

For Canadian companies, trade flows into the Caribbean

Banking partners can help firms seize opportunities, say RBC® experts

You might be surprised to learn that Canadian direct investment in the Caribbean was over \$88 billion in 2007. In fact, investment in Barbados alone was \$36.2 billion, making it the third largest destination for Canadian direct investment after the U.S. and the U.K.

Canadian business activity in the Caribbean is quite broad, touching everything from making chemicals in Trinidad to running cable television in the Bahamas and Jamaica.

James Lambert, Director General, Latin America & Caribbean, at Foreign Affairs and International Trade, says that Canadian firms are eager to take advantage of the many opportunities that await them in the Caribbean.

Specifically, Lambert points to heavy investments by Caribbean governments in infrastructure and capital projects. The tourism sector also offers many opportunities, specifically in construction (from materials to

equipment to services). Other areas of opportunity include agriculture and agri-food, environmental services, health industries, information and communications technology and alternative energy technology.

As Canadian companies embark on their Caribbean venture, they're finding that Canadian financial institutions can help pave the way by providing invaluable services, advice and information about this market and banking within it.

Online Resources:

Foreign Affairs and International Trade Canada:
international.gc.ca

Industry Canada:
strategis.ic.gc.ca

Canadian Trade Commissioner Service:
tradecommissioner.gc.ca





Canada and the Caribbean — A long history

To learn about the Caribbean market, great places to start include Foreign Affairs and International Trade Canada, Industry Canada and the Canadian Trade Commissioner Service. Their personnel and websites can provide guidance on countries throughout the region, and identify key trends.

The many Canadian banks that are active in the Caribbean are also key resources. In fact, Canadian institutions control the English-speaking Caribbean's three largest banks. The Economist noted this phenomenon in a 2008 article called "The Canadian Connection," which was prompted by Royal Bank of Canada's acquisition of the Trinidad and Tobago-based RBTT Financial Group.

This strong Canadian presence down south isn't new. Royal Bank of Canada, for one, had branches in the Caribbean before even establishing itself in some of Canada's western provinces. The bank's commercial relations in the Caribbean began when a group from Halifax, who formed the Merchant's Bank in 1864, were engaged in the sea-going trade between Halifax and the West Indies. Back then, Canadian ships carried flour, codfish and timber south, and returned north with cargos of sugar, rum, cotton and spices.

Today, when engaging in modern trade in the region, Canadian firms still rely on Royal Bank of Canada, which has extensive commercial banking, private banking and retail banking operations throughout the Caribbean. That was true even before the RBTT deal, which created one of

the biggest banking networks in the Caribbean — 7,000 employees, serving more than 1.6 million clients, with over US\$13.7 billion in assets.

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Ross McDonald
Head of Caribbean Banking
RBC Royal Bank of Canada

Lambert says that the predominance of Canadian financial institutions in the Caribbean eases the process of transferring funds and provides a reassuring measure of security. But that's only one of the ways that a banking partner can facilitate Canadian trade.

“Beyond opening an account, people need help navigating the bureaucratic maze,” says Ross McDonald, Head of Caribbean Banking, RBC Royal Bank of Canada. “Your bank can help, and can connect you with lawyers, accountants and tax advisors. You’ll waste time if you don’t have the right advice. You really need local expertise and local contacts.”

Stricter regulations and slower processes

Just what kind of market intelligence can the banks offer? McDonald notes that banking legislation in the Caribbean tends to be more rigorous than what you’d find in Canada.

“There are stricter compliance regimes here, and definitely more paperwork,” he says. “The processes are also more drawn out, to get government or regulatory approval. So timelines for projects need to incorporate that.”

The countries of the region have different foreign exchange requirements, and

many have unique clearing rules, with some but not all using automated clearing houses.

“Our clients’ horizons are widening beyond North American borders, and we’re keeping pace. We’ll continue to be wherever they need us, providing the advice and global capabilities to support their success.”

Shauneen Bruder
Executive Vice-President
Business and Commercial Banking
RBC Royal Bank®

“Cheques and cash dominate the payment systems,” says George Roache, VP, Commercial Markets, RBC Royal Bank of Canada. “But regionally, we’re seeing progress towards debit cards. There’s a wide network of ATMs, but don’t be surprised if your debit card doesn’t work at a competitor institution — such are the vagaries of the market.”

Along with commercial banking services, financial institutions in the region are also highly active in wealth management. Any business owner, wherever they’re doing business, can find benefits in terms of structuring asset protection, trusts, private banking, taxes and asset diversification. McDonald is seeing a growing demand for these services, especially with the current generational transfer of wealth.

In Canada, people who are interested in wealth management can talk to their financial or business advisor to get a referral to a contact offshore. Anyone who is already doing business offshore might find it prudent to consult with a wealth management advisor.

McDonald notes that it’s also important to talk to your advisor, lawyer or accountant, in Canada and the Caribbean, to ensure that you’re compliant with current tax legislation.



Whether for personal or business use, adds Roache, each country has guidelines as to who can open an account, what type of account they can open, under what conditions and using what currency. So it's vital to work with a bank and advisors that can help you make sense of the requirements and take advantage of the opportunities.

Relationships are key

McDonald says that, in many respects, the government and legal structures in the Caribbean will be quite familiar to Canadian companies: "Because Canada and the English speaking Caribbean share a common background, with membership in the Commonwealth, our laws are based on the same foundation."

Still, these are different countries, with different cultures, politics and business environments. The pace of business, for one, can be slower than Canadian firms are accustomed to. In the words of Dave Legge, Senior Commercial Account Manager, Eastern Caribbean, RBC Royal Bank of Canada: "The sense of urgency isn't what you'd expect in North America."

Yet business activities can also be quite formal in some areas, like dress and protocol. It all goes back to the



historical British connection, says McDonald. This is also a market where personal associations are critical.

"These are small countries, where the people are close-knit and very genuine," says McDonald. "They put a high degree of importance on relationships."

Here's where banking relationships can also be a key to success for Canadian businesses. "We understand the unique financial systems in the Caribbean," says Roache, "and are in the position to provide both

business and personal clients the information necessary for them to make informed decisions."

"Our clients' horizons are widening beyond North American borders, and we're keeping pace," adds Shauneen Bruder, Executive Vice-President, Business and Commercial Banking, at RBC Royal Bank. "We'll continue to be wherever they need us, providing the advice and global capabilities to support their success."

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