

ANNEX II

EXPORT FINANCING

Introduction

The Export Development Corporation (EDC) is a Crown corporation whose purpose or goal is to facilitate and develop Canada's export trade.

EDC pursues its purpose by providing insurance, guarantee, and financing facilities which, combined with advice and the organization of financial service packages, foster the ability of firms selling Canadian goods and services to compete effectively abroad. It strives within its financial capacity to provide services that are internationally competitive so that, in the context of requirements for specific transactions, firms which are competitive in terms of price, quality, delivery, and service are also effectively competitive in terms of the availability of financial services.

EDC is sensitive to the needs of the smaller exporter. There is no minimum value of export business required to qualify for support. The corporation continually reviews its programs and is prepared to consider tailoring its facilities - within its legislative limits - to meet the specific needs of exporters with high potential for growth and competitiveness.

Insurance

Canadian firms of any size can insure their export sales against non-payment by foreign buyers. EDC normally assumes 90 percent of the commercial and political risks, involving insolvency, default, or repudiation or cancellation of a contract by the buyer, as well as blockage of funds, war or rebellion, cancellation of import licences and the like in a foreign country, and cancellation of export permits in Canada.

Normally EDC covers both the commercial and political risks inherent in export transactions. However, in certain circumstances, EDC is prepared to cover only the political risk. (This is explained in Information Circular 80-6, Global Comprehensive Insurance Services; Information Circular 81-5, Global Political Insurance Services; and Information Circular 81-6, Selective Political Insurance Services.) In the case of two services, EDC covers only the commercial risk (see Information Circular 85-2, U.S.A. Commercial Risk (Small Business) Insurance, and Information Circular 85-3, U.S.A. Commercial Risk (Deductible) Insurance.

Almost any kind of transaction involving the export of goods, services, or technology may be insured. Insurance is available to cover sales of general commodities and services normally made on short credit terms of up to 180 days, agricultural products sold on credit terms of up to three years, and capital goods and services made on medium-term credit of up to five years.

To facilitate the exporter's banking arrangements, EDC will agree to pay any proceeds of a loss payable under an exporter's policy to a bank or other financial organization.

If a bank or other financial institution will agree to purchase an insured foreign receivable from an exporter on a limited recourse basis, EDC is prepared to