

**Exporting to Canada - A Handbook**  
**Ninth Edition**  
**2010**

**Section 1: Overview of The Canadian Market**

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*Include as much product information as possible so that importers can better evaluate your export offer!*

## SECTION 1

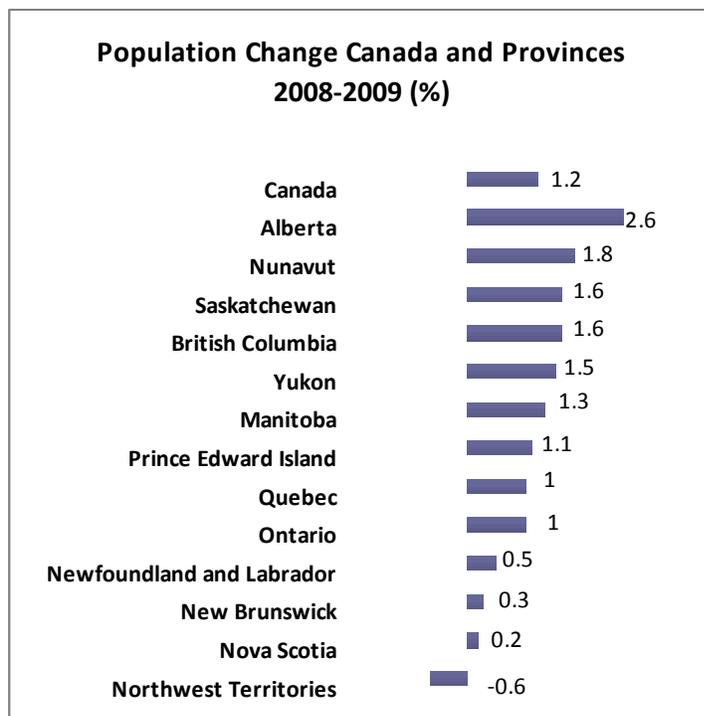
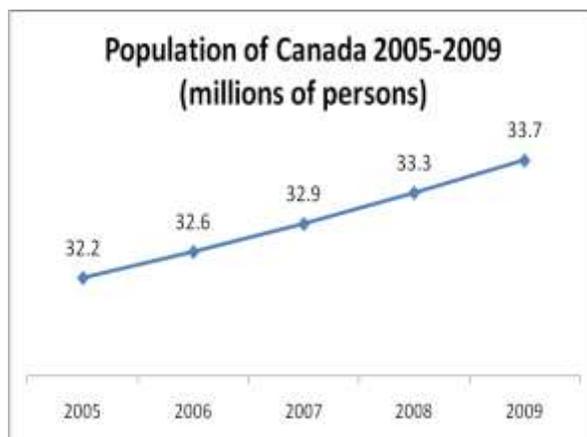
### Overview of the Canadian Market

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# 1.1 Background

**Population:** Canada's population, estimated at 33.7 million inhabitants in October 2009, is expected to reach 36.6 million in 2021. Although it is the second largest country in the world in terms of land area, Canada's population density is the lowest of all major industrialized countries, at only 3.5 persons per square kilometer (km<sup>2</sup>). A large part of Canada is above the temperate zone. In this northern part, agriculture and habitation are affected by extremely cold temperatures, transportation challenges, and a high cost of living. It is not surprising, therefore, that population density in the Yukon, Northwest Territories, Nunavut and Northern Québec average less than one person per km<sup>2</sup>. In the temperate zone, however, population density ranges from 23.9 persons per km<sup>2</sup> in Prince Edward Island to 1.4 persons per km<sup>2</sup> in Newfoundland and Labrador.

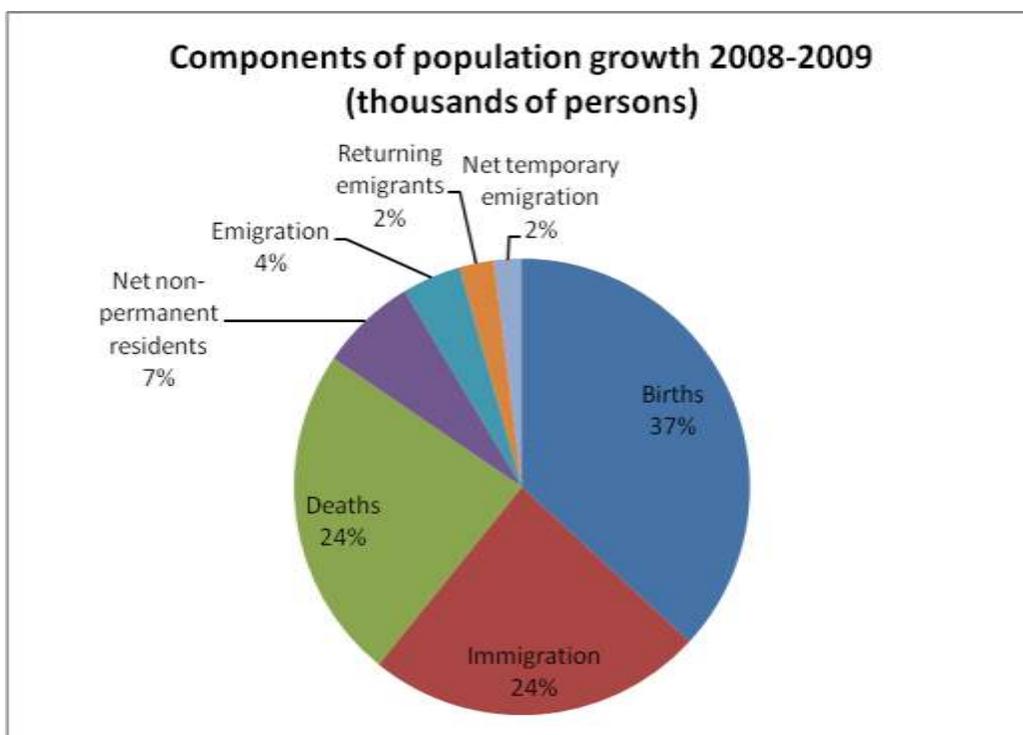


As a result, nearly two in three Canadians live within 160 kilometers of the border with the United States (U.S.), mainly in large urban centres throughout the central and western parts of the country. The five largest of these are Toronto, Ontario (5.6 million), Montréal, Québec (3.8 million), Vancouver, British Columbia (2.3 million), Calgary, Alberta (1.2 million), and Ottawa/Gatineau [in the provinces of Ontario and Québec respectively] (1.2 million).<sup>1</sup>

Between 2008 and 2009, all provinces and territories except the North West Territories experienced a population increase with Alberta growing the fastest. Calgary, Saskatoon, and Vancouver registered the strongest population growth of the major metropolitan areas. Immigration also remained strong during this period when Canada received an

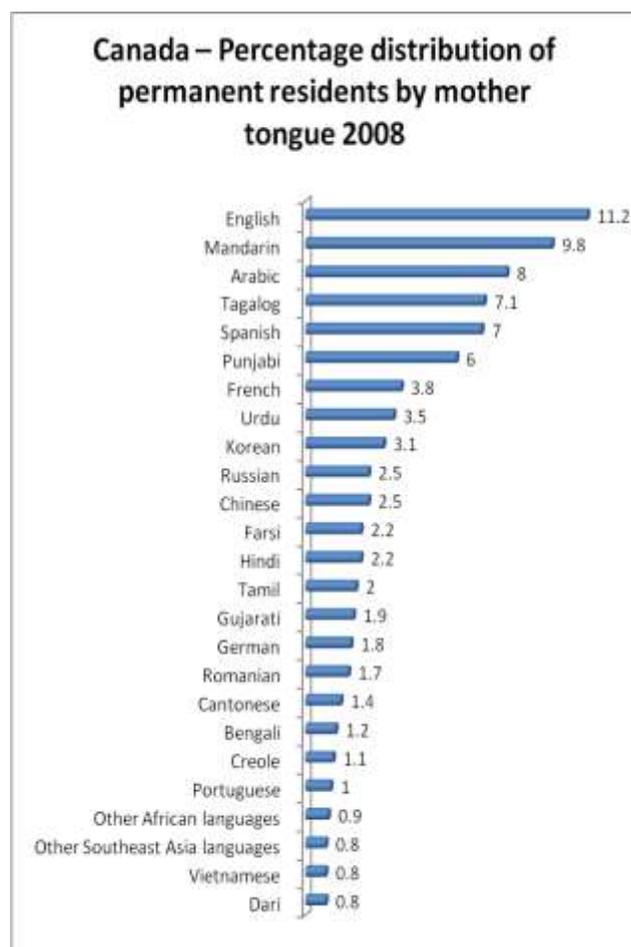
estimated 245,300 newcomers.

| Population rate of growth (%) by city 2008-2009 |       |                        |       |
|---|-------|------------------------|-------|
| Canada  | 12.3  | Ottawa                 | 15.04 |
| All metropolitan areas                          | 15.54 | Gatineau               | 18.94 |
| Abbotsford-Mission                              | 18.14 | Peterborough           | 2.77  |
| Barrie  | 11.48 | Québec                 | 10.94 |
| Brantford                                       | 5.58  | Regina                 | 19.54 |
| Calgary   | 31.71 | Saguenay               | -0.1  |
| Edmonton  | 24.6  | Saint John             | 5.93  |
| Greater Sudbury                                 | 2.33  | Saskatoon              | 28.49 |
| Guelph  | 9.59  | Sherbrooke             | 11.7  |
| Halifax   | 13.24 | St. Catharines-Niagara | 0.37  |
| Hamilton  | 9.09  | St. John's             | 12.67 |
| Kelowna   | 20.6  | Thunder Bay            | -5.19 |
| Kingston  | 7.54  | Toronto                | 16.65 |
| Kitchener                                       | 12.74 | Trois-Rivières         | 6.71  |
| London  | 7.79  | Vancouver              | 21.16 |
| Moncton   | 12.97 | Victoria               | 12.83 |
| Montréal  | 13.09 | Windsor                | -5.65 |
| Oshawa  | 14.97 | Winnipeg               | 14.6  |



**Climate:** Canada's climate is characterized by four seasons: spring, summer, fall and winter. The temperature varies depending on the season, at times recording over 30°C in the summer and below -33°C in the winter; humidity and wind-chill factors could make this seem even hotter or colder. There are also substantial temperature variations across the country. For example, on the West Coast, the weather is temperate with moderate winters and mild summers. The North Atlantic off the East Coast is generally colder, with more severe winter storms. Winter in the western mountains, in Central Canada and on the

Prairies is also very cold, though less stormy, and extends from about November through April in the south, and longer in the more northern areas.



**Language:** Canada has two official languages, English and French. In the 2006 Population Census, nearly 57.2% of all Canadians claimed English as their mother tongue. French is the first language of about 21.8% of Canadians, most of who reside in the province of Québec. Throughout Canada, English is widely spoken in business, although an ability to communicate in French is a definite advantage for selling products or services in Québec. Bilingual language requirements for packaging and labelling are in place for all products, including imports, sold in this country.

For the first time in Canadian census recording, allophones – people whose mother tongue is neither English nor French – make up one-fifth of Canada's population, up from 18% in 2001. This increase is mainly related to immigration.

Together, Canadians have over 200 mother languages including those long associated with immigration such as German, Italian, Ukrainian, Dutch, and Polish. However, in the last decade, language groups from Asia and the Middle East recorded the largest gains, particularly those speaking the Chinese languages, Punjabi, Arabic, Urdu, Tagalog and Tamil.

| Immigrant population by place of birth, by province and territory (2006 Census) |           |                                       |           |
|---|-----------|---------------------------------------|-----------|
| Total immigrants  | 6,186,950 | Africa                                | 374,565   |
| United States   | 250,535   | Asia and the Middle East              | 2,525,160 |
| Central and South America   | 381,165   | West Central Asia and the Middle East | 370,515   |
| Caribbean and Bermuda   | 317,765   | Eastern Asia                          | 874,370   |
| Europe  | 2,278,345 | Southeast Asia                        | 560,995   |
| United Kingdom  | 579,625   | Southern Asia                         | 719,275   |
| Other Northern and Western Europe   | 489,540   | Oceania and other countries           | 59,410    |
| Eastern Europe  | 511,095   |                                       |           |
| Southern Europe   | 698,080   |                                       |           |

**Hours of Business:** Standard business hours in Canada are generally Monday to Friday from 9:00 a.m. to 5:00 p.m. Retail store hours vary somewhat from province to province, but most retail outlets are open from Monday through Sunday (with Sunday restrictions in some provinces) and are also open later on Thursday and Friday evenings.

**Public Holidays:** Canada celebrates several holidays nation-wide and some provinces also declare statutory holidays for their residents (<http://www.pch.gc.ca/eng/1266245100031/1268245237942>). On these days, most businesses and government offices are closed. Holidays falling on a Saturday or Sunday are generally observed on the following Monday.

Some major holidays include:

Canadians are demanding customers who are interested more in durable and reliable products than in low-quality items. There is a trend toward the incorporation of new technologies into clothing, household accessories and entertainment products, as well as the purchase of high-end and exotic products such as easy-to-prepare ethnic foods.

|   |   |   |   |
|---|---|---|---|
| January 1<br>Third Monday in February<br>Late March/Early April<br>Monday preceding May 25<br>June 24 | New Year's Day<br>Family Day (Ontario)<br>Good Friday<br>Victoria Day<br>St. Jean -Baptiste Day<br>(Québec) | July 1<br>First Monday in August:<br>First Monday in September<br>Second Monday in October<br>November 11<br>December 25<br>December 26 | Canada Day<br>Civic holiday, most provinces<br>Labour Day<br>Thanksgiving Day<br>Remembrance Day<br>Christmas Day<br>Boxing Day |
|---|---|---|---|

**Travel and Transportation:** Because of its size, Canada has had to develop an impressive marine, air and surface transportation system, including extensive networks of paved highways and railways. The national airport system is composed of a network of international, national, regional, local, small, remote and arctic airports. The marine system consists of over two dozen major ports, and includes the vital St. Lawrence Seaway connecting the Atlantic Ocean with the vast inland markets of North America. Imports may come through one of Canada's major sea ports, although they may also land in a U.S. port and be transported overland into Canada. The leading ports are Vancouver on the West Coast, Montréal, Toronto and Thunder Bay on the St. Lawrence Seaway System, and Halifax (Nova Scotia) and Saint John (New Brunswick) on the East Coast.

Most visitors arriving from overseas enter Canada through the international airports in Toronto, Montréal or Vancouver. Canada enjoys extensive and reliable connections between its cities, as well as with cities in the United States. Coast-to-coast air travel within Canada, excluding connection time and the effect of time zones, takes about eight hours; air travel time between Central Canada (Toronto) and the West Coast (Vancouver) is approximately five hours. Flying from Toronto to Montréal takes about one and a half hours.

As the working population expands and as leisure time becomes more valued, service is becoming a highly sought-after 'commodity'. The provision of service is an increasingly important component in the competitiveness of businesses seeking to sell to discerning customers.

**Time Zones:** With a land mass of nearly 10 million km<sup>2</sup>, Canada spans no fewer than six different time zones. Every year, Daylight Savings Time comes into effect on the second Sunday of March, at which time all clocks in Canada except Saskatchewan<sup>2</sup> are advanced by one hour. On the first Sunday of November, the country reverts to Standard Time.

The Canadian market for goods and services is continually evolving as customers become increasingly discriminating in their purchases. This trend will lead to expanded opportunities for specialized products, niche marketing and even fully customized products tailored to individual needs.

**Currency:** Canada's currency<sup>3</sup> is based on the decimal system, with 100 cents equal to one Canadian dollar. Coins are issued in denominations of two dollars (a 'toonie'), one dollar (a 'loonie' - the nickname gleaned from the bird, a loon, appearing on the coin), 25 cents (a quarter), 10 cents (a dime), five cents (a nickel), and 1 cent (a

penny). Paper currency is issued in denominations of \$5, \$10, \$20, \$50, \$100, \$500, and \$1,000. Foreign visitors to Canada can exchange their funds at any Canadian financial institution or at currency exchange booths located at airports and major border crossings. Visitors are strongly advised to obtain travellers'

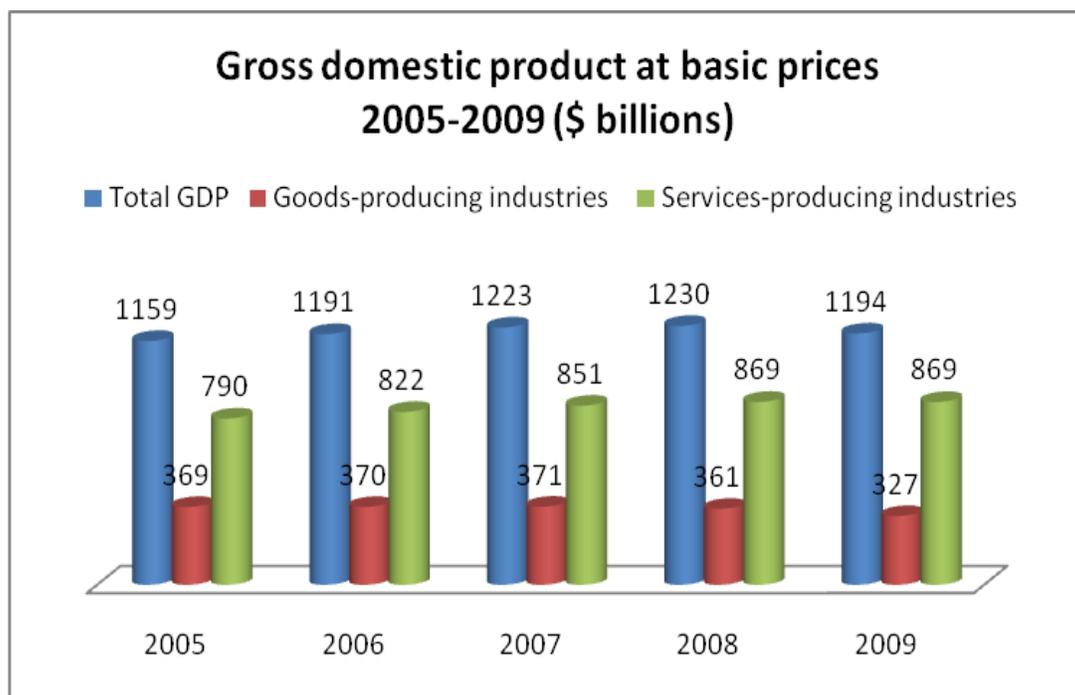
cheques in Canadian or US dollars which can be purchased at major banks in your country. Some Canadian banks charge a modest fee for cashing travellers' cheques other than their own.

**Entry Procedures:** A valid passport is required for entry into Canada, unless you are a citizen of the U.S. or the French territory of St. Pierre and Miquelon (<http://www.cbsa-asfc.gc.ca/security-securite/admiss-eng.html>). In addition, a business or visitor's visa might be required depending on your country of citizenship. Proof of sufficient funds to maintain yourself while in Canada might also be requested. Applications for visas should be made to the Canadian Embassy, High Commission or Consulate responsible for issuing visas to residents of your home country. Since visa regulations could change, you should confirm your status prior to departure for Canada; check the website at Citizenship and Immigration Canada for up-to-date details (<http://www.cic.gc.ca/english/visit/visas.asp>). *Please note that TFO Canada does not issue letters of invitation for visa purposes.*

**Working in Canada Temporarily:** With certain exceptions, an employment authorization to work in Canada on a temporary basis is required. *This permit is valid for only a particular employer and position.* Although valid for one year, it may be possible to obtain a new authorization from within Canada after the expiry date. Authorizations are usually issued by visa officers at the Canadian Embassy or High Commission in your home country before departure for Canada. There are no employment authorizations required to enter Canada just to look for work.

## ECONOMY

**Recent Performance:** While Canada's Gross Domestic Product (GDP) contracted in 2009, it has started to rise strongly in 2010, advancing for the fifth consecutive month in January. Comparative data on Canada's GDP performance compared to other major industrialized countries is available at: <http://www.conferenceboard.ca/HCP/Details/Economy/gdp-growth.aspx>.



According to Statistics Canada<sup>4</sup>, gains were recorded in:

- **Manufacturing:** After a 1.2% advance in December, manufacturing increased 1.9% in January, with 17 of the 21 major groups advancing. Notable increases were recorded by manufacturers of

fabricated and primary metal products, chemicals, plastics and rubber products. In contrast, motor vehicle production fell 2.4%.

- **Wholesale trade:** The volume of wholesaling activity increased 2.9% in January. All wholesaling trade groups posted gains, with the exception of apparel, alcohol and tobacco. Notable increases were in motor vehicles, petroleum products, pharmaceuticals and food products.
- **Residential construction:** The construction sector advanced 1.7% in January. The increases recorded in residential construction (+4.0%) and in engineering and repair work (+1.0%) overshadowed the 0.5% decrease in non-residential building construction. In residential construction, there were increases in all types of structures except apartments, with alterations and improvements work leading the advance.
- **Mining and oil and gas extraction:** This increased 0.9% in January. Oil and gas extraction rebounded 0.5%, with the production of natural gas increasing and that of oil receding. The mining sector excluding oil and gas advanced 2.3%, with increases at potash and gold and silver ore mines. Foreign demand for these products increased in January. Support activities for mining and oil and gas extraction also were up in January by 1.2%.
- **Finance and insurance:** This advanced 0.6%, largely attributable to an increase in the volume of trading on the stock exchanges.

According to the 2009 United Nations Human Development Report ([http://hdr.undp.org/en/media/HDR\\_2009\\_EN\\_Complete.pdf](http://hdr.undp.org/en/media/HDR_2009_EN_Complete.pdf)), Canada ranked fourth in the world in terms of quality of life after Norway, Australia, and Iceland; a good support system of national health care and social services contributes to this strength. This wealthy Canadian market presents attractive business opportunities for exporters.

- **Retail trade:** Value added in the retail trade sector rose 0.8% in January. Significant increases were registered in building and outdoor home supplies stores, home furnishings stores as well as food and beverage stores. Conversely, decreases were recorded at new and used car dealers

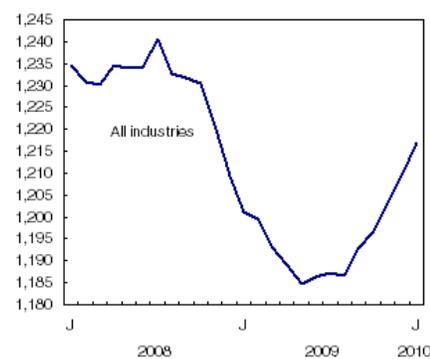
and at gasoline stations. Retail trade excluding new car dealers advanced 1.3%.

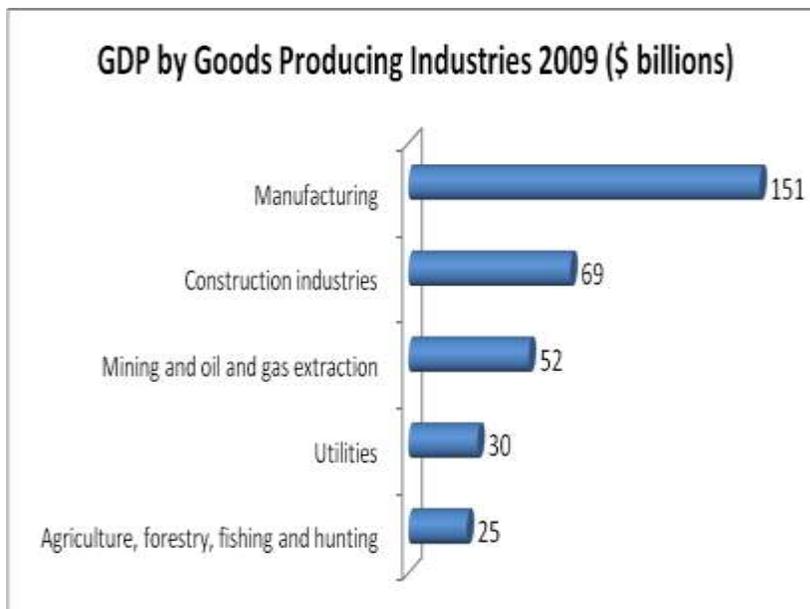
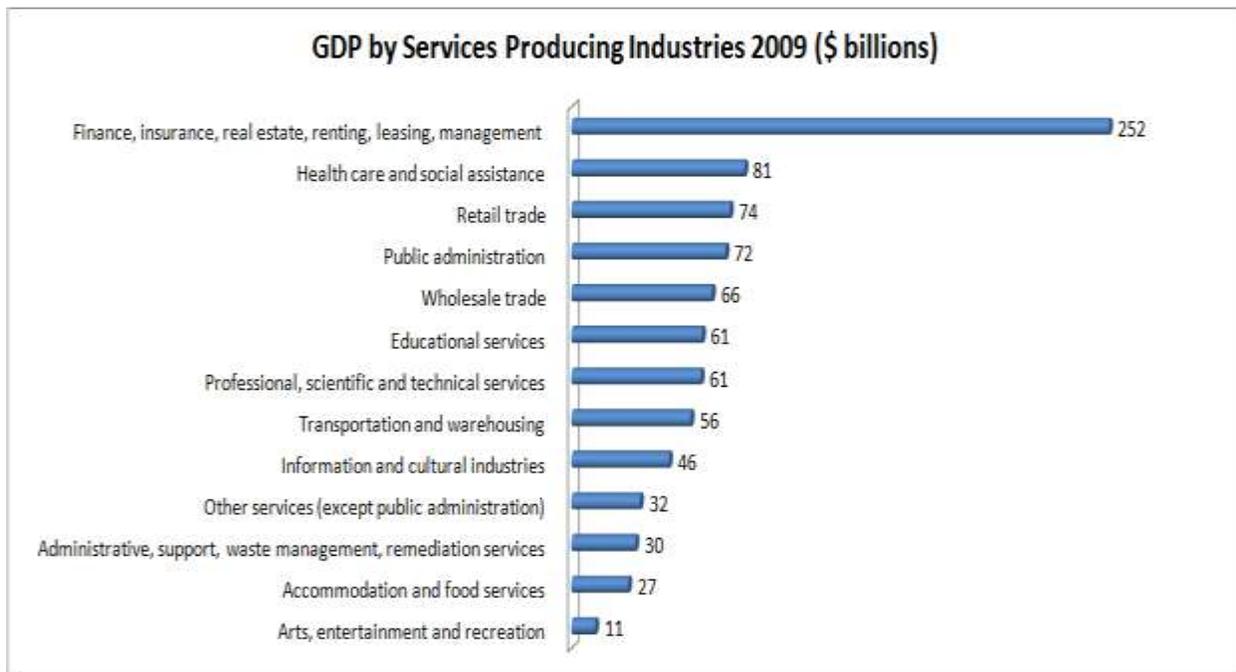
- **Activity of real estate agents and brokers retreats:** Sales of existing homes fell significantly in several parts of the country, resulting in a 6.7% decrease in the output of real estate agents and brokers. Despite this decline, the level of output of this industry remained close to its May 2007 peak.
- **Other industries:** After an increase in December, several tourism-related industries declined in January, mirroring the decline in the number of overnight travellers to Canada. Railway operators benefited from the higher production of goods. The public sector (health, education and public administration combined) increased slightly.

It is expected that this strong performance will lead to a rise in interest rates in June 2010 in an attempt to hold inflation at 2%. Relatively strong performance on GDP growth means that Canada's emergence from the recession in 2010 will likely be slightly higher than that of other leading economies.

**Structure of Output:** In 2009, *services industries* represented nearly 73% (\$869 billion) of Canada's GDP at basic prices. This is a strong increase from the 69% share in 2007. At \$327 billion, *goods producing industries* declined to their lowest level of output in five years. In 2008, Ontario contributed about 40% of Canada's real GDP, but strong global demand for mining resources, including oil and gas, is expected to continue to drive growth across western Canada.

Real gross domestic product advances for a fifth consecutive month  
billions of chained (2002) dollars





**Business Spending:** Capital investment in 2010 is expected to increase robustly, recovering to just over the \$322.6 billion reached in 2007. Total capital investment including housing, non-residential construction and machinery and equipment is expected to rise from \$309 billion in 2009 to \$323 billion in 2010. About \$83 billion is earmarked for housing. Worldwide demand for Canada's natural resources and raw materials is keeping prices high and fuelling capital spending in the primary sector and the related downstream industries.

| Capital expenditures by sector, 2009-2010 (\$ millions)        |         |               |
|--|---------|---------------|
|  | 2009    | 2010 forecast |
| Canada (Total Expenditure)                                     | 309,538 | 323,085       |
| Agriculture, forestry, fishing and hunting                     | 4,992   | 4,941         |
| Mining and oil and gas extraction                              | 43,132  | 48,129        |
| Utilities  | 23,716  | 24,415        |
| Construction   | 5,910   | 6,019         |
| Manufacturing  | 13,646  | 15,636        |
| Wholesale trade  | 5,075   | 4,997         |
| Retail trade   | 8,013   | 8,272         |
| Transportation and warehousing                                 | 18,144  | 18,638        |
| Information and cultural industries                            | 9,503   | 9,721         |
| Finance and insurance  | 14,070  | 13,340        |
| Real estate and rental and leasing                             | 12,021  | 12,246        |
| Professional, scientific and technical services                | 3,449   | 3,433         |
| Management of companies and enterprises                        | 116     | 119           |
| Administrative support, waste management, remediation services | 1,779   | 1,693         |
| Educational services   | 8,709   | 8,998         |
| Health care and social assistance                              | 8,943   | 8,140         |
| Arts, entertainment and recreation                             | 2,113   | 1,917         |
| Accommodation and food services                                | 3,448   | 3,080         |
| Other services (except public administration)                  | 1,775   | 1,789         |
| Public administration  | 39,305  | 44,417        |
| Housing  | 81,681  | 83,147        |

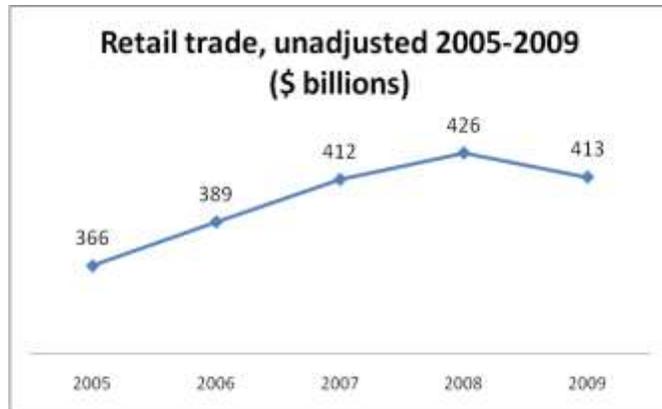
**Canadian Labour Force:** The Canadian labour force, defined as individuals 15 years of age or older that are employed or willing to take a job, was 16.8 million persons in 2009, down from 17.9 million in 2007<sup>5</sup>. In March 2010, Canada's unemployment rate was 8.2%, up significantly from the 33-year low of 5.8% recorded in February 2008. In 2009, about 77.8% of all workers were employed in the services industries and the remainder in the goods producing industries.

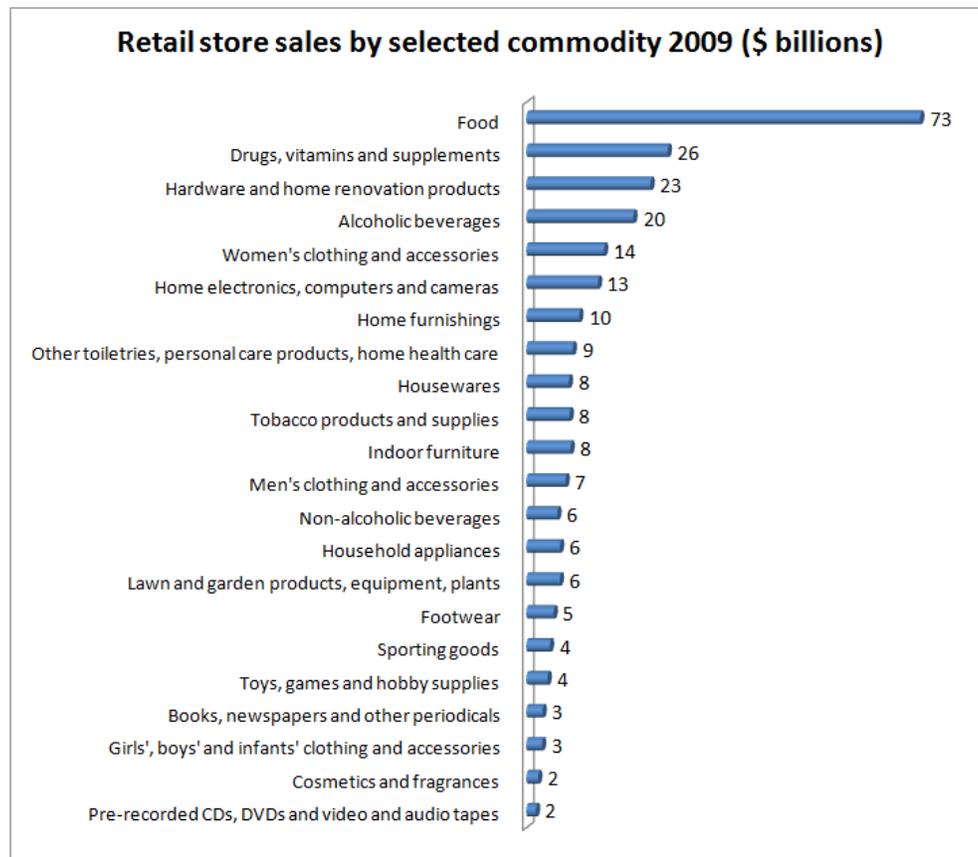
**Economic Outlook:** According to the Conference Board of Canada<sup>6</sup>:

- By 2030, most of Canada's 'baby boomers' (those born in the late 1940s through the 1950s) will have exited the labour market.
- Aging baby boomers will demand more services and health care, putting pressure on provincial budgets.
- A consistent slowing in labour force growth means that Canada's economic growth will ease steadily over the forecast period.
- Strong immigration will not reverse Canada's aging trend, but it will help keep total population growth relatively stable at around 1% per year.
- A rebound in growth in emerging markets, such as China, Brazil, India, and Russia, will keep commodity prices elevated over the long term.
- While opportunities in developing countries abound, the United States will remain Canada's most important export market.
- Stable inflation and strong commodity prices will keep the Canadian dollar strong, above US\$0.92, throughout the forecast horizon.

## MARKETS

In 2009, retailers sold an estimated \$413 billion worth of goods and services, close to levels reached in 2007. Food, medicines, and hardware products were the strongest sectors, sold through supermarkets, general merchandise stores, pharmacies, and home centres/hardware stores.

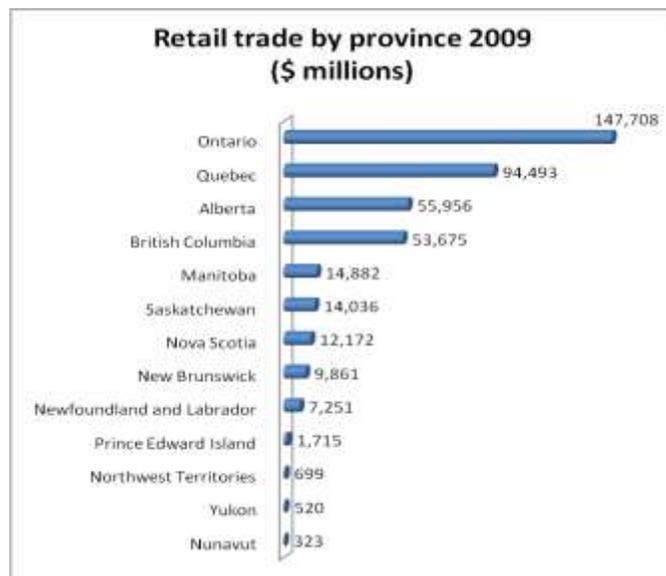




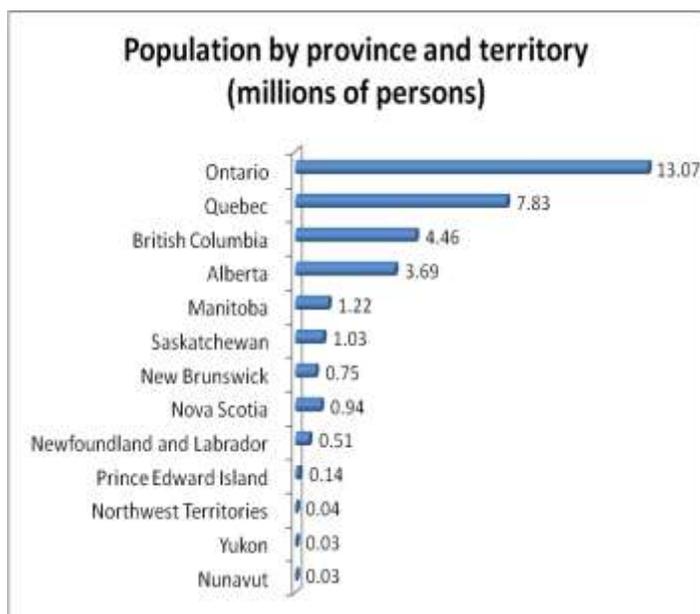
Since demographic characteristics differ considerably across Canada, it is more meaningful to think of the country as composed of five regional markets of varying size – Central Canada, the Prairies, British Columbia, Atlantic Canada, and the Territories as outlined below:

## REGIONAL MARKETS

**Central Canada:** This region includes Ontario, with 13.1 million people, and Québec with 7.8 million. Home to about 62% of Canada's population, the southern region of these two provinces are the country's industrial heartland. Because Ontario is largely English-speaking and French is the dominant language in Québec, the two provinces should be thought of as distinct markets, even though their economies have much in common. Both are highly urbanized with relatively high wages and rates of employment. Together, Ontario and Québec account for nearly 58% of all retail sales in Canada. The richest and most densely populated area of Canada is the heavily industrialized southern region of Ontario. It is here that much of the country's manufacturing industry is located, together with its most affluent customers.



Investments amounting to \$72.8 billion, largely in public administration, transportation, and housing are expected to drive growth in 2010 in Ontario. In Québec, higher investment intentions in the transportation and warehousing sector as well as the mining and oil and gas extraction sector are behind an anticipated increase of 5.2% from 2009 levels.<sup>7</sup>



**The Prairies:** This region consists of three provinces: Alberta, Manitoba and Saskatchewan, accounting for about 17.6% of Canada's population, up from 16.8% in 2004. In the past, these provinces were predominantly agricultural, focused mainly on grain and livestock farming. Mineral discoveries, notably petroleum in Alberta, have significantly transformed their economies, promoting rapid urbanization and growth. Gains are driven largely by new investment in the transportation and warehousing sector.

**British Columbia:** Canada's third most populous province with just over 13% of

the country's people has a diversified economy with forestry, mining, tourism, fishing, transportation, high technology, and film making being key contributors. The oil and gas extraction sector is expected to be the largest contributor to growth in capital investment, rebounding from the recessionary decline in 2009.

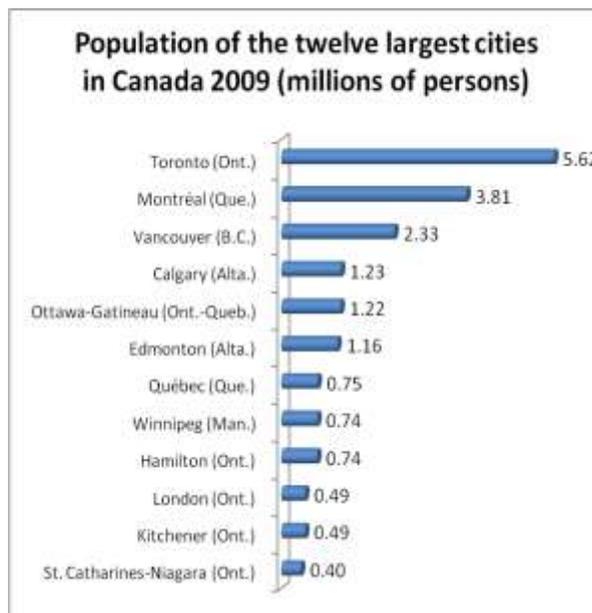
**Atlantic Canada:** With 2.3 million inhabitants, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland contain about 6.9% of Canada's population, down from 7.3% in 2008. Largely based on fisheries and agriculture, the region is traditionally the most rural and least diversified part of Canada. However, like British Columbia, the oil and gas sector is expected to be a major contributor to growth in Newfoundland and Labrador in 2010.

## SELECTED URBAN MARKETS

Canada's 12 largest cities host about 56% of the country's population, with Toronto, Montréal and Vancouver together accounting for over 62% of that sub-total<sup>8</sup>. *Note: TFO Canada has representatives in Montréal, Vancouver and Toronto to assist with information on these markets.*

The characteristics of selected urban markets are presented below:

**Toronto:** With a population of 5.6 million, Toronto is the largest urban centre in Canada, the capital of Ontario, the focal point of the province's industrial base, and boasts a diverse ethnic mix from around the world. The city is Canada's dominant financial and industrial centre, home to more than half of the country's largest companies, leading banks and



other financial institutions. ***Since a large number of importers and buying departments for major Canadian retailers are located in Toronto, the city should be a focus stop for suppliers interested in penetrating the Canadian market.***

**Montréal:** As Canada's second largest urban centre of 3.8 million people, Montréal is also the largest French-speaking city in the world outside of Europe. English is also widely spoken, however, especially among people active in business. Although the province of Québec is less prosperous than Ontario, British Columbia or Alberta, the city of Montréal is quite affluent and its customers are noted for their sophistication. Personal incomes and per capita retail sales are above the national average. Montréal is an important national business centre, especially in fields such as fashion, engineering, aerospace and finance. A significant number of major corporations are based in the city, including leading-edge software and biotechnology companies whose head offices in Montréal offer prospects of lucrative, high-profile employment. With more post-secondary students per capita than any other city in North America, this city also has no shortage of educated young people. Québec's burgeoning French-speaking entrepreneurial community tends to be more outward-looking than that of Ontario and this makes Montréal a dynamic business centre open to new opportunities in the world beyond North America. Since Montréal is a major port and home to numerous importers, suppliers interested in the Québec market should focus their efforts here.

**Vancouver:** An impressive port city on the Pacific coast, Vancouver is a fast growing business centre serving nearly 2.3 million people. The largest urban centre in Western Canada, Vancouver is Canada's gateway to the dynamic Asia-Pacific region. Large numbers of immigrants from Hong Kong and other Asian countries have settled for decades in the Vancouver area, transforming the city's ethnic and cultural mix and strengthening its business links to the Asia-Pacific region. As well, many people from other parts of Canada have moved to the Vancouver region to take advantage of its temperate weather, excellent recreational opportunities and appealing lifestyle. As a result of this influx, housing and commercial real estate costs have risen dramatically. Forestry and mining companies serve as Vancouver's business foundation but the manufacturing and service sectors, including film and television production, banking, accounting, and high-tech research and development have expanded in the past decade, resulting in a more diversified local economy. The 2010 Olympics has had a major positive impact on the city's economic and cultural life. Most Asian exports to Canada enter the country through Vancouver as do some Asian exports destined for the U.S. market. While a significant number of importers are based in Vancouver, it ranks behind Toronto and Montréal in this respect.

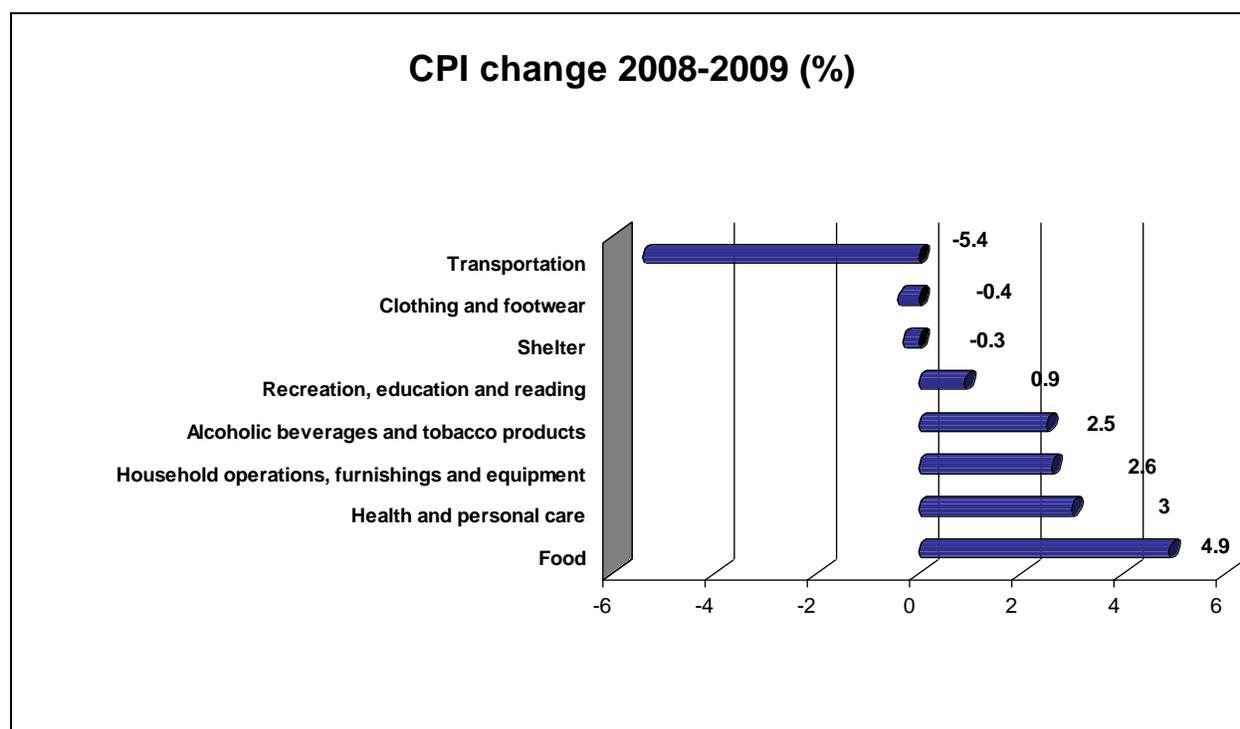
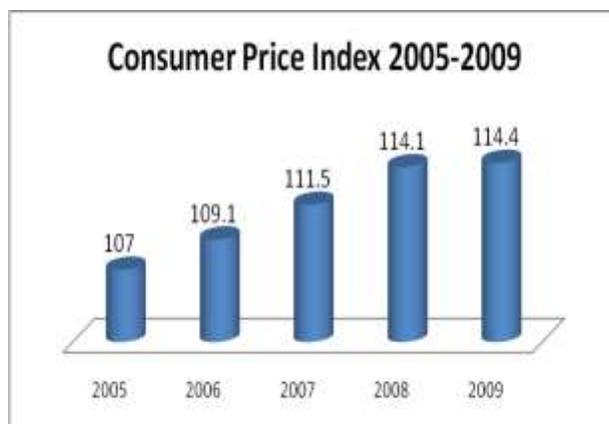
**Ottawa-Gatineau:** The economy of the nation's capital (Ottawa, Ontario) is closely connected with the Gatineau region in Québec, the two separated by the Ottawa River. Dominated by employment in the government and high technology sectors, the provincial border does not affect the virtually seamless living and working arrangements of the 1.2 million, mostly highly educated (44% of them bilingual English-French) residents of the 'National Capital Region.' A high per capita income makes Ottawa one of the wealthiest markets in Canada.

**Calgary:** As a result of NAFTA and the strength of international oil prices, Calgary has become the economic hub of Western Canada. It had the fastest population growth rate (3.17%) in the country between 2008 and 2009. Calgary is home to most of Canada's oil and gas industry, as well as to the many service and advanced technology businesses that have grown up around oil and gas production. Residents enjoy the lowest provincial and civic tax rates in Canada, as well as the lowest gasoline prices; however, the cost of living in Calgary was the highest in the country in 2009; the second most expensive city was yet another in the province of Alberta – Edmonton<sup>9</sup>.

**Halifax:** Located on the east coast, Halifax is the largest city in Atlantic Canada, with a population of just under 0.4 million. The capital of Nova Scotia, Halifax is a major port city and the most important centre of industry and commerce in the region. Although the Atlantic Canada region as a whole is less affluent than most other parts of Canada, the cost of living was the sixth highest in the country in 2009.

## CONSUMERS

Canadians have healthy incomes to spend on both domestic and imported goods and services. Although relatively stable between 2008-2009, Statistics Canada reports that consumer prices rose 1.9% in the 12 months to January 2010, following a 1.3% increase in December 2009.<sup>10</sup> January's increase was the largest since November 2008 and was due primarily to gasoline prices. Following the decline in energy prices in 2008, overall energy prices went up 8.2% between January 2009 and January 2010. This came after a 5.9% increase in the 12 months to December 2009.



In January 2010:

- Food prices advanced 1.4%, following a 1.7% increase in December. January's rise was the smallest since April 2008 and came mainly from prices for food purchased from restaurants (up 2.6%) and non-alcoholic beverages (up 7.2%). Other major contributors to the increase in food prices were all other food preparations and sugar and confectionery. On the other hand, prices fell for fresh fruit, fresh vegetables, and meat.
- Prices in household operations, furnishing and equipment rose 2.1% as a result of higher costs for communications, other household goods and services, and child care and domestic services.
- Broad-based price advances occurred in the health and personal care component (up 3.1%).
- Prices in the recreation, education and reading component increased 1.4% in the 12 months to January. Major contributors to the increase were tuition fees and cablevision and satellite services. In contrast, prices fell for home entertainment equipment, parts and services and computer equipment and supplies.

- Shelter costs declined 1.1% during the 12-month period, mostly the result of declines in mortgage interest cost and natural gas prices.
- Upward pressure on the shelter component came from property taxes (up 4.3%) and rent (up 1.4%).
- Prices for clothing and footwear dropped 1.9% on a year-over-year basis. The strongest downward pressure in this component came from prices for women's clothing (down 6.8%) and children's clothing (down 4.8%).

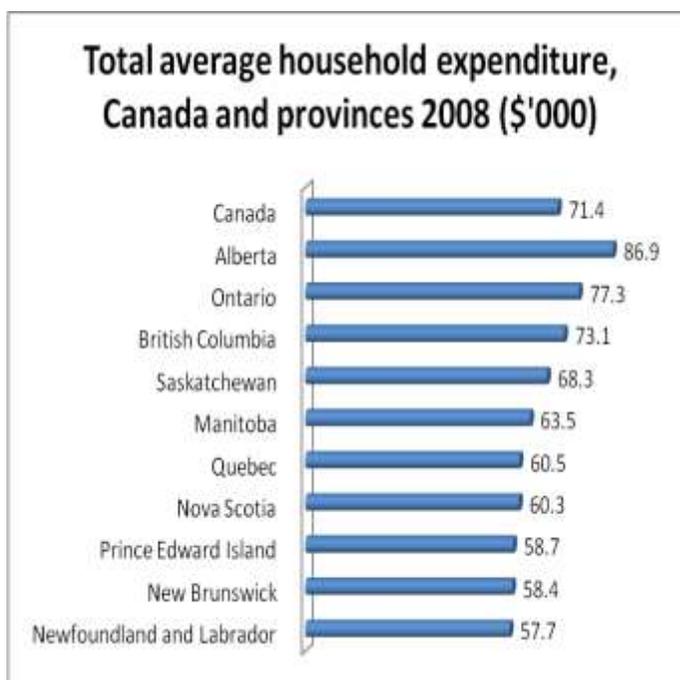
Consumer prices rose in all provinces, led by Atlantic Canada: Prince Edward Island (4%), New Brunswick (3.9%), Newfoundland and Labrador (3.2%), and Nova Scotia (3.1%). In Ontario, prices rose 1.9%; in Alberta by 1.7%; and in British Columbia by 0.7%.

**Income:** In 2007 (the latest statistics available), the average annual income after taxes of a family of two or more people was \$71,900, up from \$65,000 in 2003.<sup>11</sup> The highest income was in households with three or more earners (\$102,500), while the lowest were non-elderly, male, non-earners (\$13,400). The wealthiest cities were Calgary, Ottawa, Edmonton, and Oshawa.

**Spending:** According to Statistics Canada,<sup>12</sup> each Canadian household spent \$71,360 in 2008, up 2% from 2007 and slightly below the rate of inflation of 2.3%. Households in Alberta reported the highest average spending, \$86,910, followed by those in Ontario, where average spending amounted to \$77,310. The largest increase in average spending per household was in Saskatchewan, where it rose 6.8% to \$68,280. Households in Newfoundland and Labrador reported the lowest average spending (\$57,710) even though spending increased 4.9% over 2007.

On average, households spent:

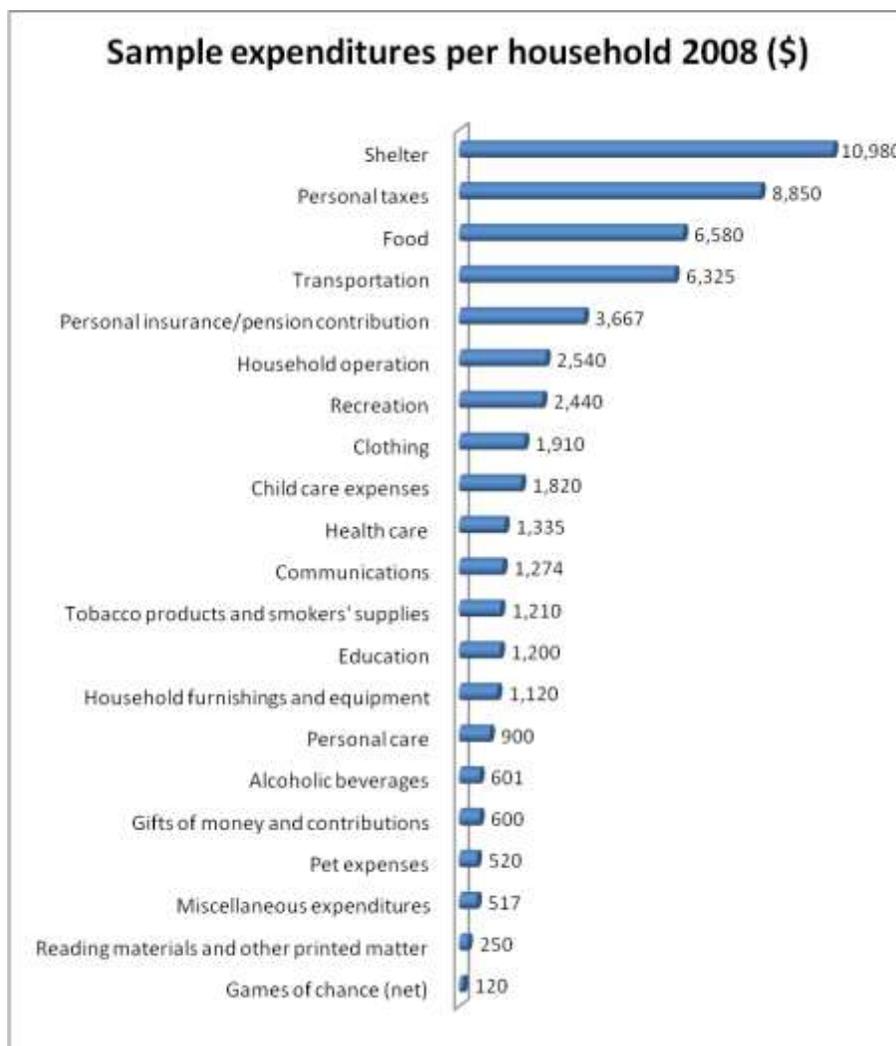
- \$7,440 on food in 2008, up 1.8% from 2007. Provincially, the proportion spent on food was highest in Québec (12.2%) and lowest in Alberta (8.9%).
- \$550 on cell phone and other wireless services, up 6.6% from 2007. At the same time, spending on conventional landline telephone service continued to fall, declining 5.1% to \$580.
- \$250 on reading materials, down 2.7%. This reflected declines for magazines and periodicals (-9.6%), books (-0.9%) and newspapers (-2.3%). The highest average spending on reading and other printed material was in Alberta at \$290 per household, and the second highest in Ontario at \$270.



Other findings include:

- Nearly 4 in 5 households (79.4%) reported owning a computer in 2008; up slightly from the previous year, while 74.6% reported having access to the Internet at home. Spending for computer hardware was down 2.7%, but spending for Internet access was up 6.1%. The vast majority (97.0%) of the highest income households had a computer, and 96.7% had Internet access. In comparison, 49.8% of households in the lowest income group had a computer, while 42.9% had home access to the Internet. Households in British Columbia had the highest proportion (82.1%) that reported having access to the Internet at home, but Alberta reported the highest average spending for Internet services (\$340).

- Spending on clothing declined slightly between 2007 and 2008, from \$2948 to \$2846 (it was \$2870 in 2006).
- From a five year high of \$2131 in 2006, spending on household furnishings and equipment declined to \$1964 in 2007, remaining virtually unchanged at the lower level of \$1967 in 2008.



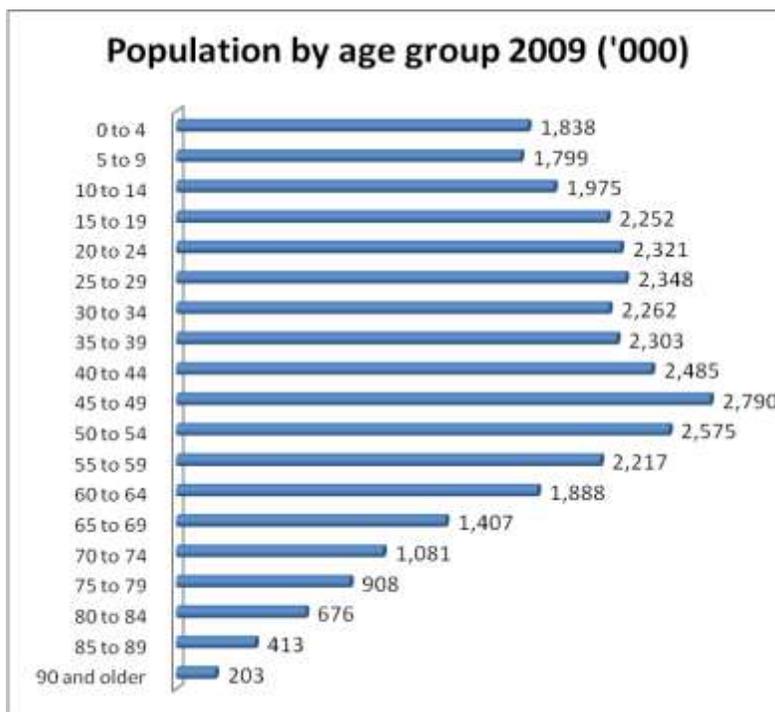
Many Canadian homes built today include a home office, wired with networking infrastructure for the internet and multiple computers. Home offices also account for some of the renovations incurred on existing homes. With improved technology, working from the home as an employee or a private consultant is an increasingly popular choice. Unlike in the past, these home offices are efficient workplaces, requiring products and services adapted to suit individual needs. Home office furniture and accessories are flourishing businesses in Canada.

## TRENDS

Reflecting changes in personal spending patterns, retail trade has continued to move away from general-purpose and department stores towards warehouse-type, minimal-service retailers offering discounted prices on a wide range of goods. Specialty stores with narrow product lines such as fitness products are also playing a more prominent role in the retail sector. Some of the major trends affecting consumer spending are outlined below.

**Age:** Canada's population is ageing rapidly and becoming more urban, mainly as a result of the nation's low fertility rate and increasing life expectancy.

This will have a dramatic impact on the demand for goods and services as older Canadians represent an attractive, fast-growing and highly specialized market. There is greater demand and thus business opportunities in fields as diverse as travel, housekeeping, home renovations, delivery services, health care products, health services and upscale toys and baby items for grandchildren. This trend will continue in the coming decade, as more 'baby boomers' reach retirement age. On average, the income of older Canadians is still lower than that of younger age groups, but this has improved in recent decades largely as the result of improved public and private pension plans. The incomes of many older Canadians have also been bolstered by investment returns as well as by widespread home ownership. It is estimated that more than 75% of Canadian households headed by an individual over 65 years of age own their home, and of this group less than 10% have an outstanding mortgage. To reinforce this, Statistics Canada reports that the net worth of individuals aged 65 years and older was the second highest in the country at \$303,167 in 2005 (the latest statistics available as of this report date); their debt to asset ratio was also the lowest, at 0.02. The group with the highest net worth (\$407,417 in 2005) was aged 55-64 years; their debt to asset ratio was the second lowest, at 0.07.<sup>13</sup>

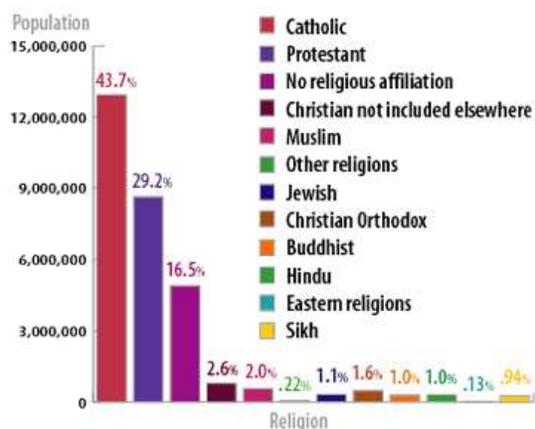
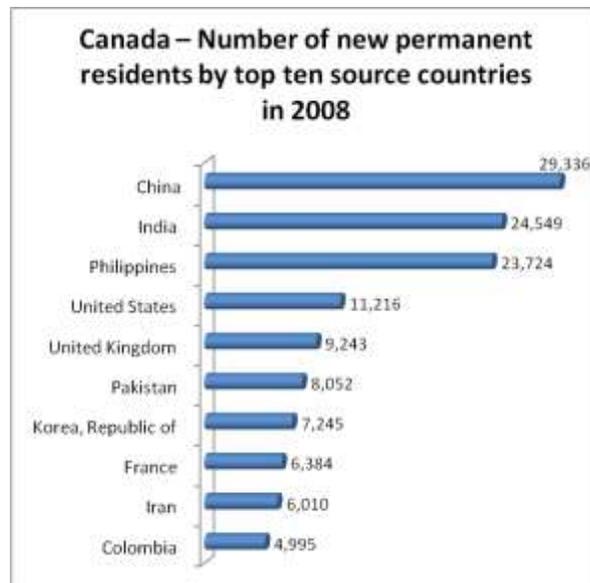


**Multiculturalism:** Canada is a land of tremendous ethnic diversity brought about by successive waves of immigration from various parts of the world. Immigration has become even more important in recent decades as the country's birth rate has gradually fallen below replacement levels.

The latest report from Statistics Canada<sup>14</sup> shows that:

- By 2031, between 25% and 28% of the population could be foreign-born, the highest historical ratio to date. About 55% of this population would be born in Asia.
- Regardless of future immigration, diversity will grow among the Canadian-born population. By 2031, 47% of second-generation Canadians would belong to a visible minority group, nearly double the proportion of 24% in 2006. Second generation refers to those who are Canadian-born and have at least one parent born outside Canada.

- The vast majority (96%) of people belonging to a visible minority group would continue to live in one of the major metropolitan areas. By 2031, visible minority groups would comprise 63% of the population of Toronto, 59% in Vancouver and 31% in Montréal. In contrast, they would comprise no more than 5% of the population in St. John's, Greater Sudbury, Trois-Rivières, Québec, or Saguenay.
- Most of the visible minority population would be young: 36% of the population under 15 years of age in 2031 would belong to a visible minority group, compared to 18% of persons aged 65 and over.
- In 2031, South Asians and Chinese should still be the largest visible minority groups in Canada. The South Asian population would number between 3.2 million and 4.1 million in 2031, compared to 1.3 million in 2006. The Chinese population would go from 1.3 million in 2006 to between 2.4 million and 3 million in 2031.



- Arabs and West Asians are the visible minority groups that would grow the fastest between 2006 and 2031. Canada's Arab population could thus number between 806,000 and 1.1 million in 2031 and its West Asian population between 457,000 and 592,000, compared to 276,000 and 164,000 respectively in 2006.
- The number of non-Christians would more than double by 2031, reaching between 5.3 million and 6.8 million in 2031 compared to 2.5 million in 2006, or from 8% of the population in 2006 to 14% in 2031. Within the population having a non-Christian religion,

approximately one person in two would be a Muslim in 2031, whereas the corresponding proportion in 2006 was estimated at 35%. Fewer than two Canadians in three would have a Christian religion in 2031. Three Canadians in four (75%) had a Christian religion in 2006. The corresponding proportion in 1981 was 97%.

- Persons whose mother tongue was neither English nor French accounted for less than 10% of Canada's population in 1981. By 2006, that proportion had risen to 20%, and it is expected that it would reach between 29% and 32% in 2031.

Canadians will continue to demand convenience from the products they buy. As consumers focus on both careers and recreation, they will have less time available for domestic chores. As a result, labour- and time-saving products and services will continue to be popular.

| Percentage of foreign-born and visible minority populations by city, 2006 and 2031 |              |      |                  |      |
|--|--------------|------|------------------|------|
|  | Foreign-born |      | Visible minority |      |
|  | 2006         | 2031 | 2006             | 2031 |
| Canada   | 20           | 26   | 16               | 31   |
| Abbotsford–Mission   | 24           | 29   | 23               | 39   |
| Barrie   | 13           | 13   | 6                | 11   |
| Brantford  | 12           | 13   | 5                | 10   |
| Calgary  | 24           | 30   | 22               | 38   |
| Edmonton   | 19           | 22   | 17               | 29   |
| Greater Sudbury  | 7            | 5    | 2                | 5    |
| Guelph   | 20           | 25   | 13               | 25   |
| Halifax  | 7            | 11   | 7                | 12   |
| Hamilton   | 24           | 27   | 12               | 25   |
| Kelowna  | 15           | 14   | 5                | 10   |
| Kingston   | 12           | 14   | 6                | 11   |
| Kitchener  | 23           | 28   | 14               | 28   |
| London   | 19           | 23   | 11               | 22   |
| Moncton  | 3            | 5    | 2                | 5    |
| Montréal   | 21           | 30   | 16               | 31   |
| Oshawa   | 16           | 19   | 10               | 21   |
| Ottawa   | 22           | 29   | 19               | 36   |
| Gatineau   | 8            | 15   | 6                | 14   |
| Peterborough   | 9            | 11   | 3                | 8    |
| Québec   | 4            | 7    | 2                | 5    |
| Regina   | 8            | 10   | 7                | 12   |
| Saguenay   | 1            | 2    | 1                | 2    |
| Saint John   | 4            | 6    | 3                | 8    |
| Saskatoon  | 8            | 10   | 6                | 13   |
| Sherbrooke   | 6            | 11   | 4                | 10   |
| St. Catharines–Niagara   | 18           | 19   | 7                | 14   |
| St. John's   | 3            | 4    | 2                | 5    |
| Thunder Bay  | 10           | 8    | 3                | 7    |
| Toronto  | 46           | 50   | 43               | 63   |
| Trois-Rivières   | 2            | 5    | 2                | 4    |
| Vancouver  | 40           | 44   | 42               | 59   |
| Victoria   | 19           | 20   | 10               | 17   |
| Windsor  | 23           | 28   | 16               | 33   |
| Winnipeg   | 18           | 24   | 15               | 27   |

**Households:** The value of building permits in Canada was slightly down (0.5%) to \$5.7 billion in February 2010 but was 56.7% higher than in February 2009, when it was at its lowest level during the economic slowdown. At the provincial level, the value of building permits was up in six provinces, with Québec and Alberta leading the way. Residential construction intentions fell 7.5% to \$3.7 billion, largely due to a 52.5% drop in the value of multiple dwellings in Ontario. The value of building permits for multi-family units declined 28.3% to \$962 million in February. Ontario, Québec and Nova Scotia posted the largest declines, while Alberta and New Brunswick were the only provinces to record advances in February 2010. Permits for single-family dwellings rose 3% to \$2.7 billion, its second straight monthly gain. The value of single-family permits has been on an upward trend over the past year and reached its highest point ever in February. Every province except British Columbia, Nova Scotia and Manitoba contributed to the increase in single-family construction intentions.

The nature of households in Canada presents several opportunities for suppliers to this market. In 2006 (the latest statistics available), there were about 6.1 million married-couple families, an increase of 3.5% from 2001. In contrast, the number of common-law-couple families surged 18.9% and the number of lone-parent families increased 7.8% to 1.4 million for each group<sup>15</sup>. Among lone-parent families, growth was most rapid for families headed by men. Their number increased 14.6%, more than twice the rate of growth of 6.3% among those headed by women. For the first time, the census counted same-sex married couples, reflecting the legalization of same-sex marriages as of July 2005. Same-sex couples represent 0.6% of all couples in Canada, comparable to data from New Zealand and Australia. The census enumerated 45,345 same-sex couples, of which 7,465, or 16.5%, were married couples. Half of these couples lived in Montréal, Toronto and Vancouver. Over half of same-sex married spouses were men compared with 46.3% who were women; about 9% had children aged 24 years or less living in the home.

Single person households account for about 26.8% of all Canadian households. This high percentage is a result of several factors, including a declining marriage rate, a rising incidence of divorce, higher median ages at marriage for both women and men, and an increasing number of elderly women who are both living longer and outliving their male spouses. Labour- and time-saving products such as convenience foods and appliances are therefore in demand. Services such as cleaning, home maintenance and child care previously provided within the household are thus now frequently provided by specialty suppliers.

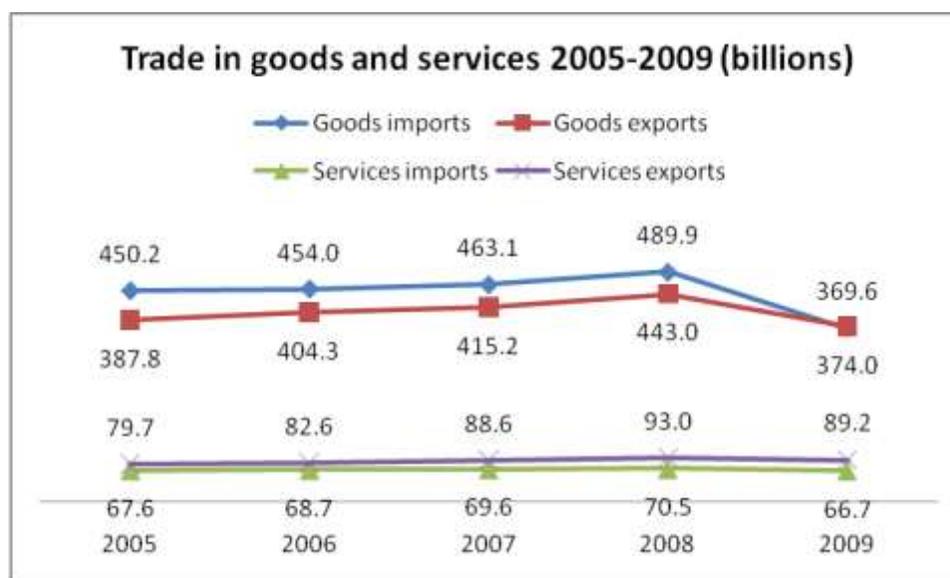
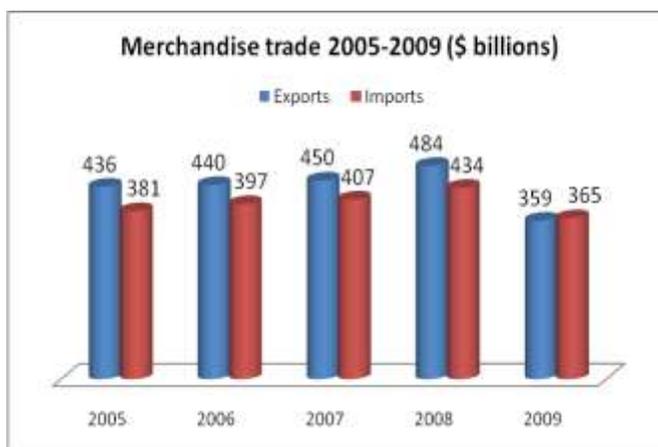
The large number of Canadian households has supported significant spending on a range of durables from cars and houses to furniture, appliances, electronic products, and decorating supplies. There is also a significant market for a range of leisure products and services as Canadians continue to travel in-country and abroad. The number of Canadian trips abroad amounted to 4.2 million in January 2010, up from 3.8 million in January 2009.<sup>16</sup> The majority (84%) was to the U.S.; a decline was noted in travel to other countries in that same comparison period. Tourism spending in Canada increased 0.4% in real terms in the fourth quarter of 2009, as outlays by both international visitors to Canada and Canadians were up. This was the second consecutive increase in tourism spending, following four negative quarters that started in the summer of 2008. Spending by international visitors on accommodation and food and beverage services increased during the quarter. Spending on recreation and entertainment was unchanged. Further details on travel are outlined in the TFO Canada Services Report.

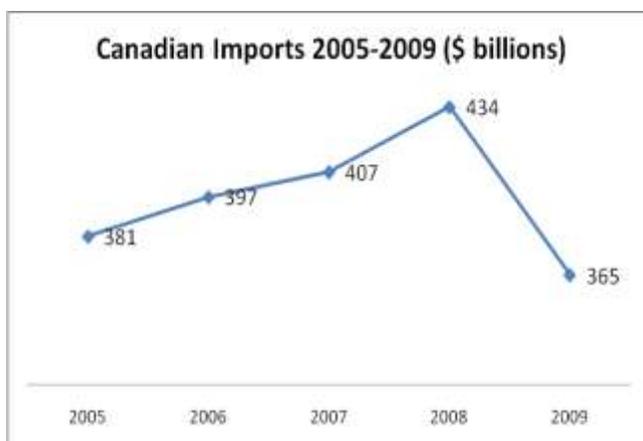
| Travel between Canada and other countries ('000 trips) |        |        |
|--|--------|--------|
|  | Jan-09 | Jan-10 |
| Canadian trips abroad                                  | 3,797  | 4,186  |
| To the United States                                   | 3,100  | 3,509  |
| To other countries                                     | 697    | 677    |
| Travel to Canada                                       | 2,168  | 1,995  |
| From the United States                                 | 1,790  | 1,636  |
| From other countries                                   | 378    | 358    |

# 1.2 Imports

Canada's high per capita GDP, its impressive record of economic growth and its history as a trading nation make it an appealing market for international exporters. Two-way trade and investment makes up more than 70% of this country's economy and Canada often plays a vital role in international events leading to the expansion and liberalization of international trade. This country also actively participates in the development of effective institutions and rules to govern that trade.

Canada's international merchandise trade was significantly affected by the decline of the global economy in 2009.<sup>17</sup> Between 2008 and 2009, exports declined by nearly 26%, from \$484 billion to \$359 billion, while imports dropped by nearly 16%, from \$434 billion to \$365 billion. Imports of both goods and services declined, by 24% and 4%, respectively. The resulting trade deficit was the first since 1975.





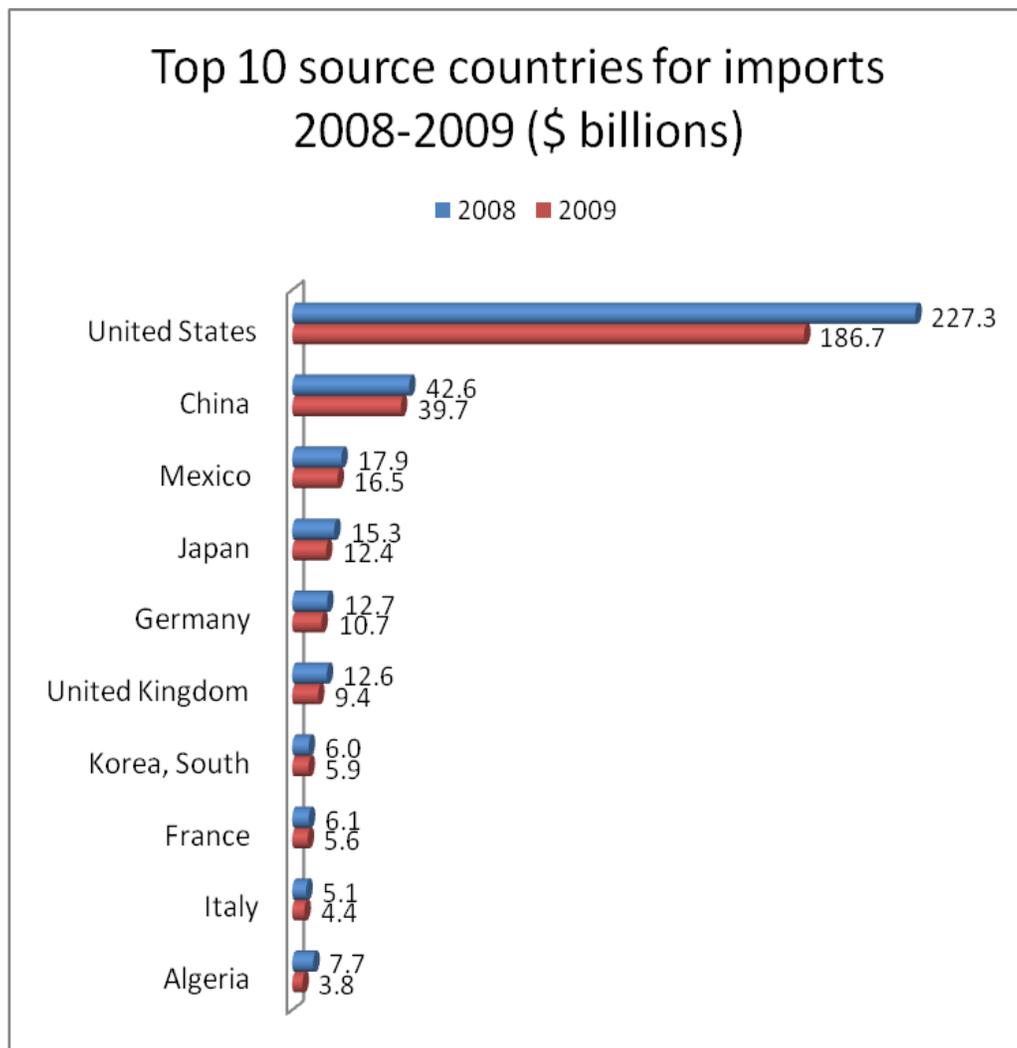
The decline in imports continued into January 2010 with a 3.9% decline from January 2009 levels. On a provincial/territorial level, the 2009 drop in imports was most noticeable in the North West Territories and Prince Edward Island. Nunavut was the only area in Canada that went against this trend, showing a 56% increase in imports in 2009.

Agricultural and fishing products and those countries that supplied them, many of which were TFO Canada client countries, managed to increase their exports to Canada despite the tough economic environment.

| Change in imports by category 2008-2009 (%) |       |
|---|-------|
| Total Imports                               | -15.5 |
| Agricultural and fishing products           | 2.9   |
| Other Consumer Goods                        | -0.1  |
| Machinery and equipment                     | -12   |
| Forestry products                           | -16.8 |
| Industrial goods and materials              | -18.1 |
| Automotive products                         | -23.1 |
| Energy products                             | -36.1 |

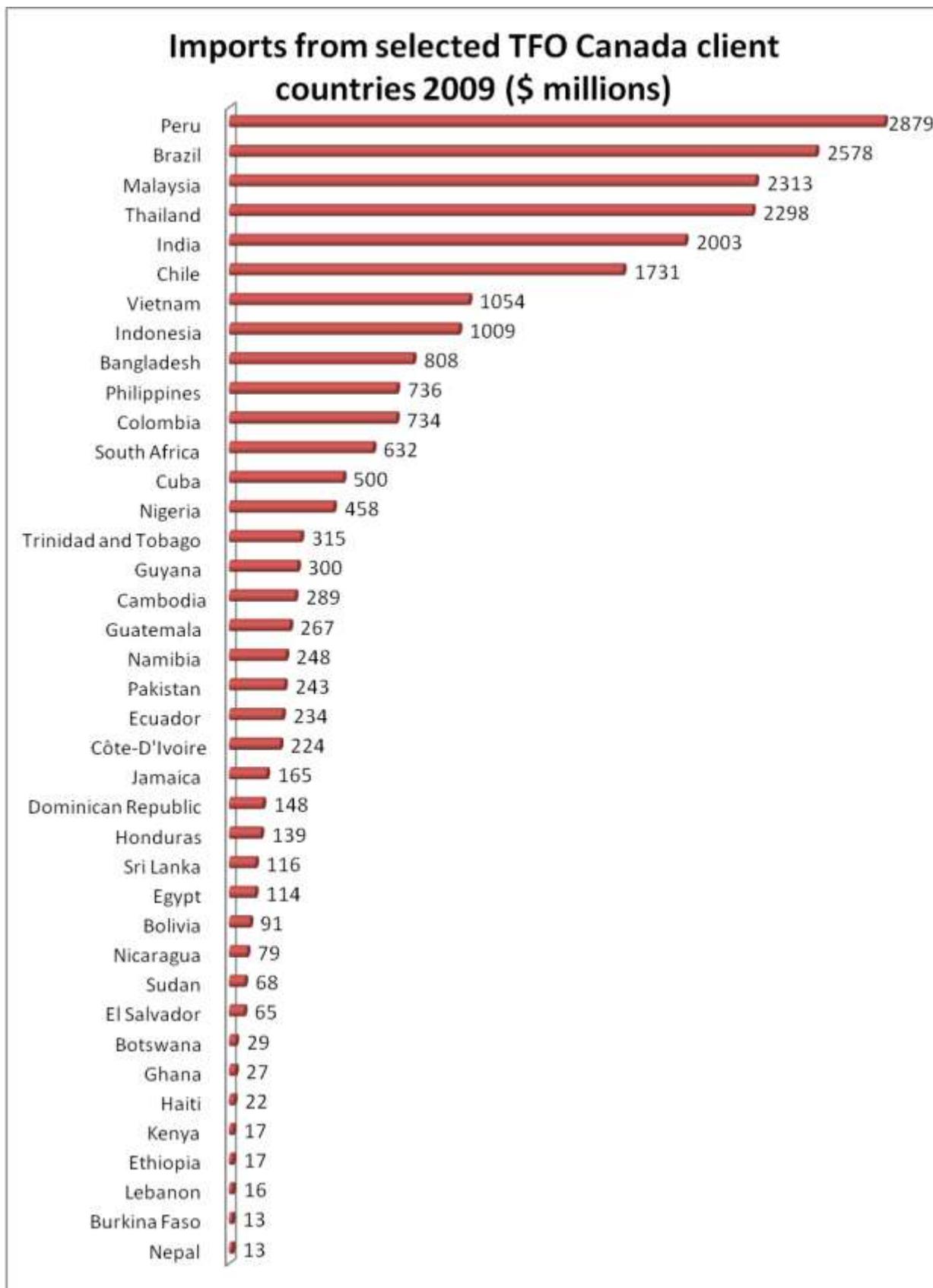
| Imports by province, 2009 (\$ '000) | 2008        | 2009        | % change |
|-------------------------------------|-------------|-------------|----------|
| Ontario                             | 242,313,932 | 208,225,211 | -14      |
| Québec                              | 78,576,522  | 63,203,062  | -20      |
| British Columbia                    | 42,990,527  | 36,695,185  | -15      |
| Alberta                             | 22,118,943  | 17,840,186  | -19      |
| Manitoba                            | 15,299,442  | 12,980,003  | -15      |
| New Brunswick                       | 10,744,755  | 9,368,203   | -13      |
| Saskatchewan                        | 9,034,733   | 7,243,767   | -20      |
| Nova Scotia                         | 8,415,916   | 6,656,844   | -21      |
| Newfoundland and Labrador           | 4,223,867   | 2,642,552   | -37      |
| Yukon Territory                     | 92,071      | 76,247      | -17      |
| Nunavut                             | 31,893      | 49,818      | 56       |
| Prince Edward Island                | 118,795     | 41,275      | -65      |
| Northwest Territories               | 14,553      | 1,963       | -87      |

Imports from the top ten countries declined between 2008 and 2009 with the exception of South Korea which managed to maintain a fairly stable level of supply to this country.



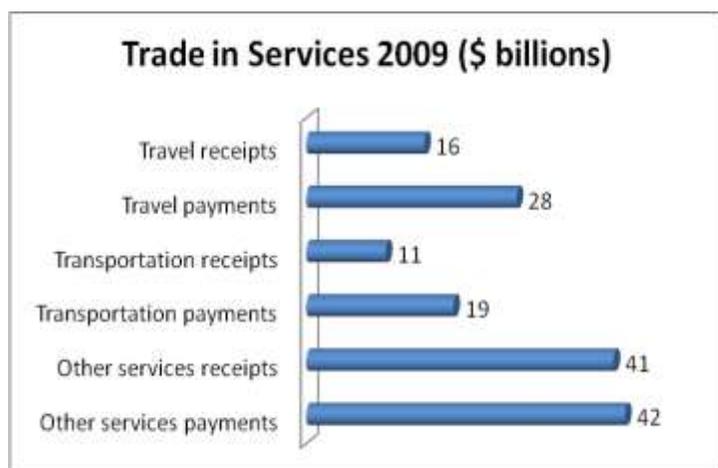
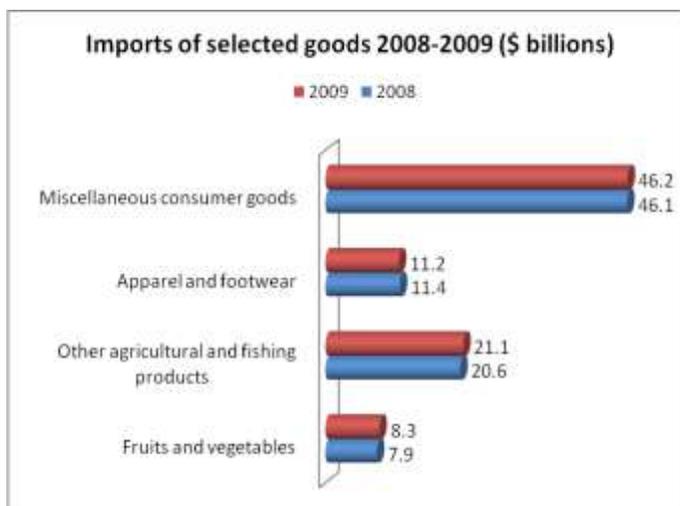
As the following table shows, at least 17 TFO Canada client countries were successful in increasing exports to Canada between 2008 and 2009 despite the overall shrinkage in purchasing by Canadian buyers. Imports from Sudan remained stable, and those from Pakistan declined by just 1% over the period. Nigeria and Jamaica saw their sales to Canada decline by half while eight other countries suffered double digit losses.

| Change in imports from selected TFO Canada client countries 2008-2009 (\$ millions) |      |      |          |
|---|------|------|----------|
|   | 2008 | 2009 | % change |
| Peru  | 2455 | 2879 | 17       |
| Bangladesh  | 649  | 808  | 25       |
| Vietnam   | 954  | 1054 | 10       |
| Colombia  | 639  | 734  | 15       |
| Guyana  | 225  | 300  | 33       |
| Cambodia  | 268  | 289  | 8        |
| Guatemala   | 265  | 267  | 1        |
| Namibia   | 246  | 248  | 1        |
| Ecuador   | 177  | 234  | 32       |
| Côte-D'Ivoire   | 133  | 224  | 68       |
| Dominican Republic  | 130  | 148  | 14       |
| Bolivia   | 77   | 91   | 18       |
| Botswana  | 13   | 29   | 120      |
| Haiti   | 19   | 22   | 13       |
| Kenya   | 15   | 17   | 11       |
| Ethiopia  | 13   | 17   | 32       |
| Burkina Faso  | 0    | 13   | 9424     |
| Sudan   | 68   | 68   | 0        |
| Pakistan  | 246  | 243  | -1       |
| Sri Lanka   | 120  | 116  | -3       |
| Brazil  | 2685 | 2578 | -4       |
| Chile   | 1794 | 1731 | -4       |
| Lebanon   | 16   | 16   | -5       |
| El Salvador   | 69   | 65   | -6       |
| Thailand  | 2474 | 2298 | -7       |
| Indonesia   | 1079 | 1009 | -7       |
| Trinidad and Tobago   | 341  | 315  | -8       |
| Honduras  | 152  | 139  | -8       |
| India   | 2202 | 2003 | -9       |
| Philippines   | 823  | 736  | -11      |
| Nepal   | 15   | 13   | -14      |
| Egypt   | 139  | 114  | -18      |
| Nicaragua   | 99   | 79   | -20      |
| Ghana   | 34   | 27   | -20      |
| Malaysia  | 2926 | 2313 | -21      |
| South Africa  | 845  | 632  | -25      |
| Cuba  | 895  | 500  | -44      |
| Nigeria   | 924  | 458  | -50      |
| Jamaica   | 328  | 165  | -50      |



## GOODS

Canada is a resource-rich economy with abundant supplies of most mineral and many agricultural commodities. Domestic production, therefore, satisfies most of the country's demand for petroleum and other fuels, grains, wood and lumber products, coal, and many ferrous and nonferrous metals. Canada is also a major exporter in all of these commodity areas.



## SERVICES

The term, 'Services,' covers a wide range of activities. Vacations abroad, software downloads from a website outside Canada, and tuition charged by a foreign university are examples of services imports. Other examples include professional consulting by engineers or lawyers, offshore back-office business services such as technical support, freight and shipping provided by transport companies, international insurance, access to database and information services, business assistance provided by

intermediaries, and payments in exchange for rights to foreign intellectual property, e.g., patents and copyright.

Canada consistently imports more services than it exports and this held true in 2009. Imports result in increased competition leading to lower prices, better quality and increased selection for both consumers and producers of services. Imports also allow access to new ideas and innovative technologies which, in turn, make services easier to develop, market, and deliver over long distances. TFO Canada has produced a detailed market report on exporting services to Canada; this is available to registered exporters at: <http://www.tfocanada.ca/mip.php>.

## **NAFTA (North American Free Trade Agreement)**

Since 1994, NAFTA has eliminated tariffs on most merchandise, set out clear trading rules, and created a larger, more integrated market between its member states – Canada, the United States and Mexico. This makes North America one of the most efficient regions in the world in which to conduct business.

Exporters should note that success in the Canadian market, particularly if partnering with a Canadian company, can potentially lead to export opportunities in the significant United States and Mexico markets.

By working with TFO Canada, exporters can ensure that their products and services meet the stringent demands of the Canadian market; as such, they will be of a standard and quality that will be attractive to buyers and consumers in the other NAFTA markets. Details are available at: [http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/nafta-alena/index.aspx?lang=en&menu\\_id=1&menu=](http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/nafta-alena/index.aspx?lang=en&menu_id=1&menu=)

# 1.3 Trade System

## TRADE AGREEMENTS

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Canada is party to several regional, bilateral and multilateral trade agreements for goods and services. These agreements cover topics such as market access; investment; government procurement; subsidies; agriculture and services competition; intellectual property rights; dispute settlement; antidumping; and countervailing duties. A list of Canada's major agreements as well as ongoing negotiations for potential trade arrangements with specific countries or regions is available through Foreign Affairs and International Trade Canada: [www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx?menu\\_id=15&menu=](http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx?menu_id=15&menu=).

It is important to note that Canada has begun adding parallel Labour and Environment agreements to trade agreements signed as recently as 2009; this is expected to continue into the foreseeable future. As such, an exporter's Corporate Social Responsibility (CSR) strategy becomes important in trade with this country. CSR is not a new concept but buyers are taking a direct and deliberate look at the total production process including procurement, manufacturing and waste disposal. Exporters should try to market themselves by offering buyers their published CSR statements and try to choose to work with vendors committed to the same level of compliance. While labour rights issues are not currently viewed by most buyers as being as important as environmental issues, importers do evaluate these factors as part of the whole picture, particularly when making decisions about whether to buy from specific countries. As well, major violations of human rights and/or political or social instability can affect sourcing decisions. Brands clearly want governments in producer countries to improve on environmental and labour standards regulations and their enforcement. According to companies interviewed in a recent survey, countries in Central America and the Caribbean could gain some degree of competitive advantage over Asian countries with relatively lower production costs if they meet the challenges described above. An example of a Canadian trade agreement on the Environment is available at: <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/peru-perou/fs-environ.aspx>, while that of a Labour agreement is available at: <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/peru-perou/fs-labour-travail.aspx>.

There is also an *Agreement on Internal Trade* which aims to reduce inter-provincial barriers to the movement of persons, goods, services and investment within Canada. Further details and updates on any of these can be obtained through the Industry Canada website: [www.ic.gc.ca/epic/site/ait-aci.nsf/en/home](http://www.ic.gc.ca/epic/site/ait-aci.nsf/en/home).

## TAXES

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The federal government imposes a 5% percent Goods and Services Tax (GST) on almost all goods and services sold here. Only food sold in grocery stores, medical and dental services and a few others are exempt. All imports are subject to the GST, which is paid by the importer when the product enters Canada. In addition to the GST, federal excise taxes are imposed on certain goods sold in Canada, e.g., jewellery, tobacco products, alcoholic beverages and gasoline. Imports of these are subject to a duty equivalent to the regular customs duty plus the excise duty imposed on similar Canadian manufactured products. A provincial retail sales tax is also collected by retailers in most areas upon the final sale of goods and some services to the customer. While they affect the retail price, these sales taxes are never levied directly on imports.

**Important Note:** As of July 1, 2010, the provinces of Ontario and British Columbia will implement a harmonized sales tax (HST) which would replace existing provincial sales taxes and the federal GST in those provinces. The HST will be applied on most supplies of goods and services made in Ontario at a rate of 13%, consisting of the 5% federal portion and an 8% provincial portion. An HST is already in place for the Atlantic provinces.

Businesses in Ontario that are registered for the GST would be required to collect the HST and would report their HST according to their current GST filing frequency. Retailers and service-providers will upgrade their point-of-sale, cost and accounting systems to meet the implementation date.

Imports are subject to GST or the federal part of HST *with some exceptions*. For example, goods imported by manufacturing service companies to be processed for non-residents and later exported without being used in Canada are considered a non-taxable import. An input tax credit can also be claimed in some circumstances. GST/HST is calculated on the Canadian dollar value of the goods, including duty and excise tax, and is collected at the border at the same time as these duties. The owner or importer of record is responsible for paying the tax on imported goods. Details are available at: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/mprtsxperts/mprtdgds-eng.html>.

## TARIFFS

Only the Federal Government may impose duties on goods and services entering Canada; provincial governments are constitutionally prohibited from doing so. All products entering Canada must be reported to the Canada Border Services Agency (CBSA), the federal agency responsible for compliance with Canada's borders legislation. This is usually done at the point of entry by a customs broker representing the importer, or by the importer in person. Generally, the goods are released immediately upon presentation of minimum required documentation. Within a few days either the importer or the broker must present the final customs documents and pay any duties and taxes owing. To facilitate the clearance of goods, exporters must ensure that the documentation provided to importers is timely and complete.

**Tariff Rates:** Canada Border Services Agency can assist in determining the duties the importer has to pay on the goods. The importer, using information from the supplier, must provide a thorough description of the goods, including the ten-digit Harmonized System Codes, and know their value and origin. CBSA can then provide advice on the appropriate valuation method, classification, and treatment. Tariff details are available at: <http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2010/01-99/tblmod-eng.html>.

Under the *Market Access Initiative*, Canada has eliminated all duties and quotas on most imports from 48 LDC's (least developed countries) except for dairy, poultry and egg products, which remain subject to duties and quotas. Specific information is available at: [www.cbsa-asfc.gc.ca/publications/pub/rc4322-eng.html](http://www.cbsa-asfc.gc.ca/publications/pub/rc4322-eng.html). On January 1, 2005, the Government of Canada also implemented the WTO 1994 Agreement on Textiles and Clothing, thereby removing quotas on imports of apparel and some textiles from low-wage countries.

The rate at which duties are assessed depends on the tariff treatment given by Canada to the country from which imports originate. The tariff treatment can be affected by the origin of raw materials and components, and includes the Most Favoured Nation Tariff (MFN) for all members of the World Trade Organization (WTO) and countries enjoying bilateral agreements with Canada; the Commonwealth Caribbean Countries Tariff; the Least Developed Country Tariff (LDCT); preferential tariff treatment under various free trade agreements; and the General Preferential Tariff (GPT) for developing countries. To qualify for any of these tariffs, exporting companies must complete a Certificate of Origin and provide import declaration forms for use by Canadian Government inspectors.

Goods which are eligible for reduced rates of duty under the LDCT may enter Canada duty free when, as a general rule, at least 20% of the ex-factory price originates from one or more LDCT country and 20% from an LDCT or GPT country.

Some countries are eligible for more than one tariff treatment. For example, all countries entitled to the LDCT treatment must also be beneficiaries of the GPT. It should be noted that not all goods exported to

Canada from developing countries are eligible for LDCT or GPT treatment. Set to expire in 2014 (although it may be renewed), the LDCT provides duty free access to all products imported to Canada from LDCs (least developed countries) except supply-managed agricultural products in the dairy, poultry and egg sectors. Also expiring in 2014, the GPT covers most products but again excludes supply-managed agricultural products (such as dairy, poultry and eggs), as well as refined sugar, and most textiles, apparel and footwear. Three quarters of covered products enter Canada duty free; the rest are subject to tariff rates that are less than the MFN rates.

To qualify for entry under GPT or LDCT rates, an imported good must be exported by an eligible country and be accompanied by a 'Form A' Certificate of Origin certified by a designated organization in the country of origin. It must also be shipped directly to Canada on a through bill of lading to a consignee in Canada. If the imported good passes in transit through an intermediate country, eligibility for GPT or LDCT treatment is lost if the good undergoes any processing in that country or if it does not remain under customs transit control there. GPT eligibility is denied unless most (60%) of the value of the good is produced by the industry of one or more beneficiary countries. It is worth noting that Canadian content used in the manufacture of the goods qualifies as content from the beneficiary country. Also, materials used in the production of the goods from any beneficiary country (including those other than the source country) that enter the commerce of any country other than a GPT beneficiary country lose their GPT status. *Remember that an accurate identification of the origin of the product is vital to ensuring that the most favourable tariff rate is applied to your product.*

## IMPORT DOCUMENTATION

The range of documents required for exporting to Canada might include:

- *Bill of Lading or Airway Bill:* This contract for carriage issued by the ocean or air carrier is also a receipt. It gives title to the goods and signed copies are proof of ownership.
- *Certificate of Origin (Form A):* CBSA requires a certificate of origin to establish where the goods were manufactured and to determine the applicable rate of customs duty.
- *Commercial Invoice:* This is used by the exporter to charge the goods to the Canadian purchaser. Exporters use their own forms, but the contents should include standard information such as date of issue, name and address of buyer and seller, contract number, description of goods, unit price, number of units per package, total weight, and terms of delivery and payment. The Commercial Invoice is also used by CBSA to assess duties and other import taxes (e.g. GST).
- *Export Permits:* Permits such as those for endangered species are issued by the exporter's home government.
- *Inspection Certificates:* Sanitary and other certificates are required for some types of products entering Canada, including plants, seeds, animals, pharmaceuticals, nursery stock, and meat.
- *Packing List:* This is sometimes required to supplement a commercial invoice.

Details on import documentation and regulations are provided at: [www.cbsa-asfc.gc.ca/import/menu-eng.html](http://www.cbsa-asfc.gc.ca/import/menu-eng.html). This site includes useful information such as:

- Accounting for the shipment: Invoices, import permits, Certificate of Origin, Duty Deferral Program, international trade agreements;
- Examining the shipment: Why goods are examined;
- Registering the business: Business number, import/export account;
- Release of the shipment: Release programs, posting security, transaction number;
- Reporting the shipment: Required documents;
- Storing the shipment: Sufferance and bonded warehouses.

The site also provides Importer Resources including links to:

- Dispute Resolution: Appeal rights, self-adjustment;
- Electronic Commerce: Electronically sending commercial data to the CBSA;

- Importer programs: Customs Self Assessment Program, other government departments Single Window Interface;
- Requirements of other government departments.

And for Service Providers, information on:

- Carrier programs: Carrier and Cargo Policy;
- Duty-free Shops: Information on the licensing process;
- Licensed customs brokers: Information on hiring an agent and the licensing process.

Under the *Customs Act*, the primary basis of determining the value for duty of imports is the *transaction value*, i.e., the price paid or payable for the goods, usually as specified in the invoice. In the case of a transaction between related parties, this transaction value is accepted unless CBSA believe that the relationship between the parties has affected the price of the import. Discounts earned at the time the goods enter Canada can be deducted from the transaction value prior to calculating duty. If the *transaction value* method cannot be applied, consideration can be given under one of five subsidiary methods. Further information may be obtained through the importer or CBSA.

## REMEDIES AND PENALTIES

Canada's *Special Import Measures Act* regulates the application of countervailing duties on imported goods that cause injury to Canadian industry through subsidies in the country of origin. Anti-dumping duties may also be assessed if goods are imported at prices that are less than their selling price in the country of origin. This conforms to the rules governing dumping, subsidies and countervailing duties outlined in the *WTO Anti-dumping Agreement* and the *WTO Agreement on Subsidies and Countervailing Measures*.

Trade disputes between Canada and other countries may be settled under relevant arbitration panels such as the International Chamber of Commerce ([www.iccwbo.org](http://www.iccwbo.org)), or others constituted under the WTO and NAFTA. Importers may also appeal to the Canadian International Trade Tribunal ([www.citt-tcce.gc.ca](http://www.citt-tcce.gc.ca)), an independent, quasi-judicial tribunal that, among other duties, reviews disputes between importers and the CBSA.

Both suppliers and importers should ensure that each transaction or contract is specific about the questions relating to non-performance of either party, as well as the acceptability or not of products as delivered. For example, product specifications and payment terms should clearly be stated in the contract. Any potential for disagreement should be covered by specifying an arbitration board and their relevant rules of arbitration. Both parties should agree beforehand to be mutually bound by the contract.



# 1.4 Trading Rules

Canada has strict national, provincial and municipal regulatory requirements regarding goods and services entering this country. Human health, environmental health and product safety and efficacy are prime considerations for product approval. Comprehensive regulations cover content, packaging and repackaging, labelling, transportation, shipping sample quantities, bulk handling, storage, distribution, display and use of imports. Suppliers should review regulatory information pertaining to their product prior to exporting to this market.

Import declaration forms must be filled out by the manufacturer or shipper for use by Canadian Government inspectors. Further information may be obtained through your buyer.

## INTERNATIONAL STANDARDS

According to Industry Canada, the rising importance of international standards for products and services has been influenced by several factors including:

- mass production;
- labour specialization;
- demand for interchangeable parts;
- globalization;
- manufacturers' concern about liability litigation;
- demands for cheaper goods;
- consumer pressure for easily understandable information;
- public demand for product safety and quality control; and
- concerns about technical compatibility and demands for precision in product measurements.

Standards have become vital to economic competitiveness and have contributed to improvements at all levels of the product cycle, from concept through manufacturing, sales, consumption, and after-sales activities. Organizations are now applying standards to a wider range of products, procedures, and services. For instance, the International Organization for Standardization (ISO) designations for quality management, environmental management and others ([www.iso.org/iso/iso\\_catalogue.htm](http://www.iso.org/iso/iso_catalogue.htm)) are a source of pride and marketing leverage for recipient firms worldwide. This trend promotes innovation and minimizes the risk of standards being a barrier to competition.

On-going concern over the environment alters the way many Canadians view products. Environmentally-friendly goods such as detergents that are less polluting and biodegradable or recyclable products and packaging are favourably viewed.

## CANADIAN STANDARDS

The development of Canadian national standards is influenced by current or potential international standards. This ensures that the interests of Canadian citizens are protected and that Canada maintains a competitive edge in its product and service offerings. The Standards

Council of Canada (SCC) coordinates Canada's participation in the international standards system and accredits the four organizations involved in standards development, and the over 225 organizations involved in product or service certification, testing, and management systems registration activities in Canada. The SCC also helps developing countries build their own standardization system and meet requirements set out in international trade agreements. Information is available at: [www.scc.ca](http://www.scc.ca).

**Development:** SCC-accredited standards development agencies in Canada are the Canadian Standards Association, Underwriters Laboratories of Canada, the Canadian General Standards Board, and Bureau de normalisation du Québec. These organizations develop four types of standards:

- **Performance Standards:** These are set after simulating the performance of a product under actual service conditions, and are used in areas such as food safety, fuel economy and the design of packaging for transporting hazardous goods.
- **Prescriptive Standards:** These identify product characteristics such as material thickness, type and dimensions for, among others, underground steel storage containers for flammable liquids.
- **Design Standards:** These identify specific design or technical characteristics of a product such as those for oil pipelines.
- **Management Standards:** These set out standards for quality and environmental management system processes.

**Assessment:** Three levels of services monitor and verify compliance with standards in Canada:

- **Certification organizations (COs)** conduct on-site audits, take samples, and test products and services in order to issue CO marks attesting that they conform to standards.
- **Testing organizations** perform tests according to recognized procedures and document their findings as to whether a product or service meets the appropriate standard.
- **Management system registrars** issue certificates to companies meeting ISO standards.

## LAWS, REGULATIONS AND CONTROLS

A brief summary of the complex network of laws and regulations affecting imports is provided here; exporters should carefully check relevant detailed requirements before producing for or shipping to the Canadian market. Some of these details may be found in TFO Canada's market reports, but should also be confirmed through your buyer or the agencies listed in the Annex. Please note that all labels must only contain information that is truthful and not misleading to the consumer. The major enforcers of these laws are the CBSA, the Canadian Food Inspection Agency (CFIA), Health Canada, and Industry Canada.

Since French is the official language in Québec, there are legal requirements for its wide use, such as in contracts, order forms, invoices, brochures and labels. Retail packages sold in Québec must be labelled in French, with French given at least equal prominence with other languages. Warranty certificates, directions for use and written advertising must also be provided in French. More information is available at: <http://www.olf.gouv.qc.ca/english/infoquides/selling/selling.html>.

**Canada Agricultural Products Act** ([www.inspection.gc.ca/english/reg/rege.shtml](http://www.inspection.gc.ca/english/reg/rege.shtml)): This includes regulations for dairy products, eggs, fresh fruit and vegetables, honey, livestock, poultry, and related processed products.

**Consumer Packaging and Labelling Act** ([www.inspection.gc.ca/english/reg/rege.shtml](http://www.inspection.gc.ca/english/reg/rege.shtml)): Packages must be manufactured, filled and displayed so that consumers are not misled as to the quality or quantity of the product in the package. Standard size containers are required for certain prepackaged products, with some products sold by weight, drained weight, or volume.

**Customs Tariff** (<http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html>): Tariffs are applied to imported products, not services.

**Environmental Legislation** (<http://www.ec.gc.ca/default.asp?lang=En&n=48D356C1-1>): Three major Acts are the *Canadian Environmental Assessment Act*, the *Canadian Environment Protection Act 1999* and the proposed *Species-At-Risk Act*. These affect imports of commercial agriculture products and threatened and endangered species.

**Export and Import Permits Regulations** ([http://www.international.gc.ca/controls-controles/about-a\\_propos/impor/permits-licences.aspx](http://www.international.gc.ca/controls-controles/about-a_propos/impor/permits-licences.aspx)): International trade of some products is controlled or restricted at the Canadian border; those affected require import or export permits (see also *Import Control List* below).

**Fish Inspection Act and Regulations** ([www.inspection.gc.ca/english/reg/rege.shtml](http://www.inspection.gc.ca/english/reg/rege.shtml)): Seafood importers must obtain import licences and inform federal authorities at Fisheries and Oceans Canada

about the type, quality, and origins of fish imports prior to arrival at the border. Because of the high rate of rejection, exporters are expected to cover rejection insurance costs.

**Food and Drugs Act and Regulations** ([www.inspection.gc.ca/english/reg/rege.shtml](http://www.inspection.gc.ca/english/reg/rege.shtml)): These apply to food, pharmaceuticals, natural health products, cosmetics, and therapeutic devices. Such products cannot be labelled or advertised in a way that misleads customers. Health claims regarding the ability of products to assist in the treatment or cure of specific diseases such as alcoholism, cancer, heart disease, and obesity are strictly prohibited. If nutritional or other claims for a food product are made, additional regulations are automatically triggered. For example, if a product is advertised on the label as low-fat, then its protein content must be specified; if it is advertised as low-sodium, the potassium content must be noted; if fresh strawberries are depicted on a frozen pie product, information on any artificial flavourings used must be provided.

Health Canada ([www.hc-sc.gc.ca/ahc-asc/legislation/index\\_e.html](http://www.hc-sc.gc.ca/ahc-asc/legislation/index_e.html)) has approved new regulations related to food labels, in particular the presentation of nutrition information and messages related to diet claims and allergies. More information is found in TFO Canada's food sector market reports.

Potential pest infestation by wood packaging material and dunnage is also controlled by the CFIA ([www.inspection.gc.ca/english/plaveg/for/cwpc/wdpkggae.shtml](http://www.inspection.gc.ca/english/plaveg/for/cwpc/wdpkggae.shtml)).

**Hazardous Products Act** ([http://www.hc-sc.gc.ca/cps-spc/pubs/indust/reference\\_guide\\_consultation\\_rapid/index-eng.php](http://www.hc-sc.gc.ca/cps-spc/pubs/indust/reference_guide_consultation_rapid/index-eng.php)). This defines and restricts the conditions under which various types of hazardous products may be sold or advertised, and specifies designated symbols with which they must be marked. Product characteristics such as flammability and chemical and biological hazards must be identified. Many fibers, fiber products and garments may be required to pass flammability tests. A detailed set of rules applies to toys, certain sports equipment, and furniture, particularly if they are designed for use by infants and children.

**Health of Animals Act** ([www.inspection.gc.ca/english/reg/rege.shtml](http://www.inspection.gc.ca/english/reg/rege.shtml)): This Act covers the general protection of animals, specifically the diseases and toxic substances that may affect animals or be transmitted by animals to people.

**Import Control List** ([http://www.international.gc.ca/controls-controles/about-a\\_propos/impor/importing-importation.aspx](http://www.international.gc.ca/controls-controles/about-a_propos/impor/importing-importation.aspx)): The CBSA requires an import permit for controlled goods, in particular textiles and clothing, certain agricultural products, steel products, and weapons and munitions. The buyer must obtain an import permit from the Export and Import Controls Bureau (EICB) of Foreign Affairs and International Trade Canada.

**Meat Inspection Act** ([www.inspection.gc.ca/english/reg/rege.shtml](http://www.inspection.gc.ca/english/reg/rege.shtml)): Imports of fresh and frozen meat and meat products from most countries are prohibited for health and sanitary reasons. Only those originating in foreign plants whose home government's standards have been approved by Canadian federal authorities may enter Canada. Containers for imported meat shipments destined for further processing in Canada, as well as canned and preserved meats, must be labelled according to this Act. Exporters approved to ship meat products to Canada must obtain a Certificate of Origin under the Animal Disease and Protection Act, and a meat inspection certificate under the Meat Inspection Act.

**Medical Devices Regulations** (<http://www.hc-sc.gc.ca/dhp-mps/md-im/index-eng.php>): These apply to imports of medical devices.

### **Plant Protection Act and Plant Quarantine Regulations**

([www.inspection.gc.ca/english/reg/rege.shtml](http://www.inspection.gc.ca/english/reg/rege.shtml)): These apply to imports of cut flowers and plants.

**Prohibited Goods** (<http://www.cbsa-asfc.gc.ca/security-securite/prohib-eng.html>): Counterfeit products, some agricultural products, offensive weapons, pornography, hate literature, various endangered species, and goods that are internationally sanctioned are among a list of items not allowed into Canada.

**Provincial Rules** ([www.cra-arc.gc.ca/E/pub/eb/edb-a1/README.html](http://www.cra-arc.gc.ca/E/pub/eb/edb-a1/README.html)): Imports of alcoholic beverages require prior authorization from the provincial liquor commission before customs authorities will clear them.

**Tariff Quotas** ([www.cbsa.gc.ca/sme-pme/i-guide-eng.html](http://www.cbsa.gc.ca/sme-pme/i-guide-eng.html)): In order to implement Canada's responsibilities under certain international agreements, imports of some agricultural commodities are controlled by quotas. Seasonal tariffs may also be applied to imports of fresh fruits and vegetables representing species grown in Canada; these are typically triggered when the Canadian grown products are ready for market. Exporters should note that all Canadians dealing in international and interprovincial trade in fresh produce must be licensed by the CFIA or be members of the Dispute Resolution Corporation (DRC). You are strongly advised to obtain and confirm the license number of your buyer before exporting to Canada.

**Textile Labelling Act** ([http://www.ic.gc.ca/eic/site/ic1.nsf/eng/03296\\_3.html](http://www.ic.gc.ca/eic/site/ic1.nsf/eng/03296_3.html)): Almost all imported consumer apparel products should bear labels in English and French showing: name and head office address, or the registered dealer identification number (CA or CSS license number) of the manufacturer or person who markets the goods in Canada in their own name; product of ... (country of origin name); and the fiber content (especially for linings).

## SECTION 2

### Doing Business in Canada

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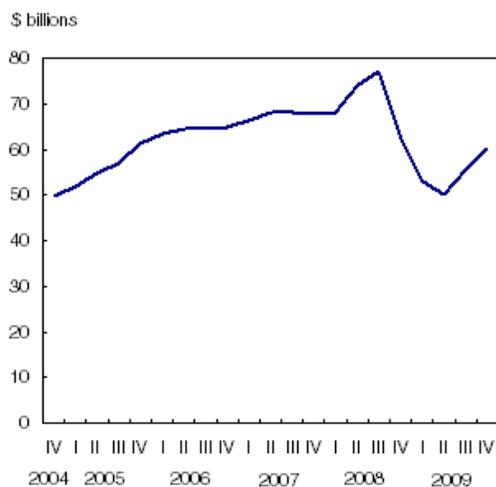
# 2.1 Structure and Rights

The legal framework under which businesses operate is set by both federal and provincial governments. Although commerce is largely the domain of private individuals and firms, government becomes directly involved to further basic social objectives such as health and education, or to maintain infrastructure services such as water treatment and roads.

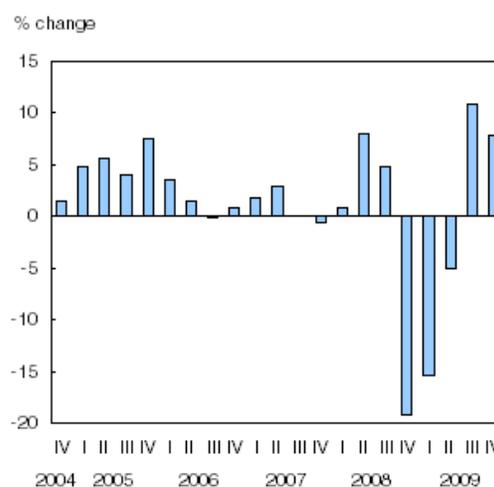
## TYPES OF BUSINESS ORGANIZATION

There are four principal types of business organization in Canada, *Proprietorship*, *Partnerships*, *Corporations* and *Cooperatives*, which are distinguished by the number of people involved and the way in which their investment in the organization is rewarded. In addition, a foreign corporation may set up a *Branch* plant or office or form *Industrial Cooperation* links with a Canadian firm. Each type of business organization has advantages and disadvantages, such as the business owner's liability, i.e., legal responsibility for the debts of the business; how different levels of government collect taxes from the business; what the business must report to different government authorities; and what documents and records the business must keep for inspection by government authorities.

Quarterly operating profits



Quarterly change in operating profits



**Proprietorship:** This is the simplest type of organization, where the business is owned by an individual who operates under his or her own name or under a trade name. The owner assumes total responsibility, including unlimited liability. If the business fails, all of the owner's assets, both business and personal, may be used to pay off the business debts. Only a few regulations govern sole proprietorships and owners choose their own fiscal year end for the business. This type of business comes under provincial or territorial jurisdiction. The name under which the proprietor chooses to carry on a business must be registered with their province or territory. If a sole proprietor establishes a business in his or her own name without adding any other words, it is not necessary to register the business name.

The advantages of a proprietorship include its low costs for starting up, relatively low requirements for working capital and the greatest freedom from government regulation. The proprietor has the highest degree of control of all business types, and retains all profits. For this same reason, however, it may be

difficult for a proprietor to raise capital from other sources, or to find anyone else to run the business in his or her absence or in the case of illness or injury. The owner's unlimited liability is also a disadvantage, particularly in a growing market or an uncertain business climate.

**Partnership:** A partnership exists when two or more people join together to operate a business. There are two forms of partnerships in Canada – general and limited.

- *General Partnership:* All partners are liable for the debts of the partnership. Debts and obligations established in the name of the business by any of the partners are the responsibility of all partners. Each of the partners is also responsible for any wrongful act or omission committed by one or all of the other partners in the operation of the business.
- *Limited Partnership:* One, or sometimes more than one of the partners accepts liability for the debts of the partnership. The limited partner cannot be involved in the management of the business and is liable for the debts of the partnership only to the limit of the capital he or she has contributed. This is known as limited liability. A limited partnership may also involve general partners who are in management. They are fully liable for the debts and obligations of the business, but may be entitled to a greater share of the profits.

Partnerships must be registered with the appropriate provincial government agency. A partnership may choose its own year end, but must not change this without permission from the Canada Revenue Agency. Profits are treated as income for the owners and are taxed at personal rates.

A partnership agreement sets out the framework of the operation and mechanisms for resolving problems. The agreement outlines the responsibilities of the partners, the allocation of profits and losses, the equity contribution of each partner, provisions in the event of the death of a partner, and the terms of dissolution. A partnership is not as easy or inexpensive to start as a proprietorship, but has the advantages of a broader management base, additional sources of investment capital and not much more government regulation. However, unlimited liability still exists in some cases and finding suitable partners to share the decision-making without conflict may be a challenge.

**Corporation:** This is a limited liability company formed under either federal or provincial jurisdiction, depending on the nature of the business, where it will operate, and its share structure. As in a limited partnership, each investor is responsible for debts only to the limit of his or her investment. Corporations reserve the right to use the word 'Limited' or 'Ltd.' in their name.

Companies may choose to be either public or private corporations. Both types may issue shares in the business in exchange for investment capital, but private companies are restricted to no more than 50 shareholders and cannot sell shares to the general public. A public company is not restricted in this manner but must file financial statements and an investment prospectus, and comply with reporting and disclosure requirements of federal and provincial securities authorities. The source of investment is the source of control in a corporation, and in general one share is equal to one vote in the affairs of the corporation. Private companies tend to be closely held in that a small number of shareholders own the shares, and their voice in the business is proportional to their investment. Private corporations that are successful in their early years may seek additional investment capital by 'going public', although bringing in a larger number of investors changes the pattern of control over the business and is a source of risk.

Under the terms of the various incorporating acts, corporations are usually required to verify their financial activities with an independent accountant or accounting firm. The shareholders of the corporation appoint an Auditor at the annual meeting. The Auditor examines the company's financial books and records and provides an opinion on the fairness of the financial statements. The Auditor's report and the financial statements must be prepared in accordance with the Canadian Institute of Chartered Accountants Handbook. For a public corporation, the Auditor's Report and financial statements are usually public documents, while private corporations are not required to disclose their activities to outsiders other than for purposes such as taxation.

Since the corporation is a separate legal entity with an indefinite lifetime, its ownership is transferable. Management can be specialized and not have to rely on the skills or the health of particular shareholders. The major advantage of a corporation is the limited liability of its investors, which makes it a less risky investment for investors than either proprietorships or partnerships. Although a corporation generally pays lower taxes than either a proprietorship or partnership, it is the most expensive form of business to organize, is closely regulated, and requires maintaining extensive records for various government departments. Information on incorporation is available at:

<http://corporationscanada.ic.gc.ca/epic/site/cd-dgc.nsf/en/home?OpenDocument>.

**Cooperative:** These are limited-liability private companies under provincial jurisdiction, and are structured in a different way than corporations. Membership in a cooperative is open, but controlled by the company so that shares are not traded publicly. In general, the investment required from each member of a cooperative is the same, so that voting control is exercised equally by all members. While additional investment may be provided for some financial return, no extra control over the business is given to those investors. For this reason, corporations tend to place relatively more emphasis on the profits or capital accumulation from the business activity, while cooperatives emphasize the business activity itself. In both cases, of course, financial losses must be avoided if the business is to survive.

There are two key types of cooperatives. In a *producer or worker* cooperative, the investors and company management are the same people who sell their product or service to outside customers. In a *consumer* cooperative, the investors and the customers are the same people, and they create a company to provide themselves with a product or service. Like a corporation, a cooperative is a separate legal entity that enjoys limited liability, continuous existence and specialized management. Cooperatives also choose their fiscal year end, and may be required to provide audits of their financial statements. The principal advantage of a cooperative is a membership that provides a stable investment base over time. However, since membership is not transferable on the open market, it is not as easy to raise capital in a short period of time. A cooperative is also closely regulated and requires extensive record-keeping.

**Branch Office of a Foreign Corporation:** All foreign corporations operating in Canada must be registered or licensed to operate as an extra-provincial company in the provinces in which they do business. If the corporation does not have an office in a province where it operates, an attorney is usually appointed as the local representative of the firm. This appointment is filed with the appropriate provincial agency. Branch offices are subject to the laws of the province in which they operate. They must maintain proper records and file tax returns as required. The parent company assumes unlimited liability for the debts of its branch operations. A foreign corporation planning to invest in Canada must also comply with the terms of the Investment Canada Act.

**Industrial Cooperation:** Companies often collaborate to share resources, reduce costs and lower risk. This allows the flow of technology, capital, information and expertise between companies, and helps in penetrating new markets. Mechanisms for such collaboration include:

- *Co-marketing and Co-production:* This may be of interest to companies trying to penetrate a larger market. A company in one country will undertake to market the products of a company in another country, in return for a reciprocal service in the other country. Companies can also enter into co-production arrangements to manufacture each other's products.
- *Joint Ventures:* These are agreements in which two or more companies form a third corporate entity to undertake specific projects. Such an arrangement may be between a foreign manufacturer and a Canadian company looking to produce goods abroad for a global market. No legislation or legal definition exists to specifically regulate joint ventures in Canada. For tax and other reasons a joint venture is usually set up as a corporation, and may be referred to as an incorporated joint venture. If carried out in an unincorporated form, attributes of both co-ownership of property and a partnership would apply to the joint venture. While not easily distinguished from a partnership, a joint venture generally refers to a single venture or limited-life project such as a building construction project.
- *Strategic Alliances:* These are looser long-term arrangements between Canadian and foreign companies interested in supplying each other with materials, components, market information or other services.

## INTELLECTUAL PROPERTY RIGHTS

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Mechanisms for protecting intellectual property rights in Canada include *Patents, Trademarks, Copyright, Industrial Design* and *Integrated Circuit Topographies*.

**Patents** offer inventors monopolies on their creations for specific periods, thus providing incentives for research and development. Since patents are made public, they promote the sharing of knowledge and are vital resources for businesses, researchers, inventors, academics and others who need to keep up with developments in their fields. A Canadian patent gives the inventor the right to exclude others from making, using or selling the invention from the day the patent is granted to a maximum of 20 years after the day on which the patent application was filed. In exchange, a full description of the invention must be provided so that all Canadians can benefit from the advance in technology and knowledge. The rights conferred by a Canadian patent do not extend to foreign countries. Conversely, foreign patents do not protect an invention in Canada. To obtain patent protection in Canada for an invention previously patented in a foreign country, the inventor must file an application within 12 months of having filed in another country. Alternatively, application for a foreign patent within Canada is made possible through the Patent Cooperation Treaty (PCT) administered by the World Intellectual Property Organization in Geneva. Under the PCT, the inventor may file for a patent in as many as 43 member countries through a single application filed in Canada.

**Trademarks** are words, symbols, designs or a combination of these which are used to distinguish specific goods or services from others in the marketplace. While not mandatory, registration of the trademark protects ownership. Registered trademarks are valid for 15 years, can be renewed for further 15 year periods, and can be cancelled if unused for three consecutive years. A registered trademark gives its owner the exclusive rights to its use in Canada but has no validity in other countries. Registration in other countries must be done independently.

**Copyright** means that an owner is the only person who may copy his or her work or permit someone else to do so. It includes the sole right to publish, produce, reproduce and perform a work in public and applies to all original literary, dramatic, musical and artistic works such as books, films, compositions, sculptures, paintings and maps. Copyright also applies to performances, communication signals and sound recordings. A copyright in Canada is valid for the life of the author plus 50 years and is automatically acquired upon creation of an original work, provided the author is a Canadian citizen, a British subject, a resident within the British dominion, a citizen or subject of a country belonging to the Berne Copyright Convention, or a citizen of a country that grants Canadians the benefits of its copyright statute on the same basis as its own citizens. Foreign authors receive copyright protection in Canada upon creation of their works, similar to the rights of Canadians under the Copyright Act.

**Industrial Designs** are distinct from patents, copyrights and trademarks. An industrial design is any original shape, pattern or ornamentation applied to a manufactured article, such as the shape of a table, the pattern of a fabric or the decoration on the handle of a spoon. The article must be mass produced or intended for mass production. An industrial design may be registered in Canada if it is not identical or similar to others already registered. If a design has been published in Canada before being registered, it must be registered in Canada within 12 months of the publication date. The registered owner of an industrial design has the sole right to use the design in Canada for five years, renewable for a further five years. Registration in Canada does not provide protection in other countries; filing must be done independently in each country.

**Integrated Circuit Topographies:** An integrated circuit product, or microchip, is a manufactured device made up of a series of layers of semiconductors, metals, insulators and other materials. These form a three dimensional configuration, or 'topography'. The original design of the topography is protected upon registration.

**Further details on all of the above can be obtained through the Canadian Intellectual Property Office:** [http://strategis.ic.gc.ca/sc\\_mrksv/cipo/cp/cp\\_main-e.html](http://strategis.ic.gc.ca/sc_mrksv/cipo/cp/cp_main-e.html).

# 2.2

## Key Considerations

Rapid technological and social changes result in a constantly evolving market for new products and services in Canada. If you are unsure whether your product can be sold profitably in Canada, find out how much of the Canadian market for that product is currently supplied by imports, and where those imports originate; you can obtain this information through [www.strategis.gc.ca](http://www.strategis.gc.ca). The value of annual sales in Canada for a product or service also provides a preliminary indication of whether this market is really worth pursuing.

Exporters must compete fiercely and consistently for a part of this lucrative market. To make inroads here, an exporter must either offer a completely new product or be able to push aside an existing supplier with a more attractive offer in terms of design, quality, price or service. Exporters must compete with suppliers in Canada and other countries who use modern equipment and processes to produce high quality products which can be sold at competitive prices here.

### STRATEGY

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Canadian businesses engaged in importation, resale, distribution and retail sales across Canada look for sales support as well as regulatory compliance, marketing and promotional efforts from their foreign suppliers in order to market their products and services and develop new client bases. The key to successful exploitation of the Canadian market is the development of an organized marketing strategy. The following require priority attention:

- rapid turnaround in sample making;
- same-day reply (by e-mail, fax or telephone) to every communication;
- on-time deliveries, with any delays agreed to in advance with your buyer;
- delivery of product which corresponds precisely with agreed-to specifications and samples, with any changes agreed to in advance with the buyer;
- continuity of supply;
- maintenance of high quality at a competitive price;
- appropriate packaging material for overseas shipments;
- adequate handling and storage facilities;
- promotion, especially of new products (include names of current or past clients and/or their countries as references);
- knowledge of payment terms.

In addition, you should ensure that your representative in contact with the buyer speaks and writes clear and fluent English or French, depending on the preference of the buyer.

### QUALITY AND STYLE

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Canadian buyers are demanding and most products sold in Canada tend to be of relatively high quality. Since importers are legally liable for defective products, they are unlikely to buy a product if it is poorly made or if the supplier has a questionable reputation. Careful attention should be paid to overall workmanship and the quality of detailing. Failure to comply with regulations for imported goods can result in fines and possible seizure of goods, rendering the product unfit for sale in Canada. Extended warranties for many consumer durables are increasingly demanded by consumers. Details on quality and style are outlined in individual TFO Canada market reports listed at: <http://www.tfocanada.ca/mip.php>.

## PACKAGING

Attractive, appropriate and appealing retail packaging is important and suppliers should consult the Canadian buyer on this subject. Creative packaging and hangtags may make the product more attractive for gifts. Experts in Canada can provide designs, artwork and translations and send over final graphic files for printing in your country, which is often more economical than printing in Canada. Your buyer can assist you with these details.

In addition to English and French required for the Canadian market, exporters should also consider labelling in Spanish, especially if the U.S., Mexico, and South America are potential markets for the item. The initial effort at the beginning, even if you are starting out in the Canadian market, will be worth it later on in your marketing plan. Be careful of literal translations, which do not always truly reflect what you want to say. Have your translations checked by people fluent in English, French, and Spanish.

In general, there should be consistency of packaging and package sizes, an orderly loading of containers, shipping marks on the master pack, and article numbers on the inner packs. Shipping containers must be clearly stamped or stencilled on a minimum of two sides with all code markings, and in waterproof ink. Since buyers generally use the same packaging to ship products out of their warehouse, the packages should be sturdy enough for multiple handling. Reusable rather than disposable packaging also addresses environmental concerns. Sub-standard packaging may damage the product and create problems for the importer in clearing and marketing the goods in Canada. The importer will then refuse to do further business with that supplier.

**Environmentally-Friendly Packaging:** ‘Green’ packaging is here to stay – it is no longer a ‘fad’ as companies have become serious about their responsibility to the environment. Increasing demand for biodegradable, recyclable and reusable packaging is urging manufacturers and packaging companies to develop innovative alternatives to the traditional plastic shopping bag and excessive packaging. Greener solutions such as biodegradable plastics made from plants (primarily corn) have entered the marketplace in recent years. Reusable cloth bags and collapsible plastic crates have also increased in popularity in place of plastic shopping bags, a trend likely borrowed from Europe where consumers have preferred such alternatives for years. Canadian retailers are starting to ban or charge for plastic bags in their stores to highlight the importance of using ‘greener’ alternatives. Industry estimates forecast that the market for environmentally friendly packaging could see a minimum of 20% growth annually.

## LABELLING

With extremely limited exemptions such as test marketing, bilingual labelling in English and French is required on all prepackaged goods sold in Canada. Exporters should ensure that the buyer provides all information required on the label and approves all drafts prior to printing. In general, packing cases must be labelled in English and French with the following information:

- product name and style number;
- colour of product (if applicable);
- weight of case in kilograms;
- the number of items per container;
- size of box;
- country and region of origin;
- name and address of manufacturer or exporter.

Consistency in quality and delivery of the product with ordered specifications are crucial to maintaining Canadian orders. Continuity of supply is a key factor in the importer's, wholesaler's and retailer's commitment to marketing imported goods. Sporadic shipments will damage the exporter's reputation and chance of success in Canada.

Retail labels for packaged food products must include information such as the common or generic name of the product; net quantity and list of ingredients; name and address of the dealer or distributor; number and size of servings; and a ‘best before date,’ except for fresh fruits and vegetables.

## ADVERTISING

For many products sold in Canada, strong brand loyalties, coupled with heavy advertising, have prevented the successful introduction of competing products or new brands. In recent years, however, the strength of brands has been eroded in some industries because of product customization and the emergence of private label brands.

Television accounts for the biggest proportion of total advertising revenues in Canada, followed by newspapers, magazines and radio. Because of the cost and the difficulty of targeting markets effectively, very few exporters make direct use of the Canadian broadcast or print media to advertise or promote products.

TFO Canada advertises export offers in *Import Info E-Newsletter*, an electronic publication sent to Canadian importers registered with TFO Canada. Some Canadian trade periodicals publish an annual buyers' guide and may allow advertisements by exporters; these are also listed in TFO Canada product sector market reports.

Cooperative advertising and promotion campaigns undertaken jointly with Canadian importers may be suitable for some suppliers. If the importer assumes the full cost of advertising or point-of-purchase promotion, a lower price is expected from the supplier. In other cases, the importer and exporter together may enter into a shared cost advertising and promotion arrangement. Other advertising options used by Canadian importers include brochures, contests, direct mail, gift cards, coupons, give-aways and special events. Coupons offering money off the next purchase of the same product are an increasingly popular means to promote sales of packaged food and certain other goods. Unlike many other promotion techniques, they offer a tangible benefit to customers.

## PRICE

Promotional activity at the retail level commonly takes place to stimulate demand. As consumers become more price sensitive, retailers are being forced to lower their cost of doing business, often at the expense of manufacturers. In addition, retailers offer regular sales discounts to entice customers to buy.

As a result of poor product quality, damage before or during shipping or late delivery, the exporter may be requested to provide replacement products, parts, or credit. An exporter may also initiate special terms which allow the exporter to shift warehousing or inventory costs over to the retailers. Large volume orders usually accompany these terms. TFO Canada provides an export costing worksheet to assist exporters in determining the price of their product.

The average landed cost of an imported product includes markups which cover:

- import duties;
- federal/provincial sales taxes;
- brokerage/insurance/freight fees;
- advertising, product development and testing;
- transportation;
- overheads; and
- other carrying costs.

| <b>Sample of an Export Costing Worksheet</b>                          |                         |
|---|-------------------------|
| ITEM  | COST (\$ your currency) |
| <b>1. Product cost per unit</b>                                       |                         |
| ▪ Materials.....  | _____                   |
| ▪ Labour.....   | _____                   |
| ▪ Factory overhead.....   | _____                   |
| ▪ Administration.....   | _____                   |
| ▪ Export Administration costs.....                                    | _____                   |
| ▪ Advertising/promotional material.....                               | _____                   |
| <b>Total Product Cost</b>   |                         |
| <b>2. Export cost</b>   |                         |
| ▪ Crating.....  | _____                   |
| ▪ Special labelling and packing charges.....                          | _____                   |
| ▪ Marking charges.....  | _____                   |
| ▪ Loading and strapping charges.....                                  | _____                   |
| ▪ Forwarding:   |                         |
| ▪ documentation.....  | _____                   |
| ▪ product insurance.....  | _____                   |
| <b>Sub-total, export cost.....</b>                                    | _____                   |
| Add targeted profit.....  | _____                   |
| <b>Basic Selling Price.....</b>                                       | _____                   |
| Add agents commission (if applicable).....                            | _____                   |
| <b>Exworks Sales Price</b>  |                         |
| <b>3. Export shipping cost</b>  |                         |
| ▪ Inland freight.....   | _____                   |
| ▪ Wharfage charge.....  | _____                   |
| <b>Total (f.o.b. port).....</b>                                       | _____                   |
| Add:  |                         |
| ▪ air freight.....  | _____                   |
| ▪ marine freight.....   | _____                   |
| ▪ insurance.....  | _____                   |
| <b>Total c.i.f. at port of entry</b>                                  |                         |
| <b>4. Convert to \$ Canadian at current exchange rate (show rate)</b> | <b>Canadian \$</b>      |

**Source:** TFO Canada

## 2.3 Distribution

### FINDING A BUYER

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Entering a new market can be daunting, but with a well-defined marketing plan, the rewards will be well worth the effort. For most buyers, exporters have one chance to make a good first impression. *Use this chance to show what you are selling.* Initial information about your company should include photographs of your latest lines and prices. You can also include photos of your production facilities. E-mail is an essential tool for communication with Canadian buyers, so enclose attachments of these photographs to allow them to immediately assess whether they are interested in pursuing an arrangement with you. If you do not show in such an immediate and concrete fashion what you are capable of, the buyer loses interest. Finding a buyer requires perseverance and a serious commitment of time, effort and some cost. TFO Canada encourages exporters to use any of the following tools to help in these efforts.

- Ensure that you are listed with a good search engine on the internet and that you have an informative website with e-mail links for easy contact.
- Participate in any trade shows in your own country or surrounding region, since buyers frequently attend these. In addition, international shows can be an invaluable source of market intelligence. If you cannot attend an international show, contact the show organizers to obtain the catalogue of exhibitors, many of whom will be importers. When attending international trade shows, be sensitive to exhibitors, who will be very busy trying to sell their own product. Introduce yourself, leave a business card and brochure with product pictures, and ask if you can call them to arrange an appointment within the timeframe of your visit to discuss what you can do. Do not try to sell on the spot at these shows; you will likely not succeed.
- Consult with the trade representatives at your Embassy or High Commission in Canada. They can provide help in identifying potential Canadian importers, or may be able to direct you to an independent researcher who could provide you with a detailed listing of interested Canadian buyers. Generally, the more publicity you generate for your company and product, the more interest you will create in potential buyers.
- Take advantage of a buyer's personal visit to your country. The Canadian Embassy or High Commission or your national export promotion office may have advance notification of such visits. Let them know that you would like to meet with any visiting buyers in your product line and if possible, contact the buyer directly to arrange a meeting.
- Obtain a list of Canadian buyers who have traded with your country and contact them to offer your products and services. These lists may be available from your local Chamber of Commerce or any bi-national Chamber of Commerce existing between your country and Canada, your foreign trade ministry, or national export promotion office. Directories such as the Retail Chains Directory can also be purchased; some of these are expensive but may be consulted without charge at Canadian public libraries while on a visit here.
- Use trading companies and agents (regional, national or in Canada). While most Canadian trading houses help Canadians with exporting, some might assist suppliers entering Canada. Information on Canadian trading houses is available through: [www.oath.on.ca/asp-bin/trade\\_links.asp](http://www.oath.on.ca/asp-bin/trade_links.asp).
- Seek the assistance of your bank or freight forwarding company.

Exporters can also identify Canadian buyers who are listed in the Canadian Importers Database [www.ic.gc.ca/epic/site/cid-dic.nsf/en/home](http://www.ic.gc.ca/epic/site/cid-dic.nsf/en/home), as well as through various internet sites by sector and Canadian trade associations such as iecanada [www.importers.ca](http://www.importers.ca). Publications such as Buyer's Guides and trade magazines are also useful; the Directory of Retail Chains in Canada and the Canadian Retailer Magazine can also be purchased through the website of the Retail Council of Canada [www.retailcouncil.org](http://www.retailcouncil.org); this is expensive and might require a membership purchase, but can be consulted without charge at Canadian public libraries while on a visit here.

**Trade Shows:** Canadian importers and a number of retail buyers usually visit foreign markets and their suppliers once a year. They normally organize such trips to coincide with the most important foreign trade shows where they can explore possibilities for imports, as well as assess industry trends. Details on these trade shows are available through the TFO Canada website; trade show websites such as: [www.tsn.com](http://www.tsn.com) and <http://expo.all-biz.info/Exhibition/lang/en/country/215/>; as well as individual links provided in individual TFO Canada market reports. It is advisable to check with your agent, buyer or Embassy's commercial counsellor to fully assess the documentation requirements, costs and benefits of your participation in trade shows. *Please note that TFO Canada does not provide letters of invitation to assist with obtaining travel or entry visas. These must come from the buyer directly, or from proof of registration at a trade show.*

## DEALING WITH A BUYER

Many importers or their agents may visit the supplier's production facilities to assess the exporter's capabilities, assure themselves of the quality of the facilities and to build a solid trading relationship. Suppliers should maintain good communications with their buyer throughout the entire sales and after-sales process. Efficient handling of export procedures is essential to your success here. In addition to offering value, buyers look for characteristics in a supplier such as reliability, experience, competence, a proven ability to source and provide follow-up service, and a determined commitment to a long-term business relationship.

When exporting to Canada, you need to assess both the value of the sale relative to your total business, and the credit standing and record of the Canadian buyer. Requesting bank references from your buyer is standard practice. Be wary if the buyer is hesitant about providing these. Although some exporters can use services provided by a government-backed export insurance agency to insure shipments for a premium, it may be necessary to rely on your country's diplomatic or commercial representatives for credit checks on a Canadian buyer. These representatives may also be able to supply names of reputable debt collection agencies if your buyer fails to pay.

Canadian importers have reported that a major problem in dealing with new suppliers is that they are often asked to purchase unrealistically large minimum quantities for a market the size of Canada's. *Exporters must bear in mind that the Canadian market is about 10% the size of the U.S. market and therefore must be prepared to fulfill smaller orders.* Given the relatively small size of this market, Canadian importers often expect exclusive importing rights for the country or for specific items they agree to import.

On first contact with a new supplier, an importer in Canada will likely request samples, and possibly quotes for various amounts, for instance, 1,000, 5,000, 10,000, and 50,000 units. For large production ranges, it is customary to allow a discount of 5%-10%. These samples might require adaptation to Canadian preferences and sizes, and will be assessed for compliance with regulations and standards. The Canadian buyer also usually performs an in-house company inspection of the product to determine if it complies with stated specifications, for the company's own satisfaction.

If the samples are acceptable, the importer may place a trial order with the supplier. If some adjustments are required, the importer will request new samples based on the instructions for needed changes. A trial shipment which is consistent with the accepted samples and which is delivered according to an agreed-to delivery schedule may then be sent to Canada. The importer generally advises the supplier of the sizes and varieties of a product that should sell best in Canada and on the condition that the product should arrive in this country. The importer uses samples to assess the interest of wholesalers and retailers in carrying the product.

Exporters should bear in mind potential competition from NAFTA suppliers in the U.S. and Mexico. Canadian importers are aware of the advantages of purchasing from these countries: lower transportation costs, shorter delivery and lead times, and relatively simpler payment mechanisms. These exporters are also usually very familiar with the Canadian market and business norms. Exporters should consider these facts when setting prices and evaluating business practices.

| Items a buyer may cover in negotiating with a supplier include:  |  |
|--|--|
| <i>Product attributes</i>  | <i>Ordering services</i>   |
| <ul style="list-style-type: none"> <li>▪ packaging</li> <li>▪ logo mould</li> <li>▪ breadth of product line</li> <li>▪ quality</li> <li>▪ price range</li> <li>▪ product exclusivity</li> <li>▪ country exclusivity</li> <li>▪ special arrangements</li> </ul> | <ul style="list-style-type: none"> <li>▪ availability of product</li> <li>▪ promptness of initial delivery</li> <li>▪ availability of repeats</li> <li>▪ promptness of repeats</li> <li>▪ product substitution</li> <li>▪ complete or split shipments</li> <li>▪ order revision</li> <li>▪ reliability of shipping direct to Canada</li> </ul> |

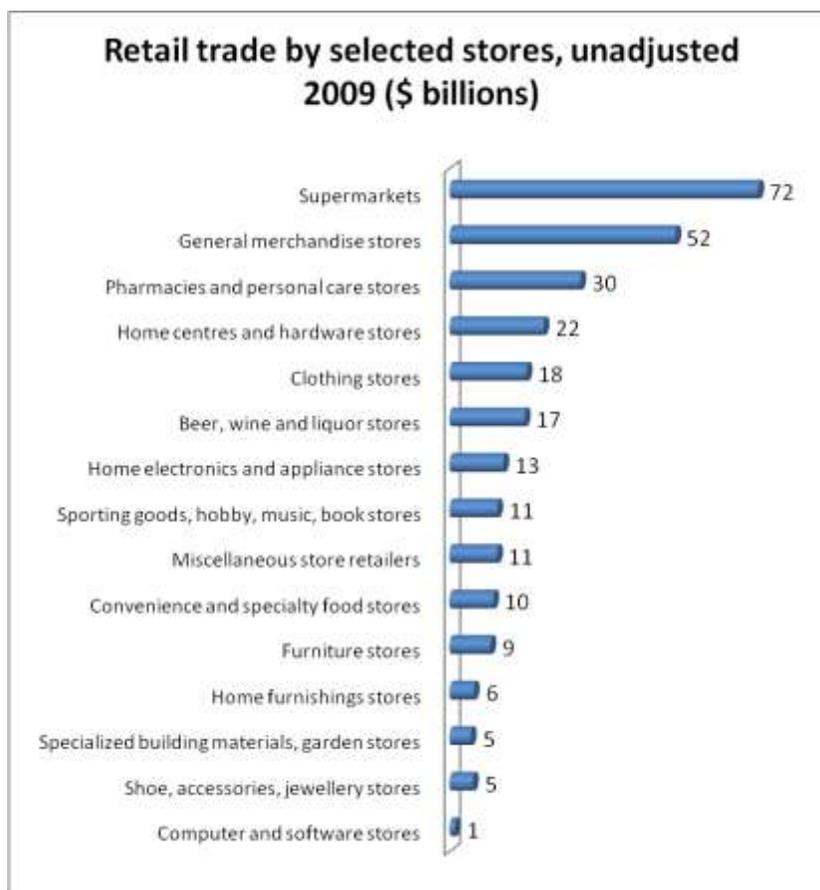
Import terms vary with individual importers. In general, quotations should be made f.o.b. foreign port, including packaging, but may be requested c.i.f. to a named port. Payment for imports from traditional suppliers is generally cash against documents. The majority of Canadian importers will not work with Letters of

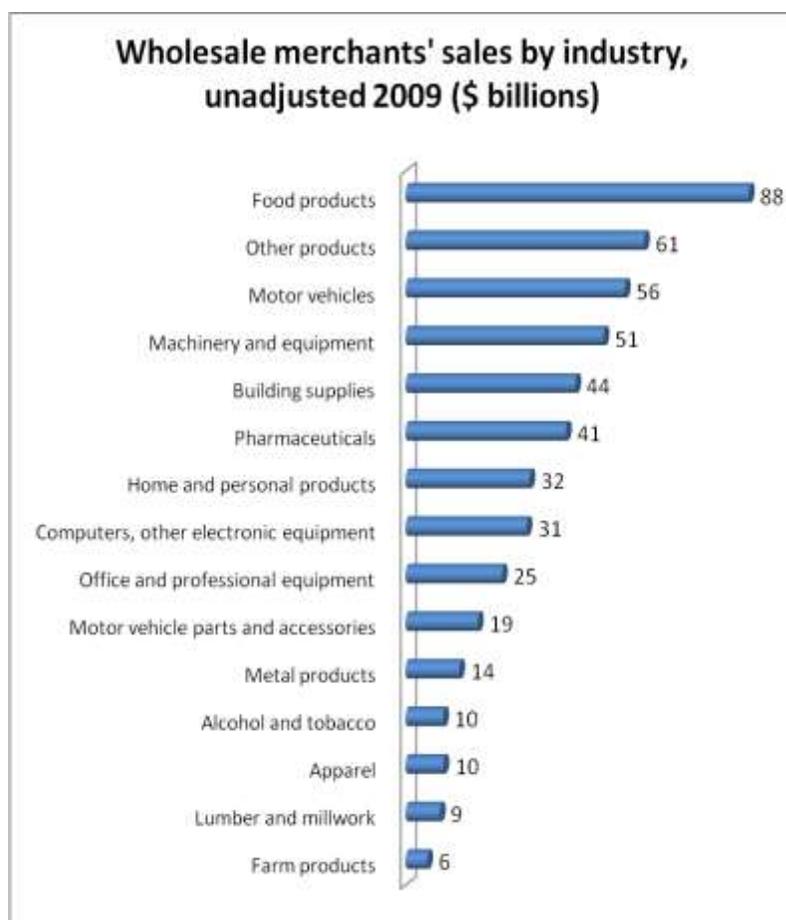
Credit, but may select other credit formats and credit terms that would suit both parties. Contracts often include a clause stating that the goods must be inspected and signed off in-country by the buyer or agent prior to shipping. The importer usually requests a guarantee to be included in the contract against hidden quality defects, and could request credits as a result of poor product quality, damage before or during shipping, or late delivery.

The full invoiced amount is not paid until inspection of the goods has taken place either in the country of origin or at the destination, by the buyers themselves, their agents or an independent authority. When the business relationship is well established, an open account method may be used to save bank charges for both parties. The services of an export agent may be useful in handling such intricacies for the first few operations. Once an imported product has established a reputation for high quality, a brand name and trademark should be adopted. Such identification will help customers to easily recognize the product and know that it represents good value.

## DISTRIBUTION CHANNELS

Apart from car dealers, in 2009, the majority of retail sales in Canada were conducted through supermarkets, general merchandise stores, and pharmacies. Of the \$494 billion worth of wholesale sales in that year, \$88 million were for food products.





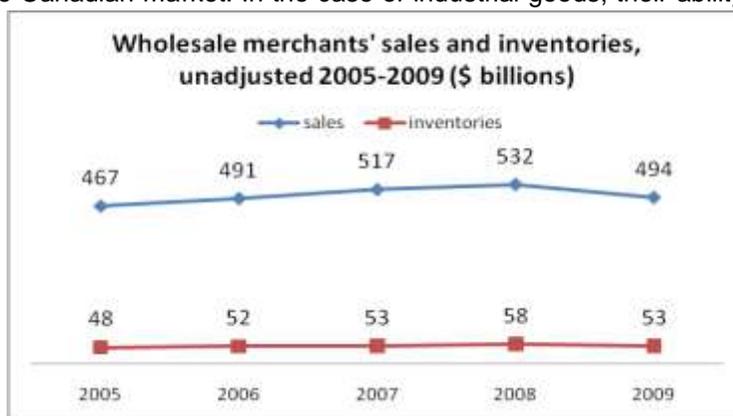
Canada's distribution networks have tended to be highly centralized because of the country's low population density, its great distances and its adverse weather conditions. However, the growing importance of regional markets, niche marketing and customized products has diversified distribution in some industries. Often, a distributor working out of Toronto or Montréal will cover the Eastern region of Canada (Ontario, Québec, and Atlantic Canada), and another distributor in Calgary or Vancouver will cover Western Canada. To ensure coverage of the national market, a few intermediaries offer truly national distribution facilities. Consolidation of import shipments to the primary market areas of Toronto, Montréal and Vancouver is common.

The central players in the distribution process are buyers and local agents. Buyers include wholesalers, brokers, mail-order firms, department and chain stores, single-line retailers, purchasing cooperatives, and industrial users

who may buy directly from the exporter. Local agents sell imports on a commission basis, accepting orders from Canadian buyers according to agreements with exporters. The main advantage of agents is their knowledge of the Canadian market and their physical location near the target market. They may provide production order guarantees to allow suppliers to plan for labour and materials. They are also more aware of the potential problems that could arise in meeting Canadian requirements for sizes and quality among others, and might be willing to assist suppliers with hints on adapting the product or providing labels to assist in penetrating the Canadian market. In the case of industrial goods, their ability to offer service and spare parts is vital.

Importers and agents frequently insist on an exclusive arrangement with the exporter, particularly if they pay promotional costs. They are, however, likely to subject potential new suppliers to careful scrutiny before doing business. They expect to obtain references and will want to know about your export experience, financial standing, and other such details. Suppliers who do not supply references will likely not be well-received. Likewise,

once you have shown a potential buyer or agent what you are capable of producing and they express an interest in taking the relationship further, it is considered normal and prudent for you to request references from them. Also, find out who else and what other products they represent. Take the time to follow up on these references to avoid potential problems in any future dealings with the importer.



## 2.4 Tips For Exporters

The Canadian market is extremely competitive. Exporters should note that any failure on their part to give buyers excellent service will result in the buyer quickly turning to other suppliers. The following are important factors in establishing your reputation for reliability:

- Establish an attractive, easy to navigate and informative website with contact links to your e-mail and ensure that you respond the same day with any information requested. This immediately shows the potential buyer, who gets many of these offers each week, what you are capable of. Always include links to your website in any communication with the buyer.
- Always keep your fax machine switched 'on'. Since Canada is divided into different time zones, e.g., Vancouver is three hours behind Toronto; communication with a buyer might be at unusual hours. Buyers who cannot readily contact an exporter will quickly turn to other sources of supply. Send an interim note if information is not immediately available. Give a reasonable date for when all the information would be ready and honour that date.
- The buyer looks at your sample and how you handle the request to provide one as concrete proof of your capability and an example of how you would handle a potential business relationship. Ensure that you provide the sample well within the requested timeframe and that the sample is of impressive quality and value. This will assure the buyer that you are a viable alternative source of supply. Follow-up orders must match the quality of this sample.
- No surprises. Canadians expect delivery of the product they purchase. Unavoidable delays should be immediately reported and justified to the buyer; ask the buyer to accept the delay.
- Provide accurate information and follow up key sales calls in person as soon as possible.
- Where applicable, enclose a certificate of analysis of the product and photographs of the production/processing facilities with the letter of introduction to the importer. This certificate may be needed to show conformity with Canadian health and safety requirements and should be obtained from the appropriate authorities in your country.
- Get to know the Canadian market and your importer. Read trade publications and visit trade shows and retail stores in Canada to get a feel for the market.
- Establish contact with trading companies or import agents since they may be the most promising channel for new entries. Hire an agent/importer to represent you in Canada.
- If you are asked for exclusive rights to your product, you should include a clause in the contract for a minimum level of annual purchases. Be flexible and solicit feedback from your buyer on your product and trade relations. Put all verbal agreements in writing.
- Use English (or French in Québec) in all correspondence and provide information on the product range, capacities and price list, quoting prices in Canadian or U.S. dollars.

And finally.....



## REGISTER With TFO Canada!

If you have at least one year of export experience, be sure that you are taking full advantage of TFO Canada's free promotional services. This includes direct promotion of your company and products to Canadian importers via our monthly Import Info E-Newsletter and inclusion in our online searchable database of exporters.

Please check your current profile with us by signing in to our website and going to your "Exporter Profile."

Ensure that all your information is correct and that you have accurately completed Step 2 of the registration process, including entering one or more of your exported products.

Note that while Step 3—uploading additional information such as photos, price lists etc.—is optional, we recommend that you take the time to complete it as well.

In the event that you are not registered with TFO Canada, please go to [www.tfocanada.ca/register.php](http://www.tfocanada.ca/register.php) and register with us by accurately completing Steps 1 and 2, and as explained above, the optional Step 3.

## Sources of Information

TFO Canada's market reports provide sector-specific listings of publications, trade fairs and key sources of information. Some of the major sources of general interest include:

### TFO Canada

56 Sparks Street, Suite 300  
Ottawa, Ontario, Canada K1P 5A9  
Tel.: (613) 233-3925 In Canada: 1-800-267-9674  
Fax: (613) 233-7860  
E-mail: [tfocanada@tfocanada.ca](mailto:tfocanada@tfocanada.ca)  
Internet: [www.tfocanada.ca/index.php](http://www.tfocanada.ca/index.php)

### AGRICULTURE AND AGRI-FOOD CANADA

1341 Baseline Road  
Ottawa, Ontario K1A 0C5  
Tel.: (613) 773-1000 Fax: (613) 773-2772  
Internet: [http://www.agr.gc.ca/index\\_e.php?s1=help-aide&s2=contact](http://www.agr.gc.ca/index_e.php?s1=help-aide&s2=contact)

### CANADA BORDER SERVICES AGENCY

A directory of CBSA offices across Canada is available through the Internet site.  
Internet: [www.cbsa-asfc.gc.ca](http://www.cbsa-asfc.gc.ca)

### CANADIAN FOOD INSPECTION AGENCY

1400 Merivale Road  
Ottawa, Ontario, Canada K1A 0Y9  
Tel.: (613) 225-2342 Fax: (613) 228-6601  
Internet: [www.inspection.gc.ca](http://www.inspection.gc.ca)

### CANADIAN GENERAL STANDARDS BOARD

Place du Portage III, 6B1, 11 Laurier Street  
Gatineau, Québec, Canada K1A 1G6  
Tel.: (819) 956-0425 Fax: (819) 956-5740  
Internet: [www.pwgsc.gc.ca/cgsb](http://www.pwgsc.gc.ca/cgsb)

### CANADIAN STANDARDS ASSOCIATION

5060 Spectrum Way  
Mississauga, Ontario, Canada L4W 5N6  
Tel.: (416) 747-4000 Fax: (416) 747-2473  
Internet: [www.csa.ca](http://www.csa.ca)

### ENVIRONMENT CANADA

351 St. Joseph Boulevard  
Place Vincent Massey, 8th Floor  
Gatineau, Québec, Canada K1A 0H3  
Tel.: (819) 997-2800 Fax: (819) 994-1412  
Internet: [www.ec.gc.ca](http://www.ec.gc.ca)

### FOREIGN AFFAIRS AND INTERNATIONAL TRADE CANADA

Export-Import Control System  
125 Sussex Drive  
Ottawa, Ontario, Canada K1A 0G2  
Tel.: (613) 944-1265 Fax: (613) (613) 996-0612 (Agricultural Products) See website for other contact numbers.  
Internet: [www.international.gc.ca/eicb/menu-en.asp](http://www.international.gc.ca/eicb/menu-en.asp)

### HEALTH CANADA

Consumer Product Safety Bureau  
123 Slater St., 4th Floor, P.L. 3504D  
Ottawa, Ontario, Canada K1A 0K9  
Tel.: (613) 952-1014  
Internet: <http://www.hc-sc.gc.ca/contact/index-eng.php>

### I.E. Canada (CANADIAN ASSOCIATION OF IMPORTERS AND EXPORTERS)

160 Eglinton Avenue East, Suite 300  
Toronto, Ontario, Canada M4P 3B5  
Tel.: (416) 595-5333 Fax: (416) 595-8226  
Internet: [www.iecanada.com](http://www.iecanada.com)

### INDUSTRY CANADA

235 Queen Street  
Ottawa, Ontario, Canada K1A 0H5  
Tel.: (613) 954-5031 Fax: (613) 954-2340  
Internet: [www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca)

### RETAIL COUNCIL OF CANADA

1255 Bay Street, Suite 800  
Toronto, Ontario, Canada M5R 2A9  
Tel.: (416) 922-6678 Fax: (416) 922-8011  
Internet: [www.retailcouncil.org](http://www.retailcouncil.org)

### STANDARDS COUNCIL OF CANADA

270 Albert Street, Suite 200  
Ottawa, Ontario, Canada K1P 6N7  
Tel.: (613) 238-3222 Fax: (613) 569-7808  
Internet: [www.scc.ca](http://www.scc.ca)

### STATISTICS CANADA

150 Tunney's Pasture Driveway  
Ottawa, Ontario, Canada K1A 0T6  
Tel.: (613) 951-8116 Fax: (613) 951-0581  
Internet: [www.statcan.gc.ca](http://www.statcan.gc.ca)

## Useful Internet Sites

Canada Business - Importing: [www.canadabusiness.ca/eng/105/172](http://www.canadabusiness.ca/eng/105/172)

Canada International: [www.canadainternational.gc.ca](http://www.canadainternational.gc.ca)

Canadian International Development Agency: [www.acdi-cida.gc.ca](http://www.acdi-cida.gc.ca)

Canadian Society of Customs Brokers: [www.cscb.ca](http://www.cscb.ca)

## References and Notes

<sup>1</sup> Population and dwelling counts. February 4, 2010. Statistics Canada, March 1, 2010. [http://www40.statcan.gc.ca/l01/ind01/l3\\_3867\\_3433-eng.htm?hili\\_demo02](http://www40.statcan.gc.ca/l01/ind01/l3_3867_3433-eng.htm?hili_demo02)

<sup>2</sup> The city of Lloydminster, Saskatchewan is an exception. Lloydminster uses Mountain Time and also observes Daylight Saving Time.

<sup>3</sup> All monetary figures expressed in this report are in Canadian dollars, and all statistics, including those for the charts, were obtained from Statistics Canada except where otherwise stated.

<sup>4</sup> The Daily. Consumer Price Index, January 2010. February 18, 2010. Statistics Canada. March 5, 2010. <http://www.statcan.gc.ca/daily-quotidien/100218/dq100218a-eng.htm>

<sup>5</sup> Labour Force Survey. March 2010. Statistics Canada. March 2, 2010. <http://www40.statcan.ca/l01/cst01/labor21a-eng.htm>

<sup>6</sup> Canadian Outlook Long-Term Economic Forecast: 2009. February 2010. The Conference Board of Canada. March 1, 2009. <http://www.conferenceboard.ca/documents.aspx?DID=3117>

<sup>7</sup> The Daily. Private and Public Investment. February 26, 2009. Statistics Canada. March 2, 2010. <http://www.statcan.gc.ca/daily-quotidien/100226/dq100226b-eng.htm>

<sup>8</sup> Population of census metropolitan areas (2006 Census boundaries). February 4, 2010. Statistics Canada. March 1, 2010. <http://www40.statcan.gc.ca/l01/cst01/demo05a-eng.htm>

<sup>9</sup> Consumer Price Index by city. February 21, 2008. Statistics Canada. March 8, 2008. <http://www40.statcan.gc.ca/l01/cst01/econ45a-eng.htm>

<sup>10</sup> Analysis: The Consumer Price Index. February 18, 2010. Statistics Canada. March 4, 2010. <http://www.statcan.gc.ca/pub/62-001-x/2010001/part-partie1-eng.htm>

<sup>11</sup> Average income after tax by economic family types (2003 to 2007). February 6, 2010. Statistics Canada. March 9, 2010. <http://www40.statcan.gc.ca/l01/cst01/famil21a-eng.htm>

<sup>12</sup> Survey of Household Spending 2008. December 18, 2009. Statistics Canada. March 5, 2010. <http://www.statcan.gc.ca/daily-quotidien/091218/dq091218b-eng.htm>

<sup>13</sup> The Daily. Net worth of family units by selected family characteristics (by sex and age). December 7, 2006. Statistics Canada. March 9, 2008. <http://www40.statcan.ca/l01/cst01/famil112a.htm>

<sup>14</sup> The ethnocultural diversity of the Canadian population. March 9, 2010. Statistics Canada. <http://www.statcan.gc.ca/pub/91-551-x/2010001/hl-fs-eng.htm>. Additional charts and statistics were obtained from: <http://www.cic.gc.ca/english/resources/statistics/facts2008/permanent/10.asp> and <http://www.cbc.ca/nb/features/finding-faith/images/map-canada.gif>

<sup>15</sup> The Daily. 2006 Census: Families, marital status, households and dwelling characteristics. September 12, 2007. Statistics Canada. March 10, 2010. [www.statcan.ca/Daily/English/070912/d070912a.htm](http://www.statcan.ca/Daily/English/070912/d070912a.htm)

<sup>16</sup> The Daily. Travel between Canada and other countries, January 2010. March 18, 2010. Statistics Canada. March 22, 2010. <http://www.statcan.gc.ca/daily-quotidien/100318/dq100318b-eng.htm>

<sup>17</sup> Canadian international merchandise trade: Annual review. April 6, 2010. Statistics Canada. April 7, 2010. <http://www.statcan.gc.ca/daily-quotidien/100406/dq100406a-eng.htm>