**PROFESSOR GILBERT NMO MORRIS**

A RECENT ARTICLE IN THE GLOBE AND MAIL - a reputable Canadian newspaper – HAS STIRRED MANY COMMENTARIES ON THE ECONOMIC CONDITIONS IN THE CARIBBEAN. THE ARTICLE IS PRESERVED BELOW, ON THE READER"S LEFT AND MY COMMENTS RUN DOWN THE RIGHT SIDE.

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BE IN NO DOUBT, whatever the general claims of this article, it paints an accurate picture of our 'prospects-to-date' in the Caribbean, and demonstrates how tenuous has been our 'prosperity', which has been little more than the secondary or collateral interest of the banks. It shows how in the region – since colonialism and after supposed independence – we have sat by waiting for others to cultivate our economic prospects, and how we have satisfied ourselves to feed on the options they provided without ever having put ourselves in a position to develop, cultivate or advance a true economic model employing the tools of modern financial engineering.

Below, I make 10 points running astride the article below, which I (and others) have made for 25 years, which are symptomized in this article:

# Trouble in Paradise: Inside Canadian banks' billion-dollar Caribbean struggle - TIM KILADZE - GLOBE AND MAIL UPDATE (INCLUDES CORRECTION)

Last updated Friday, Feb. 27 2015, 7:16 PM EST

They arrived in droves starting at 5:30 a.m., desperate to secure a steady pay cheque. By midmorning, the anxious mob totalled 5,000 people. Sandals, a Caribbean hotel chain, was hosting a job fair in Barbados to hire staff for a brand new resort. Because thousands of people showed up for 600 jobs on the October morning last year, scores of applicants were forced to wait outside under the blistering sun.

Things went from testy to unruly as the temperature neared 32 degrees; Sandals had no choice but to call the cops.

POINT I:

The overall tenor of the article highlights our relative insignificance. Mr. John Smith – MG of the TCI Airports Authority – once used a phrase in conversation with me, saying: "We must learn the significance of our insignificance". That is, we have an importance to others we have not learned or acted to leverage. We are satisfied with what others offer; jockeying only to be in position (or 'qualify') to 'benefit' over our fellow citizens; without clarity on the costs to our country. This article demonstrates that the bankability of the Caribbean is being decided by others, after they have earned what significance we have, and their actions aimed now at protecting their bottomline reveals both, our insignificance and our stunning, routine self-satisfied irresponsibility in failing to have a say.

The chaos is one face of the ugly downturn sweeping through the Caribbean. Though the global financial crisis technically ended a few years ago, its punishing aftershocks are still being felt—and they're amplified on island states that depend on tourist dollars for support. Countries like the Bahamas and Barbados are marketed as idyllic vacation spots with white sand beaches, but their local economies are anything but serene.

In the Bahamas, the unemployment rate was 15.7% at the start of February—higher than in Portugal, one of Europe's worst-hit economies, and well over double Canada's rate. The situation is even worse in Barbados—and arguably even more surprising, since the loyalty of British tourists to "Little England" had seemed to be bred in the bone.

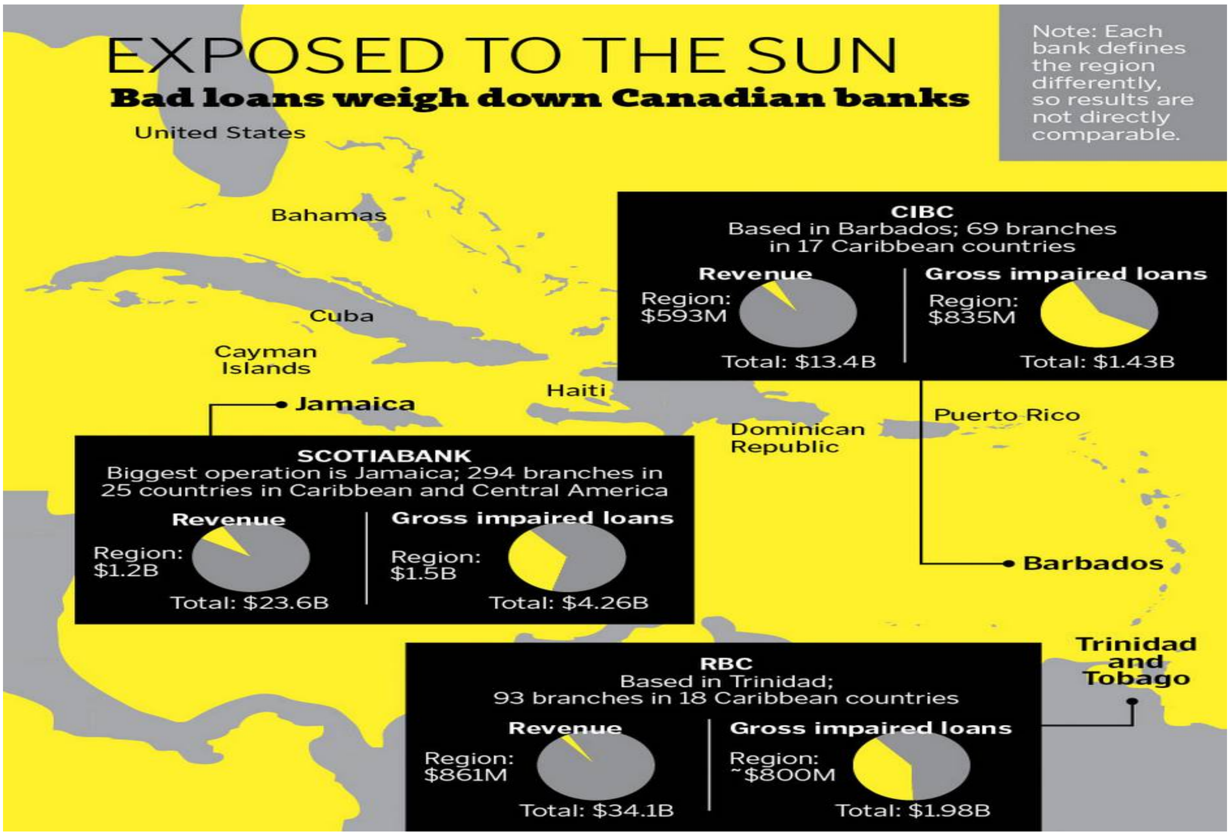
The colonial tie meant little during the financial crisis, and the resulting downturn drove Barbados's debt load to nearly 100% of its gross domestic product. Struggling to pay the bills, the government fired 3,000 public servants last year. It's also gone cap in hand to hotel developers, offering major tax concessions to spur investment—hence the scene at Sandals.

POINT !!:

The Canadian Banks are really Caribbean Banks. Scotia Bank's first branch was in Halifax, its second was in Jamaica; facilitating the Molasses trade and the trade in Salt from Turks and Caicos, for the Cod Industry.

Caribbean governments – with the exceptions of Bermuda, and in the last 20 years Trinidad, have been poor at incentivizing and developing local banking. Our post-Colonial psychology seems to mandate that we regard what is local as inferior, and so many of our "local banks" are merely commercial banking copycats of Canadian Banks, which are anathema to the financing demands for development or local entrepreneurship. That is to say, the banking models we have permitted or adopted are inconsistent with the demands of developing nations; ineffective as a business model and frustrate the dreams of our peoples.

However, in the cronyist model of political economy, which we have created, the Canadian banking model has served well, those Mercantilists few, the politically connected and often least imaginative, who dominate economic opportunities through political connections in our systems.



Financial institutions are, of course, at the epicentre of this storm. Take the case of Sagicor Financial Corp., a leading regional life insurer, based in Barbados. Because the country's sovereign debt has been downgraded several times, Sagicor's corporate debt rating has also suffered. In January, the company abruptly announced it was relocating its head office outside of Barbados, shocking the island's 290,000 citizens.

Canadian lenders have it even worse. Our banks are often praised for sidestepping the U.S. mortgage crisis and for avoiding the ugly economic woes that still wreak havoc in Europe, but the truth is, they've hit trouble in paradise. Royal Bank of Canada, Bank of Nova Scotia and Canadian Imperial Bank of Commerce are by far the Caribbean's three largest lenders, dominating both personal and commercial banking. Combined, they've written off more than $1 billion in the region since the Great Recession.

To stanch the bleeding, the banks have been restructuring their regional operations by shrinking their footprints and by leaning on specific countries, such as energy-rich Trinidad and Tobago, to drive growth. At first it seemed like a smart plan, but then energy prices plummeted. Some 45% of Trinidad's GDP comes from the energy industry, as do 80% of its exports.

Shareholders barely noticed when Canada's banks started suffering from this tropical malaise five years ago. Because the Big Six lenders were on a tear, many of their mistakes were glossed over. Bank CEOs, however, have warned that the bull run is waning. Spooked by spiralling writeoffs, investors repeatedly asked bank chiefs about the region at a major industry conference in January. More than anything, they simply want to know what the hell is happening in the backyard of Canadian banking.

**A long history in the Caribbean**

Canada's commercial ties to the Caribbean run deep. Starting in 1864, the group that founded Merchant's Bank

POINT III

In the last 100 years and certainly during the last 50, the Caribbean has been the driver – as the article says – of "fat margins" for Canadian Banks. If the governments of the Caribbean had a strategy of "empowering" (I hate this word, though it is useful in this context), its citizens and developing local banks; if we had a policy of leveraging Foreign Direct Investment (FDI), to develop and advance a significant domestic equity base; had we examined the prospects for domestic banks, so creating a competitive nexus in banking locally, not only would we have a say in the restructuring of Canadian Banks in the region, in fact, those banks may not have found themselves in their current decrepit state.

Competition would have enforced sensible approaches driving all banks toward financing new entrepreneurs with the best ideas. This would have produced a certain discipline in the banking sector, cultivated credibility through investability in our entrepreneurs, whilst reducing the costs of capital, even as it undermined the culture of skullduggery, fraud and outright theft, now so prevalent in the region.

Ever it was laughable to watch the expansion of the Canadian Banks in the region, touting their quality of judgment as the reason they avoided the effects of the 2008 financial crisis. The collateralization strategy upon which they thrived for 100 years in the Caribbean meant tying up vast amounts of equity in exchange for expensive credit with no relevance to risk. This means that they were "sitting ducks" for the fall in the value of Caribbean real estate as a feature of 'demand destruction' from the financial crisis; of which the second shoe is still to fall.

When you consider the lack of diversification in the region, the Canadian banks were developing their own vast holdings of "subprime" credit portfolios. With the economic downturn in the United States (responsible for nearly 70% of Caribbean tourism); with Caribbean tourism as nearly 70% of total GDP; with cronyism and corruption leading to the domination of the Caribbean economies by the narrow few over the hustling many, any fool could see the critical exposure of the Canadian Banks, and so the lowering bankability of the Caribbean itself.

With vast millions awaiting opportunity, with crime and societal malaise as our chief export, look for matters to turn worse, not better.

in Halifax financed trade with British-owned islands in the Antilles. Ships leaving Canada packed with timber and flour returned home with sugar, rum and cotton.
Scotiabank planted roots in the British West Indies, as they were then known, by opening a branch in Jamaica in 1889. RBC began its Caribbean foray even earlier, in 1882, and CIBC set up shop in Barbados and Jamaica in 1920. Canadians were so enamoured with the region that Prime Minister Robert Borden talked to his British counterpart, David Lloyd George, about taking over some islands in 1919 (or so legend has it).
For all that history, our banks are sometimes still chided for being from afar. "Everybody always talks about these 'foreign banks,'" says Anya Schnoor, a Jamaican who runs Scotiabank Trinidad. "I always say to everybody: If you've been in a region 125 years, we've kind of gone beyond" that line of reasoning.
The Canadian banks used to face tough competition from the likes of Barclays and Citibank, but that started to change at the turn of the century. In 2001, CIBC combined its regional operations with Barclays' to form FirstCaribbean International Bank; five years later, CIBC bought out Barclays' remaining stake for just over $1 billion (U.S.). It was the largest deal of CEO Gerry McCaughey's era.
While Scotiabank largely opted for organic growth, investing in its local wealth and insurance arms, RBC inked its own acquisition in 2007, buying back Trinidad's RBTT Financial Group for $2.2 billion (U.S.). (RBC originally owned RBTT, but sold it to public shareholders in the late '80s.)
Each of these investments seemed promising at the time. With tourism booming and energy prices soaring, economic growth was robust—between 2000 and 2007, Trinidad and Tobago's averaged slightly over 8% annually. The region's profit margins were also fat, particularly in lending.
By 2008, the three Canadian banks had $42 billion in assets across the English Caribbean—2.5% of their combined total

POINT IV
There's a theme underlying the article to the left of the failure of cross-Caribbean integration.
Clients and customers of the Canadian Banks across the region will have noticed the decline in authority of their local managers.
In fact, the Canadian Banks seem at times like institutions straight out of Franz Kafka's "The Trial" or Van Gogh's "Church of Auvers" (Church with no doors).
That is, the building – in this case the bank - stands there, but is inscrutable for too many. If you call, you are bounced around until you are back at the answering system's initial protocol, even in as small a place as Turks & Caicos.
The new regulatory environment (I will say more of this next), means our people, many poor or older people find themselves having to discover documents, which they have never had need of in their own country. (Fools in our banks call this "progress", with many of our locals spouting the same nonsense against their own interests).
It was easy therefore for the Canadian Banks to imagine doing what CARICOM has failed miserably to effect: To integrate Caribbean operations, treating all countries as one entity.
This sounds clever.
However, this approach was not considered for our benefit. We were insignificant to the objective. It was the significance of their continued "fat margins" that drove this idea, and ensured its failure. "Plantation Banking" can no longer succeed in the Caribbean. This has nothing to do with any decision or innovation by any Caribbean government. Simply, the internal and exogenous pressures – as I mentioned previously – are now too great. The underlying real estate collateralising domestic debt obligations will now fluctuate in value drastically over the next 10 years. Corruption will make it difficult to conduct reliable due diligence without infringing on civil liberties; such as we observe them or not in the region.
Lack of diversification, which can only come through support of local entrepreneurs, will mean that inherent levers of efficiency will not activate to drive value. The Caribbean is therefore likely – if past behaviour is prologue – to be shambolic, with Canadian banks doing nothing to advance governance, management, or growth. Sadly, they have become more like us than we have like them.

assets, but more than four times those held by the 40-odd locally owned banks. With such a dominant footprint, RBC, Scotiabank and CIBC hardly had to spend to build brand awareness—they could milk money just by being there. In 2007 CIBC FirstCaribbean made $256 million (U.S.), contributing 7% of the bank's total profit.

Then the financial crisis hit.

At first, the pain wasn't too severe because Brits, Canadians and Americans didn't cancel the vacations they had booked before the crash. But in 2010, Jamaica became the first to blink, turning to the International Monetary Fund for assistance. Almost four years later, Barbados did the same when its central bank nearly ran out of its precious foreign exchange reserves. The government is now in regular talks with the IMF, which recommends sweeping changes. This suggests that two of the region's three traditional economic powerhouses can't support themselves.

Scotiabank was the first financial institution to acknowledge the pain. As the lead lender to a developer that bought resorts on Cable Beach in the Bahamas, the bank suffered a $75-million hit on its $200-million loan in 2010. Through a complex restructuring, a Chinese bank stepped in to bail out the developer, ultimately financing a project comprising six hotels, a 100,000-square-foot casino, 200,000 square feet of convention facilities and an 18-hole golf course. A year later, CIBC wrote down its investment in FirstCaribbean by $203 million.

It was then largely quiet until January, 2014, when RBC shocked its peers with plans to sell its Jamaican operations to Sagicor, incurring a $100-million loss. The year since has been chock full of charges and pullbacks, including another $420-million writedown of FirstCaribbean's goodwill; the closing of RBC's Caribbean wealth management business; and scores of loan-loss provisions from all three lenders.

Today, more than half of CIBC's total gross impaired loans—or loans that show any signs of trouble—originate in

POINT V:

The regulatory onslaught in the Caribbean Basin has and will prove further undoing of our bankability.

It is noteworthy to me that Ministers for Financial Services or Ministers of Finance responsible for Financial Services, seem clueless as to what their jobs entail. This is understandable, since financial services as such, particularly in The Bahamas, where it was born in this region, was a mere intuition of Sir Stafford Sands', and remains a gross intuition to this day.

The very nomenclature: "Minister of (or for) Financial Services" reveals a seminal confusion, born of hubris. The actual services menu in a Financial Centre should be a secondary concern for a Minister. His/her proper tile should be: Minister for the Financial Sector.

The Minister's emphasis – whatever his/her title – should focus on structure. That is, the Minister's actual concern should be competitiveness relative to comparative structures primarily, and services secondarily.

If this were the case in our region, aside from the refusal to have signed unconstitutional tax information exchange agreements under duress, our Ministers – observing the entire panorama of the financial sector - would have cultivated a structure that offsets rather than capitulates to rules imposed by others in their interests in breach of our laws, where they render us uncompetitive.

Why is this important?

Because, had we this sort of structural discipline the Canadian Banks would not have determined their relationships with our citizens according to their internal regulatory risk protocols rather than our laws, underwhich they are licensed. All over the Caribbean, the Canadian Banks – of late, for instance – have been refusing to deal with Money Transmitters, who are licensed by the very agencies that licensed them; even as remittances are more than 14% of total regional GDP.

Moreover our laws would not reflect the 'vagabond's imperative', do as you are told.

Nearly every week the banks rearrange their relationships customers, effectively regulating their banks from Canada, rather than by our laws; even after the laws have been made in their favour.

As such, our Minister for 'Financial Whatever' is not the one deciding the competitiveness that renders our jurisdictions bankable. Some short-sleeved shirted clerk in a windowless room in Canada is deciding that with devastating effects on the commercial life of Caribbean peoples; as we shall see once the restructuring takes effect.

the Caribbean. At Scotiabank, the equivalent share is 35%. In other words, this tiny cluster of islands has the potential to generate bigger writeoffs than both banks' monstrous Canadian lending portfolios. As for RBC, 11% of its Caribbean lending portfolio is impaired, versus just 0.33% of its equivalent Canadian business. Now we know why Caribbean loan margins were so fat: The outsized returns reflected higher risk. In finance, after all, there is no free lunch.

**Escalating lending woes**

What started as a corporate lending problem has morphed into a mortgage-market meltdown. Consumer credit is also suffering. Just before Christmas, RBC took another $50-million charge related to its Caribbean residential mortgage book, while CIBC has warned that further FirstCaribbean writedowns could come.

Before the crisis, foreigners piled into Barbados, buying up properties on the island's west coast. The boom was so fierce that a luxury mall—Limegrove Lifestyle Centre—was built, attracting tenants such as Cartier and Louis Vuitton. Developments like the Port Ferdinand luxury marina, which can house 120 vessels up to 18 metres long each, also sprung up. Today, however, both are surrounded by properties with "For Sale" signs. The situation is eerily similar in the Bahamas, where it would take more than a decade to unload all the foreclosed properties at the average annual rate of home sales.

Much of this mess dates back to practices put in place years ago—in some cases, before the Canadian banks made their Caribbean acquisitions. "The credit adjudication of RBTT left a lot to be desired," says Richard Young, the former head of Scotiabank Trinidad, who retired in 2012. "I used to compete with them, so I knew the type of stuff they were doing." If, for example, a client had a good relationship with a branch manager, he or she could simply call up and get extra credit, regardless of their banking profile. "The customers loved it."

FirstCaribbean, meanwhile, was happy to lend during a property boom. There was a belief in Barbados that real estate prices

POINT VI:

To extend the point concerning competitiveness, one of the results of the over-domination of our banking by the Canadian Banks and foreign banks in general, is that they seem to think that we are so happy just to have banks and they earn so much from our activities – such as they are – that no innovation is necessary.

The Canadian Banks in the region have a worst and poorer technology platform than you can find in South Africa, Kenya or Gabon.

Caribbean people – who have the privilege – and bank in the United States, have access to advanced banking systems by mobile phone better than is possible to enjoy with any of our foreign banks. You can bank better with a Canadian Bank in Canada than any Canadian Bank in the region. This again, is the result of lack of competition, misguidance in our Ministries of Finance and financial sectors, lack of foresight by Canadian Banks, and a post-Colonial psychology which says: as long as the select few can play golf or hang with the new transient manager of "the bank", what the bank does or fails to do in the larger culture will be defended as being better than people have it in Haiti; but Haiti (hold your prejudice) is in so many ways more advanced.

We have all noted that banks have imposed a riot of fees in recent years. But strangely, this is not mere greedy profit-making.

It is the result of greedy profit-making without making a sustainable market.

What you are witnessing – at the loss of every loose dime in your pocket – is a struggle for survival, which may find us losing both a large number of banks – resulting in even less competition – and a significant loss of jobs.

Whatever happens, it is to necessary to know this: In 3 years, it is less likely that Caribbean peoples will enjoy the indulgent luxury of standing around in a bank line because they like cash over electronics, an indulgent idociy.

This process of developing an electronic banking platform that is amenable to us would have come with strategy, policy and competition, which would have driven innovation and opened opportunities beyond the franchise-owning, family-run, anti-innovation, mercantile political-economic-family covens who have the largest deposits and sit on the boards of these banks and know every aspect of your credit application that may compete with their monopolies when you seek credit from these banks. This too stifles innovation.

would go up by 10% a year. Believing the hype was bad enough, but once the bubble popped, CIBC was left holding bad loans tied to houses and land.

Although each bank now has its own restructuring plan, the common denominator is the need to lower costs. Since revenues aren't growing, savings have to come from slashing expenses. That's easier said than done. RBC, for example, operates in 18 countries and territories in the region. It is governed by 17 regulators and deals in eight currencies. Negotiating layoffs and centralizing back-office functions is a nightmare.

To make matters worse, the Caribbean is an inefficient market. In Trinidad, people joke about waiting years to receive a tax refund. Roads are so bad that getting around a capital like Port of Spain takes a major chunk out of the workday.

Such inefficiencies have crept into the banking sector. Mobile banking barely exists in the Caribbean. RBC's branch—or banking hall, in local lingo—in Port of Spain's Independence Square is one of the bank's biggest in the world; it has to be, because West Indians would rather wait in line than pay electronically. The effect on costs is brutal. A recent study of Trinidadian banks found that total operating costs averaged about 6% of total assets; the figure in the European Union was just 2%.

Trinidad isn't alone. Until Scotiabank opened a new branch in Montego Bay, Jamaica, last fall, the lineup at its existing branch demonstrated that Jamaicans will wait an hour or more to deposit a cheque.

POINT VII:

Our tourism model is in crisis. Caribbean Tourism as a feature of global tourism is declining. We do not have the numbers to forestall that.

Our governments across the region have been failing or prancing onto the path to failure by raising taxes in our high tax, high crime, low productivity region. We have fomented immigration problems and even clashes, which distract the populations from real problems.

At a deeper level, we will find it impossible to develop if the Canadian Banks – in spite of their lack of commitment to domestic entrepreneurship – are not available to project banking stability as lead banks for development. As such, Tamico Gilbert is right that it is a measure of our failures that our offshore banking community would grow nervous as the loss of the Canadian Banks, which for them is our only foundation of stability.

Atlantis, in spite of its global reach, received its initial financing in The Bahamas, driven by a Bahamian. Baha Mar's initial financing was underwritten by a Canadian Bank in The Bahamas. As such, we are – in The Bahamas – leveraging the credibility of Canadian Banks to finance developments inconsistent with our carrying capacity or the forward headwinds of the US economy, from whence our cheap – T-shirt/ice cream – Tourists come.

The under-education of our populations, the unstinting rise of crime all fueled by cronyism, lack of capital, lack of opportunity will mean a cycle and spiral, which has developed within our countries will grow with pernicious effects. You must read the Canadian Banking Crisis in the Caribbean as the vicious cycle of the "Middle Income Trap", from which only openness, opportunity and innovation offer escape.

Port of Spain. Kibwe Brathwaite

The Canadian way of doing business is also at odds with Caribbean culture. Terrence Farrell is fluent in both worlds. A native Trinidadian who served as deputy governor of the country's central bank, he completed his PhD at the University of Toronto. Many West Indians, he says, will claim "God is a Trini" or "God is a Bajan"—the slang names for Trinidadians and Barbadians. The meaning: "We are fortunate; things will always work out for the best." In Farrell's view, too many people think, "we don't need to make any effort, we don't need to plan, to harness our resources, to work hard."

West Indians also have incredible national pride. Canadians may view the Caribbean as one coherent region, but each island likes to take digs at the other, and in many cases they really don't trust one another. "Bajans operate on two speeds," according to a Trinidadian saying. "Slow, and slower."

**A lack of economic diversity**

Such cultural assumptions are, of course, debatable. But bank investors can't ignore the hard facts of the Caribbean's underlying economic woes; nor can they ignore a changing regulatory landscape.

For tourism, the Canadian, U.S. and U.K. economies finally look promising—maybe. "The truth is, you can get sun, sea and sand anywhere nowadays," warns Pamela Coke Hamilton, an American-educated lawyer who heads the Caribbean Export Development Agency, based in Barbados. It kills her to say it, because she was raised in Jamaica, but the Caribbean is one of the most expensive sun destinations to visit, and a recent IMF study found the region's share of global tourism is falling.

Another major problem, Coke Hamilton says, is that the islands mostly offer the same thing, so they simply take tourists from one another. Today the Cayman Islands is a hot destination, siphoning off high-end tourists from Barbados and Bahamas. A few years from now, Cuba could be the sexy spot—especially if U.S. developers pile in. Coke Hamilton argues that each country must develop a unique strategy. Health City Cayman Islands, for

POINT VIII:

The Butler-Cox Debate: My brothers **Arlington Gibao Butler** and **Lester Cox** have been debating the meaning of this article on Facebook over the last few days.

Arlington says that the article is accurate in what it says and its research shows what so many have known and have been saying for years.

Lester says the prospects for the Canadian Banks in the region do not reflect the prospects for the region as a whole.

Who is right?

Both!

As I have shown or hope to have shown in these 10 Points, the prospects for the banks are not a "cause" of our problems. Their dominance and their problems are a symptom of deeper problems region-wide.

However, tourism numbers are both leading in the region comparatively whilst - ironically failing absolutely:

HERE IS THE WORLD BANK's Take: http://www.rbc.com/economics/economic-data/pdf/Caribbean.pdf

"The Caribbean* is estimated to have grown by 4.6% in 2014, and is projected to decelerate to 4.1% and 4.% in 2015 and 2016 respectively. The Caribbean* is expected to "lead regional (LAC) growth, averaging 4.1% over 2015–17, benefiting from stronger external demand and rising tourism receipts". * denotes Belize, Dominica, The Dominican Republic, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines. "

Note that "Caribbean" does not include The Bahamas, or Turks and Caicos, which is to say the Northern Caribbean.

And whilst Cuba is not included and in my view Cuba's growth will come slower than most expect, in this moment, Caribbean nations should have been at their most efficient, educated, socially stable, readied to compete. Given the option, I seem to see that any opportunity to open a cruise sector into Cuba could be accelerated. And whilst I find that such tourism profits us little comparatively, I believe we need those revenues to finance our transition toward a more suitable, sustainable model, at least in The Bahamas. Whilst Turks and Caicos needs to leverage its 'high-end' brand with the retiring 'Boomer' generation.

instance, opened in 2014, designed to lure North Americans looking to shorten surgery wait times, for a price.

On the regulatory front, a recent crackdown on tax evasion, particularly by U.S. lawmakers, has forced banks to abide by new rules. In 2010, the Foreign Account Tax Compliance Act became law, holding financial institutions to much tougher reporting standards for offshore assets. Barbados and the Cayman Islands had been well known as tax havens, giving Westerners good reason to do business and to own properties there. Globally, regulators are also getting tougher on money laundering—which is done, among other channels, through offshore accounts in the Caribbean—and that's made banks think twice.

As for the energy market, prices aren't expected to rebound any time soon—which means Trinidad is in trouble. In January, American and British energy explorers were still chatting over rum punches in Port of Spain's hotel bars, but that could quickly change. The country's lack of economic diversity has a price. "In Canada, you'll have a hit in certain provinces, but [the country] can absorb it a little easier," says Reshard Mohammed, chief financial officer of Scotiabank Trinidad. In his country, "a prolonged issue will be more problematic."

Trinidad does have some substantial buffers—its unemployment rate is just 3.2% and its "A" sovereign debt rating is the highest in the Caribbean. But Farrell, who is a director at Trinidadian lender Republic Bank, warns that the government didn't save much for a rainy day. Norway, he points out, started producing oil in the 1970s, and its sovereign wealth fund is now worth almost $900 billion (U.S.); Trinidad has been producing energy for 100 years, but its equivalent fund is worth just $5 billion. (Of course, Alberta's isn't much better, relatively speaking.)

**What the future holds**

Some banks are more willing to admit missteps than others. "It's fair to say that there were some mistakes we made around leadership and the business model," says Kirk Dudtschak, RBC's head

POINT IX:

Our legitimate needs in the Caribbean region, because of our relative size and insignificance, must always be balanced by our ability to hold sustainable investment, and ignite capital formation to extend and exhaust opportunities.

Yet, no country in the region has been good at this, with the possible exceptions of Cayman and BVI…with Anguilla showing signs of life.

No one is more committed than I am to winning benefits for our countries. However, we cannot win those benefits with inefficient government, foolish immigration policies, high-handed "devil may care" attitudes toward Foreign Investors, high crime, low productivity, high-wage demands and unreliable infrastructure.

Across the region, we seem to be resentful toward investors, and yet, exceedingly poor at deal-making. There is not a single deal across the region, that could make it into a business school text-book as an example of innovation.

This is not because we lack intelligence. It is because we operate in a system suffering from post-Colonial psychosis, in which we ourselves have failed to develop strategies and so policies to lift ourselves beyond this madness.

Lester is right to have said the situation of the banks need not define our prospects as a region. But Arlington is correct, the time is short and our habits of reaction, constriction, control and cronyism suggests that what we will avoid is what makes sense. And we will seek out the views of exactly those who have tied us to an empty vision, and so long as a certain few think they can be made safe, they will sacrifice the prospects of the region for short-term, politically safe appearance of prosperity. The thing about the Canadian Banks is whatever you may think of them, Canada is a nation with enormous resources. And if we can identify these issues as we have, in spite of their laxity in recent years in banking, they will now make decisions to lockout the possibility of the emergent underlying risks of banking with us, which portends not well for our banking sector, our economic prospects, our social systems or the making amongst us of an economic model that is capable of capturing, much less financing the aspirations of our peoples.

of Caribbean banking since 2013. When RBC bought RBTT, it had dreams of creating a pan-Caribbean bank, a strategy that entailed eliminating individual country heads in favour of a central command. It took five years before management realized they had lost the pulse of each island, and then reinstalled local leaders, starting in 2013.

While not as candid, Scotiabank has also discussed the region's problems for some time—though chief executive Brian Porter, who once ran the lender's international banking arm, joked at the January investor conference that no one cared until now. "The Caribbean has been under a fair degree of stress for seven years and I talked about it," he told the audience, but "nobody really asked me any questions."

Because there now are questions, the banks try to calm investors by stressing that the English-speaking Caribbean is on an upswing as tourism levels rebound somewhat. (Puerto Rico, by contrast, is in its eighth year of recession.) Given the region's strong economic ties to the U.S., it also augurs well that the American economy is heating up.

POINT IX Continued:

There is opportunity that awaits the region. The prospects for the Cayman Islands (which seems to do almost everything well), BVI (the most innovative) and Turks and Caicos, (If it does not go down the path of The Bahamas in the 1970s and 80s when investors fled) seems the best across the region.

However, in Food, Fuel, Alternative Energy, Medical Tourism, Retirement, Shipping and Trade, Technology Origination, Oceanic Studies and Environmentalism, the Caribbean would have a prosperous time if for the rest of this decade it could affix itself a true vision to unlock the $500 billion in value that lies waste and dormant in our potential.

Building big hotels will not suffice. Offering our people the chance of a shop in a hotel mall is not progress. Processing hotel development applications is not negotiating international business. These are mundane 'gatekeeping' practices, which visionary leaders leave to minions. The cycle of demand in the US will be stagnant, near and long term, and I have seen already that the impacts of the Northern snows on tourism has Ministers talking foolishness, as if it were their policies that filled hotels. Active potential is real value.

Banker Terrence Farrell says Trinidad should have used its strength in energy to save more for a rainy day. Kibwe Brathwaite

The banks can also point to their cost-cutting. Scotiabank is closing branches across the Caribbean; CIBC, which declined to comment for this story because it is working on restructuring plans, has talked about tightening its operation, which is currently spread across 17 islands; and RBC recently installed a Common Caribbean Operating Model to increase efficiency, instituting charges such as a small teller fee to wean customers off in-person banking. Under these initiatives, head counts are falling at all the banks. RBC's Caribbean work force is less than 5,000, compared to 6,500 people two years ago. "Many parts of the region are in a deep or long-term recession," Dudtschak says. "Everything we're doing is about repositioning our business within the current economic environment…to ensure our business is sustainable for the long term."

The elephant in the room is whether any lenders will cut and run altogether. RBC, after all, did it once before. The Canadian giant originally owned RBTT but sold it during the 1980s when Trinidad was hit by plunging energy prices.

For now, RBC and its peers tell anyone who asks that they have no plans to leave. They say they've been in the region for more than a century and remain deeply committed. After a while, however, their responses sound as rehearsed as an American politician being asked about presidential ambitions.

At this point, sources say the chances of a major sale are slim because buyers are hard to come by. Global banks such as HSBC and Citibank are shrinking their footprints. Private equity players may poke around from time to time, but they often get spooked once they start digging through financials, according to a source familiar with the Canadian banks' operations. For instance, some islands don't keep adequate digital records (or any digital records) of their housing appraisals, so anyone trying to assess the banks' loan portfolios must bring in armies of people to dig through file folders.

POINT X:

I think this article is the most important written on the Caribbean in 25-years. But again it reveals symptoms, not causes.

At root, the problem is not Canadian Banks, its our governments, agencies, and civic institutions and the habit of our people to demand nothing consistently of their governments; partly because they believe – as is often confirmed - our societies are pre-arranged for the few at the expense of the many.

The problem now s that we have nothing to put in place to absorb the vacuum caused by a drawback by Canadian Banks.

Whilst their judgment or lack thereof and their pretense at actual banking lead to their problems, it is our countries' lack of strategies and policies aimed at general prosperity that has created this crisis in which a whole swath of the Caribbean must sit by and wait like petulant children for decisions emerging in Canada.

The same is true by the way for clearing options in the US, which is now down to two banks. Our entire region – for all the abusive bluster our politicians are capable of against citizens, when they should be brassy and brilliant on these questions they fold – as TS Eliot says: like "Hollow Men".

Whether its new leadership or current leadership inspired by fear of all we face, that retails not in restrictions and the assertion of greater control, but in openness and a recognition that government's role is to create conditions for prosperity, rules by which to attain it and conditions in which that prosperity can be protected, increased and advanced, whichever the case, something new is coming.

It is still a question what that will be, which should never be a question for sovereign government strategically in tune with its time and responsibility.

It remains therefore to be seen, whether Lester or Arlington will be proved right.

What we know is that rightfully, the Canadian Banks will act in their own best interests, and so far – for over 100 years – we have not created a pre-text in which their interests are subsumed in ours for the mutual benefit of all, nor have we advanced a vision worthy of our potential. The Caribbean is a place where we spill our significance whilst clinging to our insignificance.

Until buyers materialize with a reasonable offer, the most likely outcome is that the banks will continue to prune. But shrinking is expensive and arduous, involving wrestling with regulators, cancelling property leases and paying severance packages, among other things.

If Canada's banks are lucky, the U.S. economy will keep gathering steam. If not, they should find solace knowing they've been here before, and it eventually got better. Trinidad reeled when oil prices crashed in the 1980s; Jamaica is in a perpetual relationship with the IMF; and Barbados has long been at the whim of tourist dollars.

However, those facts haven't quelled speculation that one of the Canadian banks could pull the plug—especially when all three have new CEOs. CIBC is considered to have the highest flight risk. Former CEO McCaughey, who doubled down in the region, retired last year, as did former COO Richard Nesbitt, who oversaw the Caribbean operation. The region is now under the watch of retail banking head David Williamson, and he already has his hands full trying to turn around CIBC's Canadian operation.

RBC is more of an enigma. The bank is taking its restructuring seriously; that could mean that it wants to run the division long-term, or, like someone who wants to sell a house, is renovating simply in hopes of fetching a better price.

Scotiabank, meanwhile, is considered the most likely to stay. It is, after all, Canada's most international bank, and its Caribbean operation is widely regarded as the region's most efficient. Besides, Scotiabank has endured much worse in countries such as Argentina and Venezuela; it remains profitable in the Caribbean. For all these reasons, the place, and its tilting fortunes, may well be woven into the bank's DNA.