

Such initiatives should not be initiated solely to provide greater security for private lenders. Added risks and costs involved in the implementation of the aforementioned should be shared by all parties.

Recommendation 18

In reviewing the operations of the EDC, the Committee focussed on whether the Crown Corporation was adequately addressing the needs of all exporters, particularly SMEs. The Committee was encouraged by a climate of change within the Corporation, characterized by recent moves to ensure ongoing EDC/Bank cooperation and the development of improved export services benefiting SMEs. We endorse:

The establishment of an ongoing cooperative relationship between Financial Institutions and EDC.

We believe that there are three principles which should guide public sector financing programs and services. First, these programs should address market gaps and should not compete with those offered by the private sector. Second, the focus should be on SMEs. Third, financing for domestic transactions should not be subsidized. In addition, these programs should be reviewed regularly to ensure there is no overlap and that they continue to be warranted.

The Committee supports the EDC/Bank risk sharing framework for medium to long-term financing scheduled for completion this fall. We believe this framework will induce greater bank participation in international lending and will result in increasing the aggregate appetite for international risk. We believe this is an important first step and that continuing efforts to offer flexible, affordable services with an underlying aim of fully participating in the building of exports for the benefit of Canada must be central to EDC's operations.

Recommendation 19

Consistent with Recommendation 1, the priorities of the federal and, if possible, provincial governments' trade development efforts should take into account credit worthiness considerations and the availability of EDC's financial services when targeting foreign markets. When industry takes an interest in a particular market and government supports that interest, then their efforts should be coordinated. Trade promotion resources are wasted if export financing and/or insurance are necessary but unavailable in that market. Furthermore, the business community must be aware of these priorities and the availability of this support.