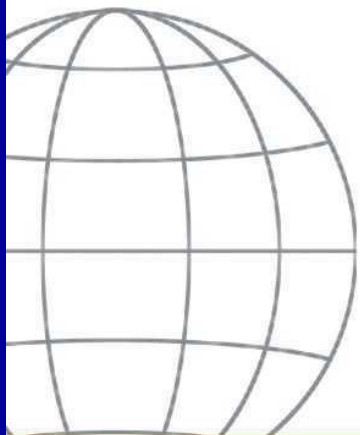


Export Development Canada

Canada Philippines Business Council

November 9, 2005
Ottawa



Canada 

 **EDC**
Export Development Canada
Exportation et développement Canada

EDC- Facilitating Canadian Trade

- EDC is Export Development Canada (Exportation et développement Canada) Canada's official export credit agency (ECA).
- EDC helps:
 - Canadian firms complete international sales,
 - foreign buyers purchase Canadian goods & services and,
 - Canadian firms invest with confidence
- Founded in 1944, EDC is owned by the Government of Canada and operates as a commercial financial institution. AAA rated.

EDC's Services

- Risk management services
 - Export credits insurance
 - Political risk insurance
 - Performance security insurance and guarantees

- Financing Services
 - Direct buyer loans
 - Lines of credit
 - Note purchase agreements
 - Guarantees
 - Leasing arrangements
 - Pre-shipment financing
 - Equity
 - Structured finance solutions

Criteria for EDC Support

- Canadian Benefits.
- Financially & Technically Capable Exporter.
- Creditworthy Country, Borrower / Project.
- Corporate Social Responsibility (CSR)

EDC 2004 Corporate Highlights

- Total Business Volume was CDN \$54.9 billion and increase of 5.8 % over 2003.
- EDC facilitated more than 12% of Canadian export trade (and 36% of Canadian exports to emerging markets).
- EDC supported sales and investments by 6,962 Canadian companies (90% of whom were small and medium sized) in 177 countries and territories.
- EDC facilitated more deals in emerging markets with more than CDN \$11.6 billion of business completed, an increase of 13.5% over 2003.

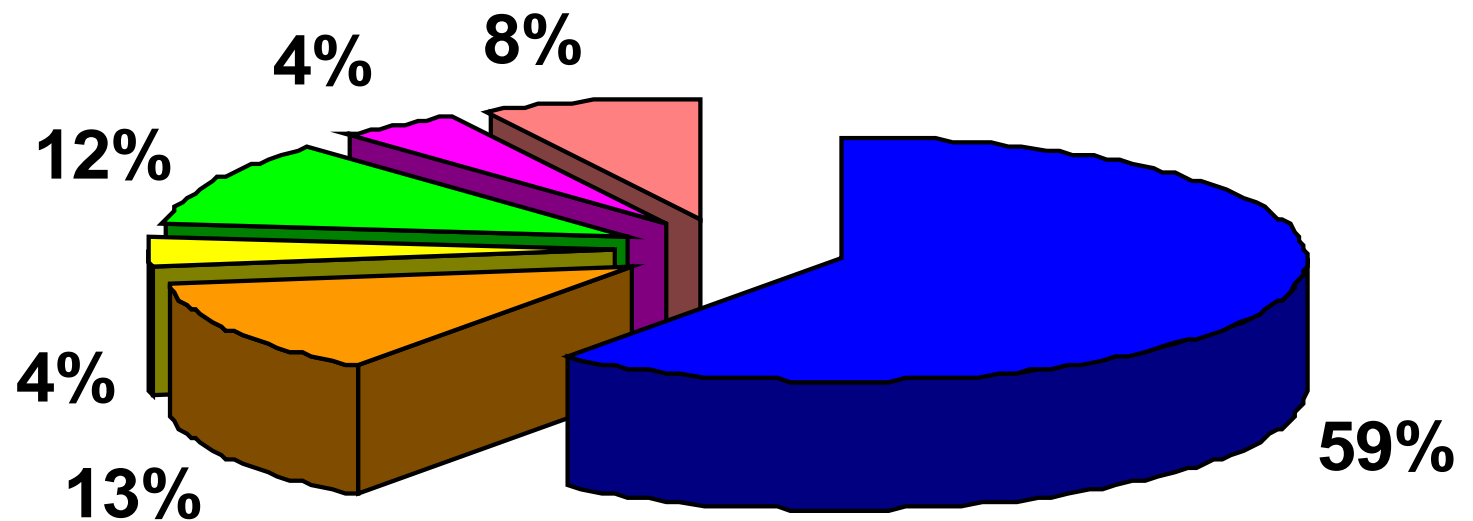
Integrative Trade Environment

- Foreign direct investment is core to integrative trade
- Emergence of global supply chains, built by foreign direct investment in both directions
- Globalization and supply chain model also mean rising foreign content of exports and production
- Services emerge as a core element
- Growing importance of emerging markets in the integrative trade environment

EDC in Emerging Markets

- **Developing markets represent about 20% of all EDC business whereas only about 5% of Canadian merchandise exports**
- **EDC Volume in Developing Markets up 54.4% in seven years, from CA \$6.8 billion (1996) to CA \$11.6 billion (2004).**
- **Government's priority markets (Brazil, China, India, Mexico and Russia) represent 44% of EDC's volume to developing markets (2004).**
- **Number of Canadian companies using EDC's services in developing markets rose from 783 (1996) to 1,554 (2004).**
- **EDC has 8 representations in 6 developing market regions (including South East Asia).**

EDC Business Volume in Emerging Markets 2004



- Latin America
- Asia / Pacific (remainder)
- South East Asia
- Africa
- Middle East
- Europe (Central, Eastern, South Eastern)

China

SOUTHEAST ASIA

Laos



Vietnam

Thailand



Cambodia



Philippines



Malaysia



Brunei

Singapore



Indonesia



PNG

Australia

Strategic Importance of Southeast Asia







Integrated into the Asian and Global economy...

- Population 555 million.
- Combined GDP of USD727billion
- GDP growth in 6% range with solid growth forecast.
- Open economies
 - Trade greater than 115% of regional GDP.
 - Imports reached USD420 billion (up 26%).. Import penetration rate (as % of GDP) three times the global average.
- Growth drivers – electronic driven export growth, growing intra-Asian integration, consumer demand, government pump priming.
- ASEAN Free Trade Area (AFTA) and WTO - expanding economic integration, more predictable business environment.
- Supply chain - production base for MNCs for export to East Asia, North America and Europe.
- FDI attraction – USD20.3 billion in 2003.
- Regional companies actively investing in emerging markets – China, India, Africa, Middle East.

Critical Success Factors for doing business in Southeast Asia

- Relationship dimension is a quintessential element of Asian business culture, which needs to be reflected in business processes and approaches
- Hierarchical engagement is essential.
- Recognize these markets as diversified economic zones, regions, and players
- Differentiate the private and public sectors
- Strategically target outreach initiatives by taking into account the value chains, the regions of focus and the nature of the counterparty (public or private) that are of interest.
- Gain an understanding of Asia from within – through cooperation with financial institutions.

Diverse Markets

		Sovereign Ratings (S&P/Moody's)	GDP Per capita	Nominal GDP Billion	Population
	● Singapore	AAA/Aaa	21,490	104	4.33
	● Malaysia	A-/A3	5,008	116	23.27
	● Thailand	BBB+/Baa1	2,527	162	64.20
	● Indonesia	B+ /B2	1,028	230	223.51
	● Philippines	BB-/B1	1,042	86	82.95
	● Vietnam	BB- / B1	534	43.71	81.58

Major CAN Exports to SEA (2004)

● Base & Semi Mnf Goods	\$707 million
● Agri-Food products	\$602 million
● Forest Products	\$410 million
● ICT	\$329 million
● Industrial machinery	\$209 million

TOTAL EXPORTS

\$2,572 million

Philippines

Economic/Political Environment

- **Key Economic Risks:**

- ➔ High oil prices which could depress growth and weaken external liquidity
- ➔ Tightening of global interest rates which will add to interest burden
- ➔ The government's ability of keeping the deficit-reduction program on track

- **Key Political Risks:**

- ➔ Allegations of corruption and electoral fraud persist
- ➔ Heightened level of political tension
- ➔ It remains to be seen how effective President Arroyo will be in moving an economic reform package forward

Major CAN Exports to Philippines (2004)

- Agri-Food products \$187 million
- Aerospace \$107 million
- ICT \$ 48 million
- Automotive \$ 16 million
- Base & Semi Mnf Goods \$ 12 million

TOTAL EXPORTS

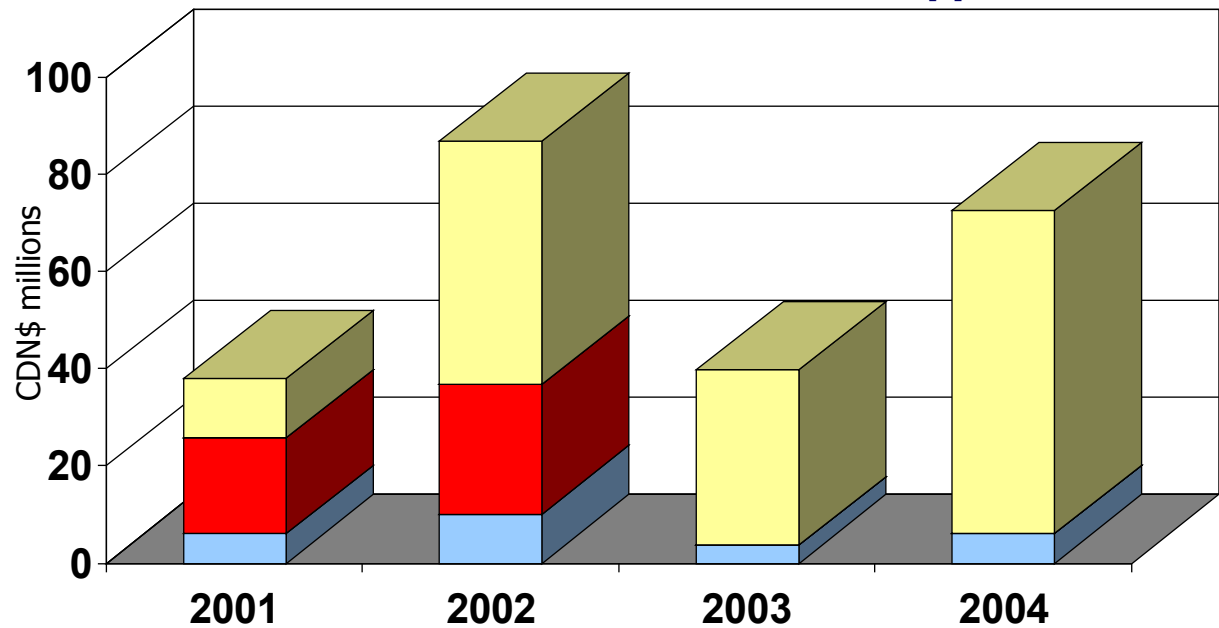
\$399 million



EDC – Current Approach in Philippines

- EDC has various mechanisms in place to support Canadian exporters and investors, primarily Short Term Insurance (\$66.5 million in 2004) and Contract Insurance Bonding (\$6.1 million in 2004).
- Selective opportunities for medium to long-term financing

Historical EDC Volumes in Philippines



Key sectors of support include:

- **Base & Semi Mnf Goods**
- **ICT**
- **Agri-Food**

59 Canadian Exporters and Investors supported in 2004

Philippines

Export Development Canada market position

- Over the past ten years EDC has supported over CAN\$700 million in Canadian exports to the Philippines (30% of Canadian exports).
- Open for all EDC risk management and financing products – accounts receivable insurance, contract insurance and bonding, political risk insurance and medium/long-term financing.
- Chief Representative for SE Asia maintaining relationships with top corporate groups (Telecom- Ayala/ PDLT/Smart) as well as local financial institutions (Phil EXIM, Asia Development Bank, BNP, etc) in effort to support Canadian exporters and investors.
- Seeking opportunities to support SME business in the market in partnership with Northstar Trade Finance.

Philippines

Important distinction between public and private sector opportunities

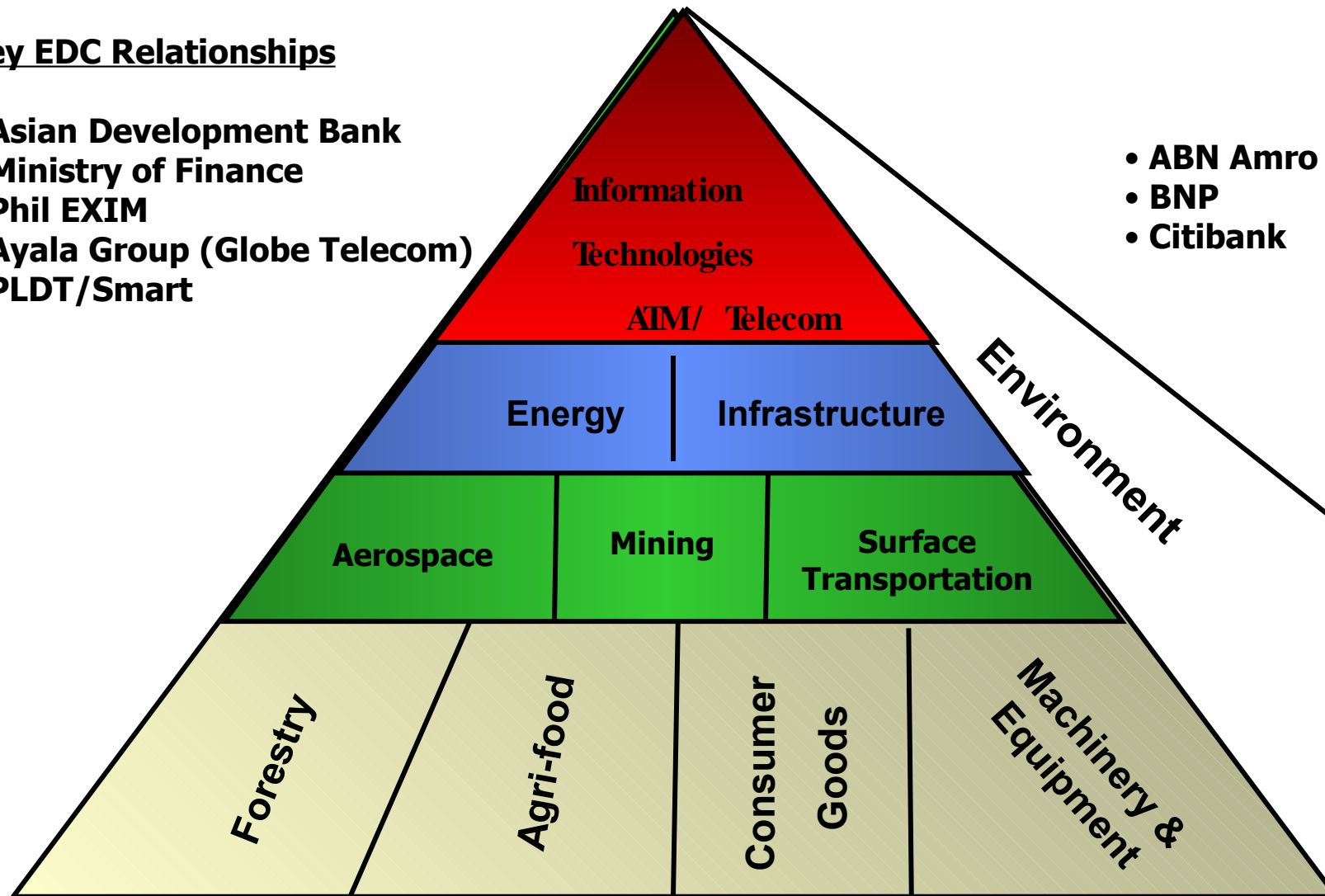
- Public sector:
 - Despite significant ongoing Canadian interest - projects often stalled, always slow to develop.
 - Availability of financing critical to success – ODA / concessional financing is a key factor.
 - Uncertain legal and regulatory environment with respect to government contracts and BOT.
 - EDC relationship with the Ministry of Finance is well established.
 - Chief Representative based in the region works closely with Canadian Embassy to provide advice to companies pursuing government contracts.
- Private Sector:
 - Vibrant with a number of well managed and sophisticated companies.

Sectors of Priority

Key EDC Relationships

- Asian Development Bank
- Ministry of Finance
- Phil EXIM
- Ayala Group (Globe Telecom)
- PLDT/Smart

- ABN Amro
- BNP
- Citibank



Challenges for EDC and the Canadian government as we move forward

- **Overcoming the information gap** on opportunities in South East Asia
- **Broadening the base** of Canadian companies active in South East Asia
- **Pulling together** a co-ordinate “whole of **Government**” strategy for South East Asia
- **Participating in the implementation** of the Pacific Gateway strategy announced by the Government of Canada

Challenges for EDC and the Canadian government as we move forward

- **Effectively implementing** a two way trade and investment strategy
- **Positioning EDC as a strategic partner** with key South East Asian companies (leveraging EDC financial services to bring Canadian firms to the table)
- **Explaining** to government policy makers and those who influence them, **the nature and application** of EDC's CSR guidelines

Challenges for EDC and the Canadian government as we move forward

- **Developing new local financial support services mechanisms** for Canadian firms with a presence in South East Asia
- **Developing relationships** with the “right” local financial services providers
- **Mobilizing the appropriate resources** to effectively realize the growing opportunities
- Responding to the **reality of a “buyer’s market”** and aggressive competition

For Further Information...

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