



Almaty-Calgary-Montréal-Moscow-Ottawa-Toronto-Vancouver

**CERBA** Canada Eurasia Russia  
Business Association

Канадская деловая ассоциация в России и Евразии  
Association d'affaires Canada Russie Eurasie

November 9, 2018

## **CERBA Position Paper on Export Development Canada's Activity and Mandate in the Countries of the Former Soviet Union (FSU or Eurasia)**

### **About CERBA**

The Canada Eurasia Russia Business Association (CERBA) was founded in 2004 with the mandate to enhance and support trade, investment and good relations between Canada and the countries of the Former Soviet Union. The Association established nine chapters located in Toronto, Montreal, Ottawa, Calgary, Vancouver, Winnipeg, Almaty (Kazakhstan), Moscow (Russia) and Tashkent (Uzbekistan). CERBA is an independent non-profit organization that advocates on behalf of the membership of 140 companies ranging from start-ups and individual entrepreneurs to multinational public corporations. Among its prominent members CERBA counts large Canadian manufacturers and exporters such as Bombardier, BRP, Pratt&Whitney Canada, Viking Air, Behlen Industries, SNC Lavalin, and many smaller corporations.

### **CERBA General recommendations**

1. EDC to review and increase its support of Canadian exporters in the FSU region and more carefully refine its risk tolerance for these market, matching the interest of a large number of Canadian companies competing with the US, EU and other international player in this regions;
2. EDC to focus on the economic advantages for Canada in the region and to depoliticizes its mandate to cover the considerable FSU market opportunities in their entirety.

### **CERBA and EDC**

Export Development Canada was a member of CERBA until 2017 and still collaborates with CERBA on a case-by-case basis. Speakers from EDC regularly participate in CERBA's annual construction and mining conferences, as well as in the Kazakhstan Canada Business Council, which has been held on a yearly basis for the past three years.

### **CERBA position regarding EDC Activities in the countries of its mandate**

We would like to underline that the opinions expressed in this document do not necessarily represent the views of any CERBA member in particular, but largely reflect a trend resulting from our individual consultations with the members and EDC-focused survey CERBA conducted in 2017 and 2018. In general, CERBA considers that EDC services offered in the main markets we cover, i.e. Russia, Kazakhstan, Ukraine, Belarus and other Eurasian countries, do not allow Canadian companies to reach their full export and business potential and hinder their ability to compete effectively with companies from other G7 and OECD countries.





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## Russia

Russia remains by far the largest market of the former Soviet Union with a GDP of 1.578 trillion USD as compared to Kazakhstan at 159 billion USD and Ukraine at 112 billion USD (World Bank 2017). Canada's main competitors in the European Union and the United States have continued to pursue opportunities in the Russian market with the support of their export credit agencies with unfettered determination and considerable success. In addition, Canadian companies working in Russia have had to forego procuring goods in Canada in the absence of buyer financing and trade credit insurance. The lack of EDC support is also threatening the complete fulfillment of previously agreed major sales of Canadian products.

Most of the main competitors for Canadian companies come from France, Germany, Italy, the US, South Korea, and Japan. All of these countries' ECAs are still very active on the Russian market. While it is difficult to get specific statistics from each of them, here are some figures related to Euler Hermes:

- We see a big increase in transactions between 2017 and 2018. H1 2017 saw 30 transactions approved with a value of 467 million EUR. H1 2018 nearly doubled this amount with 40 transactions with a value of 847 million EUR.
- For H1 2018, Russia is the third market by importance for Euler Hermes after China and Mexico
- For Guarantees, Russia is the first market as of 30.06.18 with a value of 9.6 billion EUR.
- In 2017, Russia was ranked number 2 in the world for the guarantee volume after China.  
(Statistics provided by Delcreda <http://www.delcreda.com/en/home>, see attached presentation)

This situation is of particular concern because the asymmetry of Canadian measures has unduly disadvantaged Canadian companies and has affected their long-term competitiveness in this market. EU and US exports to Russia are clearly on a positive trend between 2016 and 2018 (notwithstanding sanctions applied by EU member countries and the US Government), and our members have experienced first-hand how aggressive their competitors have been in gaining market share. It is also worth mentioning that while the EU and US saw notable declines in exports to Russia between 2014 and 2016, Canada saw a much steeper drop in sales, and it is our conviction that the absence of EDC guarantees and export financing has played a major role in this situation. In our discussions with CERBA members, most exporters relate that the EDC position is a bigger problem for business than sanctions imposed by the government.

During CERBA's meeting with then Minister Champagne in October 2017, CERBA raised its concerns about the position of EDC on the Russian market. Minister Champagne informed us that EDC was an independent corporation making its own decisions. If this is indeed the case, we would therefore request that EDC reconsiders as soon as possible its position on this market before irreparable damage is done to Canadian companies having invested time, money and energy to develop their business in this country. Canadian firms run the risk of being shut out of this important market with little hope of return.

## Other countries of the Former Soviet Union

In other countries of the FSU such as Ukraine, Belarus, Kazakhstan, Georgia, Armenia, and Central Asian countries, we also witness EDC's total aversion to assuming reasonable risks in support of Canadian business. Our members report that it is very difficult to get any coverage from EDC in those markets, making business development much more difficult.



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Kazakhstan is cited as an example of a fast growing market in EDC's document *The Outperformers: Opportunities to grow sales in emerging markets* <https://www.edc.ca/en/article/grow-sales-in-emerging-markets.html>. In particular, there are important potential markets for Canadian exporters of agricultural, mining and energy related expertise and technology. Unfortunately, the potential cited in this EDC document is not borne out in actual export financing or insurance for Canadian companies in Kazakhstan.

It is our contention that in the countries of the Caucuses and Central Asia, EDC should engage in a thorough review of acceptable local financial institutions through which EDC lines of credit or insurance coverage could be offered to local buyers of Canadian goods and services. We are not convinced either that the current level of EDC staff dealing with the region allows to have thorough understanding of the market and to develop necessary partnerships.

We believe that in order to support the Government's export diversification agenda, EDC should strategically use the Canada Account in cases where the risk is beyond what EDC is willing to take, but where the deal could be in the best interests of Canadian companies and workers.

### **Conclusion and recommendations**

On behalf of the member companies of CERBA, we would like to assert unequivocally that EDC's services in the region in which our association operates are in great demand. In some cases, the existing risks which are generally seen by exporters as the EDC's *raison d'être* are invoked to justify a less proactive approach. This is not the support that exporters are expecting from EDC. This is not consistent with our collective efforts to diversify and expand Canadian exports. For a range of reasons, EDC is lagging behind other ECAs in its support to Canadian business, making Canadian companies less competitive on these markets. Many companies are confident that they have lost significant business because of the lack of suitable financial tools required to develop business in these challenging but potentially fruitful markets. Emerging markets will continue to be the main source of international economic growth in the coming decade, including countries of the region we cover. It would be important to help Canadian companies position themselves now in order not to lose future opportunities.