

A Review of Ways and Means to Co-operation

A MEETING of senior Canadian government officials with the heads of ASEAN diplomatic missions in Canada was recently chaired by the Deputy Minister of the Department of Industry, Trade and Commerce Robert Johnstone.

Canada-ASEAN economic and trade relations were extensively discussed at the meeting, at which representatives of the Department of External Affairs, the Export Development Corporation (EDC), the Canadian International Development Agency (CIDA), and the Canadian Commercial Corporation were present to explain their viewpoints on this important aspect of Canada-ASEAN co-operation.

Mr. Johnstone opened the meeting by suggesting that co-operation not only in trade but in the broad array of public and private sector contacts was the best fashion of assuring mutually satisfactory relations.

In affirming this approach Assistant Under-Secretary of State for External Affairs, Asia and the Pacific W.T. Delworth placed it in the context of the history of the Canada-ASEAN relationship. He also reviewed the strong Canadian interests in the political stability and economic growth in the region.

Emphasizing that trade is a two-way street, Mr. Johnstone expressed the view that both the ASEAN and Canadian markets offered considerable opportunities for growth in the future. He stated that it was important to make ASEAN a boardroom word across Canada and to have government and business leaders in ASEAN *think* Canada. He stressed that Canada is a reliable trading partner and indeed a major source of technology and investment.

The ASEAN ambassadors expressed appreciation for an opportunity to review the Canada-ASEAN trade relationship and reminded their Canadian hosts that trade is an important element in the recently signed Canada-ASEAN Economic Co-operation Agreement. Their suggestion that subsequent meetings be held to discuss ways and means of implementing the agreement was accepted.

The representatives of both Canada and ASEAN regretted that little progress had been made to date towards the formation of a Canada-ASEAN business council which could serve to further Canadian and ASEAN commercial interests. Both sides agreed to encourage their respective private sectors towards this end.

The ASEAN Ambassadors accepted the invitation of the Department of Industry, Trade and Commerce to review

more closely the potential for ASEAN exports to the Canadian market and Canadian capability in foreign investment. The most immediate up-coming activities include a meeting with senior officials of the Canadian banking community, scheduled for February, and

a visit to British Columbia to look at the Canadian forestry industry, coal handling capability, and open pit mining projects. The department also agreed to consider a project identification mission to ASEAN to further advance trade and investment.

EDC Loans to ASEAN Doubled

THE Export Development Corporation (EDC), a Canadian Crown corporation, is focusing on ASEAN as a key area in its activities. The EDC arranges credit for buyers of Canadian goods and services in other countries. It also facilitates overseas trade by providing export credits, insurance, and bank guarantees for Canadian exporters.

The total of EDC lending agreements to ASEAN nations during 1981 reached more than \$165.5 million — more than twice the total for 1980 and nearly half the total for the period 1961 to 1980 inclusive. During 1982 the EDC expects to sign seven new lines of credit with governments in ASEAN for a total value of \$55 million. It also expects to sign 17 loans with a total value of \$360 million and make 23 allocations under lines of credit with an average value of \$1 million each.

The EDC provides medium- and long-term financing to support purchases of Canadian capital goods and services. It generally arranges financing for up to 85 per cent of the contract value of an export transaction. When competitive circumstances warrant, financing for a portion of local costs incurred by the buyer may also be arranged.

There are four types of EDC financing services: loans; allocations under lines of credit; forfaiting, or purchase, of promissory notes; and loan guarantees.

The first type of financing, loans, can be arranged for any export transaction, but it is more applicable for transactions in which the repayment terms are more than five years. Once a buyer decides to conclude a transaction, the EDC negotiates the final details of the loan agreement and related agreements with him or the institution borrowing on his behalf. Additionally, a disbursement procedures agreement is negotiated among the EDC, the exporter and the buyer, which specifies how the EDC is to disburse funds to the exporter on the buyer's behalf.

Allocations under lines of credit, is an instrument used by EDC to facilitate the purchase of capital goods and services sold on medium-term credit. Instead of lending the money directly to the buyer, the EDC lends it to an intermediary — a bank or financial institution in the buyer's country — which re-lends it to the buyer. An allocation under a line of credit is not a substitute for a loan, but simply a special version of a loan in which the borrower has been



EDC lending agreements to ASEAN nations during 1981 totalled more than \$165.5 million. One of these was a \$1.35-million line of credit to support the sale of Canadian goods and services by various Canadian exporters to the Philippine Investment System Organization (PISO). Officiating at the agreement signing ceremony in Manila are (seated r-l) PISO Chairman-President V.S. Barrios, EDC Secretary S.A. Gillies, and EDC Assistant Vice President M. Bakker.