

**ADDRESS DELIVERED BY
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SCOTIABANK TRINIDAD AND TOBAGO LIMITED
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It's a pleasure to be here today – to celebrate yet another year of excellent results for Scotiabank Trinidad and Tobago – which Richard will talk about in a few moments. It's always a pleasure for me to come to T & T to see the many friends I've made here over the years – and, of course, to meet with our valued shareholders.

As I was preparing my remarks to you this morning, I decided that rather than talk about regional issues facing Trinidad and Tobago – which you know better than I do – I would share a different perspective with you – that of a Canadian looking at what's going on in the world. Today, I'll talk about the opportunities that exist in the global market place – the challenges facing business, and the opportunities facing companies – not only multinationals, but also those here, in Trinidad and Tobago. I'm also going to show why it's important that all countries embrace globalization to continue to succeed. There are all sorts of signs that T & T is doing this – which is very good.

My first point is that globalization – including the extraordinary growth of emerging markets, changing world demographics and global consolidation – that these are key trends that are forever changing the world's economic landscape.

My second point is the need to recognize these trends and embrace the opportunity they present, or risk being marginalized in our ability to compete and to enhance our productivity.

My third point is about the need to focus. I very much support the view that globalization is our future, including the enormous markets of china and India. But I believe the near-term opportunity for us, here in Trinidad and Tobago, is closer to home, specifically in the Americas and Caricom.

What I'd like to do this morning is discuss these trends and talk about what they mean for all of us.

Let's start with globalization.

As the Pulitzer prizewinner and New York Times journalist Tom Friedman's latest book says, the world has become flat. Everyone is at the table as competitors, customers, or suppliers, no matter where you call home.

In recent years, globalization has been driven by the warp speed of technological change. The costs related to information, such as the internet and telecommunications, have fallen rapidly – and these technologies are now available practically everywhere. For example, here in T & T since 1998, the number of internet users has gone up by more than 500 per cent – and cell phone use has increased twenty-fold. All of this requires co-operation to capitalize on the flow of trade and investments and information. An unprecedented degree of collaboration among countries, companies and individuals is needed to succeed.

Consider that between 1995 and 2003, global cross-border capital flows more than tripled to \$4 trillion annually. International issues of corporate debt are growing more than three times as fast as domestic issues, and global liquidity is crossing almost all boundaries.

This is also happening here, in Trinidad and Tobago. Port of Spain is becoming the financial centre for the region when it comes to capital flows to the other countries, with direct investment abroad totalling more than us \$700 million between 1999 and 2004.

The emergence of rapidly developing countries on the world economic stage is a tremendous phenomenon. The firm mercer Oliver Wyman estimates that the economies of Brazil, Russia, India and china could be half of the size of the g-6 by 2025, versus just 15 per cent today.

Countries and markets that were largely closed to foreign involvement are now embracing the global economy and increasingly have the means to do so. This is not only led by government policy or direction, but by individuals acting independently, accessing the available technology as I mentioned, the internet and other telecommunications, and getting involved with global business.

Overall price trends are being increasingly shaped by what is happening on a global context in terms of both supply and demand. More and more production of goods and tradable services is gravitating to low-cost regions, forcing structural changes in developed economies.

One obvious example of emerging market influence is the growth of outsourcing and off shoring.

In financial services, for example, an increasing number of firms are taking advantage of this new reality by shifting and redirecting many of their costs and services offshore. Some estimates indicate that up to 20 per cent of financial services' global cost base will shift offshore by the close of this decade. An example from a different industry: if any of you have had problems with your computers recently, it's likely that you spoke with

someone at a call centre in India. In fact, according to a recent study by Deloitte, India remains the most popular destination for outsourcing.

Another key trend besides globalization that will propel businesses towards emerging markets is demographics. The world population is undergoing a massive demographic shift. Not only is population growth slowing, but also the age structure of the population is changing. The story quite simply is about an aging population and aging workforce in the developed world – and a younger population entering the workforce in developing markets.

According to United Nations figures, Trinidad and Tobago's population has aged significantly in the past 10 years – and the trend will continue through 2050. In terms of median age, Trinidad and Tobago is right in the middle of the road, at 29 years old – between the young countries of Latin America and older countries of North America and Europe. For example, Mexico has by far the most youthful population in North America, with a median age of just 22. The median age in the United States is 35, and it's 38 in Canada.

What does all this mean? It means there is a good chance we will see significant changes in saving and investment balances, because younger populations tend to consume and borrow more and save less.

Obviously, this development can have a tremendous impact on capital flows and wealth and business opportunities for all of us. While it is just one factor, for countries with increasing working age populations and consumption, it will lead to stronger per capita GDP growth in these regions, in essence, a rebalancing of growth to countries with younger populations.

This demographic reality is also part of the underlying rationale for businesses looking to expand in emerging markets. Young people, as they enter the economic sector, consume. They will buy the latest high tech appliances and electronics – then hopefully cars and finally homes. As such, economies with young populations are very appealing. This is a key factor in the overall attractiveness of the Americas.

The third major trend I want to touch on, really a reaction to globalization, is the re-emergence of consolidation. Global merger and acquisition activity is on the rise. The value of worldwide mergers and acquisitions increased by almost 50 per cent in the first three quarters of 2005, compared to the same period in 2004.

In the global banking industry, mergers and acquisitions more than doubled from 2002 to 2004, reaching more than \$230 billion in terms of the value of the deals. And consolidation today is shaping up differently. The global merger boom of the late 1990s was a largely domestic, in-market merger.

Now, more businesses are looking to international expansion in the pursuit of growth and many, such as scotiabank, with a particular emphasis on acquisitions in emerging markets.

The need for scale to compete internationally is a key factor in driving consolidation. Other efficiencies from size result from management skills and the speed of adopting new technologies.

So globalization is positive in supporting strong trade flows and generating wealth, all creating great opportunity. But let me turn to my final point. Globalization is an ongoing process, and some countries are further along the trajectory than others. Many countries – including Trinidad and Tobago – are more focused on regionalism. In my view, this is

in reaction to the difficulties in negotiating a multilateral agreement on a world scale, or more precisely, the absolute lack of momentum with the Doha round of world trade talks.

Now, I fully support the concept of multilateralism at the broadest level and the world trade organization. But it's pretty hard to get 130 people to agree to something as complex as trade issues, let alone the 130 countries involved in this round of the WTO talks.

The reality is that this makes regional level agreements that much more appealing. Why should a country like El Salvador wait for a global agreement that may never come? Why should it wait when it can sign CAFTA – the Central American free trade agreement – with other Central American countries as well as the U.S.? Why should a country like Trinidad and Tobago wait when it can help create the CSME – the Caricom single market and economy – with other Caribbean countries?

More and more countries are turning to regional trade deals to secure access to markets. For example, the North American free trade agreement was a watershed for Canada, the U.S. and Mexico, and a great example of this. Since the agreement came into force in 1994, trade among the three countries has more than doubled to over us \$650 billion a year.

Regionalism is why we're seeing cross-border trade expand. In fact, cross-border trade has been expanding at a faster pace than gross domestic product in recent decades. And its direction is largely north and south.

Trade within the various regions – the Americas, the euro zone and Asia – will continue to be the driving force of global economic activity.

Over the last decade, we've seen the European countries significantly align themselves regionally in the European union. Of course, we have Caricom and CSME here in the Caribbean. CAFTA, which I mentioned, is another regional trade agreement that was recently signed in Central America. The Asian economies are looking and acting upon how they can better integrate to establish themselves on a more regional basis.

Let me take this opportunity to commend your government in taking a leadership role in the CSME initiative. Your local business leaders must also be commended because in the last 5 years, we have seen several Trinidadian companies expand their operations in the Caricom region, either by setting up shop or acquiring businesses as they grew their companies.

This is not to suggest globalization – and the incredible potential of china, India and other markets – should be ignored. Quite the opposite, in fact. but the real growth opportunities today for business in trinidad and tobago exist in the caribbean, central america, latin america and north america. these other markets are still a few years away in terms of significant, sustainable returns for foreign investors.

the scotiabank group is playing a part by supporting growth of businesses into new markets, in particular mexico, a key market for us and a real opportunity for business.

In September of last year, we realigned our Mexican wholesale banking operations, bringing them under the Scotia Capital banner. No other financial institution in north America – or, indeed, internationally – can provide the depth of service to large corporate, government and investor clients that we now have under one roof across the NAFTA region.

Last year, we also launched our global transaction-banking unit, which provides comprehensive, integrated business solutions to multinational importers and exporters, again in the NAFTA region. And we plan to expand to other regions in the future.

I'm using these examples, as concrete and demonstrable evidence of what business has to do to grow and succeed globally.

As I said at the outset, scotiabank has a strong international focus. We see and believe in the tremendous opportunities for growth in international markets. But there's a need for more businesses to seek growth in international markets. Today, the Americas offer the greatest opportunity for immediate success.

I'm hopeful that we will do just that; that we will recognize and seize the opportunities.

THANK YOU.