Commons[14] was there reason to believe that St. Laurent introduced the idea of Canada assisting Indonesia in its developmental efforts. The reason for this had been suggested previously--the prime minister emphasized the importance of Commonwelath ties. Indonesia was not a Commonwealth country and, therefore, was not considered eligible for Canadian development assistance.

During the early 1950's Canadian involvement in the Pacific also took the form of participation in United Nations peacekeeping activities and through a truce supervisory role in the International Control and Supervision Commission (ICC). This reflected another cornerstone of the St. Laurent government--the preoccupation toward the UN and the importance of peacekeeping. One of the government's foreign policy goals had been "the acceptance of international responsibility in keeping with our conception of our role in world affairs."[15] The UN was viewed as an international forum where nations could air disputes. Its primary function was the maintenance of peace. The UN was also a body where the Canadian position in the international arena could be enhanced. On the other hand, the ICC permitted Canada to establish itself in the peacekeeping role St. Laurent felt was so important. Acceptance of this function

permitted the government to escape American pressure for direct involvement and, rather, take on a role of token military support in conflicts in Southeast Asia[16] while at the same time becoming the Western member of the tripartite for Indochina.[17]

Another impeding factor that had an impact on Canadian-Indonesian aid relations during the early 1950's was administrative. In 1951 Cabinet agreed to entrust the responsibility of aid administration to the Department of Trade and Commerce rather than the Department of External Affairs.[18] Bruneau et al. noted that the result of the Cabinet decision was a three prong policy by which the Department of Trade and Commerce was responsible for administration; the Department of External Affairs continued to control policy and the Department of Finance for Budgetary control.[19] With the "three prong policy" there was an overlap in the duties of the different departments. In the initial stages, the extent to which departments could agree on the status of different countries had a direct bearing on whether or not assistance should be granted. The inability of federal government departments to be unified in their approach toward development assistance hampered the possibility of extending aid to Indonesia; a country that already maintained a low profile in the government's external relations. Furthermore, with the input of the Colombo Plan senior civil servants[20] Indonesia would not rank very high on the list of eligible recipients.

In the years immediately after Indonesia received independence and until Diefenbaker came to power, Canada maintained a low profile in terms of providing ODA to Indonesia. The main reason for this was the predominance the Commonwealth relationship had on Canadian foreign policy. As a result, Canada's foreign aid was to be directed only to Commonwealth

nations. The Commonwealth priority was an important factor in influencing the narrow conception the St. Laurent government had of the world. Aside from the Commonwealth relationship, Canada's involvement in Southeast Asia took the form of peacekeeping which was quite far removed from extending aid. Keeping the peace was seen as one of Canada's primary roles, and resources were to be provided for this function before aid to a non-Commonwealth country.

The Diefenbaker Government

With the Diefenbaker government there was a notable expansion of Canadian aid beyond Colombo Plan countries. Sidney Smith, the Secretary of State, commented in the House of Commons on the various aspects of Canadian foreign policy. Regarding development assistance he stated that:

> We also recognized the needs of emerging antions and territories in the Commonwealth which are not eligible for assistance under the Colombo Plan. I am thinking particularly of the African area. We are proposing to extend the benefits of our technical assistance programme to Commonwealth areas in that region.[21]

The Diefenbaker government, while broadening the scope of Canadian aid, would continue to stress the Commonwealth connection and direct assistance accordingly. ODA was to be extended to the newly independent Commonwealth states of Africa and the Caribbean. Great Britain and other Commonwealth countries were directing development assistance to these areas.

On the other hand, Diefenbaker did recognize Indonesia as being a possible market for the sale of defense equipment. Prior to becoming prime minister, Diefenbaker responded to a criticism in the House of Commons regarding the fact that Canada was not purchasing defense requirements in the United Kingdom to the extent that they should. Diefenbaker commented that:

> We sent delegations to Colombo. According to a recent issue of the New York Times there is a market in India and Indonesia that can be developed . . . . The delegations went over there and they returned without letting us know what had been done about exploring the possibilities of trade with India and Indonesia.[22]

To meet the requirements of membership in the Commonwealth, Diefenbaker was determined to increase defense spending if it meant extending sales beyond the range of Commonwealth ties. This would involve selling defense-related equipment to a country with which Canada otherwise had little or no contact.

In January of 1958 Sidney Smith, in commenting on the distribution of Canadian aid, noted that the need for development assistance was just as great in non-Colombo Plan countries as in the Colombo Plan developing nations. Smith was referring primarily to Africa but did touch upon Asia when he said that Canada recognized the needs of emergent nations and territories in the Commonwealth which were not eligible for assistance under Colombo. Eight months later, Howard Green, who replaced Smith, announced that:

> We have completed discussions with a number of non-Commonwealth countries, notably Indonesia, Burma and Vietnam out of which has emerged a programme that will absorb about $2 million of the Colombo Plan appropriation voted by Parliament for 1958-1959, the last fiscal year. This programme comprises the provision . . . of three Otter aircraft to Indonesia to assist that country in the development of its widely scattered island economy.[23]

This was the first positive step taken by the Canadian government to assist Indonesia in its development efforts. Although it may have been the type of assistance they wanted, it was not the type of assistance that the Indonesian people seemed to need the most. Rather, food aid would have been more beneficial to help the country overcome the acute

food shortages from which they were suffering.[24] It was questionable whether the country had the people qualified to operate Otter aircraft originating from Canada. Nonetheless, beyond the mention of the needs of Third World countries outside Colombo and the Commonwealth, this was the first time in Indonesia's case that the Canadian government actually took definite action to assist the people of this developing country.

In the following two fiscal years, the Diefenbaker government continued to provide a minimum amount of assistance to Indonesia; however, this time due to acute food shortages it was in the form of food aid. For the fiscal year (FY) 1959-1960 Indonesia received a grant of $350,000 in wheat flour. Along with a similar grant, three Otter aircraft were provided to assist in the development of inter-island communications the following FY.[25]

TABLE I shows the level of Canadian assistance to Indonesia for the years 1957-1967. While this aid may have been a starting point, in comparison to other countries it was still meagre. As the table shows, a direct relationship between aid and Commonwealth interests becomes apparent. Aid allocations to Indonesia decreased in 1963 when the country was actively engaged in the Confrontation with Malaysia. ODA more than doubled in 1966-1967 when Sukarno lost his effective power and the new Suharto government took control.

Diefenbaker continued to carry out St. Laurent's traditional role of keeping Canada active in peacekeeping. Green stated in the House of Commons that:

> . . . the part Canada has taken and is playing in former Indochina is a good example of the very large field we have in peacekeeping activities and this is one of the most useful types of work our nation can do.[26]

TABLE I

Canadian Contributions to Indonesia
Under the Colombo Plan
1950-1967

(allocations in dollars)

	1950-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
grants	2,372,698	578,469	548,106	490,025	506,665	478,000	85,000	324,000
loans	-	-	-	-	-	-	-	-
Total	2,372,698	578,469	548,106	490,025	506,665	478,000	85,000	324,000
Percentage increase		-5.89	-1.59	5.45	-5.65	-8.24	48.5	

Source: Canada: External Aid Office, 1966-1967 Annual Review (Ottawa: Queen's Printer and Controller of Stationary, 1967), p. 23.

As with the St. Laurent government, Diefenbaker preferred to commit resources to peacekeeping in other areas as opposed to aid. Keeping the peace was considered the most important contribution Canada could make to the world. However, the escalation of fighting in 1965, it could be argued that the peacekeeping function that took so much of the government's time and money was more a myth than reality[27] and that these funds could have been better utilized for development assistance.

By the early 1960's, some commercial relations had developed between Canada and Indonesia as TABLE II shows. The extent of the trade relationship in the early 1960's was not that great but it did provide a balance in favour of Canada, and it did assist in enhancing Canada's status as a trading nation. As with the level of development assistance, the trade relationship decreased considerably during 1962-1965. Again, in 1966-1967, with the change in government in Indonesia, trade relations resumed to the levels prior to 1962.

Structural changes took place within the administration procedures of Canadian foreign aid. In 1960 the newly formed External Aid Office (EAO) would represent a "bold attack on the political and structural defect of the early administration."[28] The Diefenbaker government found the "prong system" to be unwieldy and little or nothing got accomplished.

In the years 1957-1963 there was an overall expansion of Canada's aid activities. This expansion included the newly formed Commonwealth countries of Africa and Asia. Indonesia received a very limited amount of assistance mainly in the form of food aid. There was an increasing awareness by the Canadian government of the problems that developing countries were experiencing. Despite the limited amount of assistance

TABLE II

Trade Between Canada and Indonesia
1960-1968

(in dollar value)

	1960	1961	1962	1963	1964	1965	1966	1967	1968
exports	2110	2462	2028	1448	703	1634	348	2770	2407
imports	547	290	173	151	1393	2363	1173	1065	445
Balance	1563	2172	1855	1297	(690)	(729)	(825)	1705	1962
Percentage change		38.96	-14.59	-30.08	-46.70	5.65	13.16	106.66	15.07

Source: Statistics Canada: Imports by Country, 1960-1968, 65-006; Exports by Country, 1960-1968, 65-00-.

going to Indonesia, there remained to be a lack of familiarity of the developmental needs of the country. Otherwise, the government would have provided assistance that was more useful than Otter aircraft.

The Pearson Government

The direction of Canadian foreign policy and foreign aid during the years 1963-1968, when Pearson was prime minister, may be determined by a statement made by his Secretary of State. Paul Martin claimed that:

> Canada has always placed traditional emphasis on trade and economic relations with Britain, the Commonwealth and the U.S., and we shall continue to give these relations all the attention and care which they warrant.[29]

Commonwealth and mother country ties would continue to dominate Canada's relations in the international arena. The direction of Canadian foreign aid would be governed by these priorities. But Pearson's previous contact with the nations of South and Southeast Asia through the Colombo Plan would grant these countries a somewhat more prestigious position in Canadian external relations.

As one of the "founding fathers" of the Colombo Plan, Pearson intended to direct his efforts toward one of the Plan's targets--that of improving the living conditions of the people of Southeast Asia. But as a consequence of a domestic crisis--that of French Canada--Indonesia would continue to be relatively unimportant in terms of Canadian development assistance. French Canadians expressed a desire to have a more direct influence in foreign policy decision-making.[30] To accommodate the interests of the French people, Canadian ODA would be directed toward Francophone Africa rather than Southeast Asia. Pearson preferred to put forth an image of a strong, united Canada before carrying on with his interest in Colombo goals.

In the years 1962-1965 Indonesia was actively engaged in a "Crush-Malaysia Campaign." During the confrontation, the Canadian government took it upon itself to assist Malaysia which suggested the strength of Canada's Commonwealth interests. Because the confrontation involved another Commonwealth country, its impact would be felt on Ottawa's attitudes and policy toward Indonesia. When the Malaysian question was discussed in the House of Commons, terminating all assistance to Indonesia was considered, but:

> . . . no country had decided to withdraw such assistance to Indonesia on the theory that assistance of a non-military kind given by Western powers has not traditionally borne any political motivation.[31]

Martin further stated that:

> Australia, Japan, New Zealand, the United States, United Kingdom, France, Germany and the United Nations Specialized agencies are all giving non-military assistance to Indonesia.[32]

On the other hand, Diefenbaker severely criticized the fact that Canada was still giving aid in various forms to Indonesia after reports of their attack on Malaysia. Diefenbaker questioned:

> . . . wherein there is consistency in giving assistance to Indonesia, whose objective and purpose according to the declarations of Sukarno, is the removal of Malaysia and the extirpation of the government of Tunku Abdul Rahman.[33]

Despite Diefenbaker's criticisms, Pearson had no intention of discontinuing aid as long as other Western powers were providing it to Indonesia. The aid Canada was sending was in the form of food assistance. It could not be used for military purposes. However, Wallace Nesbitt (PC, Oxford) wanted assurance that it was the people who were getting the food and not the army.[34]

The amount of aid Canada had provided to Indonesia up until this point would not have been enough to have any significant impact on the "Crush Malaysia Campaign." Yet, to further assist Malaysia, Martin discussed with Malaysia's prime minister the possibility of sending a:

> . . . Canadian military survey group to Malaysia to determine the kind of assistance which would be provided bearing in mind particularly the contributions which would be made by other governments.[35]

While Canada claimed to have no regional defense interests in Southeast Asia, Indonesia's confrontation of Malaysia revealed Ottawa's sympathy toward another Commonwealth country. In total, approximately $4 million in the form of military equipment was sent to the Malaysian government for defense purposes.[36] The Canadian government deemed it advisable to come to the aid of "its Commonwealth partner . . . to help Malaysia preserve integrity."[37]

Regarding the events in Asia, Paul Martin stated that in Indonesia's confrontation of Malaysia, it was a:

> . . . fundamental objective of the Canadian policy . . . to preserve and seek a reduction of international tensions . . . .[38]

Martin recognized that this objective engaged:

> . . . the interests of the Commonwealth as a whole, particularly those of the United Kingdom, Australia and New Zealand; the problem is carefully watched by members of the Commonwealth, including Canada.[39]

Canada had no intention of withholding assistance from Indonesia, but did intend to stand by the other Commonwealth countries in watching the problem.

Aid was to be consistent with Canada's interest in developing local defense abilities in a "strategically important region of the world."[40]

As the war in Indochina intensified and the Americans became more entangled, Canadian objectives were increasingly dififcult to interpret. Yet, on several occasions the Pearson government tried to bring Hanoi and Washington closer to a peace settlement[41] but without success. The peacekeeping role that had been so important to Canada resulted in a confusion of Canadian objectives and a misinterpretation of Canadian goals in the area. On the other hand, Claire Culhane argued that Canada took on this role as a result of a desire to defend the U.S. position[42] in Indochina and nothing else.

In the period 1963-1968 the Pearson government appeared to move toward extending support to Southeast Asia and Indonesia on several occasions.[43] However, events of the time seemed to conspire against him. The war in Vietnam, the Malaysian issue and the overall Commonwealth bond predominated over a large scale aid programme to Indonesia. The government did, prior to the confrontation on Malaysia, provide limited amounts of food assistance. Beside government priorities, one other factor has to be considered in discussing the absence of a Canadian aid programme with Indonesia prior to 1968--the type of government that Canada would be dealing with.

The Indonesian Government

A lack of interest in providing assistance to Indonesia would have resulted from the fact that the Canadian government had little desire to deal with Sukarno's military regime. CIDA officials claimed that it was not a government that Canada had anything in common with, nor did they have any desire to associate with Sukarno.[44] The government that Canada had recognized was known as the United States of Indonesia;[45]

however, this government was overthrown seven months later[46] by Sukarno. At this time the country would be known as the Republic of Indonesia. Beyond the type of military regime Sukarno led, he also chose to implement "guided democracy" as opposed to a parliamentary democracy. Sukarno's system was to be termed an oligarchic order,[47] where the leader himself would make the decisions despite the recommendations of his advisory council. The Canadian government and other Western countries refused to have any extensive relations with this type of system and, therefore, there was little interaction between the Canadian and Indonesian governments in the diplomatic field. Stemming from this, officials in Ottawa were not too anxious to provide aid to a country with which they had no desire to associate.

To aggravate the situation further, the Sukarno government was actively engaged in a confrontation with Malaysia over the amalgamation of Malaya, Singapore and North Borneo territories between 1962 and 1965. The Confrontation was in the form of military and diplomatic inferences that was designed "not only to intimidate but also challenge the credentials of Malaysia as a legitimate state."[48] Canada's support of another Commonwealth country led to a more direct Canadian involvement in Malaysia during the period of the confrontation. Britain, Australia and New Zealand committed themselves to defending Malaysia if it were attacked. Canada's support was confined to the provision of military equipment such as STOL aircraft.[49] Indonesia, on the other hand, received backing from those non-aligned states which were politically nearest to and from the Communist bloc.[50] To provide military assistance to one country and heavily engage in development assistance to its antagonist would be inconsistent to the objectives of Canadian foreign policy.

The Chinese role in the "Crush Malaysia Campaign" and the subsequent ouster of Sukarno needs to be considered. Despite the Indonesian government's policy that was aimed at promoting its own economic interests, the Chinese dominated the middle sectors of the economy. Similarly, in Malaya, the Chinese controlled the economic life. Indonesians feared that they would eventually be bordered by a Chinese dominated neighbour. The overseas Chinese were interested in and impressed by what was happening in China and in China's revival as a world power. Should Malaysia be the victor in the confrontation, Indonesian leaders saw themselves virtually isolated from all other nations.[51]

By mid-1965 the confrontation lost momentum. In early October, 1965, an attempted coup was organized against the army leadership. Many of the top Indonesian Communist Party (PKI) leaders were killed. With its failure, Sukarno found that he had no choice but to yield de facto leadership to Suharto.[52] In 1967 Sukarno was voted out of office but his effective power ended with the ouster of March, 1966. The new government was one of the factors that changed Ottawa's attitude toward Indonesia in the late 1960's.

By the end of 1967 there had been very little activity in Canadian-Indonesian aid relations. The governments during the sixteen-year period had been too preoccupied with other foreign policy considerations to take on the responsibility of providing ODA to another Third World country. The Commonwealth and the UN had provided Canada with a sense of security and a channel to air their opinions in the international sphere. Through the indirect involvement in peacekeeping, for example, Canada had developed a considerable body of expertise[53] that would work

to its advantage in future years when the government was trying to organize an aid programme for Indonesia.

In characterizing the motivations for the limited aid Canada did provide to Indonesia, humanitarian assistance was provided in the form of food aid. Food aid was provided as a gesture of recognition that the people of Indonesia did require assistance. However, it was commented in the House of Commons that there would not have been a food shortage had "Sukarno directed his attention to economic problems of the country rather than military."[54] This attitude along with Pearson's statements that the countries of South and Southeast Asia should concentrate on their own development suggested that the philanthropic component of Canadian aid was not very strong in the 1950's and early 1960's. Commercially, Canada did enjoy a trade balance in Canada's favour, making Indonesia a profitable market for Canadian business. But alone, Canada would not have survived with the trade balance that they had with Indonesia. Political interests during this period guarded against having an extensive aid relationship with Indonesia. Canada did not want to jeopardize her Commonwealth ties to extend aid to a country that was not a member of the Colombo Plan. Nor did the government want to provide aid to a country that confronted another Commonwealth country. Bonds with Europe and other Western powers were too important to Canada during the 1950's and 1960's. Aside from this factor, peacekeeping was considered to be a far more useful role that Canada could perform and resources were directed toward this function.

NOTES TO CHAPTER II

1. Lorne Kavic, "Canada and the Pacific: Needs and Challenges," Behind the Headlines 29 (May, 1970): 11.

2. Canada, Parliament, House of Commons Debates, Vol. I, February 22, 1950, p. 131.

3. House of Commons Debates, Vol. I, September 4, 1950, p. 226.

4. Ibid.

5. Lorne Kavic, op. cit., p. 1.

6. House of Commons Debates, Vol. V, May 28, 1954, pp. 5190.

7. House of Commons Debates, Vol. I, February 2, 1951, p. 53.

8. D.C. Thomson and R.F. Swanson, Canadian Foreign Policy: Options and Perspectives (Toronto: McGraw-Hill Ryerson Ltd., 1971), p. 30. St. Laurent feared that the antagonistic powers would rub off on Canada and create disunity within the country. For the maintenance of national unity and for a country free of tensions from antagonistic powers, St. Laurent would have liked to have seen Communist infiltration stopped before Southeast Asia ended up under communist control.

9. House of Commons Debates, Vol. I, February 2, 1971, p. 53.

10. House of Commons Debates, Vol. V, May 28, 1954, pp. 5190-92.

11. Ibid.

12. Ibid.

13. House of Commons Debates, Vol. III, March 18, 1954, p. 3105.

14. The report was tabled in the House of Commons Debates, Vol. III, March 18, 1954, pp. 3099-3107.

15. D.C. Thomson and R.F. Swanson, op. cit., p. 30.

16. Lorne Kavic, op. cit., p. 3.

17. David Van Praagh, "Canada and Southeast Asia," in Peyton V. Lyon and Tareq Y. Ismael, eds., Canada and the Third World (Toronto: Maclean-Hunter Press, 1976), p. 310.

18. Keith Spicer, The Samaritan State (Toronto: University of Toronto Press, 1966), p. 105.

19. Thomas Bruneau, Jan Jorgensen and J. Ramsay, CIDA: The Organization of Canadian Overseas Assistance (Montreal: McGill University, Centre for Developing Area Studies, 1978), p. 11.

20. The Senior Civil Servants were referred to as the "Under Cabinet." While trying to harmonize the aid programme, they also dominated the conduct of aid administration. Keith Spicer, op. cit., p. 105.

21. Canada, Department of External Affairs, External Affairs, 11:3, March, 1959, p. 45. (Hereafter, External Affairs.)

22. House of Commons Debates, Vol. II, March 31, 1950, p. 1445.

23. Thomas Bruneau et al., op. cit., pp. 11-12.

24. A shortage of food was a result of poor farming techniques, drought and government controls on purchasing policies and the transporting of rice from one area to another as claimed by Justus M. Van Der Kroef, "Indonesia's Economic Difficulties," International Journal 17 (Autumn, 1962): 399-413.

25. External Affairs, 13:11, November, 1961, p. 388.

26. External Affairs, 14:4, April, 1962, p. 149.

27. After the American bombing of North Vietnam, Canada pressed for the localization of conflict. However, further escalation of fighting would likely be initiated by the Viet Cong and North Vietnam with the encouragement of China. Canada had no influence over these parties. Lorne Kavic, op. cit., p. 2; David Van Praagh, op. cit., p. 311.

28. Keith Spicer, op. cit., p. 107.

29. Canada, Department of External Affairs, Statements and Speeches 63/14, "Address to the CIIA," Paul Martin, June 8, 1963.

30. Louis Sabourin, "Canada and Francophone Africa," in Peyton V. Lyon and Tareq Y. Ismael, eds., Canada and the Third World (Toronto: Maclean-Hunter Press, 1976), pp. 133-161; R.O. Matthews, "Africa in Canadian Affairs," International Journal 26 (Winter, 1970-71); 122-150; R.P. Matthews, "Canada's Relations with Africa," International Journal 30 (Summer, 1975): 536-568.

31. External Affairs, 16:10, October, 1964, p. 503.

32. House of Commons Debates, Vol. III, August 19, 1964, p. 7071; House of Commons Debates, Vol. III, September 3, 1963, p. 7609.

33. House of Commons Debates, Vol. VII, July 19, 1964, p. 5611.

34. House of Commons Debates, Vol. X, November 20, 1964, p. 10313. Early in 1965 as claimed in the House of Commons Debates, Vol. II, May 10, 1965, p. 1105, shipments of food were discontinued.

35. External Affairs, 16:10, October, 1964, p. 502.

36. External Affairs, 17:10, April, 1965, p. 139.

37. External Affairs, 20:10, October, 1968, p. 438.

38. House of Commons Debates, Vol. VI, December 21, 1963, p. 6313; Canada, Department of External Affairs, Statements and Speeches 63/23, "Some Elements of Canadian Foreign Policy," Paul Martin, November 28, 1963.

39. Ibid.

40. Lorne Kavic, op. cit., p. 3.

41. David Van Praagh, op. cit., p. 309.

42. Claire Culhane, Why is Canada in Vietnam, The Truth About our Foreign Aid (Toronto: NC Press, 1972), p. 20.

43. Peter C. Dobell, Canada's Search for New Roles, Foreign Policy in the Trudeau Era (Toronto: Oxford University Press, 1972), p. 104.

44. Interview with CIDA officials.

45. House of Commons Debates, Vol. I, September 4, 1950, p. 226; Area Handbook for Indonesia (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 38-40. The Handbook suggests that reasons for the downfall of the original government evolved around the population imbalances on the islands of Indonesia and the over representation of the people of the outer islands. Suspicions between the political parties of the different islands resulted in rebellions and left the government weak so Sukarno's army had no problem filtering in.

46. Robert A. Scalapino, Asia and the Road Ahead (Berkeley: University of California Press, 1975), p. 132.

47. Jon M. Reinhart, Foreign Policy and National Integration: The Case of Indonesia (New Haven: Yale University Southeast Asia Studies, Monograph Series No. 17, 1971), p. 34.

48. Michael Liefer, "Patterns of Indonesian Foreign Policy," in F.S. Northedge, ed., The Foreign Policy of the Powers (London: Faber and Faber, 1974), p. 365.

49. Peter C. Dobell, op. cit., p. 109.

50. D.C. Thomson and R.F. Swanson, op. cit., p. 118.

51. M. Pluvier, A Study in Indonesian Politics Confrontations (London: Oxford University Press, 1965), pp. 70-72.

52. Franklin B. Weinstein, Indonesian Foreign Policy and the Dilemma of Dependence, Sukarno to Soeharto (Ithaca: Cornell University Press, 1976), p. 326.

53. D.C. Thomson and R.F. Swanson, op. cit., p. 117.

54. House of Commons Debates, Vol. X, November 20, 1964, p. 10313.

CHAPTER III

THE 1970 FOREIGN POLICY DECISION

With the election of the Trudeau government in 1968, a major review of Canadian foreign policy was conducted. Trudeau felt that there was a need to re-evaluate Canada's position in world affairs. With the changing world system, Trudeau felt, Canada could no longer continue to function in the same vacuum of the past twenty years. Foreign policy was to be a projection of Canada's national objectives and, therefore, be more self-serving.[1] No longer would policy be "reactive", but rather Canada would actively participate in the events of the changing world. Trudeau was concerned about the overwhelming influence that Commonwealth ties and the U.S. had had on Canadian policy. This influence was especially evident in the area of development assistance where the Commonwealth connection had dominated in determining the direction of Canadian aid to Third World countries.

The period prior to 1968 had been characterized by a general lack of interest in establishing any large scale bilateral assistance programme with Indonesia. Domestic as well as external factors resulted in a feeling that Indonesia was not important in the government's foreign policy interests. Therefore, very little aid was granted. However, the 1970 White Paper classified Indonesia as a country of concentration. The purpose of this chapter is twofold. First, the reasons for the government's 1970 decision are examined. Secondly, possible reasons for the 1970-1972 period of hiatus are explained.

In an overview of the Trudeau government's interest in foreign aid it was clear that its approach to development assistance shifted considerably from previous governments. Indonesia was recognized as a poor country and, therefore, eligible for assistance. The emphasis placed on Indonesia could be understood in terms of the importance of the country to the area and in Indonesia's role in the Association of Southeast Asian Nations (ASEAN). With the proposed withdrawal of American troops from Southeast Asia, the Canadian government realized that a power vacuum had been left and that it would have to be filled. In this period, Canada became a participant in the Inter Governmental Group on Indonesia (IGGI). Through the Group, Canada could exchange ideas with other Western donor countries about implementing a development assistance programme for Indonesia. Economically, Canada had previously developed some interest in the markets of Indonesia and was interested in expanding its commercial interests. Finally, a change in government and Indonesia's own efforts to improve its economic well-being seemed to make an ODA programme more worthwhile now as compared to the previous period.

The Pacific Concept

The foreign policy review stressed the overall importance of the Pacific to Canada. Up until 1968 North Atlantic ties had been given priority mainly because of the proximity to the mother country and the emphasis of previous governments on these ties. The prominence that the North Atlantic maintained was also attributed to the fact that Canadians had difficulty reconciling with the idea that they were both a Pacific and an Atlantic nation.[2] As a result, the review stated explicitly that Canada was a Pacific nation as well as an Atlantic nation:

> . . . by cooperating with the countries of Southeast Asia in their plans for national development, it can make a worthwhile contribution to the well-being of the peoples and economic prosperity of the area.[3]

No longer would Southeast Asia be a nebulous concept in the minds of officials who decided upon aid allocations. Rather, the government would make an effort to determine the developmental needs of these countries. The thrust toward the Pacific and Southeast Asia was both a result of gesture and of calculation of interest. It was a response to claims by the Western provinces that the Pacific frontier should not be ignored in favour of the Atlantic provinces.[4] Finally, concentration on Southeast Asia was a result of developments that were occurring in the area itself. While past policies had resulted from reluctant reactions to circumstances, future interests would no longer be synonymous.

The foreign policy review narrowed down the countries that would become Canadian ODA recipients. Maurice Strong, President of CIDA, stated that the countries had been chosen on the basis of geographic considerations as well as sectoral concentrations.[5] With the designated areas of skills, Canada's aid to Indonesia would be concentrated in the areas of civil aviation, water resources and forestry.[6]

Recognition of Indonesia as an Aid Recipient

The foreign policy review classified Indonesia as being a "country of concentration" and a country with which Canadians could identify.

> Indonesia with a population of over 110 million, extensive natural resources and a strategic location is potentially a country of prime importance in Southeast Asia.[7]

Allan MacEachen specified that with the strategic position Indonesia occupied in:

> . . . the Asia/Pacific area, its large population, and its immense natural resources place this country in a key position to play a major role in international affairs.[8]

The review also stated that "developmental and humanitarian considerations will dominate the Canadian government's approach to aid policy,"[9] with the countries of Southeast Asia. The government's policy, then, outlined the areas of interest in Indonesia as being humanitarian, economic and political.

The first factor that would lead the government to consider Indonesia's eligibility was the fact that the country was poor. In the 1970 Standing Senate Debates on Foreign Policy, Indonesia was classified as having a GNP per capita of $97,[10] qualifying it for assistance from external sources. The government's philanthropic concern lead it to provide Indonesia with a limited amount of bilateral assistance and food aid. Initially, food aid exceeded direct bilateral assistance. However, if philanthropy was to be the sole interest of the government, it could have selected any country in the area and provided assistance.

Strategic Importance

It was noted above that Indonesia was a country of prime importance not only to Canada but to other powers because of its strategic location. This importance lies in the fact that Indonesia is a nation consisting of three thousand islands spread across an area of three thousand square miles. With roughly 140 million people, Indonesia was the most populous country in Southeast Asia and one of the most densely populated areas of the world. This island nation is situated at one of the strategic crossroads where the Indian and South Pacific Oceans meet.[11] Besides its

strategic importance within Southeast Asia, Indonesia is the largest state in the region and the nation with the greatest natural wealth. In choosing Indonesia as a country of concentration, the Canadian government felt that the country had potential as a developing nation. Indonesia would be able to use aid dollars to enhance its own economic and social development. Indonesians would also have their own resources to utilize for development. In other words, Indonesia would be able to use ODA more constructively than some other Third World country.

Changing Power Balances

In the late 1960's and early 1970's the power balance in the Pacific was altered by mainly three factors. First, Nixon introduced what was to be known as the "Nixon" or "Guam" Doctrine and it had very definite implications for the Southeast Asian countries. Secondly, China was emerging from the Cultural Revolution and was seeking acceptance in the Western World. Third, Nixon's trip to Peking altered the Soviet-American power alignment and suggested that there would no longer be the tight bipolar world with the U.S. and the Soviet Union dominating interaction among states. Rather, there was a trend toward a multipolar world. In the wake of these events and their aftermath, the Canadian government found itself re-evaluating Canada's role in the area.

In 1969 Nixon introduced the "Nixon Doctrine." In response to new international conditions, the Doctrine reflected the changing mood of the U.S. toward its Pacific security policy. The countries of Southeast Asia would be left to assume an increasing role in providing its own security either individually or collectively.[12] Implicit in the Doctrine was the fact that a "new international order" would have to be developed

in Southeast Asia. The war in Vietnam had ultimately challenged the U.S. position in Asia--Washington's military strength, security interest and the economic and political dimension of its interests. The U.S. was no longer willing to bear the heavy cost of defense of the area. Nixon realized that the American period of world supremacy had come to an end,[13] and the time had come to redefine the American role in world affairs according to the United States' interests and objectives.

During 1969 there was a substantial change in China's attitude toward the West. This was witnessed by the coming to end of the Cultural Revolution in China. Threat of armed conflict with the Soviet Union led China to strengthen relations with the West. Soviet-Chinese clashes along the borders of Manchuria, Mongolia and Sinkiang and the subsequent "Brezhnev Doctrine"[14] resulted in the Chinese reconsidering their position among the communist countries. To China, the Soviet Union was proclaiming its right to dictate the domestic political development of communist countries including China.[15] By the end of the 1960's the Soviet Union appeared to be a greater menace than the U.S.[16] These incidents impelled China to move toward a better relationship with the Western powers.

China's interest to gain acceptance coincided with the U.S. attempts to disengage from Vietnam. Nixon, in 1969, had expressed American dissatisfaction with the military role that they were performing in Southeast Asia. China had emerged from the Cultural Revolution with military capabilities. After two decades of confrontation with "Red China" the American people welcomed the opportunity to reduce tensions with the People's Republic.[17] It was assumed that the establishment of a viable South Vietnamese nation would be a trade-off in return for the improvement

of relations with China.[18] On the other hand, it seriously altered the U.S. position via the Soviet Union and China's position via the Soviet Union. The possibility of closer Sino-American relations became a reality when Nixon visited China in 1972.

The Canadian government viewed the developments in Southeast Asia with concern. Rather than there being two antagonistic powers in the area, there would now be three. Each had its own version of society and there were enormous differences in ideology. Each was suspicious of the actions of the other two. Because of their inability to reconcile differences that existed, the three powers were limited and restricted in their actions in Southeast Asia. More importantly, the changing power configurations altered Canada's outlook toward the area. The American government had expressed a growing disinterest in the future of Southeast Asian states through the withdrawal of military support. There was a threat of another communist bloc resulting due to the inability of the West to stop communist expansion in the area. China was keenly interested and aware of the events that were occurring and wanted to protect itself from Soviet expansion. The non-communist states in the area were left largely unguarded from future communist infiltration. Moreover, they were surrounded by antagonistic, communist powers.

To further upset the delicate balance of power in Southeast Asia, Japan had achieved a certain economic might and was rapidly moving in the direction of regional leader. The Nixon "shocks" of the early 1970's and the Arab oil embargo in 1973 had led Japan to reconsider its position in Southeast Asia and to direct more attention to relations with these countries.[19] Japan had a massive bilateral aid programme with ASEAN

countries of Southeast Asia. To decrease their dependence on Japan and to prevent Japan from totally dominating over the economic affairs of these countries, they had to diversify their sources of finance. Japan's economic might was of concern to all Western powers, including Canada. It was necessary to recognize Japanese interests in the area but at the same time, the proximity of the economic giant to the vital sea routes and natural resources also concerned Canada.[20] Due to their control in the area, Japanese presence could not be underestimated.

In developing its Pacific policy, the Canadian government was, in effect, responding to the changing alignments in the Pacific. Canada's trading interests largely depended on the interests of the four powers. Therefore, if foreign policy was to be more self-serving, the Canadian government would have to adapt to the changing power alignments in the late 1960's.

With the escalation of fighting in 1972 and the substantial withdrawal of American troops in 1973, Ottawa felt compelled to reconsider its role in Southeast Asia.[21] Both Canada and Australia shared similar concerns over the future of the area. In the Standing Committee on External Affairs and National Defense (SCEAND) Sharp commented that with the:

> . . . withdrawal of all American forces and the withdrawal of all American prisoners, we will enter into a new phase in the situation in Vietnam. At that time it will become a question of the conflict between the provisional revolutionary government of South Vietnam and the government of the Republic of Vietnam . . . .[22]

In noting the changing balance of power in Southeast Asia, Sharp pointed out that:

> . . . the continuing emergence of China into the world, the consolidation of Japanese influence and the radically altered relationships between the U.S. and China on one

> hand and between China and Japan on the other, have fundamentally altered the complexion of the area. These developments in turn, are changing and expanding the importance of the Pacific to Canada.[23]

At no point in the past had the future of Southeast Asia been so uncertain. Nor with the American presence in the area did the Canadian government find reason to concern itself to any great extent with the future of the non-communist countries aside from economic and bilateral interests. Without the American presence and with the interests of the different communist countries, Canada no longer enjoyed this feeling of security had the Americans continued with their military commitments. After the communist victories in Laos, South Vietnam and Cambodia in the Spring of 1975 Allan MacEachen was to announce that Canada would try to fill the vacuum left by American withdrawal in a last attempt to contain communism in the area.[24]

The events of the late 1960's led the Trudeau government to take a more pragmatic approach in developing the Pacific concept in the foreign policy review. Since the international focus was on the events in Southeast Asia, Canada would follow suit. Canada's concerns over Pacific security were thus reflected in its Pacific Policy and were to be outlined in the 1970 White Paper.

The Indonesian Government

In 1966 Sukarno lost his effective power to Suharto.[25] The new leader immediately took steps to alter Indonesia's world view. One of Suharto's first objectives in foreign policy was to gain acceptance among Western states from whom he hoped to receive economic and technical assistance.[26] In his efforts to pursue an "active and independent" foreign policy,

Suharto hoped to regain the trust and cooperation of Western powers. Indonesia would again become a member of the UN and friendly relations would be restored among the neighbouring states--Malaysia, Singapore and Australia. Another foreign policy objective was to secure the country from communist infiltration. Therefore, the PKI and other communist adherents were outlawed.[27]

This new government, claimed CIDA and External Affairs officials, Canada could identify with and they were willing to relate with them politically. In the Senate Debates, it was commented that:

> There is an entirely new group of people in office in Indonesia under the present government and they are . . . a very impressible group who are managing, outlining and setting up the development of Indonesia in a very admirable way.[28]

Suharto also made efforts to rectify the economic backwardness of the country. The First Five Year Plan for economic growth was a modest attempt to put Indonesia's development on a firm basis by 1974. Through this development scheme, Indonesia would be provided with some security against communist expansion in the area. This had been an important factor in Suharto's decision to implement this economic measure.[29] The Five Year Plan would map out the course of Indonesia's domestic and foreign policy for the next five years.

The Canadian government's White Paper stressed that development assistance was to:

> . . . provide only a small proportion of the total resources required by developing countries. The people of these countries have accepted the primary responsibility for their own economic and social objectives, chart the main direction and dynamics of their own economic growth and accept the economic sacrifices, changes in their society and self discipline that will be required.[30]

Suharto's Five Year Plan did precisely this. The development assistance provided by Canada would serve only as an initial buffer to help these people help themselves. Canadian officials recognized the significance of the First Five Year Plan as being a "rehabilitating and stabilizing factor"[31] in Indonesia's economy. If ever the government needed to justify the existence of an aid programme with Indonesia as opposed to some other country of Southeast Asia, the government could use the argument that Indonesia had done more in terms of improving its own social and economic well-being than other countries in the area and the Five Year Plan was evidence of this.

One of the measures taken on the initiative of the Netherlands government to help Indonesia overcome its economic problems was to organize IGGI. A feature of the Indonesian economy in 1966 when IGGI was first formed was its economic and financial crisis. Added to this was the fact that the economy had not been conducive to economic development. This was reflected in the run down state of the country's economic infrastructure. To rectify the situation, Indonesian officials took steps such as abolishing government import licences and simplifying and clarifying import and export procedures. IGGI was intended to act as a coordinator of aid to Indonesia; it was termed an "international country aimed coordination mechanism"[32] which met once a year for two or three days.

Since 1968 when Canada joined IGGI the government contributions steadily increased. The Canadian government had become increasingly concerned about the turbulance in Southeast Asia. Similarly, Australia, New Zealand and the U.S.--other IGGI members expressed concern over the future of the area. Australian officials felt that the levels of IGGI commitments

to Indonesia should be increased to make the nation economically strong. It was hoped that Indonesia would be able to resist communist infiltration.[33] The U.S. had similar objectives in mind when it increased IGGI commitments. After the announcement of the Nixon Doctrine, the U.S. committed itself to providing one-third of Indonesia's aid through IGGI. The economic development of this country was considered as important as building up local defense capabilities.[34]

Aside from IGGI's importance in the economic and developmental sphere, it also provided Canada with an opportunity to express its concerns regarding the development of a single country. IGGI conducted a major review of Indonesia's economic progress annually. Through participation in IGGI Canada would be aware of any drastic changes occurring both in the area and within Indonesia. Canada's bilateral assistance programme could respond to these changes.

Economic Factors

Aside from political interests, economic factors motivated the government to consider ODA for Indonesia. Canada had adopted an interest in the markets that the countries of Southeast Asia had to offer and Indonesia with its wealth in natural resources was no exception to this. TABLE III outlines the export and import value of Canadian-Indonesian trade for the years 1968-1972. In 1969-1970 when the government recognized Indonesia as a major aid recipient there was a substantial increase in trade. Canada enjoyed a positive trade balance in the trade relationship for each of the four years. Aside from trade opportunities, the foreign policy review had stressed the importance of investment.[35] By 1971, Canada was the fourth largest investor in Indonesia falling directly behind the U.S., Philippines and Japan.[36]

TABLE III

Trade Between Canada and Indonesia
1968-1972

(in dollar value)

	1968		1969		1970		1971		1972		1973
exports	2407		2948		16489		9466		14425		17735
imports	445		285		589		1001		2291		3128
Balance	1962		2663		15900		8465		12134		14607
Percentage Change		35.72		497.07		46.76		43.34		20.38	

Source: Statistics Canada: Imports by Country, 1968-1973, 65-006, Exports by Country, 1968-1973, 65-00.

The foreign policy review had clearly outlined the areas of Canada's interest in Indonesia. Indonesia's own wealth as well as Canada's growing political concern over the future of Southeast Asia had resulted in the government's announcement of an intensive aid programme with Indonesia. However, as TABLE IV shows, that while the decision to concentrate aid on Indonesia was made in 1970, there was no substantial increase in the following two years. The second part of this chapter will examine the possible reasons behind this period of hiatus. The new Trudeau government was determined to establish diplomatic relations with the People's Republic of China and concentrated on this in his first year as prime minister. Canada was preoccupied with a peacekeeping role in Vietnam. Finally, the Indonesian government had not made specific requests for aid from Canada.

Recognition of China

An important factor in Canadian foreign relations in the post World War II period had been the recognition of China. Previous governments had made efforts to extend diplomatic relations and grant recognition to the country. China's relationship with the U.S.S.R.; the Taiwan issue and sensitivity to the U.S. position were factors that had recommended against it. However, in the 1968-1970 foreign policy review, the Trudeau government noted the need for "new and updated bilateral trade agreements from individual Pacific countries."[37] This was to include an expansion of Canada's market with the People's Republic which at the time of the foreign policy review accounted for $122 million in exports and $27 million in imports.[38]

TABLE IV

Canadian Assistance to Indonesia
1968-69 to 1971-72

(millions of dollars)

	1968-69	1969-70	1970-71	1971-72
Indonesia Bilateral Assistance	.97	2.33	3.57	3.95
Food Aid	1.05	2.26	3.00	3.00
Total Aid	2.02	4.59	6.57	6.95
% increase (total)		127.2	43.1	5.70
% increase (bilateral only)		140.2	53.2	10.6
All Asia Bilateral Assistance	103.91	140.93	180.58	148.40
Food Aid	49.35	53.70	63.40	57.90
% increase (total)		46.7	25.3	-15.4
% increase (bilateral only)		35.6	28.1	-17.8

Source: Canadian International Development Agency, Canada and the Developing World--Annual Review, 1970-71 (Ottawa, 1971), p. 73; CIDA, Annual Review, 1971-72, p. 78; CIDA, Annual Review, 1972-73, p. 61.

The White Paper recognized China as being a third super-power and that there could be "no lasting peace and stability in the Pacific or the world without the cooperation and participation of China."[39] In the Senate Committee, it was commented that even without nuclear weapons, China was a great power belonging in the circle of super-powers. It would be impossible to:

> . . . consider any major developments, especially in Asia, but even in Africa and possibly in Europe without taking into account China's wishes and objectives.[40]

With the end of the Cultural Revolution and China's efforts to move toward a better relationship with the West, the Canadian government found itself prepared to initiate in negotiations. China and its foreign policy goals could not be neglected when Ottawa was considering its relationship with the other countries of Southeast Asia. Therefore, until the formal recognition in October, 1970, acknowledgement of that country would take precedence in Canada's Pacific Policy.

After the formal recognition, Canada was to support China's claim to a seat at the UN. In 1971 Canada voted on the "important question" resolution at the UN General Assembly. Between 1971 and 1973 there were a number of ministerial visits made to China by Canadian officials.[41] Trudeau's own trip to China was to:

> . . . ensure that each country understands the policies of the other and the circumstances that give rise to those policies.[42]

China was the strongest power in the immediate area of the Southeast Asian countries. Before getting directly involved in the area, the Canadian government would want to have an idea on how China would react. This was especially true where Indonesia was concerned.[43] At the conclusion of

his trip, Trudeau noted that he:

> . . . was not subjected to any demands that future Canadian relations with China would depend for their warmth on our attitudes to any other country.[44]

It was not until 1973 that the Canadian government felt relatively secure in its new relationship with China and could concentrate on other aspects of the Pacific policy.

Role on the ICCS

The role Canada would play on the new trade commission for Vietnam was another factor that dominated foreign policy in the early 1970's. The government's policy was to participate in peacekeeping operations only where it seemed "likely to improve the chances for lasting peace."[45] This seemed to reflect Ottawa's growing dissatisfaction with the peacekeeping role that it had performed. However, in 1972 Canada was again called upon to participate along with Hungary, Poland and Indonesia in the new International Commission of Control and Supervision (ICCS) in Vietnam. Taylor[46] and Van Praagh[47] argued that Canada never wanted to get involved in the new Commission but was unable to resist American pressure. Sharp, the Secretary of State, on the other hand, noted that Canada would join provided that a "real contribution to peace and orderly political and economic development in the area" could be made.[48] The fact that Canada did take on the peacekeeping duties suggested that remnants of previous governments' policies still existed in the Trudeau government's outlook toward peacekeeping. It appeared that this was still the most worthwhile contribution Canada could make to the future of Southeast Asia and resources should continue to be directed toward this duty as opposed to aid.

In January 1973, Sharp announced Canada's commitment to the new commission provided that the conditions of the Paris Agreement would be met.[49] Initially, Canada would serve for a sixty-day trial period. Later, this was to be extended for another sixty days because of a slim prospect of peace and because Canada's withdrawal from the Commission would coincide with American troop withdrawal.

At the end of May, 1973, the Canadian government decided that it was no longer worth the effort to continue on the ICCS[50] and announced its withdrawal. A combination of Michel Gauvin's, the Canadian ambassador to Greece, "open mouth diplomacy" and Canada's indecisiveness on the commission resulted in a deadlock. Poland and Hungary would side against Canada.[51] Indonesia would normally agree with the Canadian position. However, because Indonesia was part of Southeast Asia, it had to live with the consequences of the war and, therefore, took a more cautious approach to its settlement. As a result of dissatisfaction with Canadian attitudes toward the peacekeeping role, none of the other members on the commission, nor North Vietnam, asked Canada to reconsider and continue on the ICCS.

The withdrawal from the ICCS ended a phase of Canadian relations with Southeast Asia. Allan MacEachen later stated in a speech to the Press Club in Jakarta that after the Vietnam War:

> Canadian resources and expertise that had previously had to be devoted to our commission work could be put to work more productively in developing and implementing our policy towards the countries of Southeast Asia where Canada had substantial bilateral interests.[52]

Canada had to find another means of establishing a presence in Southeast Asia so that it could keep in contact with the changing power configurations and check communist expansion. This new beginning would be through

development assistance to the countries of the area, in which case, Indonesia, because it had previously been singled out as a "country of concentration," would become a major Canadian aid recipient.

Domestic Factors

The time factor involved in the implementation of new aid programmes needed to be considered as a possible explanation of the period of hiatus. Once Indonesia was granted the status of "country of concentration" and Cabinet approved the choice of Indonesia,[53] CIDA proceeded to do a feasibility study. Canada's ability to provide resources had to be matched with Indonesia's needs. CIDA officials claimed that there was a time element of six months involved in getting the approval for a project from the time the feasibility study was completed and a project designed to the time it reached Cabinet for its approval.[54] In this case, Canada was familiar with the recipient country's needs. When it is a new country with which the government has had relatively little experience, the feasibility study would take longer, thus increasing the amount of time involved in the decision-making process.

Related to this is the fact that prior to 1972 Indonesia was classified as a project country as opposed to a programme country.[55] Programme countries require a greater amount of the total aid budget. Much of the assistance for project countries is in the form of food assistance which is not capital intensive. In 1973 the philosophy of Canadian aid to Indonesia shifted. Because they were receiving foreign exchange from oil revenues, Indonesians were able to purchase their own food requirements on foreign markets. Food was no longer considered to be the essential aspect of Indonesia's development so the Canadian government decided to take on more capital intensive projects.

Another underlying factor that had to be considered before any donor country can actively undertake any aid programme is that they must receive requests for assistance from the recipient country. Aid cannot be imposed on another country. In the Senate Committee, in discussing the Asian programme in general and the Canadian University Students Overseas (CUSO) programme, Mr. Jean-Marc Metiver, Director of Asian Programmes for CUSO, felt that an underlying problem in the government's interest and CUSO's was a weakness on Indonesia's part. While an interest could be expressed in Indonesia, "considerations would depend to a great extent on the requests we receive from Indonesia."[56] Indonesian hesitancy to accept Canadian aid could have been the result of conditions placed on ODA or Canadian selectivity of projects that they wanted to undertake. It could also have been the result of the fact that Canada had "no experience in that country."[57] As a result, Indonesians were not aware of Canada's capabilities in the area of development. Proximity may have been another factor. Despite the fact that Canada paid shipping charges,[58] it would take less time to ship materials from a country like Japan with whom the Indonesians were familiar.[59]

The President of CIDA, Paul Gerin-Lajoie's, attitude toward expanding Canadian assistance to include new countries may have been another factor that resutled in the lag in aid to Indonesia.[60] In Taking Stock and in discussing the forthcoming Strategy for International Development Cooperation, 1975-1980[61] Gerin-Lajoie remarked that greater impetus should be given to Francophone Africa and Latin America.[62] On the other hand, the Head of the Economic Assistance Division of the Commonwealth Secretariat, Mr. Goundrey, commented that:

> . . . donor countries should pick activities in which they can perform adequately, not restrict themselves to those in which they are "best in the world." All donors . . . must recognize that countries like India, Nigeria and Indonesia will need as much assistance as possible for a long time to come.[63]

The inability of decision-makers to come to an understanding about the direction of Canadian ODA in the early 1970's had a direct impact on the time factor involved in organizing Indonesia's aid programme. Canada's political interests clearly were with the developments in Southeast Asia. To keep in contact with the area, the government stressed the importance of development assistance for the area. CIDA, on the other hand, felt that ODA should be concentrated on Africa and Asia. As a result, by 1972, no apparent effort had been made to discover the areas in which Canada could best assist Indonesia.

Finally, in 1968, the External Aid Office was transformed into the Canadian International Development Agency. CIDA was made responsible for the administration of Canadian development assistance. However, projects designed by CIDA had to have the approval of External Affairs which added an extra stage to the decision-making process. In defining CIDA's functions[64] the objectives of the aid programme were mapped out. Yet, these functions had to conform with the broader goals of foreign policy. With the sophistication of the aid programme, then, the process of allocation was slowed down.

In the period 1968-1970, an aid programme developed as a result of politically motivated factors. The government's interest in the security of Southeast Asia led them to consider a more active role in the area. As a result of Indonesia's potential as compared to some of the other countries, the nation was selected as a country of concentration

for Canadian development assistance. The turbulance in the Pacific, an area in which the four major powers--U.S., U.S.S.R., P.R.C. and Japan--had some interest could no longer be neglected by the Canadian government. At some point they would be affected by the unrest in the area. Canada was an outward-looking nation, dependent for its own economic well-being on a peaceful international environment. For its trade interests in China and Japan alone, Canada would have to consider the developments in Southeast Asia. Politically, Canada did not want to see the non-communist countries fall into the hands of any of the communist countries in the area. Because of Canada's dependence on trade, a communist dominated Southeast Asia would have been detrimental to their own interests. Finally, there was a limited amount of food assistance going to Indonesia, signifying the humanitarian component of development assistance.

NOTES TO CHAPTER III

1. Peter C. Dobell, Canada's Search for New Role, Foreign Policy in the Trudeau Era (Toronto: Oxford University Press, 1972), p. 6. National objectives are defined in: Canada, Department of External Affairs, Foreign Policy for Canadians (Ottawa: Information Canada, 1971), pp. 10-12.

2. D.C. Thomson and R.F. Swanson, Canadian Foreign Policy: Options and Perspectives (Toronto: McGraw-Hill Ryerson Ltd., 1971), p. 107.

3. Canada, Department of External Affairs, Statements and Speeches 76/25, "Canada and Indonesia--the Dialogue has begun well," Allan MacEachen, August 25, 1976.

4. John W. Holmes, "Canada and the Pacific," Pacific Community XLIV (Spring, 1971): 6.

5. Canadian skills would range from aerial surveys and road construction to forestry expertise and teaching. Canada, House of Commons, Standing Committee on External Affairs and National Defence, No. 6, December 15, 1970, p. 31.

6. Canada, Canadian International Development Agency, "Indonesia: STOL Aircraft," CIDA Contact 7 (August, 1972); "Indonesia Program Growing Strongly," CIDA Contact 16 (May, 1973); Paul Gerin-Lajoie, Report to the Secretary of State for External Affairs on the Mission to Indonesia, May 10, 1976, p. 8.

7. Department of External Affairs, op. cit. (Pacific Pamphlet), p. 20.

8. Department of External Affairs, op. cit., Allan MacEachen.

9. Department of External Affairs, op. cit. (Pacific Pamphlet), p. 20.

10. Standing Committee on External Affairs and National Defence, op. cit., No. 3, November 10, 1970, p. 8.

11. Foreign Area Studies, Area Handbook for Indonesia (Washington, D.C., U.S. Government Printing Office, 1975), p. 1.

12. Department of State Bulletin, The Nixon Doctrine: A Progress Report (Washington, D.C.: U.S. Government Printing Office, February 8, 1971), p. 3.

13. Charles Robertson, International Politics Since World War II: A Short History (New York: John Wiley and Sons Inc., 1975), p. 334.

14. Ibid., pp. 323-330.

15. Coral Bell, "China: The Communists and the World," in F.S. Northedge, ed., The Foreign Policy of the Powers (London: Faber and Faber, 1974), p. 150.

16. Richard Thorton, China: The Struggle for Power, 1917-1972 (Bloomington: Indiana University Press, 1973), pp. 329-333.

17. Richard H. Soloman, China Policy and America's Public Debate: Ten Arguments in Search of Normalized U.S.-P.C.R. Relations (Santa Monica: The Rand Corporation, 1977), p. 3.

18. Richard Thorton, op. cit., pp. 333-334.

19. Japan had begun to look toward the Southeast Asian countries for suppliers of raw materials. Thomas Pepper, "Japan's Asia Policy," Pacific Community IX (April, 1978): 316-326. Justus M. van der Kroef, "S.E. Asia after the Viet Nam War: Security Problems and Strategies," Pacific Community VII (April, 1976): 377-405.

20. The External Affairs official stressed the importance of the sea lanes to the issue of Law of the Seas.

21. Australia expressed concern over the interlinked struggle for control over South Vietnam. To the Australian government, China had the greatest security interests in a neutral Southeast Asia. The U.S. no longer placed priority in the area. To the Soviet Union, Southeast Asia was an area where Chinese and American interests needed to be constrained. Japan's interest in the area was economic but the problem of assuring freedom of passage was disturbing. S.L.S. Girling, "A Neutral Southeast Asia," Australian Outlook 27 (August, 1973): 130.

22. Standing Committee on External Affairs and National Defence, op. cit., No. 5, March 15, 1973, p. 11.

23. Ibid., No. 11, May 15, 1973, p. 11.

24. Toronto Daily Star, August 30, 1976.

25. Robert A. Scalapino, Asia and the Road Ahead (Berkeley: University of California Press, 1975), p. 132.

26. During Trudeau's trip to Indonesia, Suharto stressed that Indonesia could use assistance without political strings that might alter the country's "independent and active foreign policy." International Canada 2 (January, 1971): 5-6.

27. Francis J. Galbraith, "Indonesia's World View and Foreign Policy," Orbis 19 (1975-76): 1102-1105; Robert C. Horn, "Indonesia's Response to Changing Power Alignments," Pacific Affairs LXVI (Winter, 1973): 515-516.

28. Canada, Senate, Standing Committee on Foreign Affairs, No. 16, May 4, 1971, p. 5.

29. The Five Year Plan would also serve as an impediment to communism. Suharto warned that "the people must be on constant alert for communists who are trying to disrupt the unity of the nation." New York Times, April 1, 1969.

30. Department of External Affairs, op. cit., "International Development," p. 7.

31. Paul Gerin Lajoie, op. cit., p. 3.

32. G.A. Postumus, The Inter Governmental Group on Indonesia (Rotterdam: Rotterdam University Press, 1971), pp. 7-14.

33. J.A.C. MacKie, "Australia's Relations with Indonesia: Principles and Policies," Australian Outlook 28 (August, 1974): 174.

34. Department of State Bulletin, op. cit., p. 5.

35. Department of External Affairs, op. cit. (Pacific Pamphlet), p. 17.

36. John Schreiner, "Canadian Investment--Businessmen on the Move," Far Eastern Economic Review (December 16, 1972): 9. International Nickel Company of Canada won the first nickel exploration contract in Indonesia after Sukarno was overthrown. The company spent $25 million on defining its reserves in Sulawesi.

37. Department of External Affairs, op. cit., "Pacific Pamphlet), p. 17.

38. Ibid., pp. 15-16.

39. Ibid., p. 23.

40. Standing Committee on Foreign Affairs, op. cit., No. 8, June 27, 1971, p. 11.

41. Maureen Appel Molot, "Canada's Relations with China since 1968," in Norman Hillmer and Garth Stevenson, eds., Foremost Nation Canadian Foreign Policy and a Changing World (Toronto: McClelland and Stewart, 1977), pp. 240-241.

42. Canada, House of Commons Debates, Vol. VII, October 19, 1973, pp. 7036-7037.

43. Suharto had suspended relations with Peking to isolate the communist movement. Francis J. Galbraith, op. cit., pp. 1102-1103.

44. House of Commons Debates, Vol. VII, October 19, pp. 7036-7037.

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46. Charles Taylor, Snow Job: Canada, The U.S. and Vietnam (1954 to 1973) (Toronto: Aanasi Press Ltd., 1974), pp. 130-182.

47. David Van Praagh, "Canada and Southeast Asia," in Peyton V. Lyon and Tarequ Y. Ismael, eds., Canada and the Third World (Toronto: Maclean-Hunter Press, 1976), pp. 310-332.

48. Mitchell Sharp, Vietnam: Canada's Approach to Participation in the International Commission of Control and Supervision, October 25, 1972-March 27, 1973 (Ottawa: May 23, 1973), p. 2.

49. Ibid., pp. 10-16.

50. External Affairs officials as quoted in Kim Richard Nossal, "Retreat, Retraction and Reconstruction: Canada and Indochina in the Post Hostilities Period," in Gordon P. Means, ed., The Past in Southeast Asia's Present (Hamilton: McMaster University Printing Services, 1978), p. 174.

51. Charles Taylor, op. cit., p. 171.

52. Department of External Affairs, op. cit., Allan MacEachen. Claude Wagner (PC, Saint Hyacinthe) regarded the decision as the beginning of a very real determination to pursue peace in Indochina through other means. House of Commons Debates, Vol. IV, May 29, 1973, p. 4196.

53. Interview with official at External Affairs.

54. Interview with official at External Affairs. CIDA officials noted that roughly the same time factor was involved.

55. Interview with officials at CIDA. In a project connoted officials, Canada does a single project and upon its completion leaves. In a programme country, assistance is ongoing and the government is continually taking on new projects.

56. Standing Committee on External Affairs and National Defense, op. cit., No. 15, April 27, 1971, p. 11.

57. Ibid.

58. Interview with officials at IT&C.

59. Ibid.

60. Canada, Canadian International Development Agency, Taking Stock, A Review of CIDA's Activities 1970-1974 (Ottawa: Information Canada, 1974).

61. Canada, Canadian International Development Agency, Strategy for International Development Cooperation, 1975-1980 (Ottawa: Information Canada, 1975).

62. Standing Committee on External Affairs and National Defense, op. cit., No. 14, May 24, 1973, p. 27.

63. Standing Committee on External Affairs and National Defense, Subcommittee on International Development, op. cit., March 3, 1970, p. 138.

64. CIDA would operate and administer Canada's economic assistance programme. They would ensure coordination in the operations of other departments concerned in various aspects of these programmes. Paul Gerin-Lajoie, "CIDA in a Changing Government Organization," Canadian Public Administration 15 (Spring, 1972): 48.

CHAPTER IV

THE IMPLEMENTATION OF THE ODA PROGRAMME

The period 1973-1978 witnessed a complete shift in the Canadian government's attitudes toward Southeast Asia and especially Indonesia. The government clearly carried through with the 1970 foreign policy decision to increase ODA allocations to Indonesia. The period of hiatus was over and the aid programme for this country of concentration rapidly took shape. The Trudeau government had become acquainted with the countries of Southeast Asia and especially Indonesia. The nebulous image that Indonesia had once occupied had been replaced with familiarity and concern for the country. Characteristic of this period was a number of visits by Canadian officials to Indonesia--Jamieson in 1976, Gerin-Lajoie in 1976 and Allan MacEachen in 1976.

In this chapter, the Trudeau government's desire to have a development assistance programme with Indonesia is examined. The government's interest can be seen through the priority Canada has given in supporting ASEAN objectives and Indonesia's role in the grouping. Canada continued to be an active participant in IGGI, expressing support for its efforts to make Indonesia economically strong. Rather than ODA being influenced by Commonwealth ties, the U.S. role in Southeast Asia influenced the direction of Canadian assistance. To secure its own interests, Canada relied on Indonesia for support in the Law of the Seas Conference. Economically, Canadian assistance would be governed by trade and investment interests. Finally, Non-Governmental Organizations (NGO's) were expressing some interest in Indonesia's development. This chapter

concludes by looking at some of the criticisms of the aid programme and accounts for the fluctuations in ODA.

ASEAN's Increasing Importance to Regional Stability

Since 1975[1] when the decision to dismantle the Southeast Asia Treaty Organization (SEATO) was made, ASEAN has become an integral part of Canada's relations with Southeast Asia and Indonesia. ASEAN has acted as an alternative to American defense and security in the region. With the American withdrawal, and the military threat posed by the government of North Vietnam ASEAN members hastened in their efforts to form a regional grouping. The inevitable result was that the unit has been classified as "an element of political stability"[2] and a stabilizing force in the area. As it was noted in the previous chapter, Indonesia's size, population and wealth in natural resources warranted them a special position within the grouping.

During his tour of Southeast Asia, Allan MacEachen stressed that ASEAN was important in counteracting the possibility of future instability in the area.[3] Canada wanted to develop closer relations with the countries of Southeast Asia because of the importance Canada placed on ASEAN.

> Canada firmly believes in the usefulness of such regional groupings and strongly supports the objective of regional cooperation. The steps taken by all countries of the region to develop their economies in a manner which will lead to closer partnership among them are a particularly encouraging sign of cohesion.
>
> Furthermore, Canada is prepared to open formal dialogue with ASEAN in order to enhance our lines of communication and to facilitate cooperation in the field of development assistance.[4]

At the time MacEachen promised aid in the form of "regional satellite communications" and in "studies of cooperative transport facilities."[5]

ASEAN countries were offered firm backing for "what is left of the democratic way of life in the region through both political and economic support."[6] MacEachen had committed Canada to both an economic and political role in the future of the area. Canada was not going to let the Southeast Asian nations combat communist expansion on their own. Rather, they would back the remaining few non-communist countries in their struggle for freedom. The fact that MacEachen made note of Canada's economic support suggested that political interests would be backed by economic development. Building strong, stable economies would help in guarding against communist infiltration among the ASEAN grouping. As TABLE V shows, Canadian assistance to ASEAN countries was concentrated heavily on Indonesia. The Canadian government chose to provide assistance to the strongest country in the grouping. Indonesia would be able to assist other ASEAN members in their efforts to prevent expansion of communism through regional cooperation.

Canada's political and security interests in ASEAN were further reflected in the economic sphere through the government's efforts to expand their commercial relations with the area and especially Indonesia. While Canadian business was welcomed in Indonesia,[7] they have been faced with difficulties in enhancing trade and investment interests. The major problem evolved around the fact that many of the areas that Canada was interested in had been closed off to foreign investment.[8] ASEAN provided a viable alternative to establishing a presence in the area. ASEAN firms were given priority in taking on new development projects. Originally, if a Canadian firm or business wanted to invest in Indonesia, in one of the areas that has been closed off, he may participate in an ASEAN

TABLE V

Canadian Assistance to ASEAN Countries
1972-73 to 1977-78

(millions of dollars)

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Bilateral Assistance Indonesia	3.95	14.75	21.64	19.52	36.70	22.43	13.19
Philippines	.05	.01	.02	.02	.07	1.29	2.84
Thailand	.58	.32	.42	.41	.21	.35	.35
Malaysia	3.59	2.84	2.31	1.61	1.48	1.69	3.05
Singapore	.51	.47	.63	.34	.10	.04	--
Total ASEAN Assistance	8.68	18.37	25.02	21.89	37.56	25.80	19.43
% increase		111.17	36.20	-12.55	71.62	-31.05	-24.91
Asia - bilateral increase (%)		19.93	15.38	19.85	-5.55	-7.99	-8.34

Source: Canada, Canadian International Development Agency, Canada and Development Cooperation--Annual Review, 1976-1977 (Ottawa, 1977), p. 45; Annual Review, 1978-1979.

project. While it may not have been the country of his first choice, in the future, the Canadian business would qualify as an ASEAN firm. This decreased the difficulties the firm would have in investing in the country of his original choice. One of the functions of Don Jamieson's trip to Southeast Asia, as Minister of Industry, Trade and Commerce (IT&C), was to give Canadian business that added "push" that was needed to force them to be more active in business opportunities in Southeast Asia and especially Indonesia.[9] The Canadian government's efforts to work around the barriers emphasized their determination to have a politically strong ASEAN. The aid programme was to be supported by increased commercial activity and investment in Indonesia. With a strengthened economy, Indonesia would be better equipped to combat communism.

On his tour, Jamieson had also stressed the importance of ASEAN in offsetting Japan's commercial dependence on Southeast Asia.[10] Jamieson noted that the countries in the area were sensitive to Japanese hegemony. They were seeking stronger economic ties with advanced nations that were neither colonial nor big power status. To these nations Canada and Canadians were seen "as people who don't have any axe to grind."[11] Not only did ASEAN provide reassurance against the spread of communism, but Japanese domination of the region could be diverged.

Canada's dialogue with ASEAN is carried out through Manila rather than Jakarta. During the 1960's American presence was a key element to the security of the region. Canada maintained a presence through peacekeeping. When ASEAN was first established in 1967 Canada was providing virtually no ODA to Indonesia but did have an aid programme with the Philippines.[12] Despite the fact that today Indonesia is the recipient

of Canadian assistance, dialogue continues to be carried out with ASEAN countries through Manila. The government did not see the need to change locations even though the Philippines was no longer a major aid recipient. The Canadian government kept in contact with the events in Southeast Asia through both Manila, the country chosen to conduct Canada's political, economic and developmental interests for the grouping and alternately, through the aid programme with Indonesia. The fact that the Trudeau government was willing to deal with ASEAN nations as a grouping suggested that Canada realized the importance of the unit. It was a volatile unit that partially compensated for the American withdrawal and, therefore, would be useful in impeding communist expansion throughout Southeast Asia.

Participation in IGGI

IGGI continued to play an integral role in Canada's aid programme with Indonesia. While no data was available on single country donations for each fiscal year (FY) CIDA officials did reveal that for FY 1978-1979 Canada would disburse $18 million to IGGI and a further $70 million would be committed for new projects.[13] Officials expected that this level would increase for the FY 1979-1980.

Japan, followed by the U.S., are the largest contributors of the consortium. In terms of quantity Canada contributed roughly the same amount as Great Britain, France, Netherlands and Australia. Three to five percent of total IGGI donations originate from the Canadian government. Total IGGI donations are found in TABLE VI. As in the late 1960's and early 1970's, Canada's interest in participation reflected a desire to have an economically strong Indonesia so that the nation could combat communist infiltration. The importance that the Canadian government

TABLE VI

INTERNATIONAL DEVELOPMENT ASSISTANCE TO INDONESIA

(Millions of Dollars)

	Program Aid			Project Aid	Total Assistance
	Food	Other	Total		
General Commitments by IGGI (1)					
FY 1971/72	$150.5	$202.1	$352.6	$ 292.7	$ 645.3
FY 1972/73	115.5	306.2	421.7	406.5	828.2
FY 1973/74	80.1	260.6	340.7	516.6	857.3
FY 1974/75	31.7	159.1	190.8	945.4	1,136.2
FY 1975/76	34.5	1.0	35.5	1,102.9(3)	1,138.4(3)
FY 1976/77	99.0	—	99.0	1,051.9(3)	1,150.9(3)
FY 1977/78	220.5	—	220.5	1,122.5(3)	1,343.0(3)
FY 1978/79	106.0	136.1	242.1	1,377.2(3)	1,619.3(3)
Agreements Signed(2)					
FY 1971/72	150.5	197.6	348.1	285.4	633.5
FY 1972/73	138.0	282.2	420.2	385.9	782.6
FY 1973/74	80.0	169.1	249.1	501.8	750.9
FY 1974/75	28.4	84.0	112.4	882.1	994.5
FY 1975/76	64.2	1.0	65.2	1,013.2(3)	1,078.4(3)
FY 1976/77	99.0	—	99.0	867.4(3)	966.4(3)
FY 1977/78	220.5	—	220.5	493.2(3)	713.7(3)
FY 1978/79 (4)	—	—	—	—	—

Source: Bank Indonesia

(1) Total commitments based on pledges by IGGI members.

(2) Total amount of commitments under general financial assistance agreements. These commitments are defined as having been made at the signing of the grants or loan agreements.

(3) In addition, the Government obtained general commitments of export credits on non-concessionary terms within the IGGI framework in the amount of $1,748.2 million in FY 1975/76, $570.6 million in FY 1976/77, $299.7 million in FY 1977/78, of which agreements were signed in FY 1975/76 for $1,601.0 million, FY 1976/77 for $458.6 million and FY 1977/78 for $231.7 million.

(4) Through June.

Source: The Republic of Indonesia (Jakarta: Kuhn Loeb Lehman Brothers, Lazard Freres et Cie., S.G. Warburg & Co. Ltd., 1978), p. 77.

places on IGGI was expressed through the terms of donations. Normally, loans received by Indonesia through IGGI are on terms with an interest rate of two to three percent, and repayment over a twenty-five to fifty year period.[14] Canada, however, like Great Britain and World Bank provided loans without charging interest and with a similar repayment period. On the other hand, Canadian bilateral assistance was provided on terms of zero percent interest, ten years grace period and fifty years maturity.[15]

IGGI was important also in that the consortium reviewed annually Indonesia's progress and, therefore, could be described as a body which monitored and reviewed Indonesia's development programme.[16] Aside from assessing the country's capacity to absorb aid, IGGI coordinated donor availability in conjunction with the government of Indonesia.[17] Any great fluctuations in the level of IGGI assistance would instigate a major review of the level of Canadian bilateral assistance to Indonesia. IGGI, therefore, provided CIDA with an annual report of Indonesia's development which complimented a review CIDA did annually. It would also serve as a basis for a major project review conducted every five years by CIDA.

American Influence

The American withdrawal from Southeast Asia was one of the factors that led the government to consider increasing aid to the area. Since 1975 with the fall of Laos, South Vietnam and Cambodia, the U.S. had maintained an "offshore presence in Asia." It continued to provide a "nuclear shield for countries considered vital to U.S. security."[18] To compensate for the lack of military presence, the American government had increased its levels of ODA to Southeast Asia.

After his visit to Indonesia in 1976, MacEachen, the Secretary of State, in an interview with a Toronto Star reporter, stated that "the U.S. had withdrawn from the area" and Canada would fill in as the "Western representative in the struggle against the influx of ideological communism."[19] MacEachen did not hesitate to say that:

> We don't want the U.S. to withdraw from the area. They still have an important role certainly in the Pacific and probably an even more important role if they get involved in development programmes.[20]

With the communist victories in 1975, the Trudeau government decided to take a more pragmatic approach to its role in the region. Canada's earlier fear of a unified communist bloc that would threaten the existence of the remaining non-communist countries had been intensified. The Americans obviously had no intention of interfering militarily so Canada decided that it could no longer sit back and watch other states fall into the same fate. Rather, they would try to replace American presence through economic support and development assistance.

In questioning CIDA officials on the extent of American influence behind motivations for Canadian assistance, officials remarked that if there were funds, they would be concentrated in an area from which a Western power and especially the U.S. had withdrawn.[21] The government would try to compensate for a power vacuum resulting from U.S. withdrawal. Since 1973, as American military presence decreased, Canadian economic and political interest in Indonesia and Southeast Asia increased. This suggested a very definite American impact on Canadian ODA.

On the other hand, Indonesian officials claimed that Canadian assistance was in no way influenced by American presence. The U.S. was a very powerful country. Canada would not have the military or strategic

capabilities to fill any vacuum left by the Americans.[22] The officials used food assistance as an example to show the differences in types of assistance provided by the two countries. The Americans provided a considerable amount of food assistance while Canada no longer gives any substantial amounts of this type of aid.

The Law of the Seas

Canada has relied on Indonesia's support in international forums such as the Law of the Seas (LOS) in 1976.[23] Canada had long expressed the desire to extend territorial waters to the two-hundred-mile limit. The Manhattan voyage in 1969 put to question Canada's sovereignty in the Arctic. Aside from this, fear of oil spills resulted in the government's desire to tighten its jurisdiction over Arctic waters. Similarly, Indonesian officials expressed concern over oil spills in the Straits of Malacca. Therefore, the Indonesian government also had an interest in extending territorial waters to the two-hundred-mile limit[24] with the result being that many of the straits would be closed off to foreign vessels. MacEachen noted that the cooperation between the two countries in this area had "contributed greatly to the development of new concepts, such as economic zone and the regime to be applied to archapelagoes."[25]

On the other hand, Canada could not afford to ignore the effects of closure of other straits upon the major trading nations of the world. If, for example, the Malacca Straits were closed off to all oil tankers aimed for Japan, the increased oil prices in Japanese industries would ultimately be felt on Japanese commercial partners,[26] including Canada. Therefore, Canada also had an interest in expedient passage for the world's straits, especially in Southeast Asia. Through the interests

both governments expressed in LOS, Canada could keep up to date on Indonesia's ocean policy.

The Trudeau government's interest in an ocean policy with Indonesia also resulted from the need to find alternate sources of energy for the future. As an OPEC country, Indonesia would be able to fill the requirements of ASEAN countries for their future energy needs.[27] The Canadian government had expressed an interest in resource exploration in the Pacific. In exchange for the rights to a share in the product of successful projects, the Canadian government would offer assistance to help develop offshore oil resources.[28] A joint effort was made by Canada and Indonesia. A 7.5 million square mile area from the Bay of Bengal to the South China Sea, including the continental shelf of Indonesia was explored for oil.[29] According to the head of the Nova Scotia Research Foundation, David Lyons, "the scope and scale of oil exploration and production in this part of the world will be extensive"[30] suggesting that it was an oil rich area. The development assistance used in ocean exploration was to provide Canada with an alternate source of energy should its own reserves run out. The need for alternate sources provided the government with an added incentive to provide Indonesia with ODA.

Since 1972, Canada's political interests in Indonesia had intensified. The support offered to ASEAN, the continuing role in IGGI and the attempt to compensate for the American withdrawal through increased ODA were evidence of this. As TABLE VII shows, ODA doubled in 1975-1976 after the communist victories in Indochina. The government had also found a new area of concern to both Canada and Indonesia--LOS and, subsequently, future energy supplies.

TABLE VII

Canadian Assistance to Indonesia
1972-73 to 1977-78
(millions of dollars)

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Indonesia Bilateral Assistance	3.95	14.75	21.64	19.52	36.70	22.43	13.19
Food Aid	3.00	5.00	1.60	*	-	9.92	.04
Total Aid	6.95	19.75	23.24	19.52	36.70	32.45	13.23
% increase (total)		184.1	17.6	-16.0	88.0	-38.8	-58.7
% increase (bilateral only)		273.4	46.7	-9.7	88.0	-38.8	-41.1
All Asia Bilateral Assistance	148.40	176.64	203.80	244.25	257.81	237.19	256.94
Food Aid	57.80	61.18	*	*	101.56	117.75	92.29
Total Aid	206.30	237.82	203.80	244.25	359.37	354.94	349.25
% increase (total)		15.28	-14.30	19.85	47.13	-1.23	-1.60
% increase (bilateral only)		19.93	15.38	19.85	-5.55	-7.99	-8.34

* No data provided for these years

Source: Canadian International Development Agency, Canada and the Developing World--Annual Review, 1970-71 (Ottawa, 1971), p. 73; CIDA, Annual Review, 1971-72, p. 78; CIDA, Annual Review, 1972-73, p. 61; CIDA, Annual Review, 1974-75, p. 96; CIDA, Annual Review- 1976-77, p. 51; CIDA, Annual Review, 1977-78, p. 39.

The Aid-Trade Relationship

The last chapter pointed to an increasing level of trade between Canada and Indonesia, which resulted in a surplus for Canada. The government's White Paper stressed that trade between Canada and Indonesia could be expected to increase as a result of increased investment. TABLE VIII outlines Canadian commercial interests in Indonesia since 1972. As the table shows, there was a substantial increase in trade in 1976 and again in 1977, despite the decrease in commercial activity for Asia as a whole. CIDA's cooperation with the EDC and a change in the type of assistance provided suggested that CIDA found themselves making concessions to meet the interests of the business community.

Trudeau's trip to Southeast Asia and Indonesia signalled a surge of official Canadian interest in the "most populous and richly endowed country in Southeast Asia."[31] However, in 1975 Indonesia imported approximately U.S. $4.77 billion of which the Canadian share was only $65 million.[32] Concern of the Canadian share of Indonesia's market resulted in trade missions abroad to promote Canadian goods and services. One such mission was that of Don Jamieson in 1976. Jamieson's trip had uncovered a "broad range of trade and investment opportunities for Canadians"[33] in the country.

Despite the trade opportunities that exist in Indonesia[34] Canadians have been confronted with a number of problems. Tying aid assisted in the expansion of Canadian markets and permitted industry to develop their areas of expertise within certain sectors of the Indonesian economy. The government's stated policy was that:

TABLE VIII

Trade Between Canada and Indonesia
1972-1977

(in dollar value)

	1972	1973	1974	1975	1976	1977
exports	14,425	17,735	53,611	64,899	76,925	65,967
imports	2,291	3,128	4,610	14,266	18,153	24,553
Balance	11,134	14,607	49,001	50,633	58,772	41,414
Percentage increase		23.29	372.38	2.93	16.21	28.52
All Asia						
exports	1,555,991	2,618,698	3,342,845	3,417,769	3,311,091	3,760,996
imports	1,533,392	1,606,752	2,195,243	219,733	2,000,598	2,779,408
Balance	225,999	1,011,946	1,147,602	3,098,036	1,310,499	981,588
Percentage increase		347.76	13.40	169.95	-90.40	-684.42

Source: Statistics Canada, Imports by Country, 1972-1977; Exports by Country, 1972-1973.

> Canadian engineering firms and equipment manufacturers [should] become acquainted with the markets and [they should] demonstrate their capabilities so that in due course, additional commercial opportunities may be found.[35]

CIDA's lines of credit permitted exporters in the recipient country to purchase machinery equipment and services, for example, in Canada and it allowed Canadian exporters to deal directly with "local end users" so that sales could be carried out in a normal fashion.[36]

Problems occurring in Canadian trade relations with Indonesia were most directly the result of a shortage of available cash in the recipient country. Much of the trade depended on aid dollars or soft international loans and export financing. Secondly, bureaucratic delays or what was commonly known as "hidden promotional costs" had resulted in a need to crack down on customs inspectors in an effort to minimize corruption and the misuse of goods for aid purposes. These delays slow down the process of exporting to Indonesia. Thirdly, Canada has a low visibility in the area and, therefore, was not considered as a supply source as readily as some other countries.[37]

Through the help of the Export Development Corporation (EDC), the Canadian government has tried to overcome the financing difficulties Canadian business experienced. The EDC has supported the sale of substantial quantities of Canadian equipment to Indonesia and other parts of Southeast Asia.[38] Since the publication of the 1975 White Paper, CIDA has worked closely on certain projects through joint ventures with the EDC. The Strategy for International Development Cooperation, 1975-1980 paper stated explicitly that CIDA would increase its:

> . . . cooperation with the Export Development Corporation in activities in developing countries that meet the operating criteria of both institutions.[39]

In 1975 Canada signed an agreement with the Indonesian government to "assist the development of the Indonesian economy and facilitate trade."[40] The loan amounted to $200 million of which $175 million originated from the EDC and the remaining $25 million came from CIDA. This loan was to allow the Indonesian government to purchase machinery and equipment in fields such as cement manufacture, pulp and paper mill and fertilizer production.[41] Another $1 million coal mining project was negotiated by the EDC and IT&C in December, 1977.[42] This deal involved the sale of Canadian mining equipment and other high technology or manufactured goods.

CIDA's willingness to engage in dealings with Crown Corporations like the EDC suggested a strong commercial component in Canadian ODA. There is yet another aspect behind economic motivations that has become increasingly important in recent years--that of investment.

Investment Opportunities

Canadians were regarded as welcome investors in Indonesia. They were considered technically capable with no axe to grind.[43] Indonesian officials in Ottawa claimed that they have invited and encouraged Canadian investment.[44] However, they have been disappointed in the results. At one time Canada was the fourth largest investor in Indonesia; by 1975 they had fallen into ninth place.

Difficulties Canadian firms have experienced have been the result of competition from other Western powers, mainly Japan.[45] It has also resulted from a lack of funds from the Indonesian sector to carry their weight in joint ventures[46] and a limited number of Canadian firms were willing to undertake joint venture programmes. Problems resulted when Canadian businessmen were uncertain about the future stability of the

countries of the area. As long as there was no definite guarantee that their existence in Southeast Asia would be no longer than a short period of time, many firms would not be willing to take the risk to direct their activities toward Southeast Asian countries. A further area of difficulty in both trade and investment was the priority given to ASEAN countries. ASEAN nations were given first chance in taking on new projects. Finally, competition among desk officers at IT&C had a direct bearing on Canadian investments in Indonesia. The desk officer for Indonesia may encourage business to go there but if another country desk officer could provide a more attractive package, Canadian business may be directed elsewhere.[47]

To accommodate businessmen who were interested in investing in the Third World through CIDA's developmental programmes, a new division was established within CIDA: the Consultant and Industrial Relations Division. This branch would:

> . . . act as a window on CIDA for consultants, businessmen, Canadian industry as a whole and federal and provincial departments and agencies. We'll be able to guide them in their registration with CIDA and the Department of IT&C or Supply and Services, as appropriate. We'll also try to find answers to many questions which are now directed indiscriminately to all parts of CIDA.[48]

The new Division was designed to increase the industrial capacity of less developed countries through private Canadian enterprise and financing with the end result benefitting both parties. Through registration with CIDA, Canadian business would be introduced to such developing countries as Indonesia.

Alternately, new businesses interested in commercial dealings with any developing country were introduced through feasibility studies. When IT&C engaged in a trade mission, at the Department's discretion, certain

firms who have participated in previous trade missions are selected to go along with a number of firms who have not yet any investments in Indonesia but have expressed an interest in the country. This has been found to be most effective when a footing has been established previously through departments like CIDA.

Humanitarian Content of Canadian Assistance

In this period there was a limited amount of NGO assistance going to Indonesia, which in terms of the total has been realtively insignificant. According to CIDA officials, total project support by NGO's in 1977-1978 amounted to approximately $6 million of which CIDA has contributed approximately one-third.[49] This figures suggested that there was some public interest with respect to the living conditions and overpopulation of Indonesia; however, this interest was not very strong. On the other hand, Amnesty International (AI) has been combatting an issue of human rights in Indonesia. Like other NGO's AI enjoys independent status free from government intervention. Unlike other NGO's, AI is involved in political aspects of countries, both developing and developed.

In Indonesia, AI has been involved in combatting a political prisoners problem. At the 13th Session of the UN Subcommittee on discrimination, Indonesia was one of the five countries blacklisted for "serious violations of human rights."[50] AI, along with the UN, has "attacked" Indonesia for its attempts to annex the Democratic Republic of East Timor. The UN reaffirmed the right of the people of East Timor to "self determination and independence" and recognized the "legitimacy of their struggle to regain the right . . . ."[51] Indonesian officials responded by stating that:

> . . . the future of East Timor should be determined by the East Timor people themselves and not in New York.[52]

Canada supported the resolutions calling for the liberation of East Timor but abstained on the General Assembly vote which "deplored" Indonesian actions in East Timor without taking into account the circumstances that led up to the intervention.[53] On the other hand, the annexation of Timor provided Indonesians with a guarantee that the colony would not fall into the control of "a pro-Western faction and thus becoming a possible source of left wing agitation on the Indonesian southern flank."[54]

Clearly, the Indonesian government was not going to abide by the UN's decision. They would continue to suppress the rights of the people of East Timor. Together, the UN and AI were unable to alter Indonesia's position on the annexation of East Timor.

The purpose of outlining the activity of AI in Indonesia is twofold. First, organizations like AI provide a humanistic element in Canadian dealings with Indonesia. While it may not involve interaction at the governmental level, support through human rights organizations is important in that it lends support to a fundamental concept behind philanthropy--we help without expecting returns from the people we help. In the case of Indonesia, AI felt that they would have had more positive results had the Canadian public shown more concern. As with other NGO's AI found that many Canadians were not aware of the existence of Indonesia and its 140 million people.[55] Because of this ignorance, the Canadian government has not felt any need to take a positive stand against the Indonesian government for the human rights issue nor the question of East

Timor. Secondly, AI's activity outlined a contradiction in the government's policy that will be discussed below--a contradiction that CIDA officials have been trying to reconcile with, and one that has resulted in criticism of the aid programme in the House of Commons.

While the period 1968-1972 saw a limited amount of food aid provided to Indonesia, since 1972 there has been a gradual decline in this type of ODA. This decline was a result of the fact that Indonesia was receiving foreign exchange and, therefore, could afford to purchase its own food.[56] There was a feature of Canadian food assistance that needs to be mentioned. This form of bilateral assistance was and is not distributed freely among the people of the recipient country. Rather, food donations were sold by the recipient government. The argument behind this is that a recipient country like Indonesia should not be allowed to rely too heavily on outside sources to supply its people with their basic needs. Food aid could disrupt the internal environment of Indonesia, thus defeating the original purpose of development assistance. Hence, proceeds from Canada's food assistance programme to Indonesia were sold by the Indonesian government and the funds were directed toward paying other development projects.[57] While there was still a strong philanthropic interest in providing food aid, it was accompanied by economic and political undertones.

The Maturity of the Development Assistance Programme

Paul Gerin-Lajoie stated that since 1972 the development assistance programme with Southeast Asian nations has become increasingly sophisticated; this was especially true for Indonesia because it is one of the major recipients of Canadian aid in the area. Gerin-Lajoie noted that:

> We have seen a change in emphasis in the Asian aid program over the years. Developing nations now have a greater voice in decision-making as it affects their development. We respond to their requests for support of priority development requirements they have identified on the basis of Canada's ability to finance those things it can do well.[58]

The increased input from the recipient country has forced donor nations to reconsider their objectives and motives in the ODA programme.

Indonesia has reached a relatively sophisticated level of determining what it wants in terms of development. With the realization of its own requirements, the Indonesian government has been granted the autonomy to suggest projects that they would like to have completed. In other words, Indonesians design a specific project, direct their requests to the Canadian Embassy in Jakarta, who in turn reports to the desk officer at CIDA, where the merits of the project are decided upon.[59] This input from the Indonesian government was accompanied by a gradual shift in the aid programme from construction to technical assistance.[60]

Indonesian input has been one of the factors that would partially explain the levels of assistance at certain times. Indonesian officials were clearly aware of the interests Western donors had in providing assistance to the country. The extent of their interest was demonstrated by the fact that in 1975 the IGGI consortium provided Indonesia with $900 million in development assistance--a sum greater than had been requested.[61] During this time, Indonesian officials had requested that donors withhold supplies of ODA. The government felt that it was involved in more projects than it could handle and that it needed time to establish for itself where it was in terms of development.[62]

The Indonesian government would accept assistance from Soviet sources; however, this assistance was selective. The Soviets have not been given any projects that involve constant foreign participation.[63] The Canadian government has expressed a desire to impede the expansion of communism and communist infiltration into Indonesia. If the government wanted to keep Soviet influence at a minimum, it would have been to its advantage to provide as much ODA as it possibly could to keep Indonesian contacts with the Soviets at a minimum.

Criticisms of Canadian Assistance to Indonesia

The first major criticism of Canadian assistance had been touched upon previously in this chapter. In the government's stated policy it is noted that ODA would go to those countries:

> . . . whose government's pursue external and internal policies that are broadly consistent with Canadian values and attitudes.[64]

Supporting the withholding of basic human rights could hardly have been considered a basic value of Canadian society. Officials at CIDA expressed their discontent with the human rights question in Indonesia. Their objectives were directed toward the improvement of life and the political prisoners problem contradicted this goal. However, CIDA officials put the issue aside as being a policy question; an area in which they had little or no influence and that had to be handled by External Affairs. At the same time CIDA rationalized the issue by questioning whether one hundred and twenty million people should suffer because of a certain few people denying others their human rights.[65] Officials noted that Canada would not take the initiative to withhold aid on this issue because they would be acting in isolation.

Within the House of Commons the major source of criticism came from Douglas Roche (PC, Edmonton-Strathcona) who on several occasions questioned why Canada was maintaining a high level of aid to Indonesia without "ever once publicly protesting the violation of human rights in that country . . ."[66] On another occasion, Howard Johnston (PC, Okanagan-Kootenay) questioned Canada's support of a trade mission that was looking into a coal mining project in South Sumatra.[67] Johnston feared that with the need that this project would have for a large scale labour force, Canada would be directly supporting forced labour.

Another area of criticism is the general credibility of Indonesia as a major Canadian aid recipient. The 1975 Strategy Paper would act as an "umbrella for all country all country aid programmes."[68] It stated that:

> . . . the development assistance programme will direct the bulk of its resources to the poorest countries of the world.[69]

According to World Bank data, in 1975 Indonesia was classified as having a per capita income of between $22-$99[70] which was not among the poorest countries. However, CIDA Handbook stated that ninety percent of Canadian assistance would be directed at countries with a per capita income of less than $375[71] in which case Indonesia would qualify as an aid recipient. External Affairs officials agreed that Indonesia was no longer among the poorest countries but they still had a per capita income of less than $200. Both External Affairs and CIDA officials claimed that aid to Indonesia could be rationalized in such a way that you give aid to those countries where you will see results.[72]

Finally, another source of criticism of Canadian aid to Indonesia has been CIDA's cooperation with the EDC. In the House of Commons, Howard

Johnston questioned the worthiness of the South Sumatra deal "given the situation in both the copper and nickel industries in Canada."[73] Johnston felt that the project would be in direct competition with the coal industry in British Columbia, Alberta and the Maritimes.[74] On the other hand, Roche felt that joint ventures would assist Canadian industry rather than serve developmental functions.[75]

Since 1972 Canadian objectives in ODA to Indonesia can be characterized by a limited amount of humanitarian content as evidenced by NGO activity. This motivation was expressed mainly by the activity of AI and through food assistance in a time of emergency. Economically, CIDA made efforts to accommodate the businessmen and commercial interest of Canadians. The establishment of a new division and cooperation with the EDC suggest a strong commercial component in Canadian ODA. As long as Canada continues to enjoy a trade surplus with the country, CIDA will find themselves accommodating business interests through development assistance. The level of sophistication had resulted in increased political interest in Canadian aid to Indonesia but it has also caused some discontent with the programme. Canada's political interests have been expressed in its desire to support ASEAN and through assistance to IGGI. It became increasingly apparent that economic and political motivations were dominating Canadian ODA to Indonesia, leaving CIDA a secondary role to play in development assistance.

NOTES TO CHAPTER IV

1. The decision to dismantle SEATO was made in 1975. However, it was not until 1977 that the alliance was completely liquidated.

2. Canada, Department of External Affairs, Foreign Policy for Canadians (Ottawa: Information Canada, 1971), "United Nations," p. 25.

3. Canada, Department of External Affairs, Statements and Speeches 76/25, "Canada and Indonesia--The Dialogue has Begun Well," Allan MacEachen, August 25, 1976.

4. Ibid.

5. Toronto Daily Star, August 25, 1976.

6. Toronto Daily Star, August 30, 1976.

7. John Schreiner, "Canadian Investment--Businessment on the Move," Far Eastern Economic Review, December 16, 1972, p. 9. Indonesian officials in Ottawa claim that they encourage Canadian trade and investment. Canadian "bigness" is not seen as a threat to them.

8. Areas such as aircraft industry, transportation and technical and engineering (consulting) have been closed off. For a complete list, refer to Doing Business in Indonesia (Price Waterhouse and Company, 1976), p. 14.

9. Financial Post, April 3, 1976.

10. Financial Post, May 15, 1976.

11. John Schreiner, "Opportunity answers the Door when Trade knocks," International Perspectives (May/June, 1976): 12.

12. Interview with officials at External Affairs.

13. Interview with officials at CIDA.

14. Peter Polomoka, Indonesia's Future in Southeast Asia (Dorking: Bartholomew Press, 1974), p. 21.

15. Interview with officials at CIDA.

16. Ibid.

17. Peter Polomoka, op. cit., p. 21.

18. Ubaid Ul Haq, "The Changing Balance of Power in the Pacific and its Implications for Southeast Asia: A Possible Scenario," Pacific Community 6 (April, 1975): 384.

19. Toronto Daily Star, August 30, 1976.

20. Ibid.

21. Interview with officials at CIDA.

22. Interview with officials at the Indonesian Embassy.

23. Canada did not belong to any of the specific regional/political groupings nor the functional groups. Rather, Canada found itself allying with developing countries more so than the U.S. or the West European State. Barry G. Buzan and Barbara Johnson, "Canada at the Third Law of the Sea Conference: Strategy, Tactics and Policy," in Barbara Johnson and Mark W. Zacher, eds., Canadian Foreign Policy and the Law of the Seas (Vancouver: University of British Columbia Press, 1977), pp. 267-268.

24. Justus Van Der Kroef, "Indonesia: Strategic Perceptions and Foreign Policy," Asian Survey 2 (January, 1975): 167. Van Der Kroef introduces the idea of "island territoriality" where all islands and the seas in between are to be one total unit.

25. Department of External Affairs, Allan MacEachen, op. cit.

26. Roger D. McConchie and Robert S. Reid, "Canadian Foreign Policy and International Straits," in Barbara Johnson and Mark W. Zacher, eds., Canadian Foreign Policy and the Law of the Seas (Vancouver: University of British Columbia Press, 1977), p. 162.

27. Financial Post, May 15, 1976.

28. International Perspectives (March/April, 1976), p.

29. Financial Post, March 4, 1978.

30. Ibid.

31. David Van Praagh, "Canada and Southeast Asia," in Peyton V. Lyon and Tareq Y. Ismael, eds., Canada and the Third World (Toronto: Macmillan of Canada, 1976), p. 334.

32. Doing Business in Indonesia, op. cit., p. 10.

33. International Perspectives (May/June, 1976), p. 11.

34. Inco's nickel mining project is an example of the types of investment opportunities Indonesia has to offer. Globe and Mail, August 21, 1975.

35. Department of External Affairs, op. cit., "Pacific Pamphlet", p. 20.

36. Ken Richardson, "Canadian Aid to Indonesia", Canada Commerce 138 (January, 1974): 35.

37. Financial Post, May 15, 1976.

38. Financial Post, April 3, 1976.

39. Canada, Canadian International Development Agency, Strategy For International Development Cooperation 1975-1980, (Ottawa: Information Canada, 1976), p. 34.

40. International Canada, 6 (January, 1976): 9.

41. Ibid.

42. Canada, House of Commons Debates, Vol. II, December 12, 1977, pp. 1764-65.

43. International Perspectives, (May/June, 1976), p. 9.

44. Interview with Indonesian official.

45. Canada, Senate, Standing Committee on Foreign Affairs, Proceedings of the Standing Senate Committee on Foreign Affairs, April 6, 1971, p. 15.

46. Globe and Mail, August 21, 1975. In joint ventures, local staff are employed in the investment sectors and fewer foreign employees are permitted to participate.

47. Interview with official at IT&C.

48. Interview with officials at CIDA.

49. Ibid.

50. Manchester Guardian, August 3, 1971.

51. Summary of World Broadcasts, November 14, 1977.

52. Summary of World Broadcasts as quoted in Jakarta Home Service, November 11, 1977.

53. International Perspectives, (May/June, 1976), p. 17.

54. Ibid.

55. Montreal Gazette, July 27, 1978. In early 1978, 8,000 political prisoners were released with the intention of freeing another 10,000 by the end of 1978.

56. Interview with CIDA officials. Food assistance was provided in 1976-1977 because Indonesia suffered from a serious drought and an earthquake.

57. Canada, Canadian International Development Agency, Canada And Development Cooperation--Annual Review 1975-1976, (Ottawa: Information Canada, 1976), p. 89.

58. Ken Richardson, op. cit., p. 36.

59. Interview with CIDA officials.

60. Ibid.

61. Globe and Mail, August 21, 1975.

62. Interview with CIDA and Indonesian officials.

63. Interview with Indonesian official. The official was quite explicit about not excepting any long term Soviet aid.

64. Department of External Affairs, op. cit. "International Development", p. 12.

65. Interview with CIDA officials.

66. House of Commons Debates, Vol. II, February 18, 1977, p. 3188.

67. House of Commons Debates, Vol. II, December 12, 1977, pp. 1764-65; Vol. 121, January 26, 1978, pp. 2290-95.

68. Interview with CIDA officials. The roles of the different departments, claimed officials, would be coordinated under Strategy guidelines.

69. Canadian International Development Agency, op. cit., p. 26.

70. World Bank Atlas, (Washington D.C.: World Bank, 1976), p. 4.

71. Canadian, Canadian International Development Agency, CIDA Handbook (Ottawa: 1976), p. E-3.

72. Interview with CIDA officials and External Affairs officials.

73. House of Commons Debates, Vol. II, December 12, 1977, pp. 1764-65.

74. Ibid.

75. House of Commons Debates, Vol. 121, April 26, 1978, p. 4903. Roche argued that it was not CIDA's job to help Canadian business but rather, that was the responsibility of the EDC.

CHAPTER V

SUMMARY AND CONCLUSIONS

The central purpose of this thesis was to trace the development of Canada's aid relationship with Indonesia in order to determine the extent to which the motivations outlined in Triantis' approach existed. The acceptance of the trilogy suggests that Canada's interest in having a development assistance programme with Indonesia can be explained in terms of philanthropic, economic and political interests. These factors alone would determine the government's interest in ODA. Authors like Triantis, Spicer and Reuber would argue that aid can adequately be explained in these terms. However, Sanger, Lyon and Bird feel that emphasis has to be placed on the political motivation--the government's aid programme is a response to their own political and security interests. Decision-makers will ensure that these objectives are served in a single country ODA programme. Decisions result from compromise, conflict, confusion and bargaining. Different actors have different interests and objectives in the ODA programme. With the bureaucratic imperative, the notion of "where you stand depends on where you sit"[1] becomes increasingly important in determining the outcome of decisions. Inevitably, then, the process through which the government choses aid recipients has an impact on the actual ODA programme for a single country.

It has been claimed by Escott Reid[2] that the humanitarian objective can be an important factor in determining the nature of the government's aid programme. This motive introduces the donor to the needs of the

recipient country and, therefore, can be an instigating factor resulting in a large scale development programme. The humanitarian component of Canadian aid to Indonesia could be demonstrated by the food assistance that Canada had provided. Throughout most of the 1960's, Indonesia was suffering from acute food shortages. The Canadian government felt they had a moral obligation to provide a limited amount of food assistance. Aside from this, there was very little contact with Indonesia in the area of development assistance prior to 1972. Since 1972, the amount of food assistance provided was virtually non existent with the exception of emergency relief in 1976. On the other hand, there was some NGO activity to compensate for food assistance. But the amount of ODA provided through NGO's was disproportionately low in comparison to direct bilateral assistance. If the government's development assistance programme had been triggered by philanthropy they would have increased their assistance through NGO's.

Alternately, humanitarianism was expressed through the government's desire to see aid dollars being used effectively. If aid was to be provided, it would go to a country that was classified as poor but at the same time to a country that had potential for economic and social development. The Indonesian government had expressed an effort to improve their own living conditions through the introduction of the Five Year Plan. The Canadian government decided to assist Indonesia in their efforts through providing assistance. However, the government's stated policy was that the recipient country would have to bear the economic sacrifices and changes in their society themselves.[3] This seemed to suggest that the humanitarian incentive for providing ODA to Indonesia was very weak. The other objectives of assistance would be more important.

Economically, there had been some trading between Canada and Indonesia since the early 1960's. In most years, this relationship had been in favour of Canada with exports to Indonesia exceeding imports. Indonesia, therefore, provided a lucrative market for Canadian goods and services. This market also helped Canada enhance its position as a trading nation.

Since 1972, with the government's efforts to carry through with the 1970 foreign policy decision to concentrate ODA on Indonesia, the trade relationship took on a new meaning. There was a "push" by Don Jamieson, Minister of IT&C, who later that year would become Canada's Secretary of State for External Affairs, to convince Canadian business to invest and promote trade with Indonesia. The efforts to convince business to direct their activities at Indonesia seemed to provide token support for the new government and their efforts to improve the country's economic conditions. The Canadian government's economic interests tended to support the fact that decision-makers in Ottawa did believe that Suharto had formed a strong, stable[4] government for the country. Stability was essential to anyone interested in investing. Firms needed some assurance that they would not lose everything due to a coup or overthrow in government.

Despite the increase in economic interests by Canadian companies in Indonesia, the level of investment was not as great as both the Canadian and Indonesian governments would have liked it to have been. From the Canadian point of view, this can be explained as being the result of problems in foreign currency, the continued hesitancy of firms to take on large scale investment ventures and the ASEAN concept which has been given priority in trade and business among Southeast Asian countries. The feeling among Indonesians is that there has been a general lack of

knowledge and awareness of Canadian goods and services. Indonesians need to become familiar with services Canada could provide. Also, the recipient country has to be convinced that it meets the standards of Japanese products. This is a slow process and neither government can be expected to change its attitudes all at once.

Triantis argued that foreign aid was conducive to introducing Canadian goods into foreign markets and that Canada had a vested interest in expanding world trade.[5] However, if trade and aid statistics are examined closely, it becomes apparent that there was a significant amount of trade between Canada and Indonesia prior to any large scale aid programme. Through economic ties Indonesians had become acquainted with Canadian goods and services and Canadian goods were being introduced in a foreign market. Rather than aid preceding trade as Triantis seemed to suggest, the case was the opposite here. However, trade interests did expand when the government increased ODA allocations to Indonesia. Relating back to a previous point, it seemed that a lack of awareness of Canadian goods and services was not the major factor in the problems experienced in increasing trade and investment opportunities between Indonesia and Canada. Rather, Canadian firms did not seem to be too anxious to explore Indonesia's market. It appeared that they were being pressured by the Canadian government. In other words, economic interests were to compliment political motives for development assistance to Indonesia.

The government's efforts to convince Canadian firms to invest in Indonesia was expressed by Jamieson's trip. One of the functions of his trade mission to Southeast Asia was to give firms that added "push" that was required to direct them at the opportunities the countries in the

area had to offer. To further encourage the aid-trade relationship with Indonesia, the 1975 White Paper stressed the importance of CIDA's cooperation with the EDC. Since the introduction of the Strategy Paper, there have been a number of joint CIDA-EDC developmental projects undertaken in Indonesia. The largest one was outlined in the previous chapter.

The government's interest in encouraging the trade and investment relationship was a result of a desire to have a strong Indonesian economy. Through strengthening the economy, Indonesia would be better equipped to combat communist infiltration in the area. Similarly, the Canadian government provided assistance to IGGI, the consortium of Western donors, because one of its primary functions was to pull Indonesia out of the economic upheavals of the early 1960's so that the nation would be conducive to economic growth. Member countries, including Canada, all had an inherent interest in developing an economically strong Indonesia so that the country would be able to protect itself from communist expansion. On a broader scale, Canada supported the objectives of ASEAN and offered economic support to the grouping. An economically strong ASEAN would provide a stumbling bloc should the communist countries in the area attempt to expand their control beyond the present boundaries. However, as Dudley and Montmarquette found, political motives of this sort are "covered up" by the economic objectives the government claims that they are to serve.

Eighty percent of Canadian aid to Indonesia is tied[6] to the procurement of Canadian goods and services. This substantiates an argument made by Fatouros[7] --that Canada's own interests must be served before those of the developing country. It has been argued that tying aid tends to command more public support but when the majority of

Canadians are unaware of the existence of an aid programme to a certain country, it is unlikely that they will be aware that aid is tied. If tied aid is to get public support it would only be from those businesses which stand to gain from aid being tied to the procurement of Canadian goods and services. On the other hand, tied aid does ensure that Indonesia, like other developing countries, purchases Canadian goods and services. It gives the government some autonomy on how funds are spent or that aid is used for the purposes it was designated for and not for arms or military equipment. Finally, aid may be tied with the specification that the recipient country follows a pro-Western type of diplomacy.

Tied aid has sometimes been considered "unfair" because it displaces "normal" trade, or in other cases as Sanger[8] noted, has resulted in social development falling behind economic development. The Indonesian government, along with the governments of the other Southeast Asian countries, has taken steps to guard against this. Joint ventures give these countries priority in trade and investment opportunities. Yet, Indonesian officials have encouraged Canadian investment. Canada is seen as a country without any big power ambitions. Through their efforts in ASEAN to stop communist expansion, Indonesia was willing to encourage investment from countries that did not pose a problem to Indonesia's own notion of an "active and independent" foreign policy.

Martin,[9] Asher[10] and Wall[11] found that aid was a stimulus to growth in the Canadian economy and that through interaction with developed countries on foreign markets less developed countries become more responsible trading partners. Indonesia has become an established partner for Canadian business and also a lucrative market but this does not ensure

that they will, in the long run, be a reliable one. Therefore, while development may be a good business, it can also be bad business. The fact that ninety percent of Canadian trade continues to be with other developed countries[12] suggests that the Canadian government is aware of this factor.

Canada had a political interest in Southeast Asia since 1949 when communist expansion throughout the area threatened their Commonwealth interests and inevitably, their own well being. Through peacekeeping efforts this continued to be a dominant theme in Canadian dealings with Southeast Asia. However, it was not until 1968-70 with the election of the Trudeau government and the resulting foreign policy review that Indonesia would be given special status apart from other Southeast Asian countries.

Political interests were very much a part of the government's decision to assist Malaysia rather than Indonesia during the confront Malaysia Campaign, even if it was only Commonwealth ties that warranted this choice. Political motivations were also active when the government chose not to provide Sukarno with any substantial amount of bilateral assistance but reversed this decision with the change of government. This motivation was also in effect when the Canadian government made its choice of countries of concentration. With the international focus being placed on Indonesia and because of the internal problems of some of the other Southeast Asian nations, Indonesia was left for aid concentration.[12]

Indonesia's size, population and resources were all factors that influenced the Canadian government to single Indonesia out as a "country of concentration" for Canadian ODA. Beyond these factors, Indonesia's

strength in comparison to other Southeast Asian nations warranted them special attention. The importance of ASEAN after the American withdrawal as a stumbling bloc to prevent further communist expansion and Indonesia's position within the regional grouping was becoming increasingly more important to Canada. With the emphasis placed on ASEAN and Indonesia's role in the five country unit, it becomes apparent that as in Canada's early interest in Southeast Asia, the threat of communist expansion and communist infiltration into the developing countries, the Canadian government continued to be concerned with this factor to the present day.

Spicer noted that the theory of containment of communism assumed a pro Western behaviour in the recipient countries' diplomacy[13] and, therefore, the theory was not thought through very thoroughly. The Indonesian government will accept on a selective basis, assistance from communist sources. Canada had a desire to keep communist influence in Indonesia at a minimum and was, therefore, more willing to extend aid in the volumes Indonesia required. While the Canadian government may not assume that Indonesia will pursue an entirely pro Western diplomacy, they would expect a limited communist type diplomacy.

Aid was at one time provided to impress other participants of the Western alliance. In the years immediately after 1949 Canada's interest in impressing Commonwealth countries and the predominance placed on these ties directed Canadian aid away from Indonesia and toward Commonwealth countries. As the Commonwealth diminished in importance to Canada and an interest developed in the turbulance in Southeast Asia the government joined IGGI which was another consortium of Western donors. Among the member countries, the terms of Canadian IGGI donations are among the

most favourable--with no interest charges. This consortium, then, permitted Canada to impress other Western donors through the levels and terms of assistance.

Canadian aid to Indonesia has also been used to secure Canada's political interests in the area. Once the Canadian government realized that the peacekeeping role no longer could provide the security required against communist expansion, ODA presented a viable alternative. The government would attempt to contain communism through development assistance. The fact that eighty percent of Canadian aid remains to be tied to the procurement of Canadian goods and services, suggested that Canada wanted to keep Indonesian contacts with non Western powers at a minimum. Tied aid would ensure that the recipient country would deal with Canada for its developmental needs. Alternately, building up the economies of the Southeast Asian countries would provide a safeguard against communist expansion. Hence, Pearsons' argument in the 1950's that building up the economies of the Southeast Asian countries could provide a buffer to communist expansion still existed to the present day. However, Pearson felt that economic development should be left to these countries themselves. The Trudeau government, on the other hand, chose to assist Indonesia in its developmental efforts.

In recent years, Canada's interest in Indonesia has intensified as a result of the world energy crisis. The fact that Indonesia was rich in natural resources has already been pointed out. Aside from the support Indonesia can provide Canada with in international forums such as the Law of Seas, Canada has offered development assistance in return for a share of the off-shore oil reserves that Indonesia and Canada are currently

exploring. Canadian aid, then, has become a bargaining tool--development of resources in return for a guarantee of a portion of the resources.

The case study confirmed that there was evidence of the trilogy of motivations in the Canadian programme to Indonesia. The study also confirmed that ODA was triggered by politically motivated factors. Initially, the proposed American withdrawal and the changing power balance led the Canadian government to reconsider their role in Southeast Asia. With the substantial withdrawal of American troops and the war in Vietnam itself, the Canadian government decided to carry through with the 1970 foreign policy decision and increase their development assistance to Indonesia. Again, after the war in Indochina in 1975, Allan MacEachen announced Canada's decision to try and fill the power vaccuum left by the American withdrawal through increased development assistance and by building up the economies of the Southeast Asian countries.

Dudley and Montmarquette have argued that political motivations are often "covered up" by economic overtones. Canada supported the objectives of the First Five Year Plan in Indonesia because it would help Indonesia sort out their economic upheavals. The Plan, however, would also be a weapon against communist expansion. Canada's claimed reason for supporting IGGI was economic development. But behind economic development were politically motivated factors. Similarly, Canada offered ASEAN economic support. An economically strong ASEAN would serve Canada's political interests. Aid was fashioned, then, by non-political criteria but was allocated in terms of Canada's political interests.[14]

Sanger felt that CIDA was relatively powerless within the government bureaucracy. At no point did CIDA express a desire to have an aid

programme with Indonesia. In the early 1970's when the 1975 Strategy Paper was being discussed CIDA officials argued that aid should be concentrated on Francophone Africa and Latin America. CIDA's initial lack of interest in Indonesia suggested that the selection of countries of concentration was made by other federal government departments, namely, External Affairs. In any case, Indonesia as a Canadian aid recipient was not CIDA's choice. On the other hand, External Affairs officials stated that their interests in the area were that compelling that Indonesia would receive ODA regardless of the balance of payments support.

CIDA's inability to do anything about the political prisoners' issue lends support to CIDA's position within the government bureaucracy. Officials were clearly distressed about the problem but were incapable of solving it. Human Rights was considered a policy question that fell within the realm of social justice.[15] Therefore, External Affairs would have to deal with it. CIDA's inability to influence External Affairs to take a positive stand on the question tended to suggest that CIDA had very little influence on policy-making for a single country aid programme. Nor did CIDA have the ability to convince External Affairs to carry through with policy as it was outlined in the White Papers.

CIDA's concern for the political prisoners' question was shared by Amnesty International. Like CIDA, AI found that it had not successfully found a solution. This was a result of the fact that AI received very little public support for its efforts. Furthermore, it suggested that NGO's such as Amnest have very little influence in policy-making for development assistance.

The 1975 White Paper urged cooperation with the EDC. Through joint ventures with the EDC, CIDA loses some of its autonomy, especially when three-quarters of a single project was funded by the EDC. With the amount of funding the EDC provides, they would have a considerable influence on CIDA's position on developmental issues. Aside from responding to External Affairs, the 1975 White Paper ensured that CIDA would also respect the wishes of IT&C and the business community.

The decision-making process itself renders CIDA little maneouvrability. Each year Cabinet authorizes CIDA to spend up to seventy percent of the last year's budget.[16] CIDA takes on new projects according to this figure. Because a country received a certain level of aid one year, it does not guarantee them the same amount for the next year. Rather, the level of assistance is based on the number of projects Canada decides to take on. ODA projects require the approval of different federal departments; External Affairs, IT&C, Finance, Treasury Board and CIDA.[17] IT&C would like to see aid as commercially oriented as possible.[18] External Affairs has strategic and political interests in Southeast Asia.[19] Finance wants to curtail spending. The objectives of the different actors are not always directed toward the same goal. In the process, CIDA has to try to combine the interests of as many departments as they can. Beyond the fact that there is this tugging and pulling, CIDA's input into the aid programme does not go past the interdepartmental level. Represented in Parliament and Cabinet by the Secretary of State for External Affairs, CIDA is directly responsible to the Minister of External Affairs. External Affairs is not going to jeopardize its interests for CIDA.

NOTES TO CHAPTER V

1. Graham Allison, Essence of Decision Explaining the Cuban Missile Crisis (Boston: Little, Brown and Company, 1971), p. 176.

2. Escott Reid, "Canadian Foreign Policy, 1967-1977: A Second Golden Decade?" International Journal 22 (Spring, 1967): 175.

3. Canada, Department of External Affairs, Foreign Policy for Canadians (Ottawa: Information Canada, 1971), "International Development," p. 7.

4. External Affairs officials and CIDA officials defined stable as being free of any major uprising such as the 1965 coup in Indonesia and a government capable of maintaining internal peace.

5. S.G. Triantis, "Canada's Interest in Foreign Aid," World Politics 24 (October, 1971): 1.

6. CIDA officials noted this figure was under review for Indonesia at the moment.

7. A.A. Fatouros and R.N. Kelson, Canada's Overseas Aid (Toronto: Canadian Institute of International Affairs, 1964), p. 28.

8. Clyde Sanger, "Canada and Development in the Third World," in Peyton V. Lyon and Tareq Y. Ismael, eds., Canada and the Third World (Toronto: Maclean-Hunter Press, 1976), p. 287.

9. Paul Martin, Paul Martin Speaks for Canada, A Selection of Speeches on Canadian Foreign Policy (Toronto: McClelland and Stewart, Ltd., 1967), p. 134.

10. Robert Asher, Development Assistance in the Seventies (Washington, D.C. Brookings Institution, 1970), pp. 27-29.

11. David Wall, The Charity of Nations (New York: Basic Books, 1973), p. 47.

12. T.A. Keenleyside, "Canada and the Pacific: Perils of a Policy Paper," Journal of Canadian Studies 8 (May, 1973): 34.

13. Keith Spicer, The Samaritan State (Toronto: University of Toronto Press, 1966), p. 32.

14. Ibid., pp. 85-89.

15. Department of External Affairs, op. cit., p. 36. Development assistance would have to be correlated with policies realted to the promotion of human rights and freedoms; interview with officials at CIDA.

16. Canada, Canadian International Development Agency, CIDA Handbook (Ottawa: Information Canada, 1977), p. E-4.

17. Interview with officials at External Affairs.

18. Interview with officials at IT&C.

19. Interview with officials at External Affairs.

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