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EDC'S MAGAZINE FOR CANADIAN EXPORTERS

FALL 2009

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PM40063481

Photo: Martin Lipman

Eric Siegel President & CEO

Catching the Wave of Global Recovery

November 2009 marks a very special occasion for Export Development Canada (EDC): our 65th anniversary. A lot has changed during that time. EDC's first office, created in 1944 to help the Canadian economy bounce back from the Second World War, had just four employees – and let me tell you, they had their hands full.

The rapid expansion in trade over the last several decades has provided plenty of opportunities for EDC to find innovative ways to help Canadian companies grow their export business. Now EDC has more than a thousand employees, with offices across the country and around the world. And we still have our hands full!

As of the end of October, we have provided financing and insurance services to more than 7,700 Canadian exporters this year. Those services helped to support a significant portion of the Canadian economy, and that's been particularly important in the last year, as the world faced its first truly global financial crisis.

But over the last year, we have also witnessed the world's first truly global response: globalization has tied our economies together – shocks travel farther and faster – but it has also provided us a means to respond through better-coordinated monetary and fiscal policy.

The degree of government response is unprecedented. We've seen bailouts, nationalizations, and enormous government stimulus packages, adding up to tens of trillions of dollars.

And while these drastic measures have mitigated the impacts, it will take time to reach a 'new normal.' The dust is still settling, but one thing we can be sure of is that we can't go back to the way we were.

The financial sector will be more risk averse in the foreseeable future. Financial institutions will need to rebuild their balance sheets and the confidence of their investors. They will also have to re-evaluate the way they determine acceptable risks.

What this means is, even though the economy isn't stalled as we once feared it would be, there are gaps in the global credit market that will require continued involvement from governments – what we are waiting to see is how that will take shape.

And what I believe we'll see in the market of the future is a model that will be pretty familiar to Canadians.

Even though a year ago it seemed like the global economy was on the verge of collapse, Canada is now on the road to recovery, after a recession that some would say was surprisingly mild. This is not to gloss over the reality of the recession: we can't lose sight of the jobs lost, the businesses that have had to close their doors, the families who have lost their homes.

But given the severity of the circumstances we faced, Canada came through remarkably well. And there's a lesson to be learned here: Canada had established public-sector capacity to engage with the private sector well before the financial crisis hit. As a result, we fared better than those countries that did not have this infrastructure in place. It's that simple.

So our first truly globalized crisis is pushing the world toward greater cooperation, which, as we've seen in Canada is a clear path to a more stable and secure financial sector.

At the government level, globalization has made for a better-coordinated response to the financial crisis, but it will also provide the key to recovery for individual companies: those with diversified markets will be able to tap into the recovery, no matter where it starts.

To stay ahead of the curve, more Canadian companies, as many of you are doing, need to build or buy into global supply chains, set up shop in their customers' countries, take on joint ventures with foreign partners and find their niches in globalizing businesses.

To help ensure Canadian companies are well-positioned to do just that, EDC is working hard to develop the flexibility and expertise to engage in these markets.

We made the most of the crisis – we formed new relationships with Canadian business and strengthened partnerships with private-sector financial institutions.

And now, with the recovery in sight, the rubber is hitting the road. We can't lose traction; we have to ensure that we can put these strengthened partnerships to work for Canadian companies.

EDC is doing its part. We are encouraging Canadian investment abroad, helping investment vehicles like pension funds look for opportunities in new markets; we are expanding foreign representations so that we can strengthen our relationships with foreign buyers and their banks: we recently opened a new office in Lima, Peru, and are looking forward to further expansions over the next several months; and we're developing new strategies to leverage our relationships with key foreign buyers, allowing us to play a matchmaking role, introducing these buyers to Canadian suppliers.

We believe that our approach will help Canadian businesses to catch the wave of recovery in the places that it will begin: places like Brazil, India and China. And we believe that this approach will help you – our exporters and investors – to thrive beyond the recovery and into the future. ■

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Surviving the Downturn: Success Stories

BY TOBY HERSCOVITCH

How have Canadian companies been adapting to the worst downturn in recent memory, particularly when financing has been so hard to come by? Persistence, placing trust in their people, boosting product development and expanding in emerging markets are just some of the methods used by a cross section of mid-sized companies in different sectors, profiled here.

The companies also had to quickly find new financing arrangements to continue their domestic operations and diversify abroad to replace lost sales. EDC came through for these firms and their Canadian financial partners, given its increased ability to support domestic business in cooperation with the Business Development Bank of Canada (BDC) and private sector lenders. Known as the Business Credit Availability Program, or BCAP, these measures are part of Canada's Economic Action Plan introduced by the federal government in its 2009 Budget.

Since last March, EDC has been collaborating almost daily with Canadian banks and insurance providers to create new loan, guarantee and reinsurance arrangements that have helped many companies avert their own financial crises.

For others, EDC has allowed them to grow their operations in different emerging markets, where business has not dropped off as badly as in the United States.

International Electric Rigs (IER) of Edmonton is a case in point. The company has developed a strong niche market supplying portable electrical power equipment, such as SCR power packages consisting of generators and SCR drive systems used for drilling-rigs, to the oil and gas industry in Algeria. In spite of the worldwide downturn, the company's business has progressed steadily in that region.

"EDC has been very good to us, providing guarantees to our bank on loans and performance bonds that helped us to grow," says company president Ramiz Zakaria. "We see this recession as a good time to try to expand our operations further in Africa, North and South America."

Most recently, EDC provided a $4.3 million loan guarantee that enables IER's Canadian bank to continue financing the company as it commercializes its operations abroad, a process that can take up to seven months for each new project.

"Our financial manager keeps telling me we're lucky to have these loans when others are having so much trouble," adds Zakaria. "But we also work hard to get new contracts overseas, develop better field equipment and build good relationships with our clients. Now we have two new contracts in Algeria and inquiries from Tunisia and South America."

Photo: Courtesy of International Electric Rigs

^ Despite the global downturn, Edmonton-based International Electric Rigs' business is progressing, particularly in North Africa.

149 reasons to keep credit flowing

IER is just one of the 149 companies across Canada, in all walks of industrial life, to which EDC provided more than $1.7 billion in financing under BCAP, between March 18 and October 31, 2009. This commercial support includes direct loans and guarantees on financing, credit insurance and contract bonding.

The bulk of BCAP financing or $761 million went to mining, oil & gas and natural resources firms; another $309 million served construction and infrastructure and $453 million to the manufacturing sector.

For instance, New Flyer Industries, a transit bus manufacturer with facilities in Manitoba and Minnesota benefited from an EDC loan of up to USD 40 million as part of a USD 180 million renewal of a syndicated loan facility; for Superior Plus Corporation of Alberta, whose businesses include propane distribution and specialty chemicals, EDC contributed $25 million towards a $570 million syndicated loan; and EDC provided $7.5 million in general corporate financing to Canadian General-Tower Limited of Ontario, a major supplier of vinyl and leather materials for automotive interiors.

Here we take a closer look at three other firms who are adapting to the recession with some much-needed financing to bridge their business challenges.

Wescast Industries

BRANTFORD, ONTARIO

Wescast Industries is an expert in getting rid of exhaust gases from your car cylinders. But facing a nearly exhausted automotive industry over the past year was a tougher battle, one that this 100-year-old company and leading supplier of cast iron exhaust manifolds has been gradually overcoming.

"We restructured our company starting in the third quarter of 2008. We closed one of our two Canadian foundries in May 2009, reduced our production volumes, expenses and fixed costs and generally have become a leaner organization," says Kent Harris, Chief Financial Officer of Wescast.

"What we haven't reduced is our product development activity and important capital investments. We're ramping up our stainless steel activities, to make our manifolds lighter and more efficient, and reopened a machine facility in Stratford (Ontario) to do so."

Before the automotive downturn hit Wescast late last year, the company had just come out of a period of nearly 15 years of steady growth and success. "Our financials, margins and stock prices were excellent for a long time," adds Harris.

While the auto industry had been slowing for a couple of years, at least, it

Business Credit Availability Program Highlights

149 companies
$1.7 billion in financing (as of October 31, 2009)
$761 million to mining, oil & gas, natural resources
$453 million to manufacturing
$309 million to construction and infrastructure

wasn't until the fallout from the U.S. financial crisis that it became evident the industry was in for a severe shake-up.

"This is one of the toughest periods that I can recall in our company history, and certainly our hardest time financially," says Harris.

This past spring, Wescast discovered firsthand what was in the news every day – credit had dried up. "When we put out a request for proposals (RFP) for a new credit facility to some 10 financial institutions – including many banks we had worked with before – there was barely any interest," says Harris. The troubled banking sector combined with the stigma of the ailing automotive sector made many banks flee from more automotive exposure.

This is where the company's relationship with EDC proved its weight in cast iron. "We've had a long-term relationship with John Earl of EDC," says Wescast's Treasurer Terry Haynes. "We've regularly used EDC's accounts receivable insurance and other risk management products."

Earl, a Strategic Account executive with EDC's transportation team, worked closely with Wescast's management to develop a financing package suited to their needs, using EDC's expanded financing powers. "Our understanding of Wescast's business and belief in their long-term strategy made it possible for us to step in," says Earl.

"EDC played a major role – they took on two-thirds of our exposure and eased one of our banking partners' concerns. They really stepped up in a big way," adds Haynes. This paved the way for Toronto Dominion Bank to participate with EDC in a revolving term-credit facility for Wescast of up to $30 million, for working capital requirements and general corporate purposes.

The company is eager to get back to where it was before the crisis. "We didn't sacrifice our important product development. We are now leaner and stronger than we were before and ready to launch new technology and new facilities as the market improves," says Harris.

Wescast has operations employing some 1,700 people in Ontario, the United States, Hungary and China, along with offices in Europe and Japan. Key clients include the Detroit Three, top-tier suppliers of turbochargers, and car makers in Europe and Japan, such as Volkswagen, Peugeot, Renault and Nissan. The company's business in China, in particular, has been doing relatively well financially this year and is being expanded.

www.wescast.com

Photo: Courtesy of Wescast Industries

Photo: © iStock

Clearwater Seafood

HALIFAX, NOVA SCOTIA

Clearwater's premium lobster and other shellfish from Canada's Atlantic waters are among the finest in the world, never mind that they pack a mean pinch. Still, the real pinch for this global l eader in the harvesting, processing and distribution of shellfish started late in 2007. Well before the financial crisis hit, the high Canadian dollar and sluggish U.S. economy were already cutting into the company's sales to the United States, its biggest single market.

"Having embarked on a strategy to return to a private company status, we were about to complete a new financing arrangement and had attracted all the necessary investors, when one of the key lenders went bankrupt," says Colin MacDonald, Clearwater's Chairman and CEO. In no time, the other investors backed out.

"Under normal circumstances, one lender would not have been hard to replace," notes MacDonald, whose company has an excellent reputation in its industry. The credit crunch changed those dynamics. "Then we heard of EDC's domestic financing, both through our relationship with EDC and through other lenders."

"We had used EDC since the late 1970s for ARI in our foreign markets. They helped us grow and build our reputation internationally," says MacDonald. "Last

spring, EDC stepped in to help us with our long-term debt – providing $15 million in a $60 million financing package with GE Capital, BDC and the Nova Scotia government. We were very much relieved and thankful."

This financing was just one step in Clearwater's process to adapt to the new economic realities. The company maintained its strategy of exceptional supply and service, emphasizes MacDonald, a strategy where good customer relationships and retention are priorities.

"We also continued to invest in our employees, providing cost of living raises, health benefits, training and constant communication to overcome the fear that a recession creates – fear is a business killer. As a result, our people have really spearheaded our company's successful cost reductions, managing accounts receivable more tightly, increasing inventory turns and reducing our carbon footprint. For example, our receivables are now paid in 25 days, on average, instead of 40, and inventory turns six times per year versus the historic three turns," says MacDonald.

"Over the past five years we have been on a program to improve and rationalize our fleet of fishing boats, which are now state-of-the-art and far more fuel efficient."

Clearwater sells nearly 100 per cent of its products abroad – about 40 per cent to the United States, 30 per cent to Asia and the Middle East and 30 per cent to Europe. While sales to Japan decreased as much as 30 per cent this year and to the U.S., as much as 20 per cent, the company is experiencing strong growth in China and the Middle East, offsetting the declines.

MacDonald is optimistic about reducing the company's debt and leveraging its financing to move forward. Indeed, the company announced a 30 per cent increase in its first two quarter earnings this year, and a 41 per cent increase in gross profit margins, based on sales of $141 million, up 12 per cent – all compared to the same period last year.

"We see the market gaining strength slowly. We are also looking into a number of right-priced opportunities for adding acquisitions to our company, including additional resources in Canada and value-added production and services abroad, closer to our customer base," says MacDonald.

www.clearwaterseafood.com

Ingenia Polymers

TORONTO, ONTARIO, AND HOUSTON, TEXAS

Ingenia Polymers sells its polymer compounds, concentrates, plastic powders and related chemical solutions to the who's who of the plastics and chemicals industry – the Dows, Novas, CPChems and major plastics processors of our material-dependent world. When the financial crunch hit in fall 2008 and commodity prices dropped sharply – with no unbreakable plastic to cushion the fall – Ingenia faced a sharp decrease in volumes in conjunction with having to sell off costly inventory at lower prices.

"It was a struggle for a few months. Until October 2008 we were ahead of our budget then commodity prices across the board took a dive, and our sales went down as customers waited until the last minute to place their orders," says Ingenia's President and CEO John Lefas.

Today, Lefas is cautiously optimistic. The company is getting ready to open its first overseas plant next year, in Al Jubail, Saudi Arabia. He says that the chemical industry is rapidly expanding in the Arabian Gulf region, with large operations investing there. "Gas and oil feedstocks for the raw materials are cheaper in the Gulf and that is where many of our key customers are going; so we have to follow them, globalize and grow."

Ingenia is one of the few remaining Canadian companies of its kind. Most were bought out long ago by large foreign counterparts. "We did the reverse," says Lefas. The original company he founded in Brantford, Ontario, in 1986, acquired a U.S. partner's interest in the late 1990s and soon after expanded in Houston, Texas. The company also operates a plant in Calgary and warehouses in Montreal, Vancouver, Los Angeles and Mexico City.

"About 50 per cent of our Canadian products are exported, mostly to the United States, Mexico and some overseas," adds Lefas. Now the company is making plans to diversify even beyond the Gulf States. "The recession has really pushed us to think hard. We are looking at growing in Brazil and Europe in the future. This way, we can provide integrated services to our customers wherever they operate, establish synergies and then if business in one country is down, it could be up in another," says Lefas.

He adds that EDC has helped him understand and make important contacts in targeted foreign markets, especially Brazil, the Gulf States and India, all regions where EDC has representatives.

Lefas's main bank, Toronto Dominion, introduced the company to EDC when Ingenia needed additional liquidity. "We had another banking partner which pulled out for its own 'strategic restructuring'. EDC was quick to help us fill the gap. Now we are looking at other EDC tools, such as its ARI for our offshore activities."

Along with the boost it received from EDC's USD 10 million in corporate financing, the company has found other means to adapt to the recession. "We spent a lot of time doing things that we should have done anyways: looking at our operations, controlling costs and just hustling a lot harder," says Lefas.

"In spite of the problems, we kept up the three pillars of our company's success: operational excellence, technology focus and geographic expansion. But we proceeded deliberately, from milestone to milestone, waiting to see how our customers modified their own plans." Since January 2009, Lefas says business has been steady – similar in fact to the previous year, before the recession hit.

According to Lefas, the recession also gave the company access to new talent, and decreased the costs of its capital expenditures, as prices dropped from the runaway levels of two years ago. He believes the company is now well positioned to benefit from the incipient economic recovery.

www.ingeniapolymers.com

Photo: Ingenia Polymers Corporation

^ When commodity prices dropped in 2008 Ingenia Polymers struggled, but the Toronto-based company is now gearing up to open its first overseas plant in Saudi Arabia.

Mailhot Industries

Canadian Manufacturer Increases its Stake in Mexico

BY DANNY KUCHARSKY

Photo: © JTB Photo / Age Fotostock

^ In a challenging economic environment there are some significant long-term opportunities in the Mexican market, particularly in sectors such as automotive and aerospace where shipping costs are a huge factor.

In April this year, at perhaps the lowest point during the global economic downturn, Terrebonne, Quebec-based Mailhot Industries officially opened a new $10 million plant in Mexico. Mailhot designs and manufactures hydraulic cylinders for a variety of applications, from construction and mining to refuse and recycling collection.

A bad move? Think again. "Even though we're in the recession, our order book in Mexico is solid for the next three months," says Yvan Morin, President of Mailhot. "In our trade, that's outstanding."

Mailhot's 9,300 m^2 facility was financed with the help of an $8.5 million loan from Northstar Trade Finance, one of several companies EDC has teamed up with to assist Canadian exporters and companies that are doing business on the ground in Mexico. Northstar lends money to small- and medium-sized Canadian exporters and affiliates abroad, that traditional banks might turn away, with the loans insured by EDC.

Mexico's a key link in the growth strategies for many Canadian companies and Mailhot's investment is a good example of how Canadian companies are integrating Mexican operations into their North American and global supply chains, with EDC's help.

EDC is increasingly active in offering innovative solutions to Canadian businesses and their affiliates in Mexico. For example, last year, EDC established a Master Guarantee program with Scotiabank Mexico. Under the deal, EDC guarantees Scotiabank Mexico loans in Mexico to either importers of Canadian goods and services or subsidiaries of Canadian companies operating in Mexico. Under the agreement, EDC will guarantee up to 75 per cent of the loan amount, to a maximum of USD 5 million.

"The Master Guarantee agreement with Scotiabank in Mexico supports affiliates' financial needs in the market," says Johane Séguin, EDC's new Chief Representative in Mexico. "It can also be accessed by Mexicans who are buying Canadian goods and services." Séguin says the program is a unique solution for the Mexican market, that she hopes will eventually by replicated by other financial institutions in Mexico and in other countries as well.

"This agreement with Scotiabank reflects our shared interest in doing more business in Mexico and growing the

presence of Canadian companies in this key market," she adds. "It also allows us to provide customers in Canada and Mexico with the best end-to-end supply chain financing solutions designed to facilitate international trade and mitigate risks."

EDC also recently finalized a re-insurance agreement with Atradius Seguros de Crédito, S.A., the Mexican arm of the global credit player Atradius. EDC can now re-insure 100 per cent of accounts receivable for Mexican affiliates of Canadian companies. This solution could potentially help as many as 2,000 Canadian companies in Mexico.

"It was something that EDC could not offer directly because of insurance regulations, so this partnership allows us to add more value to Canadian companies and their affiliates by partnering with Atradius to provide them with insurance solutions," says Stephanie Butt-Thibodeau, EDC Regional Vice-President, Mexico, Central America and Caribbean.

> Currently, close to 2,200 companies are registered in Mexico as having Canadian capital.

With all this activity, it's no wonder that Mexico has been a growing market for EDC in recent years. According to Butt-Thibodeau, EDC supported $1.7 billion in business volume in Mexico under its various programs in 2008, up 22 per cent over 2007. Volume in 2009, however, is so far tracking behind 2008 due to the overall decline in exports caused by the global downturn. In terms of EDC business volumes for developing markets, Mexico is the fourth largest market behind Brazil, China and India. (Overall, Mexico is the fifth largest market for Canadian exports, behind the U.S., U.K., China and Japan.) The number of Canadian companies that EDC supports also continues to grow. Last year, EDC supported 650 companies, a 26 per cent increase over 2007.

EDC forecasts that Mexico's economy will likely shrink 6.9 per cent in 2009. But, EDC Chief Economist Peter Hall noted in October that the worst may be over, with several indicators pointing to better times ahead. Business confidence in Mexico is rising and the stock market has recovered almost all of the ground lost in late 2008. Mexico's international borrowing costs have stabilized, although they are still higher than before the crisis.

Hall says that the speed of recovery in Mexico, as in Canada, depends heavily on how fast things turn around in the United States.

Still, while Mexico's economy has been affected by the global credit crisis, there are many significant long-term opportunities in the market, Butt-Thibodeau says. Mexico is aided by its proximity to the U.S. market and significantly lower shipping costs compared to the Asian market, especially in sectors such as automotive and aerospace where shipping costs are a significant factor. In a challenging economic environment, companies are looking to cut costs and Mexico has a highly skilled labour force with more competitive labour costs than in the United States and Canada, she says.

Recognizing that there are a large number of opportunities for Canadian companies in Mexico, EDC has recently beefed up its presence in the market, with Séguin leading a four-member delegation in Mexico that also includes a representative in Monterrey. Séguin says it's a way of increasing the awareness of EDC, maintaining its relationship with key clients and identifying new opportunities for Canadian business.

"By having a larger team on the ground in Mexico we're able to bring more visibility and profile to Canadian capabilities," adds Butt-Thibodeau. "Over the past couple of years, EDC has been increasing its international footprint. For Mexico in particular, in recognition of the size of the market and the number of opportunities, we felt it was important to strengthen our team there in order to be better positioned to support Canadian exporters and to reinforce our commitment to the market."

Opportunities for Canadian business in Mexico include the mining, energy, transport, infrastructure, and information communication technology sectors. Other sectors are opening up as well, including the medical equipment supply market. As well, with 14 car manufacturers based in Mexico, there's a good opportunity for Canadian companies to export to Mexico. "We're seeing some results of our efforts," Séguin says. Indeed, as of June 2009, 2,187 firms were registered in Mexico as having Canadian capital, according to NAFTA.

EDC in Mexico

$1.7 billion
business volume

650
Canadian companies supported

4th
largest emerging market

Promoting Canada in Mexico

To promote Canada in Mexico, EDC is strengthening relationships with major Mexican companies that have large capital expenditure programs in sectors where Canadian capabilities are strong. "It's very key for us to have affiliations with these types of companies, to make sure we keep the doors open," says Séguin.

Séguin is also working with financial institutions to facilitate the availability of financial services for affiliates of Canadian companies based in Mexico, who "are extensions of the Canadian economy." Says Seguin: "At the end of the day we need to increase the presence and awareness of EDC, and maintain our relationships with key clients," she says.

In the fall, EDC's Mexico team led two inbound missions to Canada to introduce large Mexican companies to Canadian exporters. "By broadening the Mexican companies' knowledge of Canadian companies, we can help them increase their base of Canadian suppliers," Butt-Thibodeau says.

Feedback on the missions was very positive from Canadian exporters, who noted they were able to engage directly

Photo: Courtesy of Mailhot Industries

^ Mailhot Industries, Quebec-based manufacturers of cylinders for the construction, mining and waste management sectors recently expanded their presence in Mexico, a major hub for South America and port of entry for the U.S.

with procurement representatives they may otherwise have never had the opportunity to meet.

Inbound and outbound missions are a big help to companies just starting to develop their market entry strategies, a process that can evolve over several years, notes Séguin.

Mailhot Industries

Mailhot Industries' experience in Mexico is a perfect case study of a strategic and gradual integration of Mexican operations into their overall business model. The company has, in fact, had a Mexican presence for 17 years.

Mailhot operates manufacturing plants in Terrebonne, St-Jacques, and Lachenaie, Quebec and Guelph, Ontario, aside from the Mexican plant. Named one of Canada's 50 Best Managed Companies from 2005 to 2008, Mailhot has a reputation for offering some of the best cylinders on the market for the construction, mining and waste management industries.

Among other things, Mailhot has replaced chrome, which is environmentally dangerous, with nitriding, a process that is better performing and environmentally friendly "We've developed a market niche," says Morin of his 350-employee company. "We have a product that is unique and the value added on our product is pretty well demanded."

Initially, Mailhot took out a minority interest in a Mexico City operation after the peso devaluated in the mid-1990s. After getting its toes wet in Mexico, Mailhot increased its stake in the operation, and by 2000 changed the name of the Mexican facility to Mailhot Industries. "The business starting booming," Morin says, and grew at a 15 per cent rate compounded annually until 2007. Mailhot's Mexican partners now have only a minority stake in Mailhot Mexico.

By 2007, Mailhot Mexico had obtained major accounts from South American countries like Ecuador, Brazil, Chile, Peru and Colombia. "We realized (South America) was a market in itself," Morin says, with Mexico acting both as a South American hub and as a port of entry for the United States. That's one of the major reasons Mailhot decided to expand in Mexico at a time when many firms were opting for China. "China was too far away, and intellectual property was a problem."

Since Mailhot's Mexico City facility was operating at full capacity and could not be expanded, the company decided to build anew.

That's where Northstar and EDC came into play with its financing of Mailhot's new plant. Northstar, which counts four banks among its owners (Bank of Montreal, Royal Bank, National Bank and HSBC), has a few hundred deals under its belt in Mexico. Despite the recession, "the business fundamentals are there in Mexico," says Craig MacKenzie, Northstar's Executive Vice-President, Sales and Marketing in Toronto.

Mailhot applied to Northstar for a loan before the current global economic crisis hit and "got a good deal," MacKenzie says. "They're on track to exceed their initial projections," he says of Mailhot. "Sales are doing very well." What's more, he adds, "the stars were aligned the day we did that deal. It's probably the deal I'm most proud of. They're just a wonderful company to deal with."

After the Mexican government struck a deal with Mailhot to help the company move its employees, about half of the 65 employees moved from Mexico City to the new plant, located in a new industrial park some 320 kilometres away. As an added plus, Morin says Mailhot Mexico is located near a university faculty of engineering, meaning that Mexican operators the company hires are already well-trained, while Canadian counterparts it hires "are taken off the street" and require training. "The quality and supply of labour is high" in Mexico, he says.

Morin admits nobody expected the economic downturn when the company made the decision to expand in Mexico. Although business has been challenging since the downturn began, "we have sufficient order books to say 'it's going to be okay.' We will increase by roughly 40 per cent over the previous (Mexican) facility," while overall sales for the private company will be down slightly this year.

Mailhot's Mexican plant "is the future of the corporation," Morin says, because of the company's growing business with South America and Europe. (Mexico has a free trade agreement with the European Community.) Mailhot started selling from Mexico to Europe a year ago, and now has seven-digit sales to the continent.

A European plant is in the company's long-term plans after it digests the Mexican operation, and "the first door we're going to knock is definitely EDC and Northstar. If it had not been for EDC and Northstar we wouldn't have a Mexican plant."

Morin adds that Mailhot's decision to boost its presence in Mexico did not take away jobs in Canada. Rather, it created jobs in Mexico for the Mexican, South American and European markets. Canadian and American customers, meanwhile, continue to be served by Canadian operations. With Mailhot's new plant in Mexico, "we're suddenly in a position where we create wealth in Mexico as well as in Canada." ■

CLICK . . .

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Getting Around 'Buy American'

Not all U.S. infrastructure projects are stimulus-funded

BY KATHRYN YOUNG

After Metalumen secured a contract to supply architectural lighting for the Chicago subway's Grand Station, it confronted the latest Buy American provision – a controversial clause that excludes Canadian steel, iron and manufactured goods from local, state and small federal projects funded by U.S. stimulus dollars.

Not to be deterred, the Guelph, Ontario-based company, with help from the Canadian Trade Commissioner Service, found a U.S. subcontractor to manufacture the lights, allowing Metalumen to deke around Buy American.

"It is a tougher place to do business now," said Metalumen President Martin Stocker. "If you want to play in their sandbox, you have to play by their rules."

In the new export reality that arrived with last February's stimulus bill, the *American Recovery and Reinvestment Act*, other companies have not been so fortunate.

Abbotsford-based Innotech Windows & Doors, an EDC client, was the preferred supplier for a Seattle Housing retrofit project, for which it had worked in the past, and had the backing of two American contractors. Innotech invested considerable time and money helping the contractors apply for a waiver from the Buy American rules, but lost out before it could even be processed. Innotech general manager Troy Imbery can't help feeling his products' nationality was to blame.

"They really don't want to be bothered," Imbery said. "Nobody comes out and tells you 'You're a Canadian' but it does have something to do with it."

By early fall, Innotech would normally have four or five U.S. jobs, representing approximately 30 per cent of its business, secured for the next year, but this year they had none, forcing management to consider moving parts of its operation to the United States.

"Made in Canada" has become a liability when Canadian exporters try to win U.S. contracts in the new Buy American reality. The $780-billion stimulus fund was touted as a way to get the economy moving, with $130 billion slated for construction of roads, bridges, housing, government and commercial buildings, water and sewer systems, and other much-needed infrastructure.

Usually, that would represent significant opportunities for Canadian exporters, but as the complicated Buy American clause is slowly deciphered, people realize it's hurting businesses in both countries, given the interconnected Canadian and U.S. economies.

Buy American has caused significant delays in many U.S. construction projects that were "shovel-ready," while people wait to find out how the rules apply, said Perry L. Fowler, Director of Municipal and Utilities construction for Associated General Contractors of America (AGC). And projects that were designed around Canadian equipment or technology must apply for waivers or return to the design table, which may delay projects indefinitely.

"We don't support the policy," said Fowler. "It gets away from the whole point of the stimulus, which was to create jobs."

Photo: REUTERS/Shannon Stapleton

^ The Buy American clause does permit waivers: Canadian exporters can supply products if they aren't available in the United States or if an American product will increase the project cost by 25 per cent, but the waivers aren't easy to get.

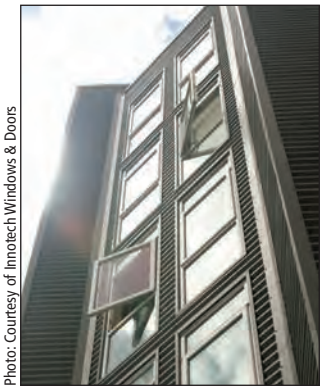

Photo: Courtesy of Innotech Windows & Doors

< Innotech Windows & Doors invested considerable time to help their American contractors apply for a waiver, but lost out before it could be processed.

So how can Canadian exporters cope?

First, put the situation in perspective, advised Marie-Claude Erian, EDC Sector Advisor for Infrastructure. "We need to remind ourselves that the opportunities in the construction sector in the United States are close to $1 trillion, far exceeding the $130 billion of stimulus spending related to the construction sector," she said.

Many exporters contacted EDC to ask for help clarifying the new Buy American rules, so Erian organized a webinar to help them access stimulus projects, as well as non-stimulus projects that are publicly tendered.

"Stimulus really is just the tip of the iceberg," Judy Bradt, Principal of Summit Insight, told exporters. She offered many tips and websites to help exporters find out where and when publicly tendered U.S. projects are posted. The webinar, which can be downloaded from the EDC website, drew above-average interest and attendance.

Jean-Philippe Linteau, Senior Trade Commissioner at the Canadian Embassy in Washington, explained the nuts and bolts of the Buy American provision, which applies to the procurement of steel, iron and manufactured goods by state and local governments that are funded, even partially, by the Recovery Act. Especially hard hit are Canadian manufacturers of water and wastewater treatment equipment, fabricated steel products, construction products, and HVAC systems.

"Exporters face contamination. Even only one dollar of Recovery Act funding in a $10-million state or local government project makes the whole project subject to the Buy American rules," explained Linteau. If final manufacturing is completed in Canada, that product can't be used in state and local projects.

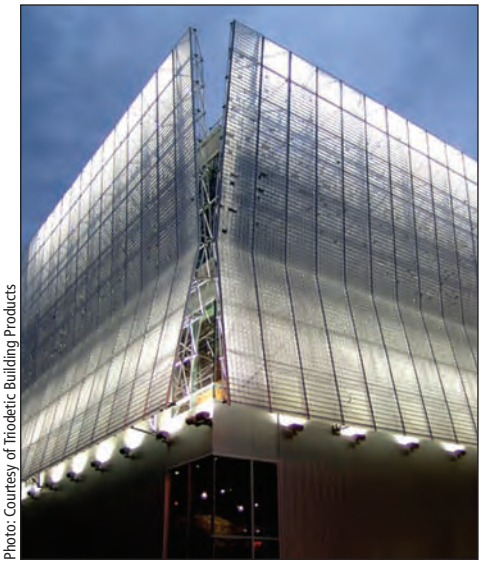

Photo: Courtesy of Triodetic Building Products

^ Triodetic Building Products advises potential suppliers to consider sharing a manufacturing plant of a complementary product for a project.

However, the Buy American clause permits three waivers. Canadian exporters may supply products if a product isn't available in the United States; if an American product will increase the project cost more than 25 per cent (a level which Linteau says means it will rarely be used); and if it's in the (undefined) public interest.

Fowler said the U.S. Environmental Protection Agency has granted several waivers for Canadian products where a U.S. product wasn't available. However some, like Imbery, are finding the waivers difficult to obtain.

Linteau said he's seen cases where U.S. distributors of Canadian products refused to stock foreign-made goods just to make their lives simpler.

"Despite all that, opportunities still exist to tap into the funding that is available through the Recovery Act," Linteau said, citing federal construction projects over $7.4 million, services, broadband, and projects by private organizations or non-profits.

EDC client Triodetic Building Products has a plan for handling major projects that come with Buy American strings attached: share a U.S. manufacturing plant of a complementary product just for that project. In fact, the Arnprior, Ontario company, which designs and constructs domes, roof-frames, free-form structures, and spheres such as the Ontario Place Cinesphere, is considering a U.S. project worth 60 per cent of its annual sales.

"Then it becomes worthwhile to consider setting up (U.S. manufacturing)," said Triodetic president Bill Vangool. For smaller projects, they might subcontract to an American company. "We need to look at different approaches."

Meanwhile, as other bills before Congress this fall include Buy American provisions, the threat of retaliation looms, say Fowler and Jayson Myers, President of Canadian Manufacturers & Exporters.

A short-term waiver for Canada could happen within months, while a long-term government procurement agreement could take a year, said Myers.

Advice for Canadian Exporters

- Share a U.S. manufacturing plant of a complementary product
- Subcontract to an American company
- Look for non-stimulus funded projects
- Get help from a local trade commissioner

"I'm hopeful that we'll see a quick resolution," Myers said. "The federal government, I think, has a very strong proposal."

It's difficult to put a dollar value on lost Canadian exports to the United States, but in the water and wastewater area alone, it's about $4 billion, he said. And at least 250 Canadian companies have been affected.

During the EDC webinar, Bradt advised companies to determine if the Buy American provisions apply to them. If so, and waivers prove hard to get, it's worth examining the millions of dollars worth of other American projects that are not stimulus-funded. But if they want to pursue stimulus-funded projects, get help from a trade commissioner or professional to determine precisely what applies to that company and situation.

"You will save thousands of dollars and months of time," Bradt said.

Stocker said Metalumen will consider subcontracting again but, given the risks of creating a competitor and the extra management required, will have to come up with a long-term strategy in case Buy American is a long-term reality. ■

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Photo: © Masterfile

The life sciences, with all their manifold promise, will be one of the 21st century's most important sources of new knowledge and technological progress.

New Frontiers in the Life Sciences

Canadian Companies in China and India

BY DENNIS AND SANDI JONES

They encompass everything from medical devices and technologies to pharmaceuticals and plant genetics, and their potential contributions to human well-being and economic prosperity can hardly be overestimated.

Many countries are recognizing the crucial importance of the life sciences industry to their future socioeconomic development. Its significance is underlined by the fact that it has defied the global recession by continuing to grow at a vigorous pace, especially in India and China. The Indian sector earned US$2.56 billion during 2008, and the sector has been expanding at around 20 per cent per year since 2002. As for China, its demand for medical devices and equipment alone was estimated at US$4 billion in 2008, and the rate of growth shows no sign of slowing.

Just as important, especially for the future, is that the life sciences opportunities in these two countries are related to some of the most sophisticated and R&D-intensive industries that exist anywhere in the world. This is not a sector that will ever rely on the low-cost manufacturing of cheap, mass-produced consumer goods.

Canada's part in the accelerating development of the global life sciences sector could and should be a major one. The industry already earns about $4 billion annually through sales of medical devices alone, and exports account for 60 per cent of that total. Human health is the most important side of Canada's sector, accounting for 70 per cent of total revenues and nearly 90 per cent of R&D, and more than half of all Canadian life sciences firms operate in this area. Many of these companies are in the early to middle stages of their development, especially in the medical devices field, which has about 1,000 enterprises in the small to medium-sized category. Its principal market is the United States, but as developing markets such as China and India evolve, their life sciences sectors will become vitally important destinations for Canadian companies.

It is, therefore, a strategically important sector for Canada. "We are already the third-largest country in the world in terms of biopharmaceutical companies," observes Lewis Megaw, EDC Vice-President, Light Manufacturing. "As Canada's life sciences industry moves ahead and our capabilities become better known internationally, we're going to see tremendous potential for growth and economic benefits."

The power of the market

Several factors contribute to the importance of the Chinese and Indian markets. "The central governments of both countries have identified their life sciences industries as pillars of future economic expansion," says Mark Bolger, EDC's Regional Manager for Asia. "As a result, there's a strong push toward developing advanced technologies and capitalizing on the growth of intellectual property in these sectors. Demographics will also play a big part – these two countries are the world's most populous markets, with expanding consumer classes in each, and an aging population in China as well. So if you're a life sciences company looking for locations with great promise, India and China are certainly in the front rank."

Canada's firms have strengths that will, if nurtured, allow them to become increasingly important players in these markets. They can draw on the advanced and innovative R&D being conducted in Canadian universities, research institutes and hospitals, as well as on the leading-edge technologies of associated Canadian industries such as telecommunications, microelectronics and informatics.

Canada is particularly competitive in a number of specialized subsectors, such as diagnostic devices and analytical equipment. Other assets are less tangible but nevertheless very important. "We're perceived very favourably abroad," observes Bolger, "because we have formidable expertise in setting up everything from hospitals to educational programs. This means we're highly competitive not only on the products side but also on the services side."

EDC and Canada's life sciences sector

EDC sees India and China as two of the greatest opportunities for Canada's life sciences companies. We already support 200 of these firms by providing them with insurance services and helping them find working capital to finance their overseas operations. EDC also works with several of the industry's associations, such as MEDEC, the Trillium Medical Technology Association and the Health Technology Exchange. This cooperation takes several forms, including joint EDC/association involvement in inbound and outbound Canadian trade missions, and in international trade shows such as Bio-Europe, Germany's Medica Trade Fair and the China Medical Equipment Fair.

Photo: © Chao-Yang Chan / Alamy

^ China imports almost 90 per cent of its high-end medical devices, particularly diagnostic imaging equipment, a niche where Canada excels.

EDC and SRED

Obtaining financial resources at the early stages of product development is often a hurdle for smaller companies. This is especially true in the life sciences sector because it is very specialized, and lenders with the necessary understanding of an innovative product can be hard to find. Currently adding to these difficulties is the shortage of capital resulting from the global recession and tightened credit markets.

The federal government's Scientific Research and Experimental Development (SRED) tax credit can help companies in this position. Its drawback is that the tax refund, which can provide valuable working capital, is not available until the R&D is complete. Under EDC's Export Guarantee Program, however, companies doing eligible R&D work can receive an advance against their SRED refund. This is made available as an EDC-guaranteed loan from their bank, which they can use to finance their product's development.

For more on EDC and SRED, you can refer to "Scientific Research and Development Tax Incentive Program" in the winter 2009 issue of ExportWise, available at www.edc.ca/exportwise.

Promising, but no pushover

India and China are trying to update the obsolescent technologies currently used in their healthcare systems, but since they cannot produce the advanced equipment they need, they must turn to foreign suppliers. China, for instance, imports almost 90 per cent of its higher-end medical devices, especially diagnostic imaging equipment. Canada excels in the diagnostic devices sector, so there will be many opportunities for our manufacturers to sell ultrasound, ultraviolet, infrared and x-ray imaging technologies to Chinese customers. The market for imported orthopaedic and assistive equipment is also headed for rapid growth, since China's population is aging and the country currently produces few such devices.

India also imports nearly all its diagnostic imaging equipment, including gamma ray and x-ray apparatus, computed tomography apparatus and ultraviolet and infrared apparatus. Again, these are niches where Canada has much to offer, even in the face of stiff American, European and Japanese competition for the market's higher end. By contrast, goods at the lower end of the Indian and Chinese markets – such as consumables and basic diagnostic technologies – offer less promise to outsiders since domestic companies dominate these subsectors and are extremely competitive within them.

Getting a foothold in either country can be difficult. China does not actually have a single life sciences market, but rather a mosaic of many smaller markets, each centred on a relatively autonomous city or regional government. Regulatory policies vary greatly from place to place as a result, and what works in one jurisdiction may not work in another.

In India, import policies for medical goods depend enormously on what the product is and who purchased it – government healthcare organizations do not have to pay duties, for example, while private-sector clinics may be liable for them.

These characteristics underlie two of the principal challenges of doing business in China or India. First, a company must understand how to comply with the vast array of regulations applied to medical products, and second, it must learn to navigate the often-convoluted processes that govern procurement.

Added to these is a third obstacle, which is establishing effective distribution channels. This is easier in the large urban markets, but that is also where the competition is fiercest. The greatest needs are often in rural areas, but it is hard to distribute goods there and it can be difficult to develop products that are competitive in these poorer environments.

Partnering with a local manufacturing firm, distributor or representative may be the only way to remove these barriers – but a company must apply rigorous due diligence before entering into any business agreement with such partners. The Canadian Trade Commissioner Service can often help by providing local market and company information, potential business prospects, key contacts searches and advice on solving crucial business problems. Companies can also consult their industry associations for contacts and advice. Less specialized but also useful are the various trade chambers and business councils in Canada that have China and India as their primary focus.

Not-so-risky business

Intellectual property (IP) risk at the high end of the life sciences sector seems to be fairly insignificant in both India and China. This is partly because these technologies tend to be niche-oriented and aren't sold in the volumes that would attract piracy, and partly because they are advancing so fast that a counterfeit would be obsolete by the time it was ready for the market. Even so, a company should register its IP in both countries. This is especially important for joint ventures between Canadian companies and local firms, where different perspectives on ownership can sometimes raise a host of problems.

Payment risk isn't high in either market, assuming a company takes

Photo © Imagestate Media Partners Limited – Impact Photos / Alamy

^ India imports nearly all of its diagnostic imaging equipment, niches where Canada has a lot to offer.

reasonable precautions. Large, urban medical complexes or large corporations are not generally a payment concern, although small rural hospitals and clinics present somewhat more risk. With customers such as these, EDC's Accounts Receivable Insurance (ARI) can secure a company against the risk of non-payment.

A broader threat to Canada's life sciences sector may lie in failing to pursue the Chinese, Indian and other emerging markets as energetically as they deserve. Leaving them to our competitors for too long could shut us out of many enormous opportunities, so the sector must find ways to diversify and expand beyond the United States. Fortunately, numerous Canadian companies have recognized this necessity and are doing something about it.

Laborie Medical Technologies

One of these forward-looking firms is Laborie Medical Technologies (LMT) Inc. Founded in 1967 by its current Chairman, Ray Laborie, and now based in Mississauga, Ontario, LMT began life as a surgical-instrument repair service.

During the 1980s, Laborie became interested in the field of urodynamics – the investigation of disorders of the lower urinary tract – and developed the first fully computerized system for diagnosing these disorders. It wasn't long before LMT's new urodynamics instruments were attracting positive attention from all over the world, and the company rapidly transformed itself into an exporter.

LMT began investigating the Chinese market in the mid-1990s, but it soon became clear that breaking into China would require a representative who knew the country and its medical system. The company found the right person in 1997, when Laborie hired a US-educated Chinese neurosurgeon to set up and manage a subsidiary office in Beijing. By 2004, LMT had gained 75 per cent of the Chinese urodynamics equipment market, and the local office now has a staff of 10.

The company came to India later than to China, and sells through an Indian distributor rather than a local office. Laborie has found that the Indian market is less aggressive than the Chinese in its uptake of urodynamics technology, so he has begun offering local training courses to introduce doctors to LMT's technology, demonstrate its effectiveness and promote the benefits of acquiring LMT devices for their clinics and hospitals. The company also uses this marketing strategy in China, where it has proven to be very effective.

LMT has experienced its share of the procurement and regulatory difficulties mentioned earlier. "Often," says Laborie, "the equipment is bought not by doctors, but by purchasing agents who make procurement decisions based on price rather than on the advantages of one machine over another. Regulatory issues have become a concern as well. When China abruptly introduced a set of new regulations for imported medical devices, for example, they didn't include a grandfathering clause, so even equipment that was already in place had to comply with the new standards. We had to sort out things like the differences between the wording on our packing slips and the wording on the equipment itself. We eventually cleared it all up, but the new rules kept us from selling anything in China for a couple of months."

LMT uses EDC's Accounts Receivable Insurance (ARI) to protect its revenues, and the firm is considering working with EDC on projects to acquire other assets. "We're doing very well in North America right now," Laborie says, "but we don't know what conditions may be like in five years. For us, the best way to survive is to pioneer new products, new technologies and new markets."

Dextran

Dextran Products Inc. manufactures dextran, a complex organic molecule that was first synthesized in the 1930s. The company has been based in Toronto since 1969 and is run by George Usher, the company's chairman and owner. Its major human-health products are DEAE Dextran, dextran sulphate and various versions of the basic dextran molecule, which are used to manufacture drug delivery products and other therapeutic compounds. A veterinary product, Iron Dextran, provides a treatment for anaemia in piglets.

The company ships about 35 per cent of its output to the United States and 45 per cent to other foreign destinations; only 20 per cent is sold in Canada. It has been exporting Iron Dextran to China since the 1980s, and India is showing increasing interest in its other dextran-based products.

"A number of Indian companies are setting up to manufacture compounds for the big pharmaceutical corporations," Usher says. "Some of those products require dextran, so the Indian firms are coming to us for the semi-raw materials they need. We've built a reputation as a trustworthy supplier of a high-quality product, and that gives us a big competitive edge."

The company uses the resources of the Canadian Trade Commissioner Service in both India and China to look for business contacts and representatives; it is also listed in

< Laborie Medical Technologies hired local experts to set up and manage an office in Beijing.

Photo: Courtesy of Laborie Medical Technologies

Photo: Courtesy of Dextran Products Inc.

^ Dextran Products has been exporting to China since the 1990s, and India is now showing increased interest.

the Chemical Buyers Guide, which brings in other contacts. Its business model is to sell through agents, and these relationships usually start with email exchanges followed by a face-to-face meeting in China.

Before committing to an agent, the company does careful due diligence, often with the help of EDC. "At some point," says Usher, "we call up EDC and ask them to check out the financial status of the potential agent. If EDC okays the company, we'll do business with them, but will insist on payment by letters of credit or cash against documents until we have built up our confidence in them. We also use EDC's ARI to make sure we'll get paid."

One of the company's most important strengths, Usher believes, is its flexibility. "The dextran market itself is rather small, so we're not a very big company. But being small makes us nimble, so we can adapt quickly when a buyer asks us to modify our basic dextran product for a new purpose. What we do, essentially, is tailor our molecules very precisely to our customers' needs."

Convergent Bioscience

Convergent Bioscience Inc., with its head office in Toronto, was founded in 1995. After licensing an innovative technology developed at the University of Waterloo, it began manufacturing extremely sophisticated instruments used by pharmaceutical companies to analyze proteins and other large organic molecules called "biologicals." Biologicals are used throughout the pharmaceutical R&D chain, and these analyses are required by government regulatory agencies whenever a company applies for approval of a new drug or therapy involving them.

Because they work so quickly, Convergent's analyzers are used by the top 10 pharmaceutical corporations in the world, and by 17 of the top 20. "Speed is essential in pharmaceuticals development," says Vice-president Ed Chase. "Our analyzer is unique in how quickly and accurately it provides data about a biological, and that's one of the factors in our success. A second competency that distinguishes us from our competitors is the extensive application support we provide to our clients anywhere in the world, which involves helping them develop analytical methods for their molecules. As a result, our revenues have increased fifteen-fold in the last five years."

Convergent reinvests a substantial proportion of those revenues in its R&D, which will enable it to commercialize another new product within the next two years. It has also been able to attract venture capital because it has become a well-established company, and accessing funds is much easier than it was five to 10 years ago.

Exporting its analyzers was part of the company's business plan from the beginning. The United States is its major market, but its expansion into non-U.S. markets has received a boost from the nature of its technology.

"Our clients use our instruments to develop analytical methods for testing their biologicals," explains Chase. "But if a client decides to have a biological tested by a partner or subsidiary, the other party has to use exactly the same analytical methods, and this means it has to buy our technology. Many of our U.S. clients have European operations or partners, so a lot of our business there is driven by this transfer of analytical methods. This is happening with India and China as well, where our clients' partners also have to purchase our technology. They buy the required instruments from our distributors, whom we train to provide both on-site service and applications support."

In Chase's view, the big pharmaceutical companies are looking to India and China for two major reasons: high skills and low cost. "Both countries are turning out thousands of talented science graduates, and hiring a scientist in China costs approximately a fifth to a quarter of what it does in the United States. Moreover, their governments are pushing the establishment of contract manufacturing organizations and contract research organizations, which can partner with pharmaceutical companies in the U.S. and the European Union to help develop their local biotechnology skills and infrastructure."

Convergent hasn't had any problems with payment or IP protection in its Chinese and Indian operations, although it did use EDC's ARI for its first Indian sale. Its main challenges, says Chase, have been the logistics of getting Canadian staff to such distant markets, the language barrier in China and the undercapitalization of biotechnology firms in both countries. None of these problems has been insurmountable.

Photo: Courtesy of Convergent Bioscience Inc.

^ Convergent Bioscience reinvests a substantial proportion of its revenues back into R&D.

As the experience of these three companies shows, there is a compelling case for Canada's life sciences sector to find its place in the markets of China and India. They make up two of the greatest opportunities on our horizon, and there is no doubt that we have the technologies, the products and the expertise needed to enter them. We have barely begun to explore their promise, and the rewards of doing so could be very rich indeed. ■

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Take the Risk Out of Currency Volatility

Protect Your Earnings Through Currency Hedging

Photo: © iStock

BY ERIC BEAUCHESNE

Short-term swings of nearly six per cent in the value of the Canadian dollar against the U.S. greenback have become commonplace over the past half decade.

That volatility can put a big dent in the profits of Canadian exporters, something that family-owned Chudleigh's, famous for its Blossoms®, a line of fresh-fruit baked deserts, quickly realized.

While the Milton, Ontario-based fruit farm and bakery exports its Blossoms around the world, that export success, combined with increasing currency volatility, created an added challenge for Chudleigh's – protecting the Canadian dollar value of its international sales.

"We began hedging about five years ago," recalls Robert Bona, Chudleigh's Vice President of Finance.

With "50 per cent to 60 per cent of our sales subject to currency risk," it was the pickup in "volatility" that was the driving force behind the decision to hedge. And volatility has surged even more this year with occasional double-digit spikes in the currency of nearly 15 per cent against the greenback within a 60-day billing period.

"Historically, this is the most volatile the currency has ever been," says

The cost of currency volatility

If a Canadian exporter sells component parts to a U.S. buyer for USD 300,000 based on an exchange rate of 86 cents U.S. per Canadian dollar, it expects to receive $348,837.

If, at the time it receives the payment, the Canadian dollar is stronger and worth 91.50 U.S. cents, then the company will only receive $327,869, which is $20,968 less than expected.

Photo: © iStock

Hedging can minimize the impact of exchange rate movements on profit margins and increase the predictability of cash flows

Jean-Francois Lamoureux, an EDC foreign exchange specialist.

Even a six per cent rise in the loonie would cut more than $20,000 from a USD 300,000 payment, according to an EDC research paper – Managing Foreign Exchange Risk.

Who's hedging, who's not

A June survey of EDC clients found that only 57 per cent use some form of hedging to protect themselves from such potentially large and unexpected losses. "Many Canadian companies, particularly smaller and medium-sized ones, do not actively manage foreign exchange risk," the research paper notes. "This is surprising given how costly, in terms of cash flow and profitability, unfavourable changes in the value of the Canadian dollar can be."

It's not that firms are unaware of the risk, or don't want to reduce it. "In fact, 67 per cent said that their business is significantly impacted by currency volatility," EDC notes in its analysis of the survey results. Numerous other surveys have found that companies see foreign exchange volatility as the No. 1 barrier to expanding their exports.

Large firms are most likely to hedge foreign exchange risk, with 79 per cent saying they do, followed by 70 per cent of medium-sized firms, and both typically use at least two types of strategies to do so. However, less than half of small firms protect themselves from their foreign exchange risk, and those that do typically use only one strategy.

And many didn't know how to measure their currency risk let alone manage it.

"They are typically the ones that don't have the resources and don't have the time to dedicate to that issue," says Lamoureux. However, the survey report notes that "overall studies have shown that companies of all sizes and in every industry can and should hedge at least some of their currency risk."

Hedging saves money

Short-term changes in foreign exchange rates, which are never-ending, make it difficult for exporters to price their products and forecast how many Canadian dollars they will be paid since such sales are often invoiced in the buyer's currency.

Bona points out that hedging not only cushions Chudleigh's earnings from foreign exchange volatility but in doing so also protects its customers from price volatility. "Our customers expect long-term price stability and cannot be exposed to highly volatile exchange rates."

But even firms with no direct foreign exchange exposure may still face currency risk, such as when a stronger dollar gives foreign competitors a cost advantage.

What hedging can do for firms is minimize the impact of exchange rate movements on profit margins, increase the predictability of cash flows, eliminate the need to devote resources to forecasting the direction of exchange rates, and make it easier to price their products in export markets.

"I do think we will see more companies paying more attention to this, especially small and medium-sized enterprises because their margins can be wiped out or severely reduced because of this higher volatility," says Lamoureux.

Risk-hedging strategies

EDC advises firms to first identify and measure their currency exposure, determine how much of that they want to manage, and then adopt an internal policy for doing so. The next steps are to put in place the hedges and then periodically monitor their effectiveness. Firms can hedge against exchange rate risk by reducing the gap between their receipts and payments in a given foreign currency, so-called natural hedging, or by financial hedging through purchases, usually from a bank or foreign exchange broker, of foreign exchange forward contracts, options and swaps.

True, some firms don't hedge in the hope they will profit from favourable swings in the currency. However, in effect, such firms are speculating.

"Companies that are dealing with large foreign exchange positions that are not hedged are essentially trying to time the market and not too many people are successful at that," warns Dwayne Murray, RBC Senior Account Manager, Commercial and Agribusiness Banking.

"Managing the foreign exchange risk can mean the difference between a loss or profit for the year and can ensure the viability of the company. Companies shouldn't enter into exchange contracts to make money," says Murray. "The mindset should be to enter into contracts to lock in costs and profits."

Adds Chudleigh's Bona: "By removing exchange-rate related risk, business owners can focus on how best to grow their business."

How firms manage currency risk

- **59%** increase expenses in a foreign currency to match earnings in that currency
- **50%** change product prices to reflect changes in the value of the Canadian dollar
- **41%** purchase foreign exchange forward contracts
- **25%** invoice foreign buyers in Canadian dollars
- **17%** purchase currency options
- **17%** match due date of receivables in a foreign currency to payables in that currency
- **14%** transfer or share foreign exchange risk through the commercial contract
- **13%** enter into foreign exchange swaps

Photo: © iStock

A useful EDC tool

EDC's Foreign Exchange Facility Guarantee (FXG) helps firms with financial hedging. For example, in a forward contract, a firm agrees to buy or sell a given quantity of a foreign currency at a set price at some agreed-upon time in the future.

But banks and foreign exchange brokers usually require collateral to back up the future purchase which, for smaller firms, can run as high as 15 per cent of the value of the foreign exchange contract. The collateral usually results in a reduction in the firm's line of credit, reducing the available capital it has to fund its operations.

A firm, however, can purchase an FXG as a substitute for collateral.

Chudleigh's, which uses forward contracts to hedge, has also used EDC's FXG. Having both forward contracts and an FXG in place has not only eliminated the need for collateral but also strengthened Chudleigh's relationship with its bank, a relationship which Bona notes has been especially important during the recent economic upheaval when banks were tightening up their credit.

"The banks themselves were looking for stability," he says.

The FXG can also be used with other hedging products where collateral would otherwise be required, such as with swaps, which involve simultaneous selling and buying of a foreign currency and some types of currency options.

And banks, to which most firms turn for advice and help in hedging, are often now demanding such a guarantee in place of collateral.

"The FX guarantee is a very useful product because the guarantee is not subject to market risk," explains RBC's Murray.

"More importantly, the guarantee does not impact the ability of the company to borrow for its day-to-day operations," Murray adds. "If we take away some of that line of credit they may not have enough working capital."

Richard Hussey, EDC's Senior Project Manager, Insurance Product Management, says "currency volatility has definitely made this product more popular."

"The current economic conditions have also heightened the need to protect company balance sheets and performance in the face of a more challenging business environment," Hussey notes. "Sales opportunities are becoming scarcer so the results for each contract must be maximized, which would also mean protecting the contract against unfavourable currency swings."

The cost of taking out such a guarantee is "very reasonable," Bona says

While the cost of obtaining an FXG from EDC varies depending on the creditworthiness of a firm, Hussey says a typical small or medium-sized firm can get $100,000 worth of FXG collateral coverage for an annual fee of anywhere from $500 to $1,000.

However, like Lamoureux, Hussey is not really surprised that most smaller firms don't hedge against their currency risk "given the lack of knowledge of hedging products and the fact that the FXG is a fairly new product."

But both expect the use of hedging and the FXG to increase as companies become more comfortable with currency risk mitigation and as the FXG receives further exposure and acceptance with Canadian financial institutions.

EDC is also refining the FXG to make it more user-friendly for financial institutions, while also working to increase awareness among its client firms, especially smaller ones, of the importance of hedging against currency risk and educating them on how to do that.

RBC also helps firms by advising them on how they can hedge against currency risk and will work with them to determine what their risk is, adds Murray. "RBC offers a variety of hedging products that can be tailored to mitigate foreign exchange risk. We also have currency experts available to provide advice on customizing solutions."

The bottom line, the experts agree, is firms are going to have to learn, one way or the other, to deal with currency volatility, as to date there's no end in sight.

"Foreign exchange markets will always be volatile," says Lamoureux. "Investing the time and resources in developing a currency risk strategy will really pay off for companies of any size." ■

FXG USE SINCE INTRODUCED

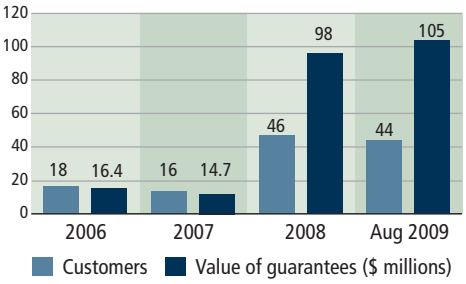

Photo: Courtesy of Chudleigh's Limited

^ Ontario-based Chudleigh's, famous for its fruit baked desserts, began hedging five years ago because of the volatility of currency risk with its international sales.

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How to measure currency risk:

For an exporter paid in U.S. dollars, subtract the U.S. dollars you expect to receive over one year from your payments in U.S. dollars over the same period.

The difference determines the exposure to be hedged.

Photo: © iStock

Turkey: Gateway to Europe and the Middle East

BY BRUCE GILLESPIE

Turkey presents an excellent investment opportunity for Canadian businesses looking to decrease their reliance on the United States and expand into Europe, the Middle East and central Asia, according to EDC Regional Manager Burak Aktas.

Photo: © Ros Drinkwater / Alamy

^ Turkey has quickly become a major hub for manufacturing and shipping goods to Europe and central Asia and is looking for expertise in power generation and transportation infrastructure – good news for Canadian suppliers although competition is fierce.

Increasing numbers of Canadian companies are following that advice. In fact, says Aktas, "EDC's business volume in Turkey has grown 240 per cent since 2005, to reach approximately $900 million in 2008."

It's not hard to see why those numbers are growing so fast. At the crossroads of Europe and the Middle East, Turkey has become a major hub for manufacturing and shipping goods to Europe and central Asia. In addition, the procurement needs of Turkish companies are a natural fit for Canadians in sectors such as power generation (natural gas or hydroelectric), transportation infrastructure (subways and aerospace), consumer goods, natural resources and manufacturing. Among the main import commodities sought by Turkish companies are machinery, chemicals, semi-finished goods, fuels, transport equipment – all areas where Canada is strong. Plus, pursuing these opportunities got a lot easier in July of this year because Turkish Airlines began offering three direct flights weekly between Istanbul and Toronto, which will enhance business travel significantly.

While good news for Canadians, competition for these opportunities is steep, with companies from Germany, Russia, Italy, France, the United States, China and the United Kingdom all competing there. For the near term, these competitive pressures are compounded by the fact that Turkey was hit hard by the global economic downturn in the past year.

The country is relatively well positioned to absorb the economic setbacks, says EDC associate economist Uliana Haras. "Turkey has proven more resilient than a lot of other countries in Emerging Europe – a testament to the banking sector reforms implemented since the 2001 crisis, as well as strengthened economic management and institutions," she says. "Overall, it's a much more flexible economy than it was 10 years ago."

Going forward, Haras says Turkey is still very much an emerging market with challenges to face, including high unemployment in light of the country's unusually young population, and infrastructure gaps, particularly in outlying rural areas. The Turkish economy will also remain vulnerable to the global economic environment due to its trade integration and the amount of capital its corporations have borrowed from abroad in recent years.

Haras expects that, in 2010, the aggressive monetary easing currently being conducted should help stimulate activity, and within five years the economy should achieve annual growth rates of between four and five per cent.

Aktas believes Canadians should see the short-term weakness in the Turkish economy as an opportunity instead of a

Turkey at a glance

72 million population

USD 738 billion 2008 GDP

240% growth in EDC business since 2005

challenge, particularly when it comes to doing business in Istanbul, the country's commercial centre.

"Two years ago, it was impossible to find office space there, and there were waiting lists to lease," says Aktas. "Today, there's more availability and it's cheaper to do business there, so you'll get more attention and be welcomed as an investor," he says.

The opportunities go far beyond simplified logistics in securing a lease. Aktas says the weakened global economy has also been good news for Turkish manufacturers, and is something Canadians can take advantage of.

EDC and Foreign Affairs and International Trade Canada have been working together to develop more opportunities for Canadian manufacturers, exporters and investors in Turkey. For example, in May, Deputy Minister of International Trade, Louis Lévesque, along with Ambassador Mark Bailey and the Canada Turkish Business Council, led the largest ever Canadian trade mission to Turkey with more than 50 people participating from 30 firms, along with trade experts from Alberta, Ontario and Quebec, and from EDC, Foreign Affairs and International Trade Canada, and Agriculture and Agri-Food Canada. A number of new trade and investment leads were identified and all participants spoke highly of the market potential for Canadian firms in Turkey, especially in such key sectors as clean energy, agriculture, ICT and mining.

In July, a taxation agreement was signed between the two countries, allowing businesses to avoid double taxation.

That kind of market development work is ongoing. "We do a lot of outreach to let the Turks know about the capabilities of Canadian companies in key sectors and to let Canadian clients know about the commercial opportunities in Turkey," says Senior Trade Commissioner Mike Ward. "We also work on policy issues, such as market access, so if there's difficulty getting proper documentation for Canadian products shipped to Turkey, for example, we can get involved and try to iron things out."

Aktas says working with the Trade Commissioner Service is a good first step for any Canadian business investigating opportunities in Turkey. "They have the market knowledge, they can put you in contact with the right people and they can help with your due diligence," he says.

Aktas adds that, "If you have a manufacturing facility in Turkey, you can export your products and goods and services to the European Union and Israel without tax," he explains. "European companies want to keep their stocks low, so they don't want to give big orders to Far Eastern countries for products such as textiles. So, orders in Turkey are growing because they can order their products in smaller batches and have them transported within 24 hours." ■

Photo: Courtesy of Innovative Steam Technologies

^ Innovative Steam Technologies sold its first generator to Turkey in 2000 and has since sold 10 more to various companies across the country.

Innovative Steam Technologies

One company that has seen its business grow in Turkey is Innovative Steam Technologies (IST), a wholly owned subsidiary of Aecon, Canada's largest publicly traded construction and infrastructure development company. Located in Cambridge, Ontario, IST manufactures and sells heat recovery steam generators, one of the three main components of combined cycle power plants. "There is a considerable market for this type of power station in Turkey," says IST president Bob Dautovich, noting the government's recent privatization project and its support of small players in the power industry.

IST sold its first generator to a Turkish client in 2000; since then, the company has sold 10 more to various companies across the country. Dautovich says as Turkey continues to industrialize and the market continues to grow, he sees many possibilities for Canadians.

"What is there is a very short lead time compared to other countries. People are willing to make decisions very quickly, and it's very easy for salespeople to get to the decision-maker."

IST has worked with EDC since 2007, taking advantage of the accounts receivable insurance, which allows IST to offer more competitive payment terms to their customers while protecting them from an unacceptable level of risk, says Dautovich.

"EDC has helped us with the bank security we need, in terms of providing credit security to the customer," says Dautovich. "This support gives us more prospects. EDC's financing enabled us to be competitive in the market."

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Talking to the Dragon

An interview with W. Brett Wilson

Anyone who regularly watches the CBC business series Dragons' Den will be familiar with W. Brett Wilson and his entrepreneurial skills. Since 1993, when he co-founded Calgary-based FirstEnergy Capital Corp. – now the leading investment dealer in Canada's energy sector – he has used those skills to help hundreds of start-up companies succeed in Canada's highly competitive energy market.

ExportWise *recently spoke with Mr. Wilson about the effects of the economic downturn on FirstEnergy and the Canadian energy industry, and how the future is shaping up for his sector and the companies that work in it.*

Photo: Jeffrey Kirk, CBC Television

ExportWise: *How did the economic downturn affect FirstEnergy's business and that of its energy industry clients?*

Wilson: FirstEnergy's role as an investment bank is to marry two groups of clients: a group of equity investors and a group of investees, the latter being the companies that the first group invests in. For our equity investors, the downturn was bad because it hammered the equity market, although the credit market didn't really matter from their perspective. But for our investees, the credit market mattered a great deal, since they were trying to raise money by issuing stocks, which were trading in the equity market. When access to reasonably priced capital and reasonably leveraged debt capital dried up, it caused a lot of problems for them. There were rumours of bankruptcy, and a lot of stories were going around about companies stretching their payables while trying to accelerate their receivables.

Compounding the problems were two decisions made outside the industry. One was the decision by the federal government to terminate income trusts, and the other was the Alberta government's drastic increases in the royalty rates applied to the oil companies. The first of these was structural and the second was economic, but both were extremely damaging when they were combined with the downturn in the economy.

EW: *How does the immediate future look for FirstEnergy and its clients?*

Wilson: FirstEnergy was well positioned when the economic downturn began last July, even though it was a perfect storm in terms of collapsing markets – the credit, equity, commodity and retail markets all fell apart and took business demand down with them. At that time, though, our balance sheet and our business plan were both structurally sound, and we were able to weather everything that hit us. As a result, we haven't fundamentally changed our business plan. If anything, we're accelerating our growth.

Also, we're now enjoying a rebound in the energy commodities cycle, which in turn is generating a very robust upturn in the energy equity cycle. We don't make the kind of money we once did, but we're still in good shape, and today we are very well positioned for the future.

EW: *How has the economic situation affected the entrepreneurial players in the Canadian energy sector?*

Wilson: Things are now loosening up and, in my experience, good ideas have always found funding. Currently there are lots of start-up companies, as well as recapitalizations of existing companies, that have raised anywhere from $2 million to $20 million. They're securing land and making acquisitions in the traditional small-to-large cycle that characterizes the energy sector. Helping them along are factors such as more readily available labour and lower costs for office space and business infrastructure – although, unfortunately, they're also dealing with significantly lower commodity prices.

So while the economy may have slowed down, there's been no slowdown for me as an investor. I've been seeing plenty of start-ups right through it all, and I have 10 to 20 ideas pitched at me every day.

EW: *It's been said that Canadian firms are too averse to risk and that they consequently shy away from major opportunities, especially foreign ones. Do you feel this is true of companies in Canada's energy sector?*

Wilson: On the contrary, I think it the opposite is the case. FirstEnergy, for example, has been backing Canadians in the international arena ever since we were established. The industry has many, many highly capable engineers, geophysicists and geologists, and they're risk-takers. They make up the explorers and the development teams that look at the world and see opportunities, and that's why Canadian energy companies have never hesitated to go almost anywhere on the planet.

As a result, it's internationally recognized that the knowledge and experience of Canadian oil and gas companies are world-class. That's a huge advantage when we go global and need to collaborate with non-Canadian oil and gas companies. They welcome Canadian partners and Canadian expertise, and I think that for the most part, our energy sector has a stellar reputation worldwide.

As for risk, the industry has been taking on risks and challenges ever since we first started drilling in Western Canada many years ago. Nothing has changed in how we apply the risk factors. We bring in the best geologists, engineers and geophysicists, and then we trust them to do the job.

I've been involved with starting several hundred oil and gas businesses, and I can tell you that our entrepreneurs view risk in their own particular way. First, they're not afraid of failure. Second, rather than focus on the problems inherent in an opportunity, they focus on the opportunity itself and say, "I can do that." To me, this attitude is the true Canadian entrepreneurial spirit. Risk for these people isn't a blind swing for the fence, where they close their eyes and hope they make it. Instead, they're sure that if somebody else can do something, they can do it too.

EW: *How do you see the next few years playing out for the Canadian energy sector?*

Wilson: On oil, we've seen the price virtually double since the spring, and I think the world will be short of oil for the next several years. Oil reservoirs decline dramatically if money isn't spent on them, either by maintenance capital or by development and expansion capital. With a dearth of those dollars available, we will definitely see a fall in supply, so even if demand stays more or less flat, we're still going to run short of available oil. Consequently, I'm confident that prices will continue rising for some time. I'm also an optimist about the industries that surround natural gas. Not in selling natural gas per se, although there's still money to be made in that business, but rather in the opportunities related to it.

EW: *Why do you see natural gas as a source of opportunities?*

Wilson: The long-term outlook for natural gas is interesting, because of the incredible North American reserves that we've found using new technology. In fact, the globe has more natural gas than we may ever consume, but for the most part it's been found in the wrong places. Offshore Qatar, for example, has huge reserves, but transporting it to North America, at current gas prices is either uneconomic or marginally economic at the moment, even when it's in compressed or liquefied forms.

But the recently discovered North American fields could provide the continent with a surplus of natural gas for a long time to come, and this stable supply leads to major new opportunities in the transportation and electricity generation sectors. There's an opportunity, for example, to build new infrastructure around the use of natural gas for long-haul and heavy-haul transportation systems. Once you have that infrastructure in place, it may be possible to expand it to fuel short-haul vehicles such as taxis and commercial delivery vehicles, and ultimately private automobiles as well.

Along with the transportation opportunities, we can also push the development of electricity generation using natural gas, which can provide an alternative to coal- or nuclear-based generation in various locations. The overall result will be an increasing demand for natural gas that will create brand-new industries around North America's stable, long-term supply of the resource.

EW: *What strategic advice would you give to energy companies that need capital partners to grow in Canada and internationally?*

Wilson: People sometimes underestimate their capital needs while overestimating their growth, so this is one mistake you should avoid. The economic reality of the current market means you have to walk before you run – there's still cash on the sidelines, but the people who have it are not as eager to invest it as they used to be.

I have colleagues who are sitting on billions of dollars, but they held onto that cash through the downturn, and they're going to watch it twice as closely on the upturn. Remember also that high-growth companies require a lot of working capital just to feed the sales cycle, and that capital isn't as easily available as it was.

In a nutshell, you should be aware that when things are as tight as they are now, you have to be more creative and more patient, and accept that your growth is going to be slower than it was before the downturn. ■

EDC is proud to sponsor the CBC's business reality series Dragons' Den. www.cbc.ca/dragonsden

EDC and CARE Canada help Peruvian Entrepreneurs

BY TERRI-SUE BUCHANAN

Certainly it's not the usual daily grind; travelling on a bumpy, windy, dirt road for hours to visit guinea pig farmers in the heart of the Peruvian Andes. But for four months, it was a typical day for two EDC volunteers.

EDC and CARE Canada are working together to help small entrepreneurs in emerging markets make their businesses more efficient and profitable.

As part of its efforts to include local community investment in emerging markets where Canadian companies are doing more and more business, EDC and CARE Canada have set up a joint partnership, *Beyond Exports*. In each year of this four-year program, EDC will invest $170,000 and assign EDC staff to various CARE enterprise projects around the world and to CARE Canada.

"CARE Canada is the perfect partner for helping EDC bring its business expertise to bear on the challenges faced by local entrepreneurs in emerging markets," said Yolanda Banks, EDC's Senior Corporate Social Responsibility Advisor who is spearheading the initiative for EDC.

"When we were first exploring this partnership, invariably, our conversations would turn to micro-financing, supply chains, capitalization and risk management," says Banks. "So it quickly became clear that CARE Canada and EDC speak the same language."

CARE Canada CEO Kevin McCort adds that "Both organizations also share the view that it's in all of our best interests that the world's impoverished nations experience growth and that, ultimately, emerging market growth and

> **"It's in all of our best interests that the world's impoverished nations experience growth."**

Photos: Courtesy of Tim Steed

economic integration is good for the global economy."

The first project under the partnership saw EDC's Tim Steed and Marie-Eve Lacasse spend May to August 2009 in Peru, lending their business expertise to small agricultural businesses. Reporting to the Economic Development Coordinator for CARE Peru, they worked within CARE's Productivity Development Program, which supports local business development as a means to reduce poverty in the region.

Working in the Huaraz province, Steed and Lacasse coached six micro-businesses, primarily farmers and agricultural co-operatives. The businesses grow vegetables and seeds, produce dairy products and raise small livestock such as guinea pigs. Their objective was to coach these companies on how to develop their businesses, capitalize on opportunities and increase profitability.

"EDC's strengths are financial expertise and risk management, and these are the competencies that are needed in many CARE projects," says CARE Canada CEO Kevin McCourt.

In fact, many of the small enterprises that CARE helps around the world need basic business advice such as help with marketing plans, negotiating terms with a buyer or improving market access to build their business."

"Whether it's organizing subsistence farmers in Africa to produce for a larger supply chain, or guaranteeing a financial transaction for the supply of fertilizer to a local retailer," says McCourt, "It's the business expertise that we need."

A typical agricultural model for CARE projects is to get involved with small-scale producers and help them the join the larger supply chain as reliable and consistent producers for the market. In each project, Steed and Lacasse were matched with local agronomists, who provided the scientific knowledge; EDC's volunteers added the business acumen. Together, they helped the Peruvian entrepreneurs learn skills such as business management, understanding financial statements, managing accounts receivables and payables, meeting regulatory requirements and assessing the feasibility of entrepreneurial opportunities.

For example, cheese production in the region has grown rather quickly, creating employment as well as a stable, competitive market for milk. Most farming families in Oro de los Andes have three to four cows producing milk which they sell to Monterreal, the leading cheese-maker in the region. But the cheese producers are confronting an unusual challenge: there is currently not enough milk to produce the cheese needed to satisfy their markets – a supply issue that will be resolved by working with the farmers upstream in the productive chain.

EDC volunteers coached the farmers in costs, production volumes and profitability, to demonstrate the potential profits the farming families could obtain if they were to increase milk production through better pastures and an increase in the number of their livestock.

"These farmers just need initial guidance in business and new methods of agronomy to set them on the right course," says Steed.

Steed and Lacasse were also involved with companies and producers that breed guinea pigs intensively. For this project, Steed and Lacasse helped resolve repayment challenges on the part of the guinea pig producers with the local cooperative.

"For various reasons, including an under-developed credit culture in the region, very few producers were repaying their loans," says Lacasse. "We helped to find joint solutions to facilitate repayment on the part of the producers."

Another CARE project, the Alli Allpa program, supports the development of the supply chain for milk and milk products, beginning with the cultivation of new varieties of pastures that are more nutritious and grow faster and contribute to increasing milk production per cow from 4 or 5 litres per day to 6 to 7 litres per day.

"In each of these projects, EDC's volunteers provided entrepreneurial expertise that made a solid and viable contribution to the development of these small, rural businesses," says Alejandro Rojas, Economic Development Coordinator for CARE Peru. "The knowledge they transferred to these family and group enterprises will certainly strengthen their efforts moving forward."

Banks' hope is that EDC's participation in such projects can contribute to local prosperity.

"By the same token, EDC gains an understanding of emerging markets from a completely different perspective. Essentially, this initiative takes EDC out of the boardroom and into the field, giving us a much more realistic picture of where most business is generated in these markets – through small, local entrepreneurs," she says

McCort agrees. "Entrepreneurs are at the heart of these economies, and it's entrepreneurialism and economic growth and development that will help a nation dig itself out of extreme poverty.

"Through this partnership, we hope to see measurable benefits in the lives of our partners in Peru," he adds. "Forming a partnership with EDC here in Canada has proven to be a great way to deliver valuable and needed support to our partners in Peru – providing real expertise to help solve business problems faced on the ground."

"It was very rewarding to be able to volunteer my skills and have a role, however small, in an international development program," says Steed. Lacasse agrees. "It was also a great opportunity to connect with Latin America and learn more about a country with a remarkable past and a promising future." ■

The EDC-CARE Canada global community investment initiative will continue through 2013.

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Best Practices in Supply Chain Management

BY ROISIN REID

Global trade is driving companies in every industry to enhance their productivity and lower prices. But businesses can only go so far to reduce their supplier costs without negatively affecting these relationships and jeopardizing the quality that keeps customers coming back. There comes a point when companies have to look at how they can manage their supply chains to their long-term advantage.

While the big players in Canadian industry generally do a good job of managing their supply chains strategically, small- and medium-sized enterprises (SMEs) generally do not. SMEs are often being squeezed by both suppliers and customers with greater size and negotiating power and end up managing procurement in a more short-term, tactical way; missing out on opportunities to save time and resources.

> To better serve Canadian exporters, three years ago EDC reorganized its operations according to the industry sectors and supply chain structures in which our customers operate.

Integrated supply chain management is an increasingly important component of international trade. To better serve Canadian exporters, three years ago EDC reorganized its operations according to the industry sectors and supply chain structures in which our customers operate.

To complement this initiative, EDC created an internal Global Trade Management Centre of Innovation, staffed by experts with direct management experience in procurement, finance, logistics and operations management.

The team is led by Fergus Groundwater, a veteran procurement specialist with a range of experience in manufacturing industries. Groundwater advocates a strategic and collaborative approach to supply chain management and encourages companies to look at the big picture.

"The complexities of modern supply chains are often overlooked," he says. "When you ask about the supply chain involved in a product like paper, most people think 'trees and mills.' But that overlooks a whole inter-dependent chain of suppliers and buyers, from forest management and logging to transportation, to machinery, to energy, to chemicals and consumables, to warehousing and wholesalers."

Groundwater's team has been examining the state of supply chain management within various sectors of Canadian industry. This research has so far included interviewing finance and procurement executives from more than 400 Canadian companies across the forestry, oil and gas, aerospace, apparel, information technologies, transportation and construction sectors.

EDC research shows that only the largest and most sophisticated Canadian companies are strategically managing their supply chains to create a competitive advantage. However, companies of all sizes, throughout a wide range of sectors, could achieve significant results by taking a strategic view of supply chain management. Companies need to invest in people and technology and resources to improve supply chain management, but the costs are often recouped through efficiency gains. Based on EDC's research, there are three key tips for how Canadian companies can improve their supply chain management:

1 Consolidate spending with fewer suppliers

"Many companies take a very tactical view of supply chain management – for example, procurement is frequently seen as simply a support function for manufacturing. As result, we see a lot of companies – especially SMEs – get caught in what I call 'area code' supply chain management approaches," explains Groundwater.

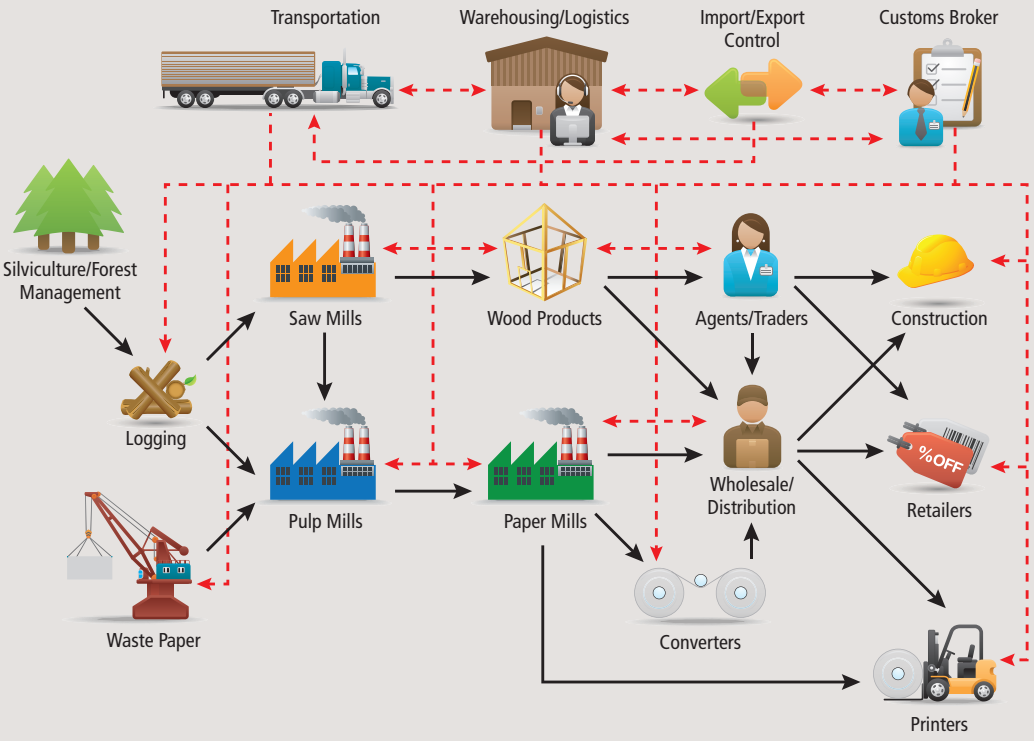
As their business develops, companies find the nearest supplier that can meet immediate needs, an approach which reduces transport costs and makes for easy relationships. But, over time, a company may end up with hundreds of small suppliers, creating significant time investments in supplier management and logistics.

Under a strategic approach to supply chain management, advantages would be gained by consolidating spending and deepening relationships with a smaller number of key suppliers. These suppliers might be further away geographically, but increased volume can mean improved relationships and supplier flexibility, as well as significant cost savings through economies of scale and reduced administration.

2 Supply chain management in business planning

"Supply chain experts have spent their careers developing relationships and expertise that can bring benefits to the overall financial health of an entire organization. But for their expertise to be useful, they need to be included in business decisions at all levels, especially early in the game," says Groundwater.

For example, a manufacturing firm that includes procurement specialists



Modern supply chains are extremely complex

Take, for example, a product like paper. Many might think: **trees – mills – paper**

But in fact there is a huge inter-dependent chain of suppliers and buyers: **from forest management and logging to transportation, to machinery, to warehousing and wholesalers.**

in product design decisions may end up using a different type of ball-bearing, available at a lower total cost (including quality, warranty experience, etc.), from a more reliable and financially stable supplier. Over time, this could save the organization considerable costs, both associated with the part itself and with potential delays in receiving shipments.

Additionally, given their ability to control payments to vendors and inventory levels, supply chain managers play a critical role in ensuring that a firm has sufficient financial resources – which has become a heightened concern in the most recent economic downturn.

3 Invest in technology

"While business management technologies, like Enterprise Resource Planning (ERP) systems have been widely embraced by large companies, smaller companies are grappling with the cost of such technologies," says Groundwater. "There are plenty of benefits and software costs don't have to be an obstacle – not every company needs an expensive software application."

Medium-sized companies can look at 'Software as a Service' (SaaS) options that are owned and operated by service providers, while smaller companies can make use of the free portals offered by their larger buyers and many shipping companies.

One example where a technology can have significant financial and efficiency benefits is in electronic invoicing and automated payments. Automating payments and receivables enables more precise financial planning, increases cash flow predictability and reduces administrative costs, leaving staff to focus on value-added work and problem solving.

It also opens up opportunities to adopt financing programs that allow buyers to extend their payment terms to suppliers (e.g., from 30 to 90 days), without affecting suppliers' cash flows significantly.

Many firms continue to rely on a reactive approach to managing their supply chain when they don't have to. Adopting supply chain management technologies can also help businesses respond to supply chain challenges. For example, suppliers can flag late shipments as soon as they become aware of a problem, allowing the buyer to find an alternative 'quick fix' so that production isn't disrupted, as opposed to relying on manual expediting practices.

With nine sectors analyzed to date, EDC's GTM team is now working on sharing its expertise, both inside and outside EDC, while continuing to develop intelligence on other sectors. The team has been conducting outreach with a variety of industry associations, some of which were partners in undertaking this original research, to provide industry-specific advice on streamlining supply chains.

They are working within the organization to help EDC's business development teams to understand supply chain dynamics from a new perspective, so that they in turn can highlight opportunities and share information with their customers. ■

For a copy of the report specific to your industry, please contact: fgroundwater@edc.ca.

SNC-Lavalin's Jacques Lamarre: Instilling Confidence in Canada's Talents

BY TOBY HERSCOVITCH

Jacques Lamarre has long been a guiding force at SNC-Lavalin, one of the world's leading engineering and construction groups, and among Canada's foremost global companies. The former President and CEO retired in May 2009 after 13 years at the helm and 42 years with the company.

Lamarre has steered SNC-Lavalin through unprecedented global expansion and major economic and technological upheavals. Today this firm, which is nearly 100 years old and has been active internationally for some 50 years, has offices in more than 35 countries and projects in 100. Lamarre, a member of the Order of Canada, has won numerous awards for leadership and his contributions to the engineering profession in Canada and internationally.

ExportWise met with Lamarre to tap his vast experience and "20/20" hindsight to help our readers as they face down this recession and expand globally.

Photo: Courtesy of SNC

It is easy to understand why many Canadian companies look upon the current recession and credit crunch as the worst in their history. But for a company like SNC-Lavalin and a leader such as Jacques Lamarre, there is a strong sense of déjà vu.

"In my experience, the worst period was 1982 – the price of crude oil and commodities was very low and interest rates for capital projects were very high – more than 15 per cent. That being said, others might say the Asian crisis or the Russian crisis, the war in Kuwait or the technology crisis was the worst."

What we should keep in mind in the world of international business, says Lamarre, is that something challenging will always occur. "Whether it is the rise of Japan or Korea, or now India and China, one challenge is in many ways like any other."

The key to adapting, Lamarre contends, lies in knowledge and experience, building confidence and trust, pushing boundaries and aligning interests.

Knowledge and Experience

"The ability to cope with risk is directly associated with education or training, knowledge, skills and experience. So, if you have a Jacques Villeneuve racing a Formula One car, he can manage the inherent risks," says Lamarre. "At the other extreme, if you have an inexperienced or unskilled driver, the risks are unacceptable."

It is not much different when it comes to succeeding in international business. All companies need to be extremely well informed and ready to adapt to sharp turns in the business road. They need to keep abreast of what is shaping up in the global marketplace – what do clients need, what new expertise and technology is available, who is the competition, what are they doing and where are they going?

Building Confidence and Trust

While knowledge may be power, having the confidence to apply it is critical. Instilling that confidence is one of the accomplishments of which Lamarre is most proud.

"When I became CEO of SNC-Lavalin, some of our people didn't see themselves as global players – they felt they were only strong regional players and, for international projects, they thought we needed a major partner. We worked together to develop a strong sense of being among the best in the world. I think we succeeded in achieving that culture at SNC-Lavalin."

He also advises companies to trust their people and partners, and work together to overcome challenges. For example, Lamarre says, last fall, when the financial meltdown hit and commodity prices dropped sharply, "We said let's talk to our clients, let's see what we can do to reduce our capital costs together. And we have been able to face this crisis by working with our clients and helping them out."

"Of course, you also need a strong balance sheet – a company can't depend on governments or banks." Governments

"EDC, in my experience, is one of the best performing tools that exist to help access the global market. EDC is making a huge contribution to developing business successfully on a worldwide basis."

Photo: Courtesy of SNC

^ Canada's SNC-Lavalin, one of the world's leading engineering and construction companies, has seen success because of its ability to anticipate and adapt to many global challenges and by developing new services.

change, he adds, and banks may need to pull out their funds, as we have all seen during the financial crisis.

He gives special consideration to EDC. SNC-Lavalin has used all of EDC's products and services and Lamarre strongly advocates that more companies learn about and take advantage of EDC's financing and guarantees, credit insurance and contract bonding services to expand in global markets.

"EDC, in my experience, is one of the best performing tools that exist to help access the global market. EDC is making a huge contribution to developing Canadian business successfully on a worldwide basis."

Pushing Boundaries

Today, SNC-Lavalin is a world leader in four sectors: mining and metallurgy, oil and gas, power, and infrastructure and construction. Through the years the company diversified its range of services: from pure engineering to full project management and integration to operations and maintenance and, finally, to concession investment – taking on ownership of a project, such as a toll highway.

"Until 35 years ago, we were really just doing pure engineering," notes Lamarre. "But we adapted over time by developing new types of services, and continually improving the quality of what we were delivering in each of those areas. We have always tried to maintain a strong and diverse base of products, services and markets."

Lamarre believes that expanding services represent not just the future of SNC-Lavalin, but of Canada too. "Canada is an excellent place for developing the service industry. It is one of the fastest-growing sectors in this country, and is still growing, even in these difficult times."

Alignment of Interests

"In partnerships, in joint ventures, in any business we have done, I have always spent a lot of time thinking 'what are their interests and what are ours,'" says Lamarre. Alignment of interests is essential to ensure the success of a project.

"In our business, one of the highest risks we face is the cost of construction labour in North America." While management wants the project done on time and on budget, labour often benefits financially if the project goes into overtime. Right from the start, Lamarre says, both parties should try to find a way to deliver the expected productivity, one that's good for the workers and good for the owner.

Arriving at clear agreement on the scope of work and the client's expectations is just as challenging, even more so internationally where those expectations are influenced by different cultural and technical backgrounds.

Courage of One's Convictions

Obviously Lamarre and SNC-Lavalin have been successful in anticipating and adapting to these and many other global challenges. Lamarre also points to some inherent Canadian advantages and other intangible elements that have helped take the company so far and wide.

For example, Canada has always been open to other cultures at home and abroad. "We speak many languages and are exposed to many cultures, so our people tend to feel comfortable working in different countries. I can tell you from personal experience, it is a characteristic that is very much appreciated by clients. It seems an obvious way to operate, but it is not so easy in practice if you have not had that multicultural background.

"I can also tell you from experience that the technical skills of our Canadian engineers are highly respected in the international marketplace. Our universities are well recognized – and well attended by foreign students. Those students then go back to their countries with fond memories and respect for Canada and their Canadian colleagues. "

Important too, management needs to be stable and secure in its convictions when expanding globally, adds Lamarre. "Particularly at the beginning, you're always facing difficulties – new business conditions, new taxation systems, new human resources issues – there will always be problems. Even when you're in the middle of a project, unexpected challenges will occur and you will sometimes have people advising you to pull out. If you are confident in what you are doing, your mind has to be set on confronting the challenges and you need to have a lot of courage." That's a little like a Formula One driver, after all. ■

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> www.snclavalin.com

Viking Air: Reinvented Twin Otter Exported Around the World

Viking Air of Victoria, British Columbia is giving a proven Canadian aircraft design a new life. Forty international buyers are waiting for delivery of a new Twin Otter and EDC is helping Viking to close the deal.

Photo: Courtesy of Viking Air

^ The Twin Otter was built for smaller operators to run short-haul commuter airlines and charter businesses from regional airports, on water, and on skis. They now export to nations such as the Maldives as the means to ferry tourists between the various islands.

Viking uses EDC's contract bond coverage to guarantee performance and offer its banks security. "There is no doubt in our minds that EDC has opened doors for us," said Robert Mauracher, Viking Vice-President Business Development and General Manager Maintenance.

Viking holds the rights for several planes that were originally built by Canada's de Havilland from the 1940s to the 1980s. The Series 400 Twin Otter rolling off the assembly line and destined for service all over the world is effectively a whole new aircraft with modern electronic instruments and controls. At the same time, it is all Twin Otter and is still as rugged and utilitarian as the previous model that served for decades as the trusty pickup truck of the sky.

Viking has a 20-year history of working with de Havilland aircraft on repairs, modifications and part manufacturing. Doing maintenance work, rebuilding, and now manufacturing a whole new model, Viking's 380 employees in Victoria and Calgary are following processes that are often half a century old. Not surprisingly, Viking discovered that many parts were no longer available. Necessity being the parent of invention, the Viking engineers broke the parts down and rebuilt them to the latest aeronautical standards.

More than 400 improvements were made to the design, which will mean less down time for businesses using the aircraft. "The obsolescence issues have been addressed and the plane is ready for another quarter century of service," said Mauracher.

Among the buyers who have ordered Twin Otters is Trans Maldivian Airways (TMA) in the southern Indian Ocean. The small size of the Maldives atolls and the distance from the nearest international airport means the Twin Otter seaplane is a perfect way to ferry tourists to remote locations.

EDC helped finance the purchase of the Twin Otters by TMA. "We put together a deal that made commercial sense," said Chris Liboiron, EDC's Aerospace Financing Manager. "I believe our Letter of Offer to TMA translated into a sale for Viking."

"We make a point of telling customers in our sales presentations that EDC is part of the deal, particularly to the 90 per cent of our customers from outside North America," said Mauracher.

On the horizon for Viking, the Twin Otter will be exported around the world, where once again the renowned Canadian aircraft will serve a new life. ■

CLICK . . .
> www.vikingair.com
> www.transmaldivian.com

Photo: Martin Lipman

Peter Hall Vice-President and Chief Economist

Consumers Key to Export Revival

Canada is getting good marks from the rest of the world. Government finances were in great shape heading into the recession. The banking system is solid. Domestic demand was more balanced at the end of the boom, with far less of the froth so evident in other markets. That reality has brought homebuyers back to the table and shoppers back into the malls. Too bad the same is not true for Canada's trading partners, because until their consumers get active again, exports – which amount to 35 per cent of Canada's gross domestic product (GDP) – will remain soft. And if there's no recovery in exports, there's no recovery.

Revived global consumption isn't just critical to Canada's export outlook. World recovery depends on a rejuvenated consumer. Many engines of recovery have been discussed in recent months. Some are counting on government stimulus. Others believe it's about confidence. Still others claim that revived international trade is the key. These elements help, but ultimately a true global recovery has to be about final purchases of the stuff everyone is making. It dominates the other elements of the economy, and in many ways, drives them. A sobering thought, given their key role in the recession.

Western consumers were a global powerhouse in the boom years. Unfortunately, a good chunk of that activity proved to be excessive and unsustainable. The profligate consumption and frenzied housing market activity are now being worked off, but the fallout has been huge. In most economies, consumer spending accounts for about 60 per cent of GDP, with U.S. consumers an outlier at a hefty 70 per cent. Together, U.S., Western European and Japanese consumers account for about 30 per cent of world GDP. Add to that consumers in other developed and emerging markets, and the plot thickens.

But in recent weeks, certain key indicators have brightened, sparking a lot of recovery-talk. Are the world's consumers playing a role? In most large countries – not yet. France and Germany proudly proclaimed an end to their respective recessions a few weeks ago. But in France's case, consumer spending has remained weak, and consumers in Germany are still reining in spending. Consumer confidence has risen steadily from its extreme lows in Japan, but to date, it hasn't affected shopping. More significantly for Canadian exporters, U.S. core retail sales declined for five straight months through mid-summer. Apart from the temporary gains due to the 'cash for clunkers' program, U.S. consumers aren't yet back in the driver's seat.

> Revived global consumption isn't just critical to Canada's export outlook. World recovery depends on a rejuvenated consumer.

Consumers are also a big part of emerging market GDP. In China, they account for 35 per cent of the economy. And at present, they appear to be spending 15 per cent more in retail outlets than at this time last year. Many are hailing China's consumers as the great hope for global recovery, but this is unlikely. Chinese sales were dropping off sharply before public stimulus – aggressive monetary policy, cash handouts and stimulus-related employment gains – puffed the numbers up again, so there are questions about the durability of renewed growth. Measurement problems also suggest that what you see isn't always what you get.

Like it or not, the world will still need the consumption powerhouses in developed markets to lead the charge in the next recovery, and once again, U.S. consumers are sure to take the lead. But they aren't ready yet. Unemployment is still rising, and U.S. shoppers are still focussed on paying off debts, a process that is taking hundreds of billions of dollars away from current consumption. Confidence remains fragile. And with all the cutbacks, the pile of boom-years excesses still to be worked off remains huge.

What will it take to get U.S. consumers back on their feet? The mechanisms are already under way. Sharply lower prices are helping to clear housing-market excesses and stretch paycheques further. Meanwhile, underlying demand – essentially population-driven – is steadily rising. When lower pricing and rising demand meet, prices will stabilize, and confidence will begin to return. But the turning point is not imminent – this balance is not expected to be struck until the middle of next year.

The bottom line? Recovery hopes are high, but without an export revival, Canada's economy won't get back on its feet, and that depends on the world's big consumers finding their own sure footing. Stimulus measures will give a temporary lift here and there, but lasting recovery awaits a resurgence of fundamental demand that we won't see until the latter half of 2010. ■

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EDC offers a wide range of trade finance solutions to Canadian companies and their customers abroad. The following summary is intended to act as a guide. Visit us online at www.edc.ca or call a small business representative at 1-888-332-9398, weekdays, 8 a.m. to 6 p.m. EST.

INSURANCE

Are you sure your U.S. or foreign customer will pay?
Don't risk it. Get EDC Accounts Receivable Insurance and we'll cover up to 90 per cent of your losses if your customer doesn't pay.

Do you know what the future holds for your investments abroad?
Use EDC Political Risk Insurance and protect your investments abroad from unforeseen political and economic upheaval. We'll cover up to 90 per cent of your losses.

What if my buyer calls my bond even though I didn't do anything wrong?
Protect yourself with EDC Performance Security Insurance which covers 95 per cent of your losses on a wrongful call or a call resulting from events outside your control, such as war.

For information on these and other insurance products, visit **www.edc.ca/insurance**.

WORKING CAPITAL

Do you need access to more financing?
By providing a guarantee to your financial institution through our Export Guarantee Program, we can help you access additional financing for export-related activities and/or foreign investments.

Do you need protection against currency fluctuations?
Do you purchase forward contracts from a financial institution to protect your cash flow against currency fluctuations? EDC's Foreign Exchange Facility Guarantee (FXG) can help. FXG frees up your working capital by foregoing a financial institution's requirement to put up to 15 per cent collateral on forward contracts.

With FXG, you can pay your suppliers up front without fear of losing money due to currency fluctuations.

For information on these and other working capital solutions, **visit www.edc.ca/wcs**.

ONLINE SERVICES

Will your customer pay?
Get a credit profile for as little as $30 with EXPORTCheck. We have more than 100 million companies in our database.
www.edc.ca/exportcheck

Want to export with peace of mind?
Give your foreign customer time to pay and protect against non-payment with EDC's EXPORTProtect. Quick. Secure. Affordable.
www.edc.ca/exportprotect

Looking for information on export finance?
The EXPORTFinanceGuide centralizes information about the financing tools and services available for Canadian exporters at various stages of the transaction cycle. **www.edc.ca/efg**

Want some market insight that will actually help you make a decision?
Check out EDC's Country Information – economic reports that monitor political and economic events and gauge opportunities in more than 200 markets. **www.edc.ca/e-reports**

Online Solutions Advisor
EDC's Online Solutions Advisor gives you fast and convenient access to information about which of our solutions may help you. Take a few minutes to answer questions about your export status, and get a diagnostic summary outlining potential EDC solutions available for your exporting needs.
www.edc.ca/advisor

Are you ready to enter the export market?
Test your readiness by completing EXPORTAble?, an online questionnaire to help you prepare for your entry into foreign markets.
www.edc.ca/exportable

FINANCING

Are your shipments getting delayed at the U.S. border for security reasons?
If you ship to the United States, you need to understand how the Customs-Trade Partnership Against Terrorism (C-TPAT) can affect your business. EDC has developed a loan program to help Canadian companies fund the costs of upgrading their security to become C-TPAT compliant.

Want to turn your export sale into a cash sale?
EDC offers a range of financing solutions for foreign buyers of Canadian capital goods and related services. Generally, our financing solutions provide one- to 10-year coverage for up to 85 per cent of the value of your sale.

EDC also has pre-arranged Lines of Credit with foreign banks, institutions, and purchasers under which foreign customers can borrow the necessary funds to purchase Canadian capital goods and services.

In partnership with Northstar Trade Finance, EDC can also provide fast and efficient medium-term foreign buyer financing for smaller capital goods export transactions. **www.northstar.ca**

For information on these and other financing products, **visit www.edc.ca/financing**.

BONDING

What if my buyer demands a bond?
You can get bonds issued by either your bank (standby letters of credit or letters of guarantee) or a surety company (surety bonds). EDC can help you get those bonds by issuing a guarantee to your bank or by providing up to 100 per cent reinsurance to your surety company.

For information on these and other working capital solutions, **visit www.edc.ca/bonding**.

A list of associations and government agencies dedicated to helping Canadian businesses succeed.

PROVINCIAL GOVERNMENT AGENCIES

ALBERTA
Trade Team Alberta:
www.alberta-canada.com/tta
TTA is a partnership of the Governments of Canada and Alberta, working to enhance international business opportunities for Albertans.

MANITOBA
MTI: Manitoba Trade and Investment:
www.gov.mb.ca/trade
MTI's mission is to help build the Manitoba economy through increased exports and by attracting and retaining foreign direct investment.

NEW BRUNSWICK
Business New Brunswick – Export Development Branch:
www.gnb.ca/0398/export/index-e.asp
Business New Brunswick's Export Development Branch specializes in counselling and other services to export-ready companies and existing exporters.

NEWFOUNDLAND AND LABRADOR
www.gov.nf.ca/doingbusiness
A gateway to online information for business, start-up, operations, relocating to the province, investments and exporting.

NOVA SCOTIA
Nova Scotia Business Inc.:
www.novascotiabusiness.com
NSBI offers many export development programs and services for small- to medium-sized businesses and local exporters entering new markets.

ONTARIO
International Trade Development:
www.ontarioexports.com
The International Trade Branch of the Investment and Trade Division helps Ontario firms grow, prosper and create jobs through international trade.

PRINCE EDWARD ISLAND
PEI Business Development:
www.peibusinessdevelopment.com
The Trade, Marketing and Communications Division is responsible for the identification and pursuit of trade and export opportunities for Prince Edward Island business.

QUEBEC
Services for businesses:
www.entreprises.gouv.qc.ca
Information for investors, immigrants, entrepreneurs and future exporters of Quebec.

Investissement Québec:
www.investquebec.com/en
Financing products range from work for companies, cooperative businesses and non-profit organizations from start-up, expansion, export, R&D activities, to mergers and acquisitions.

SASKATCHEWAN
STEP: Saskatchewan Trade & Export Partnership:
www.sasktrade.sk.ca
STEP was created to provide trade development, custom market research and access to export financing for exporters in the province.

BRITISH COLUMBIA
British Columbia Asia Pacific, Trade and Investment Division, Ministry of Technology, Trade & Economic Development:
www.gov.bc.ca/tted
Assists BC companies to enter international markets and attracts foreign investment to BC.

FEDERAL GOVERNMENT AGENCIES

Business Development Bank of Canada (BDC):
www.bdc.ca
BDC plays a leadership role in delivering financial, investment and consulting services to Canadian small businesses, with a particular focus on the technology and export sectors of the economy.

Canada Business:
www.cbsc.org
Canada Business reduces the complexity of dealing with various levels of government by serving as a single point of access for federal and provincial/territorial government services, programs and regulatory requirements.

Canadian Commercial Corporation (CCC):
www.ccc.ca
The CCC serves as an effective Canadian trade instrument, bringing buyers and sellers together and closing successful export contracts on the best possible terms and conditions.

Canadian Consular Affairs Bureau:
www.voyage.gc.ca
The Consular Affairs Bureau provides information and assistance services to Canadians living and travelling abroad.

Foreign Affairs & International Trade Canada:
www.international.gc.ca
DFAIT supports Canadians abroad; helps Canadian companies succeed in global markets; promotes Canada's culture and values; and works to build a more peaceful, secure world.

Team Canada Inc.:
www.exportsource.ca
Team Canada Inc's website is Canada's most comprehensive source of information and practical tools for new or experienced exporters.

ASSOCIATIONS

Canadian Manufacturers and Exporters:
www.cme-mec.ca
Canada's largest trade and industry association, CME promotes the continuous improvement of Canadian manufacturing and exporting through engagement of government at all levels.

Canadian Chamber of Commerce:
www.chamber.ca
As the national leader in public policy advocacy on business issues, the Canadian Chamber of Commerce's mission is to foster a strong, competitive, and profitable economic environment that benefits not only business, but all Canadians.

Canadian Federation of Independent Business:
www.cfib.ca
CFIB has been a big voice for small business for 35 years with 105,000+ members nationwide in every sector.

Canadian Association of Importers and Exporters
www.importers.ca
I.E. Canada represents and educates importers and exporters and advocates on their behalf to influence change. Membership includes importers, exporters, distributors and agents as well as custom brokers, lawyers, accountants, freight and shipping companies, airlines, banks and foreign trade promotion offices.

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