

five years. At year end a total of seven lines of credit were in place, with a total of \$4.5 billion available for allocation.

...Canadian chartered banks and other financial institutions are involved to a very great extent in EDC financing. During 1979, total commercial bank involvement exceeded \$624 million. Of this amount approximately \$252 million was provided in the form of participation and guaranteed loans, and approximately \$372 million in related co-lending and parallel financing arrangements without recourse or guarantee by EDC.... EDC shares with the Canadian banking community a common interest in providing financial support to Canada's exporters. The pooling of appropriate resources and services ensures that such support is readily available.

#### Reduced risk

An important element in facilitating appropriate levels of export financing is the Corporation's insurance services. By providing credit insurance and related guarantees, EDC permits Canadian exporters to operate internationally with reduced risk and without impairment of their domestic lines of credit. The over \$1.6 billion of insurance services which were thus provided during 1979 is indicative of the extent to which the importance of such services was recognized. This amount is down from the unusually high level of \$2.5 billion achieved in 1978 which included coverage for a Bell Canada project in Saudi Arabia exceeding \$1 billion. It does, however, still demonstrate good underlying growth over the previous high volume of \$1.3 billion in 1977. In addition, during 1979 there was approximately \$430 million of insurance issued in respect of transactions which were also financed by EDC; this illustrates the importance of comprehensive financial packages through which EDC provides both financing and risk protection.

...In 1976, the Corporation began funding a portion of its disbursements by borrowing in public and private capital markets. During 1978 and 1979 all of EDC's borrowing requirements were met in this fashion: \$298 million in 1978 and \$576 million in 1979, for a total of \$1.3 billion since 1976.

Because the Corporation can choose the timing of, and the most appropriate market for its placements, it is in a good position to achieve the lowest possible borrowing costs. In particular, EDC's



*A 50-ton, stainless-steel-lined Batch Digester is loaded at the Port of Montreal. The Digester, manufactured by Horton/CBI of Fort Erie, Ontario is being exported by H.A. Simons (Overseas) Ltd. to a sulphite pulp mill in Ruzemberok, Czechoslovakia. The \$300-million project was financed by loans of \$218 million by EDC, and \$80 million by a consortium of Canadian banks.*

capacity to borrow offshore has been advantageous. As a consequence, the Corporation's funding activity has been conducted on a basis which compares quite favourably with the practice followed in earlier years of borrowing from the Government.

#### Export performance and prospects

Despite the fact that in dollar terms Canadian export performance was satisfactory during 1979, growth of exports in volume terms continued its downward trend. Various factors have contributed to this decline. Most important is the slowdown in economic growth in the industrialized countries which make up [Canada's] major markets. Since 1974, the year when OPEC oil price increases began to be felt, the historic average growth rate for industrialized countries has been virtually halved. In addition, the growth in world trade has declined as oil-importing countries sought to limit balance of payment deficits arising from increasing energy costs.

Of greater concern, however, is the fact that Canada has continued to lose ground in terms of its relative share of world trade — from 5 per cent in 1975 to 3.9 per cent in 1979. Here, again,

a major factor is a lower demand in [Canada's] traditional markets and severe competition in new markets such as in OPEC countries.

The prognosis for 1980 does not provide much confidence for improvement in international economic conditions. Globally, GNP growth rates for the OECD countries are expected to slow to below 1 per cent as compared to approximately 3 per cent in 1979. In the U.S., a market which absorbs approximately 70 per cent of Canadian exports, continued economic growth is very uncertain. In terms of export volumes, total world trade for the OECD countries may rise by only 3 per cent, compared to 5 per cent in 1979, reflecting both a sluggish growth rate in individual countries and a weakening demand from non-oil developing countries.

#### Concerted effort required

A concerted effort by Canadian exporters will be required just to maintain the levels in real terms reached during 1979. A recession in the United States could mean a decrease in the volume of Canadian exports to that market. Exports to other countries are expected to increase, but once again, given expected competitive export drives from competing export-oriented countries and limited market growth, exceeding in 1980 the 24 per cent current dollar growth realized in 1979 presents a very real challenge. Another concern will be the probable slowing down of decision-making processes relating to very large projects. The overall effect will be a decline in global demand for key employment producing capital goods exports and for high technology goods, both of which produce significant economic spin-offs for Canada.

There is no doubt that 1980 will be a year of challenge. To date, Canadian exporters have been successful in facing the challenges presented, as witnessed by the growth in EDC's activities. Certainly this aggressiveness will continue to be an important factor. Projected business volumes for the Corporation as we enter the 1980s indicate strong intentions. However, the increasingly competitive and challenging environment and the fact that EDC financing continues to help support virtually one-half of the exports of capital goods and services outside North America magnify the vital importance of EDC continuing to work closely with exporters to

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