

Canada Account (insurance under Section 27 and financing under Section 31 of the Export Development Act) exists for cases where the corporation cannot provide financing or insurance either because of individual country credit ceilings or because a country is judged uncreditworthy, i.e. EDC is "off cover". It is more readily available in cases where the corporation cannot make loan commitments because it already has a large exposure in a given country. In cases of extremely poor risks, there are a number of factors which have to be taken into account before considering Canada Account or any form of official financing support by Canada. Obviously, it is difficult for the government to agree to make new commitments to governments that are in arrears with EDC, the Canadian Wheat Board or the government itself. Furthermore, there is the question of the government's co-operation and involvement with the International Monetary Fund and the World Bank and the need to ensure that Canada Account financing complements the efforts of these organizations to encourage economic and financial adjustments in debtor countries. It would not be appropriate for Canada to provide financing which, through its purposes or timing, might undermine the efforts of the IMF and World Bank to promote necessary adjustments.

Canada Account financing is also used when concessional financing is required. In principle, the government has provided exporters with concessional financing whenever this has been required to match financing offers of foreign competitors, provided that the Canadian exporter is competitive on price, quality, delivery and service.

(ii) Eligibility Considerations

Since official export credits involve a cost to the government, it stands to reason that controls on access are needed. An important control criterion is the Canadian content standard, which is inter-related with economic benefits and employment considerations. More simply put, it is undesirable in principle to subsidize the sale of goods manufactured abroad. Generally, the higher the Canadian content, the greater the likelihood of net economic and employment benefits. However, in some sectors of the economy, a trade-off exists between the goals of Canadian content and meeting competition.

Although EDC's policy is to maximize Canadian content (about a 75 per cent average has been achieved), it is in practice more flexible than many of its competitors. For example, the U.S. requires 100 per cent domestic content for Export-Import Bank financing eligibility, and EDC's counterparts in France, Britain, West Germany, Belgium, and Italy among others, require higher domestic content levels than EDC.