

VIII. Financial Environment

With the Indian Government's implementation of measures to reform the business and the financial sectors, the Indian financial environment is in a period of transformation. The removal of many import and investment related restrictions, the reduction of tariffs, and investment incentives all affect investment and export financing. Furthermore, the government has privatized many of its agencies to joint stock companies or made them limited corporations. Sovereign guarantees from the central government are expected to decline. The effects of the Helsinki Five agreement and the improved commercial viability of projects in India are expected to decrease the need for concessional financing.

To take advantage of the recent changes, many foreign companies and multinationals have either expanded their operations in India or are in the process of entering the market. Many reputable investment banks from New York and London have opened operations in India. Large Indian businesses have gained the confidence of the international capital markets and the investment community and have raised millions of dollars in foreign capital through Global Depository Receipt (GDR) issues. These firms are expected to use these funds to pay down their high-interest foreign debts or to fund major expansions or modernizations which will offer export opportunities for Canadian firms. This will also enable these firms to support local costs with greater ease. The Japan Bond Rating Service has recently up-graded India's credit rating to BBB+ (two notches above the minimum investment grade rating) and Moody's has upgraded it to investment grade.

1. Export Development Corporation's (EDC) Program in India

The Export Development Corporation (EDC) has played an active role in supporting Canadian exports to India. Since 1960, EDC has provided insurance and financing support in excess of \$700 million for Canadian export transactions through its insurance and financing programs in India. Historically, these transactions have included the sale of goods and services to the Indian steel, gas, mining, transport, and power-generating industries. Much of the long-term financing support was related to large government infrastructure projects, while short-term support concentrated on commodity exports. It is important to note that no material repayment difficulties have been experienced in the process.

More recently, EDC has supported exports such as crude non-metallic minerals, lead and lead alloys, telecommunications equipment, and goods and services related to infrastructure projects. EDC's presence in this market has enabled many Canadian exporters to successfully compete and bid for business in India.

EDC's Current Position in India - In November 1993, EDC upgraded its position on India and is presently open to provide project and export financing support on a selective basis, for medium to long-term transactions, based on sovereign guarantees or guarantees from first class banks. It is also open for new business on all insurance risks in India. Periodically, EDC is approached to finance private