Export credit wars

credits on Canada, the following should be considered. 1. The international market for capital goods and services is heavily dependent on the provision of financing services. In trade between industrialized countries and the developing world, the provision of such financing support is particularly important, given the state of the balance of payments of developing countries. For Canada, there are a number of industrial sectors, in such fields as electricity generation and transmission, transportation, and communications, in which productive and technical capacity is recognized as internationally competitive, and where access to world markets is essential if Canadian potential is to be achieved. For such sectors, international market conditions which permit the full play of the normal commercial competitive factors of price, quality, service and the like, and which limit or prohibit the supply of concessionary or subsidized export credits by competitors in other countries are essential elements for success.

While exports of capital goods and services provide a relatively small proportion of total Canadian exports, they do have a particularly important significance. Firstly, the sector has the potential to play the leading role in the improvement of the mix of total Canadian exports. Secondly, because the demand for this sector is large in the countries of the developing world, Canadian capacity to establish closer trade and economic links with this large group of countries is heavily dependent on success in exports of capital goods and services.

2. In these circumstances it is very much in Canad interests for the government to continue to press for c prehensive agreements on official export credits w would prevent the trade distorting effects of subsidization and which would link the terms and conditions of s financing more closely to market terms. International gotiation on this subject has so far been limited to OE countries. Because a number of other countries (e.g. zil, Israel) have become active in capital goods expo supported by subsidized export financing, it is import that the participants in any international agreement export credits should include such relatively new export countries.

3. Until agreements of the kind envisaged above are place, Canadian policy should emphasize the importa of minimizing the competitive disadvantages to Canad exporters of the terms and conditions of Canadian exp archite financing. In a period of intense international competiti for markets which are by no means as buoyant as they we earlier in the 1970s, all elements of Canadian bids capital goods and services will have to be as sharply con petitive as possible. This task is made no easier by the fa that the exchange rate of the Canadian dollar has appre-There ated remarkably against most European currencies and Japanese yen. It is with those European and Japane suppliers that Canadian exporters in these sectors are mo regularly in competition. some o

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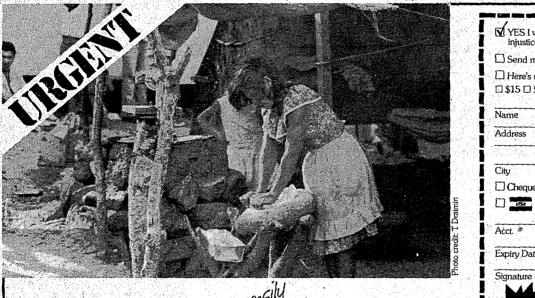
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24 International Perspectives January/February 1983