

Asia Pacific: Promising Opportunities amidst the Challenges

Canadian companies are using pragmatism, patience and caution to unlock the huge potential of the Asia-Pacific region. EDC's financial support is playing a pivotal role.

Preparation and long-term commitment are helping Canadian exporters and investors overcome a variety of economic risks and cultural challenges, in order to seize significant opportunities in the Asia-Pacific region. Canadian exports to Asia Pacific exceeded \$24 billion in 1996.

A recent study conducted by the Asia Pacific Foundation of Canada says that while the progress achieved by Canadian exporters selling to this region is considerable, there is room for growth. The combined purchasing power of Asia far surpasses that of the United States, Canada's primary export market.

Nevertheless, the task is infinitely more complex than simply matching Canadian expertise with the opportunities offered by Asia Pacific's evolving economies and large populations.

While deregulation, decentralization and privatization in Asia Pacific markets have unleashed a wealth of opportunities, they have also increased risk for Canadian exporters to this region.

EDC's Vice-President, Asia, Africa & Middle East, June Domokos, says, "Successful exporters have found that key representatives from the Asian community in Canada, carefully selected local partners, a long-term commitment and a willingness to adapt to local business customs and practices are key success factors."

Among the countries that present both opportunities and challenges are China, Indonesia, the Philippines, Thailand, Malaysia and South Korea. Together, Thailand, Malaysia and South Korea offer a market of 165 million consumers and account for more than \$3.9 billion a year in Canadian exports.

The requirements of these three countries match sectors in which Canada is a world leader. Such areas include telecommunications and information technologies, transportation, financial services, environmental protection, energy and natural resources, agri-food, construction, education and cultural industries.

Thailand

Thailand has a population of 57 million people and has excellent market potential for Canadian firms. The Thai government is focused on education and work force training, to ensure it has the capacity to meet the demands of the new high-technology, value-added industries for future economic growth. The Thai government is also focused on

South Korea. In 1995, total imports in this sector exceeded US\$13.9 billion. This figure could well double by the year 2000.

The country is undertaking huge investments in infrastructure and is seeking sources for sophisticated equipment and technology to improve its competitive position in the global marketplace.

A role for EDC

While these three countries hold significant promise as markets for Canadian exporters, they also pose significant challenges. For instance, Thailand is reworking its economic policies to improve trade performance and deal with issues such as currency weakness and economic slowdown.

"To support exporters, EDC is becoming involved much earlier in the exporting

process to help companies with long-range planning, investment opportunities and market intelligence," says Domokos.

In addition, EDC has been looking at new types of financing structures, because in evolving economies, guarantees by government-owned banks are sometimes not feasible. Creative solutions such as loan syndicates with other agencies and with development and commercial banks are helping to reduce the risk to any one party.

Since investment is often key to gaining a foothold in the Asia Pacific market, EDC's foreign investment insurance is becoming an increasingly popular option against risks such as transfer and expropriation.

In order to provide better service for short- and medium-term insurance, EDC has increased its ability to assess project and company risks and has successfully reduced the risk to any one party by using re-insurance and parallel insuring.

According to Keith Milloy, EDC's chief underwriter, Short Term Insurance, the Corporation expects that requests for insurance coverage for the Asia-Pacific region will increase further according to buyers' demand and as international competition allows for more liberal payment terms.

OPPORTUNITIES



CHALLENGES

diversifying trade and improving urban transportation and telecommunications, while improving the quality of life and reducing pollution.

Malaysia

With its population of 20 million, Malaysia boasts a strong economic base, stable political system and long-term commitment to economic strategies. Malaysia also has higher education levels and a greater share of resources than its neighbours. The Malaysian government's encouragement of the private sector through projects such as the proposed Multimedia Super Corridor, as well as the country's increasing imports and continuing growth, make it an attractive export market.

South Korea

Information technology and telecommunications are two significant sources of opportunity for Canadian companies in

Exporting to China: Selling at the Light Speed of Change

Canadian exporters and investors that successfully tackle the challenges and seize the opportunities in China have learned to use knowledge and long-term commitment as a balancing pole. EDC is a vital partner for many of these companies.

China at a glance:

Population: 1.2 billion (1996)
 GDP per capita: US\$569 (1996)
 GDP growth: 9.8 per cent (1996 estimate)
 Inflation: 6 per cent (1996)
 Canadian exports: \$2.7 billion (1996)

EDC's export analysis:

Short term—Generally good.
 Open without restrictions.

Medium/long term — Good. Open subject to an overall exposure guideline.

Foreign Investment Insurance — Open.

Opportunities

Opportunities exist in advanced technology, agriculture, food products, business and educational services, construction, consumer products, cultural industries, environment, financial, forestry, health care, mining, oil and gas, power and transport.

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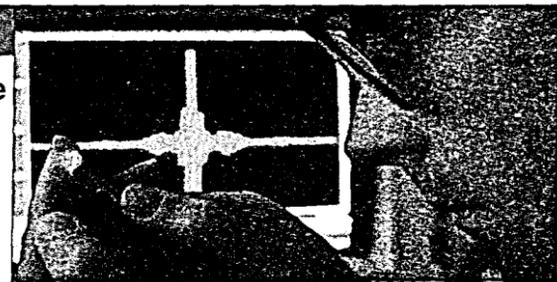


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