

EDC'S MAGAZINE FOR CANADIAN EXPORTERS

SPRING 2010

ExportWise

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Photo: Martin Lipman

Eric Siegel President & CEO

Reflections on the social impacts of international trade

In May, EDC released its 2009 Annual Report on Corporate Social Responsibility (CSR) – a topic that has been the subject of intense debate of late, as companies confront new issues in new markets, and Parliamentarians debate the need for legislation to regulate the practices of Canadian companies operating abroad.

At EDC, we've made corporate social responsibility one of our operating principles – that means going beyond simple statements of commitment and taking into account the environmental and social implications of our business decisions. As the only export credit agency with a legal requirement to conduct environmental reviews of the projects we are asked to support, EDC has earned a reputation for acting on CSR principles; this gives us credibility when we partner with businesses and financial institutions. In fact, banks often want EDC to participate in transactions specifically because our reviews are so thorough – it builds public confidence in the projects that we take on together.

In 2009, EDC welcomed positive reports from the Office of the Auditor General of Canada, which found that our environmental commitments reflected international best practices. As pleased as we are with this recognition, the CSR environment is constantly evolving, businesses are facing new challenges daily and EDC has a responsibility to keep abreast of new developments and look for ways we can evolve together.

Another issue that EDC has been focusing on this year is the implication of draft legislation – Bill C-300, an Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries – before the House of Commons. EDC continues to help stakeholders understand the potential impact of this proposed legislation on customers in the extractive sector.

Increasingly, companies now recognize that when they take to the world, they have an impact and, therefore, an obligation to act responsibly. This is becoming more and more evident as corporations look further and further afield for resources, bringing opportunities in the form of resource development projects in emerging markets. Expansion into emerging markets presents opportunities for Canadian companies looking to diversify beyond traditional markets, and their investments into emerging markets present opportunities for economic development and employment for the countries receiving the investment. But, with opportunity comes responsibility: increasingly, business is being asked to fill social gaps in certain countries where they operate.

Over the past 10 years, much progress has been made on the environmental side of the CSR equation, but best practices on social issues are still being developed. Social impacts of business are a more challenging issue – while our impacts on the environment can be measured in a quantitative way, it's much more difficult to define the ways in which development can affect a community.

Increasingly, corporations are dealing with issues arising from the intersection of business and human rights. "Human rights," however, is a massive concept that encompasses many broad issues, and more clarity is needed in identifying the responsibilities of states and corporations.

John Ruggie, a renowned scholar in Human Rights and International Affairs at Harvard University's Kennedy School of Government, has been working as the UN Special Representative for Business and Human Rights since 2005. In 2008, Ruggie released a document titled "Protect, Respect and Remedy: a Framework for Business and Human Rights," which lays out principles to guide sustainable and ethical development.

EDC continues to support Ruggie's ongoing work, which is serving to clarify the responsibilities of states and corporations, how they are shared, and to focus on the need for accessible legal remedies.

The work done by the UN on this front has set a strong foundation, but we, and many others, believe that a widely accepted *international* standard on human rights assessments is critical. In order to achieve tangible results, in a way that keeps the playing field level, we need global consensus on how best to assess and manage the human rights impacts of business.

As we work towards that goal, EDC continues to support international practices that further the rights of individuals in the markets and communities where we conduct business. We're proud of our efforts to engage with local communities in emerging markets where Canadian companies we support are doing more business, and we continue to believe that by educating and informing all parties involved, we can encourage positive development. One example of this is EDC's partnership with CARE Canada. We've partnered with CARE to take on projects in Peru and Zambia, where EDC employees have brought their knowledge directly to local entrepreneurs, contributing to local prosperity and the alleviation of poverty.

Over the last 30 years, companies have come to recognize the mitigation of environmental impacts as an integral part of the risk management process. We now look forward to a day, not too far off, when human rights assessments will become just as essential. Corporate Social Responsibility asks us to look at a triple balance sheet – one that looks at the social, environmental and financial performance of a company – with the goal of positively affecting society while achieving business success. ■

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Check out the new *ExportWise* online at
www.exportwise.ca

ExportWise Online

We recently launched a new and interactive version of *ExportWise* at www.ExportWise.ca. The site provides you with the same detailed articles on international trade that you get in our print version, and adds ways for you to comment and add questions, share articles on social media sites, and follow our RSS and Twitter feeds.

You will also find an archive of previous articles, previews of articles for the next print edition, and online-only news stories on what's happening in international trade and at EDC. We'll be adding video too – short interviews with some of the experts we talk to in researching *ExportWise* articles. We'll be experimenting with a variety of new features and invite you to comment on what you like and to suggest what you'd like to see.

ExportWise.ca navigation will help you find all the features of the site, and direct you to online resources, tools and EDC contacts for follow-up.



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G Young

Given this comment: 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. It is a shame that our current government is letting an organisation like AECL and the NRU slide away.

Posted: 2010/03/18 20:45
by: GYoung

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President & CEO

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EDITOR'S PICKS



May 2010

EDC's New Products and Services Guide Available Online

EDC's conversations with new customers, associations or partners invariably lead to one question: what can you do for my business?

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April 2010

EDC's 2009 Annual Report Now Available

EDC's 2009 Annual Report has been tabled in Parliament by the Minister of International Trade.

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March 2010

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Brazil's Offshore Oil & Gas Needs Run Deep

Brazil's national oil corporation Petrobras, one of the world's top 10, will be gushing investment over the next decade, just as Brazil's ocean bed will be gushing oil.

March 2010 • Toby Herscovitch



Brazil's national oil corporation Petrobras, one of the world's top 10, will be gushing investment over the next decade, just as Brazil's ocean bed will be gushing oil. The question is not whether Canadians could have a part of this investment, but how big that part could be.

"The offshore oil industry is an exciting new frontier for us. While we can produce with the current technology, new findings will help us be even more productive than we are today," says Almir Guilherme Barbassa, Chief Financial Officer and Investor Relations Officer of Petrobras.

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BISSMA PACIFIC

Palestinian oranges and Egyptian faba beans: Export firsts for Bissma Pacific

BY DAVID LOCKHART

Its history reads more like a sweeping historical novel than a dry corporate profile. With roots in East Africa, Bissma Pacific Inc.'s story features a cast of characters that would do any miniseries proud – emperors, presidents, an Egyptian Pope and a legendary Egyptian-born trader named Giryagos Bissada.

A leader in originating, trading and distributing pulses, oilseeds, grains and natural gums, Bissma Pacific Inc. is an export powerhouse, active in more than 60 countries around the world, with annual revenues of \$110 million. The company remains a family-run business with 40 employees, representing 20 separate nationalities. “We’re like the U.N.,” jokes President Magdi Bissada.

Starting from humble beginnings selling textiles with his brothers in 1883, Giryagos Bissada joined his father in 1919 and went on to build one of the busiest trading houses in East Africa, establishing a reputation for integrity that would help him survive political intrigue and economic upheaval on several continents.

Along the way, a chance encounter with Emperor Haile Selassie led to a lifelong relationship. This connection, in turn, saw Bissada receive a private audience with Egypt’s President, Gamal Abdel Nasser, who provided Bissada with a personal guarantee that his ships would pass through the Suez Canal unimpeded. Later, Bissada’s stature was such that he intervened, at Selassie’s request, to persuade the Egyptian Pope, His Holiness Pope Kirilos, to attend an event hosted by the Emperor.

Today, the company he began, Bissma Pacific Inc. is based in Canada, with its head office and international operations in Pickering, Ontario and its Canadian export operations located in Winnipeg, Manitoba. While the principle sources of origination are Canada, China, Ethiopia, Eritrea, Sudan and the U.K., the company also trades from Australia, India, Argentina, Chile and Turkey.

Throughout its history, Bissma Pacific Inc. has been a trailblazer and its impressive list of firsts reflects both the diversity of its product line and the geographic reach of its operations. It was the first to import oranges from what was then Palestine to Ethiopia; the first to ship

Ethiopian wheat, corn and maize to Middle East countries and to import lentils and faba beans to Egypt. More recently, the company was the

first to ship sorghum from Sudan to Taiwan and sesame seeds from Ethiopia to China and Venezuela to South Korea.

Bissma was also an early entrant into China, which is now one of its most important markets – a fact recognized by Bissma’s two offices there.

The company emerged from the 2008 downturn relatively unscathed. In fact, it plans to expand this year with an office in India and has just opened up offices in Uganda, Nigeria and Burkina Faso. It has also taken an equity interest in Saskatchewan-based Mustard Capital Inc. and is incorporating a new company, Bissma Saskatchewan Agro Industries, to facilitate its growth plans.

Bissma uses several EDC products including accounts receivable insurance, bonding services and guarantees for its line of credit to run its China operations. According to Magdi Bissada, these are “very helpful in expanding the financial capacity to do business.”

In particular, Bissada points out the importance of the accounts receivable insurance, which he says, “lowers the risk of doing business with the world. We use EDC services to facilitate financing, not to take on more risk,” Bissada notes.

Not surprisingly, Bissada advises earlier-stage companies to think about risk when they look to export. “You have to proceed cautiously,” he advises. “The most important part is identifying reputable parties with which to deal. It can also be helpful to use first class agents to represent you abroad.”

With a rich past and exciting plans for the future, it seems that the saga of Bissma Pacific Inc. has many more chapters still to be written. Perhaps a mini-series is in order, after all.

www.bissma.com

◀ Bissma Pacific plans to open an office in India this year, after recently opening offices in Uganda, Nigeria and Burkina Faso.



Photo: Courtesy of Bissma Pacific

SOLMAX

Solid international presence helps Solmax weather economic cycles

BY DANNY KUCHARSKY



Photo: Courtesy of Solmax

▲ Waste and water are recession-proof: Solmax emerged from the downturn relatively unscathed despite a slowdown among mining industry clients.

For this Quebec-based waste retention and containment company that manufactures geosynthetic linings for various environmental applications such as waste landfills, drinking and waste reservoirs, geographic diversity has been key.

After getting its start in 1981 as a distributor, the company is now the third-largest manufacturer of its kind in the world, with annual sales approaching \$100 million, 125 employees and a presence in some 60 countries.

Solmax products are installed in the largest underground reservoir of drinking water in the world in Dubai and in the biggest open-sky salt mine in Chile. And its products line the bottom of 20 artificial lakes at The Villages, a huge retirement community in Florida.

Sales are almost evenly split among every continent, save Antarctica. Although sales have been growing steadily since the beginning, they really took off when the company decided to change its orientation in 1996 and become a manufacturer.

With financial assistance from the Solidarity Fund, a Quebec labour-sponsored investment fund, Solmax founder and principal owner Jacques Côté built a plant in Varennes, on the South Shore of Montreal. A second plant followed suit last year in Kuala Lumpur, Malaysia. The idea for the new plant was to better serve Asia Pacific clients in such countries as China, Australia, Indonesia and India, as well as Africa and the Middle East, says Solmax president Marc-André Gervais.

Clients now include a number of municipalities and companies like Waste Management, BHP Billiton, the world's largest mining company, and Alcoa. Soquimich, another major client and a world-leading producer of specialty fertilizers, gave Solmax its biggest-ever contract last year, worth \$20 million.

Exports are boosted by the company's distributors in about 50 countries and sales offices in Chile, China, France and Malaysia.

"Geographic diversity means you're not dependent on just one market and

one economy," notes Dominic Bérubé, Solmax sales vice president – geomembrane division.

As proof, Solmax emerged generally unscathed from the economic downturn, despite a slowdown among mining industry clients. After all, as Gervais notes, waste and water are pretty recession-proof. Both plants continued to operate 24 hours a day, seven days a week, and employees were unaffected. "We sold 100 per cent of our capacity."

It's no wonder that geographic expansion continues to be the key lynchpin of the company's growth strategy. Expansion in South America is a priority, particularly to Brazil, a market that has been opening its doors to exporters. Other BRIC countries, notably India, are also high on the priority list.

Gervais cites top quality products, customer service and competitive pricing as factors that have spurred sales. "We aim to be the lowest-cost producer in the industry."

Solmax has been calling on EDC to cover its commercial risk for the last 10 years. Says Gervais: "We had several difficulties in collecting. But since then, everything's been covered 100 per cent. We would not have gotten to where we are without EDC's support. It's been an important tool in our success."

He counsels companies that are just starting to export to discover EDC. Understanding cultural differences and knowing their own product lines – as well as those of competitors – well are other important factors fledgling exporters must consider.

Although it's already in the Big Three of worldwide polyethylene manufacturers, Solmax isn't content to stop there and plans to maintain its current growth strategy, one reservoir at a time.

www.solmax.com

ABILIS SOLUTIONS

Pre-fixed prices win contracts for prisoner management software firm

BY DANNY KUCHARSKY

Prisoners have been good to Abilis Solutions, a Montreal firm that specializes in systems and technology integration and customized applications development. Indirectly, that is.

It was a hard-fought contract for the Offender Management System, a prisoner management software program for the state of Virginia that gave the firm its major entry in the United States. Sales south of the border now account for 60 per cent of the company's business.

Virginia's Department of Corrections was seeking to replace 16 mainframe systems with one centralized system in the 1990s. A large German supplier was hired, but abandoned the project 18 months and several million dollars later. A Bell Canada subsidiary took over in 2000, but also ran into problems. Finally, Abilis won the project in 2007 after guaranteeing a fixed price and delivery date. EDC followed suit with a letter of guarantee worth USD3.6 million – the penalty that would be imposed if the project was not completed on time and to customer expectations. “We needed a letter of credit based on performance to insure the risk,” explains Abilis president Eric Le Goff.

Not to worry: the project was finished on time and on budget by Abilis. Through its software program, Abilis now manages more than 35,000 prisoners incarcerated in Virginia as well as more than 100,000 people who have passed through its prison system. After acquiring the intellectual property for the program last year, Abilis has gained similar contracts in Maine and New Hampshire and is eyeing contracts from additional states and provinces. In fact, in February CORIS (Abilis' Offender Management System) became the largest correctional integrated software in production in North America.

Abilis was founded in Montreal in 1996 by Le Goff and his partner after original plans to set up shop in France fell through because no one in that country would provide financing. (French-native Le Goff completed his engineering training in Paris.)

The firm now employs 160 people and has sales offices in London, Paris, Portland, Maine and Albany, New York. Most of the work is conducted out of Montreal.

The company's key to success is a business model that establishes a pre-fixed price for projects – something that is markedly different from most of its competitors, who charge by the hour. “It forces us to be

efficient, innovative and ultra-productive. We're able to take risks, including penalties for late delivery.”

The strategy is attracting attention. “The fact we can set pre-fixed prices and deliver on them is becoming more and more attractive to clients.”

Several Fortune 500 companies have hired Abilis, as have European clients like Banque de France, London stock exchange and Toyota Europe. Home heating oil firms have hired Abilis to manage their oil delivery systems, while New York State's Office of the State Comptroller engaged Abilis to manage retirement plans for its bureaucrats, firefighters and police.

Le Goff says Abilis was barely touched by the recession. The firm won several multi-year government projects before the crisis hit. Although some clients delayed certain projects, there were no cancellations.

Abilis' growth strategy is now based on acquisition. Le Goff is looking to buy niche software firms and says it's a buyers' market. He expects sales to grow by about 30 per cent this year, largely driven through acquisitions.

Being innovative has allowed the company to be competitive and successful, he says. “We're competing worldwide with companies that are sometimes 1,000 times bigger, with much more means. They can produce at lower cost than us at their overseas facilities, but despite that we're able to compete with sharper and flexible solutions.”

Le Goff refuses to believe the future for software consulting firms lies in low-cost countries like India. “We've shown from our sales volumes that you can produce in Canada, employ staff at market rates at our Montreal Innovation Centre, and still be competitive as an exporter.”

www.abilis.ca



Photo: Courtesy of Abilis Solutions

▲ The key to Abilis Solutions' success has been to offer something the competition does not: pre-fixed prices and delivery dates.

TELEPIN

Telepin Software dials up new markets for electronic payment solutions

BY JANE DALY

If you've ever owned a pay-as-you-go mobile phone, you've already experienced the convenience of being able to electronically upload more money into your account, allowing you to purchase more time for talking.

Now wouldn't it be great if you could use the money account on your phone to pay for all kinds of other transactions, from topping up the air time on someone else's phone to purchasing groceries and airline tickets? With the technology of Telepin Software, now you can.

Only three years old, Ottawa-based Telepin has already become a global pioneer in developing electronic payment solutions for the wireless industry, which in turn provides the service to their business customers and consumers. In 2009, Telepin was awarded a coveted Companies-to-Watch Award, one of the awards categories within the preeminent Deloitte Technology Fast 50 Awards.

"You can think of it as having a mobile wallet in your handset," explains Vince Kadar, President of the company. "Using a PIN-based system and a menu, you can wirelessly transfer previously downloaded funds on your phone to another person's phone, to a bank account, to make a purchase or to pay bills." Kadar says he has even used the device to pay for cab fare.

One major market that is answering the call for Telepin's technology is migrant workers, who often want to send a portion of their paycheques to their families back home. Traditional conduits for this type of transmission charge a fee that can take a considerable percentage of these monetary gifts. By offering Telepin's technology, mobile phone companies can allow these customers to transfer funds much more economically.



Photo: © Juice Images / Alamy

▲ Ottawa-based Telepin recently won the Ottawa Centre for Research and Innovation (OCRI) Start Up of the Year Award.

But in addition to offering convenience and possible cost savings, the service is filling a critical market need, especially in cash-driven societies. "There are four billion people in the world who have a mobile phone, but only 1.3 billion people who have a bank account," says Kadar. "You won't find a lot of people using credit cards in Africa." In fact, Kadar adds, the pre-paid distribution networks are quickly becoming the backbone of the financial system in many developing regions of the world.

With this in mind, Telepin is dialling up its sales efforts in markets where the banking infrastructure is sparse but mobile phone penetration is high. Currently, their main markets include Africa, Latin America, the Middle East and South Asia.

Dealing with the mobile networks and distribution networks within these markets can be complex, since they typically consist of a subset of different businesses that function as one unit. To help everything run

smoothly, Telepin uses EDC's Performance Security Guarantee solutions.

"Many of these customers will ask for you to put up a performance security bond, which is basically a monetary promise, held in trust, that your company will perform the work as agreed," Kadar explains. "Having a number of these bonds out at any given time can amount to millions of dollars, so it can tie up your working capital. But with a Performance Security Guarantee, there's less need to provide working capital as collateral, and you're insured in case of a wrongful call." Telepin also uses Accounts Receivable Insurance, to protect against non-payment.

"There's no such thing as a safe deal. Any one of your customers could close its doors tomorrow," says Kadar. "But with EDC's insurance and bonding solutions, we have confidence going into new markets and being assured we'll get paid."

www.telepin.com

How to Adapt to a Strong Canadian Dollar

BY ERIC BEAUCHESNE



Photo: © iStock

Canadian exporters have made fundamental changes to their business operations in recent years in order to adapt to the long-term reality of a strong Canadian dollar.

That's the message in a new Export Development Canada White Paper, *Adapting to a Strong Canadian Dollar* which explains why the currency has soared over the past seven years and which firms are most at risk.

The analysis, which follows on last year's EDC White Paper, *Managing Foreign Exchange Risk* on how firms can deal with currency volatility, sheds light on the measures that Canadian exporters have taken to meet the challenges posed by a strong dollar. In a survey of 1,000 Canadian businesses that export (or plan to export) conducted by EDC last fall, more than 60 per cent of respondents indicated that the level of the dollar was "very important" to their ability to compete in foreign markets.

As the Canadian dollar is expected to remain strong for years to come, it is critical that exporters continue making adjustments to their business models in order to safeguard their international competitiveness.

EDC is forecasting the value of the Canadian dollar, which briefly hit a high of USD **1.09** in 2007 and was trading above USD **0.95** this past winter, will average USD **0.90** this year, USD **0.89** in **2011** and USD **0.92** in **2012**.

Not all exporters are affected equally

The appreciation of the Canadian dollar has been particularly challenging for non-resource exporters, where the erosion in the value of their U.S. dollar earnings hasn't been offset by the rise in prices for resources, such as oil.

"The impact of an appreciation in the loonie will often be different from one exporter to the next. Even firms that operate in the same industry can have different exposure levels," notes Jean-Francois Lamoureux, foreign exchange specialist at EDC. "Companies that have a large mismatch between their USD revenues and USD expenditures are particularly vulnerable."

EDC's White Paper observes that the risks are lower for firms with healthy profit margins that allow them to maintain their price competitiveness, and for those with foreign affiliates who produce and sell goods and services in the country where their clients are located. Exporters that have high capital-to-labour ratios also tend to be less exposed.

Nonetheless, with the Canadian dollar now trading at levels that are 50 per cent higher than in 2003, all exporters have felt the impact and needed to adjust.

Canadian companies have been adapting

"Companies at risk must adopt strategies that will allow them to continue selling their products even when the USD/CAD exchange rate is high," states the paper. Data shows that Canadian exporters have made important changes to the way they run their businesses in reaction to the strong dollar.

"The volume of Canadian exports was higher in 2008 than it was in 2003," Lamoureux points out. "This is a very good performance when we consider that the dollar was worth close to US 0.94 on average in 2008 compared to US 0.65 at the start of 2003. Clearly, Canadian companies have been doing a number of things to adapt," he says.

For instance, the share of Canada's exports going to the United States fell to 71.5 per cent in 2009 from 83.7 per cent at the start of the decade – an indication that companies have worked hard to diversify export markets. Investment in machinery and equipment (a lot of which is imported), overseas investment and foreign affiliate sales have all risen substantially since the dollar's ascension began.

7 STRATEGIES THAT CAN HELP FIRMS COMPETE DESPITE A STRONG DOLLAR

1 CUTTING COSTS AND IMPROVING EFFICIENCY These are among the most immediate measures a company can take to keep its export prices from rising, starting with reducing any surplus expenditures, followed by improving efficiency through investments in research and development and new technology, increasing workforce productivity through training or better organization of production processes, or increasing economies of scale by possibly taking over a competitor.

2 INCREASING THE PROPORTION OF COSTS THAT ARE IN U.S. DOLLARS This can be done by increasing purchases of inputs from the U.S. or U.S. dollar suppliers in other countries, or just borrowing U.S. dollars and repaying those loans out of U.S. dollar earnings.

3 OUTSOURCING For an exporter, having other firms (whether based in Canada or abroad) execute some of its core or peripheral activities will usually result in lower production costs and greater specialization. This increased specialization allows exporters to keep or develop more highly skilled operations in Canada.

4 TAKING ADVANTAGE OF DOMESTIC MARKET OPPORTUNITIES Increasing sales in the Canadian market will help stabilize earnings by increasing the proportion of revenues that are in Canadian dollars.

5 DIVERSIFYING EXPORT MARKETS Finding new export markets where competition may be less intense than in the U.S. or where the local currency has not depreciated as much as the U.S. dollar against the loonie can reduce exporters' dependence on the U.S. market.

6 INNOVATION Improving services, adding higher value-added quality to products and adopting more efficient processes are "crucial" innovations for all exporters because of intense global competition, and allows them to compete on more than price alone.

7 SETTING UP OPERATIONS OUTSIDE CANADA Foreign direct investment by Canadian firms, which has moved higher in recent years, can reduce the mismatch between USD revenues and CAD expenditures. Establishing operations overseas can also help reduce costs, better service foreign customers and expand into new markets.

Moves make business sense

The adoption of the above strategies would in many cases make business sense even were it not for the added challenges posed by a strong currency. Many Canadian firms have employed some of those strategies to boost their international competitiveness in an increasingly globalized economy. For example, an ExportWise story in the fall of 2008 outlined how Canadian exporter Corma Inc., which designs and manufactures production systems that fabricate corrugated plastic pipe, overhauled its global supply chain.

It shifted much of its Canadian production to Shanghai, not to escape the strong Canadian dollar, but to compete head-on with the emergence of low cost, high quality producers in China, to remain globally competitive there and elsewhere.

Further, the shift of production to China, while also boosting Corma's market share in that rapidly expanding economy, did not result in a loss of jobs in Canada but just the opposite thanks to increases in head office personnel, with more design, engineering, management and logistical support staff to service its facilities here and abroad. ■

CLICK ...

› jflamoureux@edc.ca

EDC helps firms adapt

EDC, with its **export guarantee** and **political risk insurance**, helped Corma in its offshore investment strategy. EDC has a variety of resources and tools to help other exporters implement that and other strategies to help them meet and overcome the challenges posed by the strong dollar.

"There is a lot we can do," says Lamoureux, noting that EDC's **financing, bonding and insurance services** can help firms to expand operations offshore or to make capital investments here to enhance their competitiveness. "EDC has **valuable information on foreign markets and foreign buyers**, and continues to increase the number of people it has **on the ground in high-growth areas** each year," adds Lamoureux.

"Many companies that have gone through the process of adapting to a strong dollar have worked with EDC," the White Paper notes.

And the strong dollar itself can help firms adopt some of those strategies, as it has reduced the costs of importing productivity-enhancing machines, equipment and technology and investing in offshore operations.

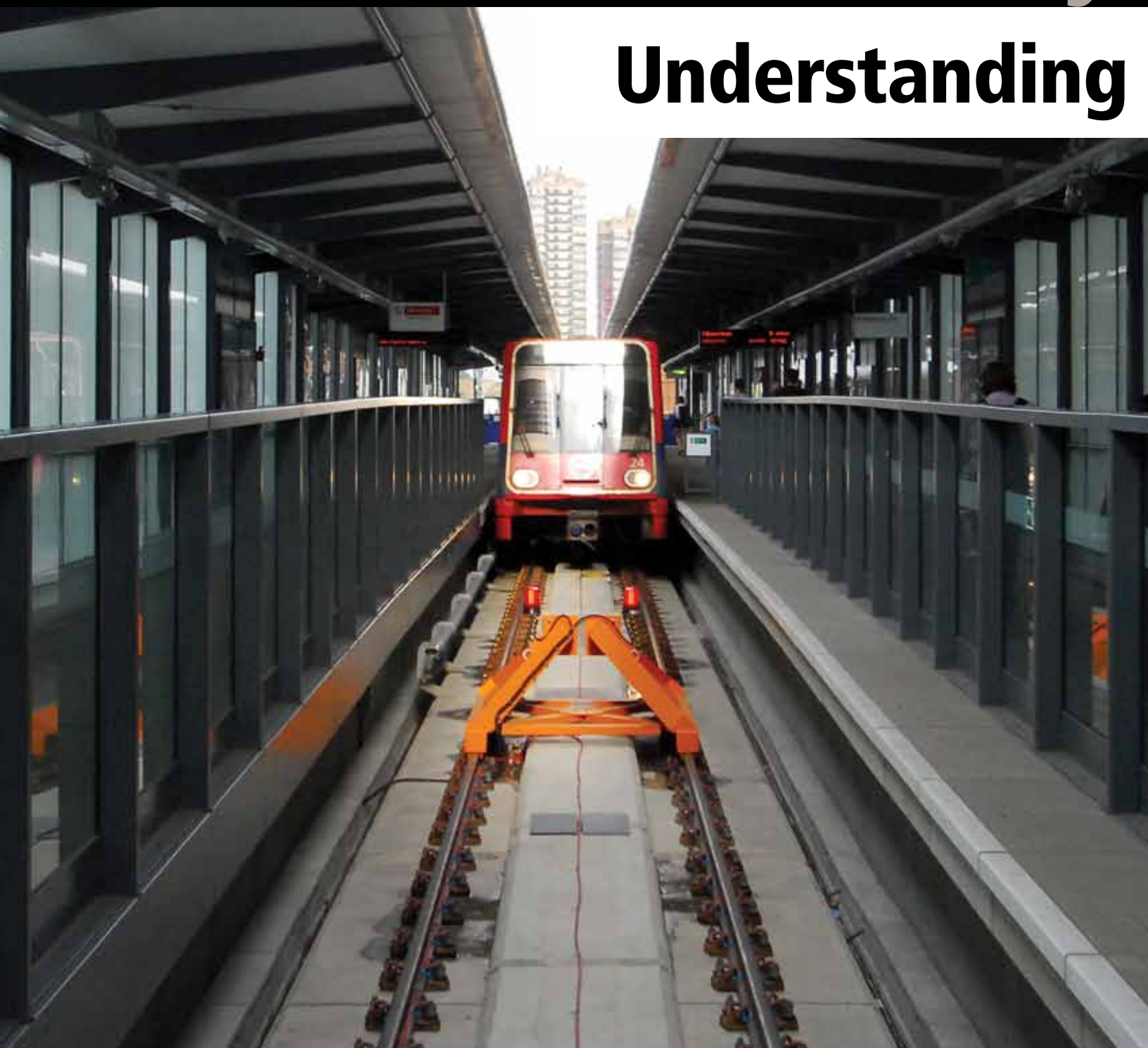
The evidence suggests that Canadian companies have worked hard to adjust to the strong dollar and have done a pretty good job overall, Lamoureux says. But they and other participants in the supply chain that they are a part of will need to continue implementing the strategies presented in the White Paper since the Canadian dollar is expected to remain strong.

And one area where Canadian firms lag in particular is in innovation and research and development, he notes.

"Innovation is crucial for all exporters because of the intense competitive pressures that exist in global markets," the White Paper stresses, calling it "vital" that innovation be at the core of their strategies for dealing with a strong dollar and other competitive pressures.

Greater focus on this front will be needed to thrive in a high Canadian dollar environment, adds Lamoureux.

A Better Way Understanding





to Build

Public-Private Partnerships



Photo: Courtesy of Docklands Light Railway Limited

Part 1: Canada - U.K.

This is the first in a series of articles examining public-private partnerships (PPPs), how they are carried out in other countries and how Canadian companies can participate in them.

The scale of the opportunity is vast; in the United Kingdom alone, PPPs have accounted for USD110 billion worth of contracts since 1990. They can be of great interest to Canadian firms with expertise in legal and financial services, architectural services, engineering design and consulting services, and construction and management services.

BY DENNIS AND SANDI JONES

Modern governments have many responsibilities. One of the most important is to provide citizens with a wide variety of public services, such as education, healthcare and transportation, together with the infrastructure and facilities needed to deliver them.

In most developed countries, the public sector has tended to assume the responsibility for creating and operating this type of infrastructure. To procure it, the government specifies the detailed inputs required to build a facility, such as the materials to be used and the equipment to be installed, and a private contractor constructs it according to the specifications. When the contractor delivers the completed facility, the government pays for it in full and operates it from that time onward. Except for a brief warranty period, the private sector's responsibility for the facility ends as soon as the contractor is paid.

Since the early 1990s, however, a different procurement model for public infrastructure has been appearing in many countries. This is the public-private partnership (PPP), in which the public and private sectors collaborate to provide facilities and services under long-term agreements, typically for 25 to 30 years.

The United Kingdom: A PPP sophisticate

In the United Kingdom, the most common form of PPP is the private finance initiative, or PFI. In a PFI project, a private-sector provider – usually a consortium of partners – contracts with a government agency to design, finance and build the desired facility. But the partnership does not end when the facility is finished; it continues for the lifetime of the PFI agreement, with the private partners operating the facility according to the standards and payments established by the public sector.

“We’ve been doing PFIs in the U.K. for many years,” says Stephen Chandler, Chairman and CEO of the Global Infrastructure Group (GIG), which specializes in international project financing and PPPs. “Our projects include hospitals, schools, highways and general public sector construction, and include not only the structures themselves but also the services that go along with them. We also provide pure services for existing facilities, such as the transit card project we did for the London underground.”

Inputs and outputs

One of the most important differences between traditional procurement and the U.K.’s PFI model, says Chandler, is that the former specifies *inputs* (“use this kind of concrete for the foundations”), while the latter specifies *outputs* (“provide hospital facilities for a town of 50,000”). In a PFI, the government identifies the outputs it wants, in terms of services to the public, and the private sector decides on the inputs that can best deliver them. This frees the private partners to make the most effective use of their professional and technical expertise.

“In fact,” adds Stephen Harris, GIG’s President and COO, “I would say that our PFIs aren’t really about building things at all, but about delivering



Photo: © Larry Fisher/Masterfile

▲ One plus for P3s is that an entire project, from design to operation, can be covered under a single long-term contract that integrates the work of the private partners and the needs of the public partner.

services. In a PFI for schools, for example, we focus on educating children, not on putting up buildings. That is a fundamental difference between PFIs and traditional procurement.”

Thinking harder

The PFI approach also forces both the public and private sectors to think more carefully about the costs and performance of a facility over its life cycle. “For a PFI,” says Harris, “you need a great deal of detail about how a building will provide the required services and how it will be operated and maintained for 25 or more years. That level of planning is far more work than putting out a procurement notice to have a building constructed as cheaply as possible. As a result, a facility procured under a PFI may be more expensive to build, but its total cost may actually be lower over the contract term because the contract accounts for the facility’s whole-life costing, not just for the cost of its initial construction.”

Another plus for PPPs is that an entire project, from design to operation, can be covered under a single long-term contract that integrates the work of the private partners and the needs of the public partner. Traditional procurement, in contrast, requires a string of separate contracts with multiple contractors, a fragmented approach that can increase the risk of delays and cost overruns.

The Canadian PPP experience

In Canada, PPPs – or P3s, as they are called here – are long-term contracts wherein the public sector procures the design, construction, operation and/or maintenance of an asset, usually from a consortium of private firms, with the acquisition being privately financed over the economic life of the asset.

There have been two waves of P3s in Canada, the first of which ran from 1993 to about 2004. The current, second wave includes 55 projects, of which 19 have been substantially completed. All but two of the latter were delivered either early or on time, with the remainder less than two months late. Better yet,



Photo: © Tim Hall / Cultura / Alamy

▲ Canada’s approach to P3s follows the U.K. model closely, and Canadian infrastructure companies that have worked in domestic P3s will find the British PFI landscape familiar.

according to a January 2010 report from the Conference Board of Canada,¹ none of these projects saw any private-sector cost overruns that had to be made up by the public sector.

Familiar landscapes

Britain's long experience with PFIs and the assistance of British PFI specialists contributed substantially to the early development of Canadian P3s. As a result, Canada's approach to P3s follows the U.K. model quite closely, and Canadian infrastructure companies that have worked in domestic P3s will find much that is familiar in the British PFI landscape.

Similarly, the benefits and drawbacks of PPPs apply in both countries. On the negative side, some costs can be higher than with conventional procurement. Private partners who assume risk expect to be compensated for it, for example, and private financing is more expensive than public financing. In addition, P3 agreements are more expensive to develop than conventional contracts because their complexity and their long durations involve highly sophisticated and detailed planning.

On the positive side, the benefits of a well-structured P3 can be cost savings over the asset's life cycle, on-time delivery, innovation and potential quality improvements, as well as the allocation of particular types of risks to the partner best equipped to handle them. For the



Photo: © Larry Fisher/Masterfile

▲ Between 1998 and 2008 more than 75 P3 contracts, worth \$28.4 billion, were signed at the provincial and municipal levels in Canada, such as the Confederation Bridge linking P.E.I. to the mainland.

public partner, suitable risk allocation can be a major benefit over the course of a 25-year contract. "With conventional procurement," says Harris, "the contractor is responsible for construction faults for only five or six years. But in a PFI-procured building, if the roof leaks after 20 years, the contractor has to pay to fix it, not the government."

Structuring and financing PFIs in Britain

"There is no single way of structuring and financing PFIs in this country," says Chandler. "They can range from a one-to-one relationship between a government agency and a private

company, to a relationship between an agency and a consortium of companies, to a special-purpose vehicle that delivers services. This provides a great deal of flexibility, but the key is always to concentrate on the results you want to deliver – when things go wrong, it is usually because both government and the private sector have lost sight of what they're trying to accomplish. As for the financing side, the capital can come from several sources. PFIs typically use private financing, but there can be public financing too, or even a mix of government money, private debt, equity investments, bank loans, sovereign wealth funds and so on."

¹ Mario Iacobacci, *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*. Conference Board of Canada, January 2010.

PFIs in the United Kingdom

Since 1990, 900 PFI contracts worth USD110 billion have been signed in the United Kingdom, and 700 projects are now operational. Health and education together account for 504 of the contracted projects. The following are three representative PFIs:



► The Birmingham New Hospitals Project will modernize acute hospitals and mental health services, and includes a new 1,231-bed hospital and a new Clinical Sciences Centre.

► The South Lanarkshire education project involves the design, new build and renovation of 18 schools.

► The Lancashire waste project involves 15 local authorities and is intended to reduce the amount of waste going to landfill by 75 per cent.

Currently, two of the major PFI opportunity sectors are schools and solid waste management, and there is considerable activity in other areas as well.



Photo: © iStock

Getting the contract right

Structuring a PFI contract to safeguard the interests of all parties, including the public interest, is one of most important factors in the success of a project. “If you don’t get the contract right,” says Harris, “you are going to have major problems in the future because you’re tied to such long commitments. Contracts should be written by lawyers experienced in international PPPs, with the advisory costs wound into the contract. It’s a mistake to try do it cheaply, for example by using in-house counsel instead of PPP experts.”

In 2000, to help the public sector develop better PFIs, the British government set up Partnerships UK (PUK) as a permanent source of expertise that would assist with complex PFIs and help support individual infrastructure projects.

“PFIs bring together contractors, facility managers, equity investors and banks,” says Edward Farquharson, PUK’s Project Director, “and they are generally structured on a limited-recourse basis. At PUK, though, we don’t dictate how a project should be structured or financed. Once we have established very clear output specifications, we leave it to the private sector to find the best financing and structuring solutions.”

Risk sharing

“One fundamental point about our PFIs,” says Chandler, “is that we structure them in ways that assign risks to the partners best able to manage them. This varies from contract to contract. In a railway service agreement, for example, you may find 50 pages of detail defining who assumes what risks, and which risks are shared. Risk allocation is very complex and there is no single formula for it. But the public sector can never shift all the risks of a PFI to the private sector; some of it must inevitably remain with the government.”

In most U.K. PFIs, the risks of designing, building, operating and maintaining an asset stay with the private sector. Other risks may either reside with

the government or be shared; with social infrastructure, for example, demand risk is generally retained by the public sector, whereas in some transport projects, it might be allocated to the private party. Decisions about risk allocation are driven by factors such as value for money and the financial capacity of the various PFI partners.

Who owns what?

The actual ownership of a British PFI facility may sometimes seem murky to outsiders, but in reality it is quite clearly defined – it belongs to the government. “Typically,” says Farquharson, “the asset, or the land on which it is built, or both, is owned by the public sector throughout the term of the PFI contract. During this time it is leased or licensed to the private operator, but at the end of the contract it reverts to public ownership.”

This isn’t the case everywhere, however. “In some countries,” Chandler points out, “it’s believed that PPP means transferring the entire ownership of a facility to the private sector. But in the U.K., we always keep ownership with the government, even if the contract is as long as 40 years. In a way, the private sector is simply taking care of the asset for

P3s in Canada

Between 1998 and 2008, more than 75 P3 contracts – worth a total of \$28.4 billion – were signed at the provincial and municipal levels, and several federal and provincial organizations are now working with the private sector to carry out P3 projects. Among these organizations are:



› PPP Canada

A federal Crown corporation established to encourage the development of Canada’s P3 market www.p3canada.ca

› Infrastructure Canada

Provides information and criteria on the Canada Strategic Infrastructure Fund and the Infrastructure Canada Program www.infrastructure.gc.ca

› Infrastructure Ontario

A Crown corporation of the Ontario government dedicated to the renewal of Ontario’s infrastructure www.infrastructureontario.ca

› Public-Private Partnerships Quebec

Advises the provincial government on P3s; becoming part of Infrastructure Quebec in 2010 www.ppp.gouv.qc.ca

› Partnerships British Columbia

Promotes and supports P3 opportunities in the province www.partnershipsbcc.ca

› Alberta Treasury Board

Invests in public infrastructure via P3s www.treasuryboard.gov.ab.ca/AlternativeCapitalFinancing.cfm

our public sector, in return for payment. But ultimately, the government always owns and controls the facility.”

The situation with Canadian second-wave P3s is similar: ownership either remains with the public sector or is transferred back to the public sector at the end of the contract term, and the public sector retains full control of the operation and outcomes of the project during the life of the contract.

➤ **Standard PFI contracts**
In the U.K., **standardized contracts** are used across the entire PFI spectrum. Among other things, they provide an **overview** of **PFI risk allocation**, and anyone who is interested in PFI projects in the U.K. should review them. PDFs are available at www.hm-treasury.gov.uk/ppp_standardised_contracts.htm.

The view from the work site

EllisDon, one of Canada's leading infrastructure construction companies, first became involved with domestic P3s in 2000. “At the time,” says Stephen Gash, the firm's Vice-President of Public Infrastructure Development, “there was a discussion going on about P3 procurement for hospitals. Because we're the largest builder of hospitals in Canada, we decided to position ourselves to take advantage of P3s, so we went to the U.K. to see what was happening there. We ended up partnering with the British firm Carillion on two prototype P3 projects in Canada: the William Osler Health Centre in Brampton and the Royal Ottawa Hospital. That entrenched us solidly in the Canadian P3 market, and since then it has become a major business for us.”

EllisDon's P3 group works with a range of advisers, consultants and partners, many of whom are experts in the specialist disciplines of Britain's PFI sector. Fortuitously, the company had already laid the groundwork for a move into U.K. P3s because of its long experience with non-P3 construction abroad, including work on London's Canary Wharf Project. Given this background, plus its solid performance in domestic P3s and its network of PFI experts both in Canada and the U.K., EllisDon is now considering some niche opportunities in Britain's PFI market.

Parallels and practicalities

Gash sees a considerable advantage for EllisDon in the fact that the Canadian and the British models are so much alike – in fact, the contract forms the company used in its first P3 projects were almost identical to the PFI forms used in the U.K., although they were customized for Canadian requirements. That said, there are a few divergences. The usual North American practice is to guarantee contract performance through sureties, whereas the U.K. requires direct contractual undertakings from each subcontractor and a level of contractor equity that demonstrates shareholder

commitment to the project. Another difference is that British PFIs may also include a full suite of services, including so-called “soft services.” A hospital, for example, could be supplied with patient food services, housekeeping and waste management, while a prison project could involve the provision of complete custodial services. Such services are typically not part of the Canadian P3 model.

Practically speaking, how should a Canadian infrastructure company go about finding PFI opportunities in Britain? “It's a question of using your networks and contacts to identify suitable projects,” says Gash, “and then looking at what teams you might be able to join and to which you might add value. The flow of PFI projects has slowed in the U.K., however, partly because they have worked through much of their infrastructure backlog. As a result, several big European companies are shifting focus away from the U.K. and now see Canada as one of the world's most promising P3 markets. That's a development that can offer major procurement opportunities. Another possibility is to build a contact network in the U.K. so you can partner with British companies to go into a third-country P3 market.



Photo: Courtesy of EllisDon

➤ As the largest builder of hospitals in Canada, EllisDon decided to take advantage of P3s and went to the U.K. to see what was happening there.

» EDC and PFIs

EDC has been involved with P3s since 1997, and has worked with the various kinds of P3 models used in the U.K., Ecuador, Hungary, Mexico, the UAE, the Dominican Republic and the Bahamas. In the U.K., EDC was co-underwriter, co-arranger or arranger for three PFI projects that outsourced various Ministry of Defence training programs.

PFI opportunities in the U.K.

There are several sources of information that companies can use to learn about PFI expertise in the United Kingdom. A good place to start is the UK Trade & Investment (UKTI) office of the British Consulate-General in Toronto. UKTI is involved in several initiatives aimed at exploring partnership opportunities for British PFI players and Canadian firms, and can provide PFI expertise through its networks in the United Kingdom. UKTI can also arrange introductions with U.K. contacts for Canadian companies that are seeking potential partners to pursue PPP projects in Canada or in joint partnerships in third markets.

The *Official Journal of the European Union* lists all the major tenders on offer in the EU, including PPPs. These listings provide instructions and information

about tendering, bid specifications, prequalification, eligibility and other essentials. Other online journals, such as *Project Finance Magazine* and *PPP Magazine*, and the website of Partnerships UK, are additional useful sources. There are also various organizations, such as the International Project Finance Association, that offer assistance on a subscription basis.

Partnering and preparation

As for becoming a partner in a PFI, it is essential to understand the prequalification, bidding and selection processes that apply to a particular project. But the hardest part for a Canadian company may be to identify a suitable set of partners with whom to work, and to make sure that its capabilities make it an attractive candidate for a consortium. In

addition, U.K. firms are very sophisticated about PFIs, and will be highly effective competitors for projects that Canadian firms might bid on.

Even before reaching that stage, though, a Canadian infrastructure firm should examine its operations and see where it can provide more value for less money, while keeping quality high. It also needs a strong financial position, both to attract partners and to manage the unexpected, and must be capable of working with letters of guarantee, rather than sureties, for bonding purposes. ■

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- » www.partnershipsuk.org.uk
- » www.ellisdon.com

» The road ahead

The shift toward P3s in public infrastructure procurement is an important development worldwide. Canada is becoming a strong P3 market and Canadian businesses should be positioning themselves to take advantage of future opportunities. Doing so is all the more important since foreign companies are already winning P3 contracts in this country, and Canada's infrastructure firms must learn to compete with them or risk being marginalized within Canada's own borders. This means that Canadian businesses in the P3 arena need to collaborate with other domestic companies, not only in the domestic P3 market, but also in markets abroad.

But there are good reasons to be optimistic about the future. "Canadian companies would have a big advantage in our PFI market," says GIG's Harris. "Your PPP expertise has matured in the last few years and you have a very good reputation in the field, so Canadian firms with P3 experience should certainly consider exporting their skills. People would be pleased to see you in the U.K., and I think you could do very well here indeed."

In the next instalment of this series, we'll look at PPPs in Spain and the opportunities they can offer to Canadian businesses.

Photo: Courtesy of B.C. Ministry of Transportation and Infrastructure

Agnico-Eagle: Going for Gold

BY TOBY HERSCOVITCH

Just five years ago this Toronto-based international mining company had 600 employees operating one of Canada's largest gold reserves in northwestern Quebec. Today, it has more than 4,000 people and six gold mines including Meadowbank in Canada's Nunavut Territory that started production in February, and operations in Finland (Kittila), Mexico (Pinos Altos) and Quebec (Lapa), which all achieved commercial production last year. Between 2008 and 2009, Agnico-Eagle's revenues doubled, to reach some \$600 million.

ExportWise talked to David Garofalo, Agnico-Eagle's Senior Vice President, Finance, and Chief Financial Officer about mining gold internationally, how the company has been doing in spite of the recession and, incidentally, who makes the best mining truck drivers. In 2009, Garofalo achieved his field's own gold-medal standing, when he was chosen as *CFO of the Year* by Financial Executives International Canada.



Photo: Courtesy of Agnico-Eagle

David Garofalo
Senior Vice President, Finance, and Chief Financial Officer
Agnico-Eagle

EXPORTWISE: Looking at your international operations, how long does it take to get a mining project up and running?

GAROFALO: We actually starting looking at the Finnish project around 2001 and we took a minority stake in the company that owned the project, the junior, around 2003. We took over the company in 2005, started construction there that year and finally achieved commercial production in 2009.

In Mexico, we started doing some reconnaissance work back in the early part of the decade as well. We got involved through an option arrangement with Peñoles, the previous owner, took over in 2006 and started construction shortly thereafter.

EXPORTWISE: Are there any differences between working in an emerging market like Mexico compared to more industrialized markets?

GAROFALO: In both its professional and "unskilled" labour, Mexico's mining force is probably the most underrated in the world. Our workforce at Pinos Altos is 99.5 per cent Mexican. Their skill level is at par with anybody else in the world. So it doesn't feel like

an emerging economy at all – the regulatory framework for mining there is extremely sophisticated.

EXPORTWISE: Are there some challenges in Mexico too?

GAROFALO: Topographical more than anything; we are in the mountains and there are some peculiarities that are unique to operating in that environment. We had to go with a dry filtration system for our tailings as opposed to a traditional tailings facility because of the difficulty in building a tailings pond in that topography. It was also difficult to get machinery there so we had to build roads and other infrastructure.

EXPORTWISE: How do you handle concerns related to corporate social responsibility (CSR)?

GAROFALO: We have an excellent relationship with the three ejido groups [communal farms] surrounding our property. We consulted them early on and they've been very supportive. We provide a lot of employment opportunities for the local communities which I think has been very well received. We've been rewarded by the federal

government of Mexico with a CSR Award two years in a row [2008 and 2009]. And we've also been recognized for our efforts in recruiting women in the workforce.

EXPORTWISE: When you operate a mine in other countries, do you sometimes bring in other Canadian suppliers?

GAROFALO: We've used drill contractors from Quebec – particularly when the market for drillers was tight a couple of years ago. We act as our own general contractor on projects, but we also use sub-contractors for certain specialties. For example, we use SNC-Lavalin quite extensively in building our various surface facilities for processing the ore, because they have a particular expertise in metallurgical plants. For shaft sinking we've used a company out of northern Ontario.

EXPORTWISE: Are you exploring mines in other countries as well?

GAROFALO: We have an exploration office in Nevada. We've been there since the late 1990s and have a number of projects in Nevada and Idaho. We've broadened our search for opportunities in Scandinavia, beyond Finland, and are actively looking in Latin America. We'd be comfortable investing in countries like Brazil, Chile or Peru – countries that have a good mining history and relatively low political risks.

EXPORTWISE: It's interesting that you've started running your new mines in the midst of the recession. How did you manage to grow last year?

GAROFALO: We were really coming into our own just as the gold price was taking off, so our timing has been fortuitous. But those investment decisions were made and the capital was raised in 2005 and 2006 – in a much better environment.

EXPORTWISE: Did you still run into financial challenges?

GAROFALO: In the early part of 2009 the credit markets were still very tight. We needed more access to capital for growth initiatives and it was difficult to get international banks to seriously step up their

commitments. We went to EDC because virtually everything we produce is exported and we thought there was a natural fit. EDC took a meaningful piece of refinancing on our lines of credit and became one of our principal lenders.

EXPORTWISE: Have you used other EDC products too?

GAROFALO: EDC recently helped us with a reclamation bond for our project in Nunavut, which we had to put up before we started construction, to guarantee the proper closing and reclaiming of the mine at the end of its life. EDC guaranteed the bond, so that was helpful too.

EXPORTWISE: What is the vision for your company over the next five years?

GAROFALO: We're still going to focus on what we've been very good at, delivering value through our core competencies exploration and mine construction. We're not going to focus on large-scale mergers and acquisitions. We like to build our own mines; we like to explore for gold. So that's likely to continue in the foreseeable future. That will still be our growth strategy.

EXPORTWISE: I imagine you've travelled to your different mine sites. What are you noticing these days?

GAROFALO: Yes, I go to each of them regularly and it's remarkable how much investment we've put into these projects. Over the last three years we've invested over \$2 billion in our five new mines and we've created tremendous employment and infrastructure in the communities where we operate.

For example, I was in Mexico last November. The Pinos Altos area used to have a fairly depressed economy, with high unemployment; now there's a new school being built, hotels and small businesses. I met one of our truck drivers during that visit. She's a mother of four; she didn't have any driving skills when we hired her and she now operates a 200-ton dump truck. This woman was living in poverty and is now making a very good living. She was proud of herself and what she's been able to accomplish for

her extended family. She told me her children can now go to school and get the education and employment they deserve.

EXPORTWISE: Is it unusual to have a woman truck driver?

GAROFALO: Not at all. We tend to hire women to operate large machinery because the women are easier on them; there's less wear and tear.

EXPORTWISE: We hear a lot about Canadian mining companies being bought up by foreign firms. How is that changing our mining landscape and are you concerned?

GAROFALO: There's certainly been a lot of consolidation, particularly in the base-metal business and mining. The "Incos and Falconbridges" have disappeared, but the mining business in Canada is so integral to our economy, it's almost like trimming off the top of a bush. It grows back because the infrastructure's here, the professional class is here, and the capital market for mining is here. It's amazing how the investment community in Canada is always willing to bet on mining, because they understand the business very well. They understand the risk and reward relationship. As some senior companies disappear, new ones have started to grow out of the mix and I think that's always going to be the case for mining in Canada, given its history.

EXPORTWISE: How do you make sure that you're doing things that are good for the company, and the community?

GAROFALO: We have extensive CSR initiatives that are under the management of our Vice-President of Environment. She has a staff of individuals across all our operations who are focused on ensuring that we have effective monitoring practices for proper discharge in the environment, for creating environmental reclamation plans for each of our mines, and for getting them appropriately approved in all of the jurisdictions where we operate. We've had a stellar record in that regard.

EXPORTWISE: Do you also consult with the communities where you operate?

GAROFALO: Absolutely, at the community level, we have people in place who regularly consult with local communities about our CSR initiatives, including creating employment opportunities for the local community as much as possible. And it's certainly in our interest to do so. We've recruited locally and try to maintain long-term employment in the communities where we operate.

EXPORTWISE: Can you provide examples of how you've helped the communities where you have mines?

GAROFALO: Thirty per cent of our Meadowbank mine workforce in Nunavut is Inuit, many from the community of Baker Lake, which is about 110 kms away from our mine site. There was a 40 per cent unemployment rate in that community when we arrived on-site; now it's essentially zero. So we created tremendous local employment opportunities there. The story is similar in the local ejidos [communal farms] near Pinos Altos, our Mexican project. We created wealth in those communities and significant employment opportunities. We even helped create a middle class where one didn't exist before, both in Mexico and Nunavut.

EXPORTWISE: How about in Finland, were there any challenges there?

GAROFALO: We are operating north of the Arctic Circle, fortunately it's within the Gulf Stream, so we've had access to good infrastructure such as roads and power. There are also surrounding communities we've been able to draw our workforce from. But we've had to export some Canadian labour, such as experienced engineers and geologists. There was definitely some tightness in the labour market in Finland, so we weren't able to recruit as many Finnish people as we'd hoped. We've filled in with some of the people from our core operation in the Abitibi region of Quebec. And we're now recruiting right out of university in Finland to train our next generation of geologists, engineers and metallurgists.



Photo: Courtesy of Agnico-Eagle

▲ Agnico-Eagle recruits locally to maintain long-term employment in the communities where they operate.

EXPORTWISE: You must have many competitors vying for gold. What do you think your company does better or differently than other mining firms?

GAROFALO: We're very accomplished on the exploration and mine construction side; we punch well above our weight for a company our size. We've had tremendous success in exploring for gold, finding new gold in the ground and then building that into productive mines. And we've been doing that for decades – the company has been around since 1957 and has built up a skill set that is unique to a company this size – we've had tremendous continuity in both our senior management ranks and in our workforce.

EXPORTWISE: Is there anything that you'd like to see EDC do in the future for companies like yours?

GAROFALO: More of the same. I mean, EDC has been more aggressive in using its expanded mandate to finance projects within Canada – especially projects that actually produce export proceeds for Canada. Pretty much 100 per cent of the gold we produce is exported. So we like the fact that they've supported export development much more broadly than they have in the past. That has been very helpful for us because we are a company whose core operations are in Canada. We have gone a little further afield with our international operations in Mexico and Finland, but our core will always be in Canada and we're still exploring for new opportunities here. ■

Peru: An optimistic economic story



Photo: © Glowimages/Age fotostock

▲ While mining remains a key element of Peru's economy, the construction industry is expected to lead growth over the next two years, along with manufacturing, electricity and water sectors.

BY TOBY HERSCOVITCH

For Canada's famous BlackBerry®, Peru is one of the fastest growing markets in one of its fastest growing regions. That's the view from Rick Costanzo, Research in Motion's (RIM) Managing Director, Latin America, whose Waterloo-based company has been marketing its BlackBerry in Peru since the early 2000s.

RIM builds its global success by partnering with regional telecom players and is counting on Peru's growing middle class to help keep its smartphone sales and related software buzzing. "In markets like Peru, many people go straight to wireless phones and services; they don't even bother with fixed lines," said Costanzo.

RIM was among the who's who of Canada's global companies attending a luncheon in Toronto with high-level officials of Peru's government this past spring, organized by the Lima-based Canada-Peru Chamber of Commerce.

Setting records in Latin America

The audience heard directly from the Governor of the Central Bank of Peru about the many positive directions that country is heading over the next year. Governor Julio Velarde said Peru's growth has been the highest among the key markets in Latin America over the past decade. It averaged 5.3 per cent from 2001 to 2009 – better than that of Colombia (4.1 per cent), Chile (3.5), Brazil (3.1) and Mexico (1.3), to pick a few high-profile countries in the region.

Peru's per capita GDP over the past decade tells a similar story – it has been

Signs of recovery in Peru (2010 forecasts):

Growth rate:

5.5%

Export growth:

5.5%

Import growth:

11.9%

Gross fixed investments:

23.5% of GDP

Inflation rate:

2%

Trade balance surplus:

\$8.7 billion

Net international reserves:

\$35 billion



Photo: © Terrance Klassen/Age fotostock

▲ Coming out of the global recession Peru is in good shape, thanks to sound fiscal policies and low public debt, compared to other Latin American countries.

one of the fastest growing in the region and Peru's highest in 60 years. This has led to a rise in the country's middle class. "Peru also has the highest labour productivity growth in Latin America and the lowest inflation in the region, at 2.2 per cent," said Velarde.

Coming out of the worst global recession in recent memory, the country is also in good shape, thanks to sound fiscal policies and relatively low public debt in 2009, compared to most other Latin American countries. Peru has large financial reserves and its private-sector banking credit was among the strongest in Latin America despite the financial crisis. Non-performing loans were only 1.6 per cent in 2009. As for employment, while it did not reach the 8.3 per cent growth highs of 2007 and 2008, it continued to rise 1.3 per cent last year.

Under these circumstances, poverty in the country has decreased dramatically

from the early part of the millennium, when it was almost 55 per cent. Levelling off in 2008 at 36 per cent, there is still much room for improvement, but it also represents the biggest drop in poverty after that of China, according to Velarde.

Peru's biggest concerns right now include sovereign debt in Europe, an important market, and volatility in global prices of minerals. So much of the global economy is affected by such commodity prices that any significant drop could negatively impact growth forecasts for Peru and the whole world.

Most of the indicators, however, lead to much-deserved optimism in the country. For business, they translate to planned government investments in infrastructure and other areas, such as health and education, of at least USD 30 billion and possibly up to USD 45 billion between 2009 and 2011.

"Peru has more liquidity – public and private – than many emerging countries and is rated investment grade by the major rating agencies," adds Stephen Benoit, EDC's Chief Representative for Peru and the Andean Region, based in Lima. "And the government has announced 21 priority infrastructure projects that will start this year."

FTA spells advantage for Canada

For Canadians, the timing of these investments couldn't be better, just as the Canada-Peru Free Trade Agreement (FTA) comes into its own. Governor Velarde's presentation was also the first opportunity since the FTA took effect on August 1, 2009, to offer Canadian businesses information about Peru's economic situation and business potential right from the source.

"Our government is committed to partnerships with Canada," said Pedro

Planned investments by the Peruvian government in infrastructure, health and education and other areas are expected to reach at least USD **30 billion** and possibly up to USD **45 billion** between **2009** and **2011**.

Sánchez, Peru's Minister of Energy and Mines, who introduced the Chamber event. "Peru is already a magnet for investment for Canadians, especially in mining. We aim to be a fully integrated country to improve the quality of life for all our people." In other words, Peru is striving to build trade and investment in all key sectors, from agriculture, to telecom, to energy.

The FTA will offer improved market access to Peru for Canadians in all types of businesses, eliminating tariffs on 95 per cent of Canadian exports and doing the same for Peruvian exports in our market. Canadian agricultural producers, for example, will be among the first to benefit – exports such as wheat, barley and peas will receive immediate duty-free status. Canada's banking, insurance and securities sector will also benefit from greater access to the Peruvian marketplace. In addition, the FTA creates a more stable environment for foreign investors, assuring them the same treatment as local investors.

Parallel agreements on labour cooperation and on the environment also came into effect on August 1. The labour agreement commits Canada and Peru to respecting and enforcing international labour standards such as the elimination of child labour and the right to collective bargaining. The environment agreement commits both countries to increase environmental protection and to enforce their respective environmental laws.

Even before the FTA, Canada was ranked as the fourth largest foreign investor in Peru – reaching \$2.4 billion in 2008. Canada is the main investor in Peru's mining sector, as well as the financial sector, where Scotiabank is an important player in the country's retail banking. Canadian merchandise exports to Peru were \$390 million in 2009 and two-way trade was close to \$3.3 billion in 2009, up 10 per cent over 2008.

High demand for skills in mining and infrastructure development

Peru remains best known for its mining resources, first in the world in silver production and exports, second in copper and third in zinc. Today, Peru has mining activities in 19 out of its 26 regions, with new exploration in three others, according to Miguel Cardozo, Director of ExploAndes, a Peruvian mining exploration consulting service, which has worked with several Canadian companies.

"The royalties from Peru's mining activities today go directly to the regions where the mines operate," says Cardozo. He adds that the regional governments ensure that benefits are distributed to the local populations. For example, they are investing the funds in valuable community projects, such as water treatment plants, education and healthcare facilities.

As in any country with many regional governments, approvals and progress can

be a challenge. "When a project involves different regions, consultants have to deal with all of them, requiring efficient project management to avoid delays," says Gerald C. Murray, Vice-President of Project Management and Construction, International Development, for Dessau, a top Canadian engineering-construction firm.

Dessau has an office in Lima and has managed large infrastructure projects in Peru since the mid-1990s, particularly in the electrical power sector. The company has helped bring power transmission lines, substations and telecommunication systems to hundreds of remote villages and improved energy distribution for thousands of inhabitants. Dessau is currently conducting a major feasibility study, along with the necessary engineering and environmental studies, for the construction of a 576 km railway that would link the cities of Iquitos and Yurimaguas in the north-eastern region of Peru.



▲ Regional governments in Peru ensure that royalties from mining activities go directly to the regions where the mines operate.

Photo: Courtesy of Dessau

Photo: Courtesy of ExploAndes

▶ Putting Peru in the global context



▲ Dessau has an office in Lima and has managed large infrastructure projects in Peru since the mid-1990s, particularly in the electrical power sector.



Photo: Courtesy of Golder Associates

▲ Canada's Golder Associates notes that a key challenge in Peru is building tailings dams in high elevations or valleys where there is little water.

Cardozo says that coordination between the regions is starting to improve, which would allow major projects to be accomplished more effectively in the future. One of our biggest problems, he adds, is not the funds or the will to develop infrastructure projects, but the technical capacity. Peru continues to need more skills, training, technology and innovation from abroad.

These are all needs that Canada's Golder Associates, a global ground engineering and environmental services company, is addressing. The company has had a presence in Peru for at least 20 years. Peru is obviously a lucrative market, but also has many technical challenges.

"More than 95 per cent of mining is dealing with waste; in Peru, a key challenge is building tailings dams in high elevations or valleys where there is hardly any water," notes Douglas M. Morrison, Principal at Golder. Such dilemmas, he adds, don't alarm Canadian companies like his, whose engineers have designed the highest tailing dams in the world and worked on some of the deepest open pit mines.

"Canadian companies in the mining and infrastructure sectors have had a long history dealing with extremely difficult environments. We're used to working in barren areas where we've had to

overcome problems such as remoteness, freezing cold and high altitudes. We've built our careers around solving problems on the edge," says Morrison.

Hatch, another leading Canadian engineering and construction management firm, is also organized to overcome logistical challenges. Operating out of 65 offices globally, Hatch added Peru to the list in 2009. "We now have six offices in South America, in Brazil, Chile and Peru. It was good to hear first hand about the opportunities in Peru, where we have client assignments in both the mining and power sectors," said Kurt A. Strobele, Hatch's Chairman and CEO.

If Governor Velarde's predictions are accurate, the opportunities are just beginning. Peru could experience the highest growth in Latin America by the end of 2010, forecast to reach 5.5 per cent. The construction industry is expected to lead this growth over the next two years, along with a strong performance in the manufacturing, electricity and water sectors and a modest rise in mining and other extractive activities. Peru has the financial resources to move forward with its development plans and is clearly inviting more Canadian firms to participate in its growth. ■

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EDC Senior Vice-President of Financing Stephen Poloz agrees that Peru is one of best economic stories around – its market is doing well in a recovering world where debt stresses still exist and some credit markets are still in trouble. "This is the 'new normal,' with some post-recession bubble pockets, not enough global demand and persistent excess capacity," says Poloz. He presented a tale of cautious optimism in the global trade environment to the Canada-Peru Chamber of Commerce, putting Peru's growth into the worldwide context.

Poloz said that while there is definitely a whiff of optimism in today's economy, businesses should recognize it may take years to get out of the hole that the United States crisis has left. For example, growth rates even in leading emerging markets like China will likely be about 25 per cent lower than they could have been.

In this environment, Poloz sees Peru as resilient and on a path of positive growth. "Peru looks a lot like Canada once did – we're still a resource-based economy, but have gone out to the world with our expertise and have become much more. Canadians bring an appreciation of Peru's history to our business relationships. We also bring mining, infrastructure, water management and engineering expertise, with corporate social responsibility writ large. These are all keys to Peru's future growth."

Given the recent FTA, Poloz expects a great deal of investment to flow between both our countries in the future. This should lead to greater integrative trade between our countries, as more Canadian companies invest in operations or offices in Peru to build their supply chains. He adds that EDC can work with both Canadian and Peruvian companies and financial institutions to help their trade and investment grow by bringing financial capacity to commercial partners without distorting the market. "This is our 'partnership preferred philosophy' where the Canadian or foreign banker sets the terms, we add capital."

Talking to the Dragon

An interview with Robert Herjavec

Robert Herjavec began his information technology (IT) career with no computer background at all. In the true entrepreneurial spirit, however, he landed a job selling IBM mainframes and, in the early 1990s, launched his first company, BRAK Systems. He developed BRAK into Canada's top provider of Internet security, sold it to AT&T in 2000 and then went on to establish The Herjavec Group (THG). THG is now one of Canada's fastest-growing technology companies and the country's largest IT security provider.

We recently spoke with Mr. Herjavec about the Canadian IT security industry, and how the future is shaping up for this sector and the companies that work in it.

ExportWise: *How has the global economic downturn affected THG and other IT security providers in Canada and North America?*

Herjavec: The rate of growth slowed in 2009 because of the recession, but the overall IT security industry in North America still expanded by between 6 and 8 per cent. THG actually grew by 38 per cent, which was a phenomenal result since I was forecasting a sales decline of 7 per cent. But by the time we were three months into the year, we knew the downturn was going to miss us.

EW: *Why was THG so successful at dodging the recessionary bullet?*

Herjavec: THG is purely a security company, and is the largest one of its type in Canada. There are security entities that are bigger than we are, but they are part of carriers or large integrators such as IBM. The slump forced those companies to reflect on their core operations, and because IT security wasn't one of those activities, they shifted their focus away from it. That opened things up for us, so in terms of opportunities, the recession was actually good for THG.

EW: *What areas of IT security are experiencing the strongest growth in North America?*

Herjavec: Security is now needed right across the board. In the past, the strongest needs were in the financial sector or in sectors that depended strongly on the Internet. But now every company is affected, from retail to financial to banking to government. One big growth area has been in the retail sector, because of the compliance standards set out by the Payment Card Industry Security Standards Council. Expansion is also being driven by new financial reporting regulations, one example being the U.S. Sarbanes-Oxley Act. Canadian privacy requirements, such as the Personal Information Protection and Electronic Documents Act, have been another source of growth. In short, any sector that regulates compliance or reporting has been a real boon for IT security providers.



EW: *Given the current economic situation, do you see a flood of major new opportunities coming for THG and other IT security providers?*

Herjavec: I try to be prudent in my expectations, although I'm not by any means a pessimist. That said, I believe we haven't even scratched the surface of the IT security industry's opportunities. That's because we're now seeing a shift away from the idea that security hobbles a business, to the realization that security actually is an enabler for a business. Many companies used to spend money on security only because they feared the consequences if they didn't, but now they are beginning to see that spending on IT security can actually generate revenue.

This shift is being driven by the fact that the Internet is allowing companies to become closer to their customers and suppliers through trusted online relationships, and the vital need for these relationships is increasing the demand for security.

EW: *Are there specific sectors or subsectors that will grow fastest in the next few years, or will the growth be across the board? Will some areas see a decline?*

Herjavec: I don't see any subsector declining, although some will become more active than others and new ones will appear and quickly become important. Things like encryption and data loss prevention, for example, are growing at an exponential rate, and I'm sure that in a year we will be talking about products and services that we hardly mention today.

EW: *How can an IT security entrepreneur identify the most promising areas for a firm's expansion, and what market criteria are the most important for doing this?*

Herjavec: The first thing you need to do, obviously, is identify a sector that's growing. But then you have to decide

whether you actually have the resources to develop and expand your business in that sector, because sometimes you don't. Quite a few years ago, some friends and I realized that cell phone towers were going to be a huge market, but that sector was in fact a bad one for us because of its capital needs and the competition we would face. As a result, we didn't go into it. In other words, you have to be realistic about your current abilities even when you've identified a growth sector.

EW: *What is driving THG's move into the United States and Mexico, and what business models are you using?*

Herjavec: We are going to the United States simply because of the size of the market. Our operation there is actually a separate start-up. We're providing resources from Canada and our people travel there to furnish direct support for our customers, but we are treating our U.S. presence purely as a new business and plan to grow it in that manner. Our Mexican presence is a service office, which we established because we have a very large customer in Mexico and we felt we could provide better value for them through a local presence.

EW: *Do you hope to begin operating outside North America at some point?*

Herjavec: It's certainly my intent to move into the United Kingdom and the European Union, but we have a long way to go in North America before heading in that direction. Our biggest challenge would be in entering an overseas market where we may not be well known, and in building relationships and a client base there.

EW: *It's been said that Canada's business culture is highly averse to risk and that this smothers entrepreneurship. In your opinion, is this a valid criticism of Canadian business in general?*

Herjavec: I don't see any big difference between Canadian and U.S. entrepreneurs. The scale of the opportunity can be larger in the United States, but I have found that the passion, the drive and the ability to take risks are very similar. I don't believe we have a culture that smothers entrepreneurship—I think that Canadians usually prefer to think things through before acting, but that doesn't mean we're averse to risk.

EW: *How can Canadian entrepreneurs make the most of new opportunities in the IT security sector?*

Herjavec: There are lots of opportunities, but you have to be very careful to provide value. I also think it's preferable to create something, as opposed to being merely an integrator, because developing your own product will increase your ability to grow.

At THG we don't produce hardware, but because of the complexity of what we do and the size of our clients, we've found it necessary to develop our own software. We've also found that the great things we've done have always been at the request of a customer, while our big mistakes have come from sitting down by ourselves and saying "We should do this." It usually turns out best if your customer gives you your direction, and you follow it.

EW: *When smaller IT entrepreneurs are trying to obtain development capital in today's tight credit market, what can they do to increase their chances of success?*

Herjavec: You have to be creative—that's essential. You also have to temper your financial expectations and be willing to prove your concept. If you come to me and say you'll need a million dollars to finalize a product, but for \$100,000 you can create a prototype and get a beta test with a committed customer, that works for me. In this tight economy, people are very hesitant to throw money at an unproven idea, so you have to be ready to show exactly what you can do. ■



Protect. Respect. Remedy.

A Framework for Shaping Business and Human Rights Policies

BY KATHRYN YOUNG

Companies considering exporting or investing in another country know they have to perform due diligence on a variety of financial, legal and host country issues, but more and more are also realizing that managing their human rights impacts is equally important to their success and their reputation at home and abroad.

Global efforts are underway to examine how human rights and business intersect, and to build a global consensus on how best to assess and manage the human rights impacts of business.



Photo: © iStock

Scenario: Protesters in a developing country are blocking the entrance to a Canadian-owned mine, claiming unfair labour policies. Police arrive and start dispersing the crowd. Is this a human rights abuse situation?

“A lot of people are very surprised that it is,” said Ross Gallinger, Senior Vice-President of Health, Safety and Sustainability at IAMGOLD Corporation, a gold-mining company that conducts business in 16 countries, with operating mines in Quebec, South America and West Africa. “A company can be accused of a human rights abuse as a consequence of that situation.”

Even if the company did not call the police, even if company officials asked the police or government beforehand not to take action against the protesters, the company could still face human rights abuse allegations. People have the right to express themselves in a collective manner, and the dispersement of protesters could be seen as a benefit to the mine, Gallinger explained.

“Many companies around the world, including the big names, have learned the hard way that not addressing their human rights impacts is bad for business,” said John Ruggie, the United Nations Secretary-General’s Special Representative for Business and Human Rights. Companies in many sectors, from mining to IT, are striving to learn about their human rights impacts when they do business at home and abroad.

In fact, human rights and business intersect in many ways beyond just labour

rights, Ruggie said. Businesses and their operations can affect the entire spectrum of internationally recognized human rights: workplace and labour issues; health-related rights; the right to an adequate living standard, including access to housing, food and water; the physical security of the person; the rights of indigenous peoples; and the rights to free expression, privacy, peaceful assembly and fair trials. “Virtually all rights can be relevant (to business),” Ruggie said.

Companies that make massive financial and infrastructure investments in other countries – such as mining operations – are usually involved with that country for many years, if not decades, so it is in their best interests as well as the local community’s best interests, to work together to ensure human rights are respected.

That’s what companies like IAMGOLD and Kinross Gold Corporation are doing. They’ve seen the results when human rights have been poorly managed by other companies, so they work hard to avoid these situations. Ed Opitz, Vice-President of Corporate Responsibility at Kinross, which has mines in the United States, Brazil, Russia and Chile, described a situation at a Brazil mine site before Kinross acquired it.

Local artisanal miners¹ were entering company grounds at night and taking tailings² in an effort to recover residual gold. Conflict ensued in the escalation that followed; security forces killed two people in two separate events. The resulting human rights nightmare

could have been avoided if the previous mine owners had addressed issues beforehand.

“In a world of 80,000 transnational corporations, 10 times as many subsidiaries and countless national firms, laggards obviously remain,” said Ruggie, also a Harvard University professor of human rights and international affairs.

One of the major challenges which Ruggie and others around the globe are facing is defining and measuring what companies need to do to ensure human rights are respected, in a way that’s acceptable to all the stakeholders involved. In 2008, the UN endorsed Ruggie’s “Protect, Respect and Remedy” policy framework for managing the human rights challenges posed by business and extended his mandate for another three years to flesh out the framework with practical recommendations and concrete guidance. He is currently consulting with companies, governments, business associations, human rights groups and other stakeholders around the world before submitting his final report in June 2011.

Now widely referred to as the UN Framework, it rests on three pillars: the state duty to *protect* against human rights abuses by third parties, including business; the corporate responsibility to *respect* human rights, which means to undertake due diligence to avoid infringing on the rights of others; and greater access by victims to effective *remedy*.

A keen supporter of Ruggie’s work, EDC contributes to the international discussion on human rights through a number of forums, all with an eye to building a consensus among companies, financial institutions and export credit agencies on how business should address the issues. In its *Statement on Human Rights*, published two years ago, EDC recognized that investment projects could have significant impacts on human rights and routinely conducts country- and project-level political risk assessments that include an analysis of factors that influence human rights conditions in host countries. Even more due diligence is undertaken for investment projects in countries with a higher potential for human rights issues.

¹ Small-scale, subsistence and seasonal miners, not officially employed by a mining company, but who work independently using their own resources.

² Tailings are the refuse material resulting from processing ground ore.

Ruggie is grappling with 5 key challenges:

► **1** Recognition that business can affect the entire spectrum of human rights, not just political or labour rights. Issues such as the right to congregate, freedom of speech, labour rights and water rights can touch companies directly in how they work with local communities and can even affect their own locally employed workers when it comes to adequate living standards or access to housing or water. For example, company operations that use a lot of water can affect the local water supply for nearby villagers. The human rights due diligence process Ruggie has recommended as part of the UN Framework is aimed at helping all companies deal with human rights. "It's not a one-size-fits-all approach and it's not meant to be," he said. "But it is designed to ensure that all companies, big and small, privately owned or state-owned, producers or investors, know how to become aware of, prevent, and mitigate adverse human rights impacts."

► **2** Many government departments operate in "silos," where business-related policy – such as trade, investment, export credit and insurance, corporate law and securities regulation – is set in isolation from policies about human rights. Ruggie aims to break down these silos so that business and human rights policies are shaped together. "Export credit agencies are one example," he said. "They can play a vital role in explicitly considering their ventures' human rights impacts and supporting their clients to minimize them, especially when human rights risks are known to be high."

► **3** It's not enough for business to simply meet the legal requirements to operate in another country. "Respecting rights is the very foundation of a company's social license to operate," Ruggie said.

► **4** Likewise, many companies have the attitude "if it isn't required by law, we don't need to do it" with respect to grievance mechanisms. Companies that

don't pay attention to grievances, or deny people the opportunity to resolve issues, also deny themselves an early-warning system before disputes escalate into major campaigns or lawsuits.

► **5** Corporate-related human rights abuses happen more often in countries with weak governance, where local laws either don't exist or aren't enforced. This happens even in countries that have ratified international human rights conventions, Ruggie said.

Signi Schneider, EDC's Director of Political and Human Rights Risk Assessment, said that human rights discussions by business have become more institutionalized in a short time.

"Seven years ago, few businesses were seriously considering human rights, and then the discussion just started catching on," she said. The increase in globalization, combined with changing expectations of company responsibilities and growing shareholder concerns with socially responsible investing have motivated the change.

How do companies assess human rights impacts?

First, do your homework. Due diligence procedures should include not only financial, legal and political questions about a country but, also its human rights record.

IAMGOLD developed a 100-page template with more than 250 questions about the environment, community, security, human rights and health and safety to guide the company when considering whether to acquire a property or operation, Gallinger said. The human rights questions ask whether there have been security-related issues involving firearms or weapons, unfair remuneration, discrimination, loss of traditional lands, or use of police or military to resolve conflicts. "Yes" answers raise red flags and they devise mitigation plans that are then built into the financial analysis.

Next, check EDC's country profiles on www.edc.ca and Canada's area controls list and export controls (through



► Company operations that use a lot of water can affect the local water supply for nearby villagers.

Foreign Affairs and International Trade Canada), which list countries where exporters must have an export permit, a control often put in place because of human rights issues in countries such as Myanmar. "Generally, places that respect human rights are also good for business," Schneider said.

But it can get confusing. Take Colombia, for example. Despite Canada's growing trade relationship and Free Trade Agreement, many Canadians still have substantial concerns regarding Colombia's human rights record arising from its longstanding civil conflict. In light of these issues, Colombia recently signed an international agreement called the Voluntary Principles on Security and Human Rights, indicating that it understands these issues need to be dealt with, Schneider said. The Voluntary Principles help companies deal with situations where security around operations such as mines may be provided by the military, as is the case in Colombia. Canada has also recently been granted country membership in the Voluntary Principles.

"The conversation has evolved so that people are talking openly about these issues," she said. "The conversation has gone from 'Should you do business in Colombia at all?' to 'What are the best ways to do business in this country so that you respect human rights and ethical standards?'"

"Human rights is the next big piece of the **corporate social responsibility puzzle**, but not the last piece," said Eric Siegel, President and CEO of EDC. "It's a very **broad and complex piece**, far more difficult to define than previous CSR issues, like environment."



Photo: Courtesy IAMGOLD

► Establishing a policy of consultation and engagement with local communities is key especially before a crisis arises.

Armed with due diligence and country information, companies can then complete a human rights impact assessment, using one of many templates available to match various magnitudes of investment. (See sidebar.) EDC recommends using such tools as the Voluntary Principles on Security and Human Rights, International Finance Corporation's Human Rights Impact Assessment template, and the United Nations Global Compact as guidelines for making human rights assessments.

Next, develop policies on how you will handle issues when they arise. For example, what will you do if the local police ask to borrow your equipment or security personnel for their own operations?

"Having a policy that everyone on your staff knows about beforehand is one of the best preventive measures," Schneider said. IAMGOLD and Kinross, for example, have policies on training all employees about human rights issues.

"We've developed a fairly comprehensive training program for all of our security operations and are in the process of training everyone in the company and the contractors who do security for us," Opitz said.

It's also important to examine existing company policies, because some may have unintended consequences. "Your view of what may be appropriate for hiring – hiring based on merit – may not be

perceived as fair in the local community (because of cultural differences)," Opitz said.

Establishing a policy of consultation and engagement with local communities is key, especially before a crisis arises.

IAMGOLD's policies helped it avert a human rights problem in Tanzania. When it bought a series of exploration properties four years ago, it followed its policy of establishing relations with local communities and engaging in community development projects. IAMGOLD partnered with and empowered the local people as they worked together to drill

water wells, build schools, train teachers and help develop their artisanal mining. Then, when a mob of artisanal miners attacked the police force, the community did not blame IAMGOLD.

"The situation could have been quite tense, but with the community development work we had done, we were seen as a partner, whereas the artisanal miners were seen as disruptive outsiders," said Gallinger. "Our focus on community development, even in the early stages of exploration, really was effective in not escalating the situation."

There are clear risks to businesses in not managing human rights impacts, not least of which is a bad reputation.

"You would put a real kink in the project development pipeline that could have an immediate impact on the market's view of your stock," said Opitz. "It's something we would be very keen to avoid."

There are also impacts within a company, especially with younger professionals who are more interested in sustainability programs than even profitability, and aren't shy about voicing their concerns, Gallinger said. "Our strong stance on human rights training for all employees has been one of the many aspects that attracts new employees to IAMGOLD."

Opitz said mining companies have tremendous potential to help reduce



Photo: Courtesy Kinross

► Kinross believes that mining companies have tremendous potential to help reduce poverty, a key underlying issue of many human rights problems.

poverty, a key underlying issue of many human rights problems. In Brazil, for example, Kinross has provided funding and expertise to help local indigenous people set up and run a small business cooperative to make and sell traditional candy and biscuits.

"It comes down to respect, doing your due diligence and your homework, and engaging in a respectful, proactive manner," concluded Opitz.

While mining companies and other sectors that involve long-term investments in other countries are further down the road of human rights awareness, other sectors are still grappling with the concepts.

"Exporters are still trying to figure out what human rights responsibilities apply to them," said Schneider. "The international human rights advocacy community is still trying to figure that out too, so exporters are not alone."

Ruggie said all stakeholders, including governments, businesses and international organizations still have much work to do.

"I'm optimistic because five years ago when my mandate started, we were barely at the start of this journey. Now, I'm brave enough to say we're at the middle," he said. "There is no, and won't ever be, a single silver bullet to resolve this issue. It's too complex and the actors involved too imperfect. But change can be made where it matters most – in the daily lives of people. It's this concept of principled pragmatism that has propelled me until now, and will continue to do so as I work towards final recommendations for the Human Rights Council next year." ■

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- ▶ www.kinross.com
- ▶ www.iamgold.com
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Photo: Courtesy IAMGOLD

▶ For IAMGOLD, working with local communities in Tanzania revealed a desperate requirement for the immediate improvement of schools.



Photo: © iStock

HUMAN RIGHTS STATEMENTS

■ EDC's Statement on Human Rights, approved in April 2008, outlines the agency's recognition that financial institutions must assess the potential for adverse human rights outcomes for people affected by investment projects. EDC's country assessments include human rights conditions, and an additional layer of due diligence is undertaken in countries with higher potential for human rights issues. For the full statement, see www.edc.ca/english/social_15113.htm

Many other organizations offer help to companies trying to assess their human rights responsibilities.

■ The Voluntary Principles on Security and Human Rights website has a risk assessment tool to help businesses identify the security risks and potential for violence, assess the human rights records of private security forces, determine the rule of law in a country, and understand the root causes and nature of a local conflict so you have a sense of whether they're waning or escalating. www.voluntaryprinciples.org/principles/risk_assessment

■ The United Nations Global Compact is a strategic policy initiative with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. www.unglobalcompact.org

■ The International Finance Corporation's Human Rights Impact Assessment tool provides companies with a process for assessing human rights impacts and making appropriate management decisions.

The guide is a "road-testing" draft – companies are testing it to see how it works, and are providing feedback. The final version was to be issued in early 2010. www.ifc.org/ifcext/sustainability.nsf/Content/Publications_Handbook_HRIA

■ International Alert's Red Flags website lists activities that should raise a 'red flag' of warning to companies of possible legal risks, and the need for urgent action. www.redflags.info/

■ International Alert also offers a toolkit for the oil, gas, mining, and forestry industries on dealing with conflict and post-conflict countries. www.international-alert.org/peace_and_economy/peace_and_economy_projects.php?t=1

Various associations also offer their members good insight into human rights issues:

- Prospectors and Developers Association of Canada www.pdac.ca
- Mining Association of Canada www.mining.ca
- International Council on Mining and Metals www.icmm.com/page/225/business-and-human-rights

Supply Chain Finance: Lower Your Costs and Build Stronger Supply Chains

BY DENNIS AND SANDI JONES

Globalized trade has had a profound effect on Canada's international and domestic supply chains. Growing supply chain lengths and increasingly complex business needs present challenges that demand new ways of building competitive advantage.

For example, global supply chains are forcing companies to keep larger inventories to avoid shortfalls, ensure just-in-time deliveries and accept longer payment terms from their buyers. They also face challenges getting short-term capital to fund the business processes that are crucial to participation in global supply chains. As a result, both buyers and suppliers are being forced to adapt to a world where physical goods transport, information flows and financing decisions are integrated, and where tactical, short-term supply chain management is no longer adequate.

More strategic approaches are needed, and one of the most important of these is supply chain finance (SCF). By using SCF, companies can better cope with the challenges presented by global supply chains.

The global shift to open account

Traditional trade financing tools such as letters of credit are becoming less adequate due to their costs and rigidity, and Canadian companies need more flexible and varied ways to finance their supply chain operations. Open account – payment against an invoice – is simpler and cheaper to use and covers more than 70 per cent of all global trade payments.

This development is significant for Canada, since most of our trade is with the United States, and most U.S. businesses operate on open account. Until recently, however, Canadian financial institutions (FIs) were not involved in their customers' supply chains, except in payment processing, but this is changing.

Open account is compatible with many SCF tools. And, as foreign buyers implement SCF programs, Canadian firms will have to participate or face increased payment terms and loss of business. To avoid these consequences,

companies should look to their FIs for help in overhauling their supply chain financing.

SCF and its benefits

SCF comprises financial solutions that are intended to provide working capital financing, accelerate cash flow to suppliers and link supply chain events to financing decisions. The ultimate goal is to optimize working capital throughout the supply chain, reduce total supply chain costs and increase supply chain resilience. Essentially, SCF is designed to connect buyers, suppliers and financing providers; reduce costs; and increase credit availability throughout the supply chain.

Specific solutions include financial services such as: factoring, supplier payment programs, distributor financing, raw material financing and vendor-managed inventory, all of which can be enabled and supported by advanced technology platforms.

The role of Canadian FIs

A small number of Canadian FIs, including the Bank of Montreal (BMO), Scotiabank, the National Bank of Canada and Maple Trade Finance, offer SCF

programs. BMO, for example, uses approved payables financing for open account transactions.

"With approved payables financing," explains Philippa Fitzsimons, BMO's Director for Supply Chain and Trade Solutions, "we can purchase a supplier's receivables once the buyer has approved the payment for the goods supplied. So if you're the supplier, you get your money without waiting very long, because BMO purchases your receivable from you. If you're the buyer, on the other hand, this arrangement allows you a longer payment term. Suppliers improve their cash flow, and both buyers and suppliers have better working capital positions."

"SCF is a strategic undertaking that can transform how a company operates, what its balance sheet looks like, how profitable it is and how it builds relationships with suppliers. Even during the credit crisis, our SCF programs continued to grow, which suggests that our customers are finding them useful and that companies that take the SCF route will expand their programs and their use of the ancillary products that support them."

The National Bank (NB) provides payables financing and receivables

» Supply Chain Finance Solutions

1. Receive PO
2. Procurement & Raw Mtl. Inventory
3. Production & WIP
4. Fin. Goods Inventory



Pre-shipment Financing

- » Raw material financing
- » Raw materials purchasing programs
- » Purchasing order financing
- » Work-in-progress financing
- » Extended supplier payment terms

1. Shipment & Outbound Logistics
2. Customs
3. Inbound Logistics



In-transit Financing

- » Vendor-Managed Inventory
- » 3rd Party Inventory Ownership
- » Goods in Transit Financing
- » Inventory Finance

1. Client Acceptance/Invoicing
2. Client Inventory
3. Payment

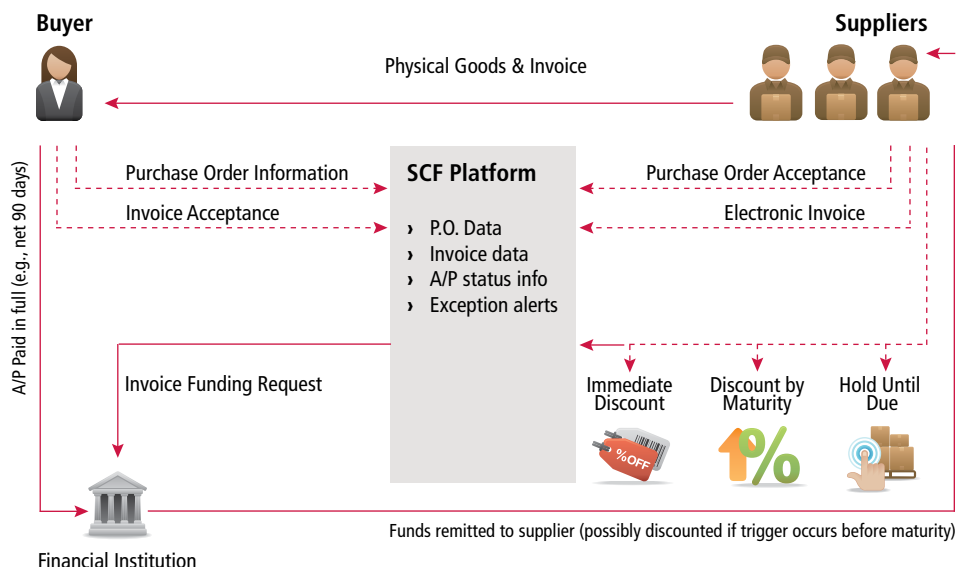


Post-shipment Financing

- » Open Account vs. L/Cs
- » Extended Payment Terms
- » Receivables Factoring
- » Supplier Payment Programs (a.k.a. Reverse Factoring)
- » Vendor-Managed Inventory/Foreign Domiciled Inventory Financing

Supplier Payment Program

- › Allows Suppliers to accelerate payments at preferential discount rates
- › Allows Buyers to extend payment terms



Source: GSCF, Global Business Intelligence, PrimeRevenue, EDC

financing. “By financing our customers’ payables,” says Michel Leblanc, NB’s Senior Manager of Supply Chain Financing Solutions, “we can help them pay their suppliers more quickly, which means they can arrange better discounts. Our receivables financing helps companies strengthen their cash flow and working capital, which makes it easier for them to negotiate contracts and finance production for new orders. Through these two instruments, we can offer SCF services that cover our customers’ needs from beginning to end of a contract.”

Like Fitzsimons, Leblanc sees increasing Canadian interest in SCF. “Corporations worldwide are moving away from letters of credit because they are cumbersome and don’t offer adequate protection. We are seeing more Canadian companies working with open account transactions, largely because the Internet has sped up communications in a way that demands fast, efficient payment methods. Open account is suited to these needs. And because SCF is specifically designed to work with open account transactions, I believe we will see it grow significantly as the use of open account also expands during the next five years.”

Seizing SCF opportunities

Adopting SCF solutions for your business is about collaboration. Internally, your financial and procurement professionals

need to work together to integrate finance and supply chain functions, and to manage your business processes as potential enablers of cash flow and working capital. Externally, you can integrate supply chain operations more closely with those of your suppliers or buyers, share information or develop integrated buyer/supplier processes. And you can work with your FI to develop a SCF program that will support your supply chain at critical points of the trade transaction.

You can also examine technology options, which are becoming increasingly essential to SCF programs. These include automation of purchase orders, payment processes and inventory management – just a few examples of what may be needed. Many vendors can provide software-as-a-service platforms that charge by the transaction and can thus be quite affordable.

Together, these measures can help replace the traditional, adversarial approach to procurement with a collaborative one. Through SCF, buyers and sellers can enjoy lower costs, better financing, stronger relationships and improved cash flow along the entire supply chain. ■

CLICK ...

› supply_chain@edc.ca

Benefits of supply chain financing

For the supply chain:

- › Cost reductions: SCF can *eliminate* costs from the supply chain, rather than shift them from one member to another. SCF-oriented technologies can also contribute to a company’s efficiency by automating many manual, paper-based processes.
- › Risk mitigation: SCF-oriented technologies allow the collection of data from multiple points and systems to provide a single perspective.
- › The use of event-driven financing means that SCF solutions can be offered automatically at the pre-shipment, in-transit and post-shipment stages of a trade transaction.

For buyers, SCF benefits include:

- › minimizing investment in working capital by increasing days payable outstanding and reducing inventory;
- › reducing cost of goods shipped;
- › reducing total borrowing levels and costs;
- › reducing administration costs through automation;
- › increasing cash flow; and
- › increasing supply chain resilience.

For suppliers, SCF programs can:

- › accelerate cash flow through programs that provide early invoice payment at the demand of the supplier;
- › leverage a buyer’s better credit rating to lower the cost of capital;
- › increase the dependability of cash flow through predictable payment timing;
- › provide financing based on specific supply chain events; and
- › increase the strength of the buyer-supplier relationship.



Photo: Martin Lipman

Peter Hall Vice-President and Chief Economist

The Moment of Truth

Despite over a year of proclamations to the contrary, recovery remains elusive. Sure, growth has resumed, and some of the movement is eye-catching. But there is a big difference between the end of recession and the start of recovery. Genuine recovery requires a much more sustained, aggressive growth pace than we have experienced to date, and much higher levels of activity than we currently see. We may have recovery in our sights, but we're not quite there.

Current growth may be inspiring, but it comes with a catch: all told, it's pretty stimulus-heavy. Consider that OECD nations collectively grow by about 2–2.5% in an average year. Then consider that member nations have on average piled stimulus worth almost 4% of GDP into their economies, mostly within a tight 8–12-quarter timeframe. By any standard, the impact is huge. Programs in certain key emerging markets are even more aggressive, increasing the difficulty of sorting out the transitory from the true. One is left wondering what economic numbers might otherwise look like.

Thankfully, stimulus is buying time until the true recovery kicks in. Are we almost there? We won't arrive until the enormous excesses that piled up at the end of the boom period are worked down. The good news is that the work-down has been steady and aggressive. The bad news is that we'll have to wait until year-end before market balance leads to a typical resurgence of key economic drivers.

Under normal circumstances, waiting out these last few months wouldn't be a big deal. In the current environment, it is. Private sector deleveraging is still underway, and together with the recent general surge of public debt, is keeping global commerce vulnerable to further

disturbances during this interim period. Are disturbances possible? Unfortunately, yes, and on a number of fronts.

Fiscal stimulus itself poses a problem. At some point, stimulus stops contributing to bottom-line growth. That point is a lot sooner than most expect. It occurs not when the money runs out, but much earlier, at the point that fiscal measures hit their peak. Governments have been fairly successful at getting funds out the door quickly, meaning that for the most part, stimulus plans have either peaked or are very close to that point. It follows that overall growth could easily falter ahead of the true recovery, inciting fears about the stability of the global economy.

Financial markets are a second key risk to the global economy's near-term path. For all their recent success, they still face one more test. The credit cycle always lags behind the economy, and at present, default rates are hitting peak levels. In anticipation of this, some institutions undertook to shield themselves by raising extra capital ahead of time. The efforts of others were less transparent, and as such, the ability of the sector to weather the cresting of the default wave is unclear.

A third concern is soaring commodity prices. Crude oil and base metals prices have been on a tear recently, not necessarily a bad development if it reflects increased demand. However, the price rise has been accompanied by high and rising inventory levels, surplus productive capacity, and low aggregate demand. As such, prices could be in for a nerve-wracking correction that tests overall confidence.

Inflation has become an increasingly prominent worry in recent weeks. Is the worry warranted? High unemployment

and generally low capacity utilization suggest that core inflation pressures will remain weak for some time, even if growth accelerates rapidly. The monetary policy challenge is to unwind stimulus in a way that doesn't upset current growth before sustainable recovery sets in.

These risks promise to keep the caution level in the economy high enough that challenges are likely to be managed swiftly and with the same coordination that has made recent measures so effective. As such, world growth is likely to hit 3.7% this year, a vast improvement over the 1.1% contraction in 2009, but still not enough to be called a true recovery. Further improvement will lead to a 4.2% expansion in 2011. Developed economies will be well shy of the average this year, and will gain ground in 2011, while emerging markets promise faster and steadier growth.

Canada's growth will rise to 2.5% this year and 2.9% in 2011, following a decline of 2.6% in 2009. Export growth will be stronger, and certain industries – including the auto sector – will post double-digit gains. However, even for the faster-growth sectors, activity levels will still be well below previous peak activity by year-end.

The bottom line? Recession pummeled Canadian exporters, but once recovery sets in, growth will rise sharply until the economy returns to normal production levels. That period is in sight, and if we manage well through the current moment of truth, our next biggest challenge will be accommodating that aggressive growth. ■

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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.

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Are you sure your U.S. or foreign customer will pay?

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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.

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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

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

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.

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Visit *ExportWise* online at
www.exportwise.ca

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.cbdc.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.

Forum for International Trade Training

www.fitt.ca

FITT equips individuals and businesses with the practical skills they need to succeed in today's competitive global marketplace.

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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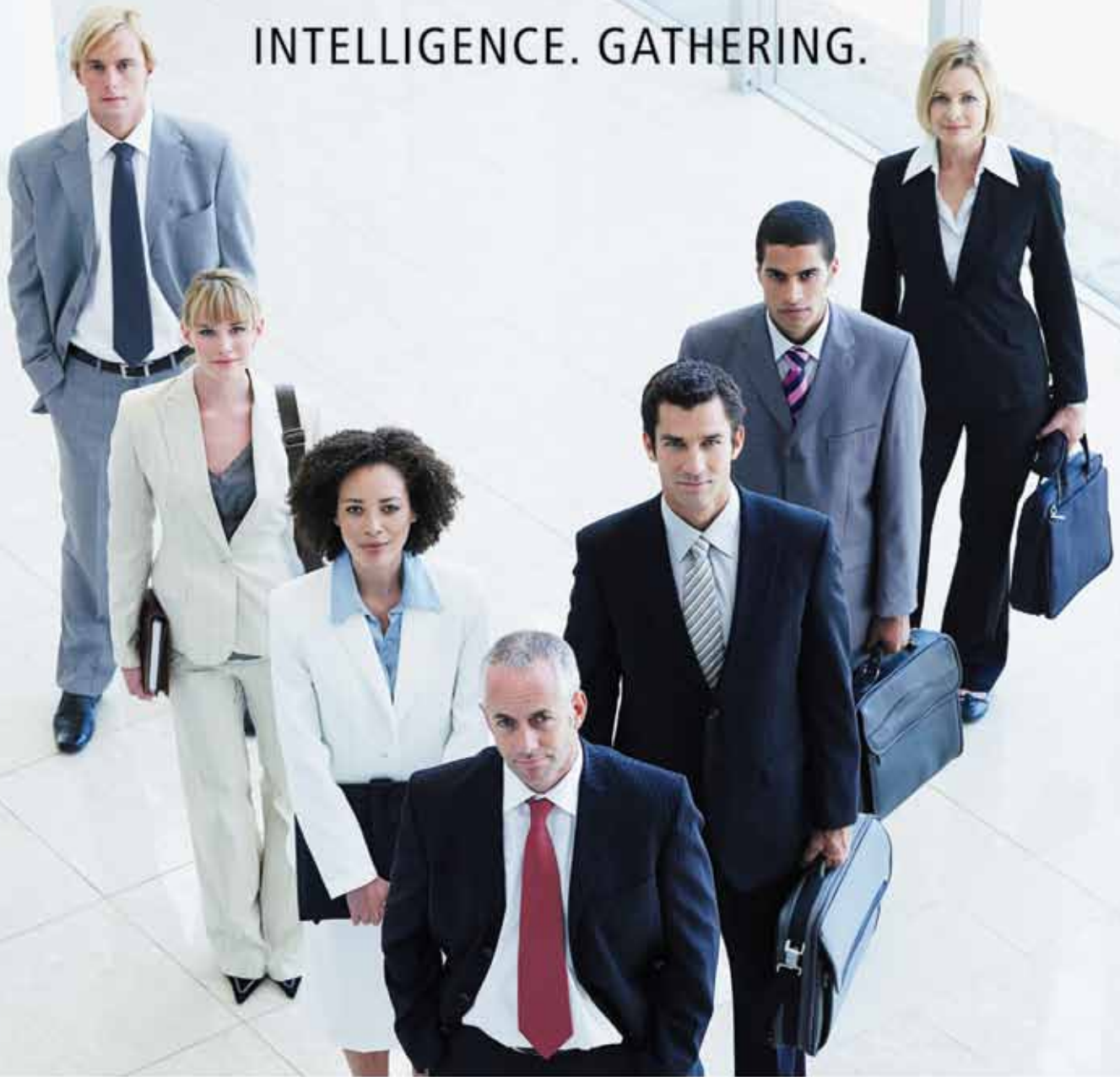
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