providing supplier credit for medium-term transactions.

Export financing supports sales of capital goods and services sold on medium- or long-term credit of more than five years. On long-term transactions, EDC lends direct to the foreign buyer. On medium-term sales, it uses two types of lending, note purchases (including forfeiting) and allocations under lines of credit. Note purchases involve the purchase by EDC of a promissory note given to a Canadian exporter in payment by a foreign buyer. In some cases, the note must be guaranteed by a bank acceptable to EDC. Lines of credit are a special kind of lending in which EDC lends to a bank or financial institution in another country, which re-lends to the buyer. Since rates and terms have been prenegotiated, the transaction moves forward with a minimum of delay. In all cases, the exporter gets what amounts to a cash sale and his buyer gets financing. EDC also provides loan guarantees to banks which provide buyer financing for exports of Canadian capital goods and services. Examples of products financed by EDC are subway cars, airplanes, turnkey construction projects, electronics equipment, ships, manufactured goods, machinery and flight simulators.

Performance security insurance protects an exporter against the wrongful call of a performance security he has posted in connection with an export sale. Performance security guarantees protect banks against wrongful calls of performance securities they have posted on behalf of exporters. Bid security guarantees cover banks providing bid securities on behalf of exporters. Consortium insurance protects members of an exporting consortium against a rightful call of a performance security when the other members of the consortium are unable to pay their shares. Surety bond insurance protects a domestic surety company which provides a performance bond to a foreign buyer.

Foreign investment insurance protects Canadian investors against three risks — expropriation; war, revolution or insurrection; and inability to repatriate earnings. To qualify, the investment must be of benefit both to Canada and the host country.

21.6.3 Tariffs rates

The customs tariff sets out five different tariff treatments: the British preferential, most-favoured-nation, general, general preferential, and United Kingdom and Ireland. The special arrangements for the United Kingdom and Ireland will disappear on January 1, 1987, when those countries will be granted most-favoured-nation treatment.

General tariff rates are applied to goods imported from countries with which Canada has no tariff arrangements, such as, Albania, Balau Islands, North Korea, Libya, Oman and Saudi Arabia. The German Democratic Republic, once subject to general tariff rates, is now entitled to most-favoured-nation rates. Also, the general tariff rates apply unconditionally to goods imported when the country of origin cannot be determined.

Most-favoured-nation rates are tariff rates fixed by Parliament as being more favourable than the general tariff. These rates reflect Canada's international tariff arrangements such as GATT or specific bilateral trade agreements. These rates apply conditionally to those goods for which most-favoured-nation treatment is claimed.

The British preferential tariff rates are fixed by Parliament and offer more preferential (lower) rates of duty than the most-favoured-nation rates to commodities of British countries or any other British colony or protectorate or territory under British trusteeship. South Africa is entitled to most-favoured-nation rates rather than British preferential rates. Furthermore, some of these countries, such as Australia, are offered through bilateral trade agreements a preferential tariff rate lower than the British preferential on certain specified goods.

General preferential tariff rates are formula based rates and reflect, since July 1974, Canada's international commitment to developing countries under a generalized system of preferences. The formula, as established by Parliament, generally provides for a margin of preference to be either equivalent to the British preferential tariff rate or one-third of the most-favoured-nation rate.

The United Kingdom and Ireland tariff rates are formula based rates and reflect Canada's decision to terminate by 1987 the preferential tariff rate extended to the United Kingdom of Great Britain and Northern Ireland, the Channel Islands, the Isle of Man and the Republic of Ireland. The phasing out of these preferences started in January 1980 with the gradual elimination of the established margin of preference in accordance with prescribed rules set out by Parliament.

In all five tariff treatments, goods are subject to various rates of duty including a free rate of duty.

Value for duty. In general, the Customs Act provides that the value for duty of imported goods shall be the fair market value of like goods in the home market of the exporter at the time and place from which the goods are shipped directly to Canada when sold to purchasers with whom the vendor deals at arm's length and who are at the same trade level as the importer, and in substantially the same quantities for home consumption in the ordinary course of competitive trade. Where like goods are not sold for home consumption and in a few special cases, other methods are used to determine the value for duty. Ordinarily it may not be less than the amount for which the goods were sold to the purchaser in Canada, exclusive of all charges after their shipment from the country of export.