

EXPORTING TO CANADA
A Handbook

2002
Sixth Edition

TFOC Market Reports

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SECTION 1

Overview of the Canadian Market

1.1 Background

Population: Canada's population, currently estimated at 30.75 million inhabitants, is expected to reach 31 million in 2001 and 32.24 million in 2006. 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 persons per square kilometer.

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 household accessories and entertainment products, as well as the purchase of high-end and exotic products such as easy-to-prepare ethnic foods.

Almost 90% of the Canadian population lives within 100 miles of the border with the United States of America (USA), mainly in large urban centres throughout the Central and Western parts of the country. The five largest of these are Toronto (4.7 million), Montreal (3.4 million), Vancouver (2.02 million), Ottawa/Hull (1.07 million) and Calgary (0.93 million).

Climate: Canada's climate is characterized by four seasons — spring, summer, fall and winter. The temperature varies depending on the season, at times recording as high as the 27°C range in the summer and as low as the -33°C range in the winter; humidity and wind-chill factors could make this even hotter or colder. There are also temperature variations across the country, e.g., on the West Coast, the weather is temperate with moderate winters and mild summers. The North Atlantic off the East Coast is colder, with more severe winter storms. Winter in the western mountains, in Central Canada and on the Prairies is much colder, though less stormy, and extends from about November through April in the south, and much longer in the more northern areas.

Language: Canada has two official languages, English and French. More than 60% of all Canadians claim English as their mother tongue. French is the first language of about 25% of Canadians, most of whom reside in the province of Québec. Throughout Canada, English is widely spoken in business, although an ability to communicate in French is essential for selling products or services in Québec. Bilingual language requirements for packaging and labelling affect imports coming into this country.

Hours of Business: Standard business hours in Canada are Monday to Friday from 8:00-9:00 a.m. to 5:00- 6:00 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. 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:

January 1 Early April	New Year's Day Good Friday and Easter Monday	First Monday in August: August 22 First Monday in September Second Monday in October	Civic holiday, most provinces Discovery Day, Yukon only Labour Day
Monday preceding May 24 June 24	Victoria Day St. Jean -Baptiste Day, Québec only	November 11 December 25 December 26	Thanksgiving Day Remembrance Day Christmas Day Boxing Day, except in Québec
July 1	Canada Day		

Travel and Transportation: Because of its size, Canada has 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 2 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 USA 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, and Halifax (Nova Scotia) and Saint John (New Brunswick) on the East Coast.

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.

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 8 hours; air travel time between Central Canada (Toronto) and the West Coast (Vancouver) is approximately 5 hours. Flying from Toronto to Montréal takes about 1.5 hours.

Time Zones: Canada is the second largest country in the world and spans no fewer than six different time zones. Every year, Daylight Savings Time comes into effect on the last Sunday in April, at which time all clocks in Canada except Saskatchewan are advanced by one hour. On the last Sunday in October, the country reverts to Standard Time.

Currency: Canada's currency 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 traveller's cheques in Canadian dollars which can be purchased at major banks in your country. Some Canadian banks charge a modest fee for cashing traveller's cheques other than their own.

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.

Entry Procedures: A valid passport is required for entry into Canada, unless you are a citizen of the USA or St. Pierre and Miquelon. 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. *Please note that TFOC does not issue letters of invitation for visa purposes.*

Working in Canada Temporarily: Subject to certain exceptions, an employment authorization to work in Canada on a temporary basis is required. *This permit is valid only for 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 in your home country before departure for Canada. There are no employment authorizations to enter Canada just to look for work.

ECONOMY

Recent Performance: Canada's income-based Gross Domestic Product (GDP) grew 24% between 1996 and 2000 to C\$1,038.8 billion dollars. Based on current purchasing power parities, the Organization for Economic Cooperation and Development (OECD) ranked Canada second among the seven leading industrialized countries in 1999 on a per capita GDP basis of US\$26,424, behind the USA at US\$33,836. This relatively wealthy Canadian market presents attractive business opportunities for exporters.

Structure of Output: As shown in Table 1.1, *service industries* represented 67% of Canada's GDP at factor cost* in 2000, compared to *goods producing industries* which made up 33% of the GDP at factor cost. This significant level of service activity is matched only by the USA and the United Kingdom among major industrial countries.

*Note: GDP at factor cost is income-based GDP minus *indirect taxes less subsidies* and *capital consumption allowances*.

	1996	2000
	C\$ constant 1992 (millions)	
Goods Producing Industries (agriculture, fishing, forestry, mining, manufacturing, construction, other utility)	221,284	257,568
Services Producing Industries (transportation, communication, wholesale & retail trade, finance, real estate, business service, educational service, health & social service, accommodation, food & beverage service)	451,515	529,186
TOTAL ALL INDUSTRIES	672,799	786,754

Source: Statistics Canada, *Catalogue 13-001-XIB*, April 2001

The breakdown of these sectors is outlined in Table 1.2.

Sector	C\$ constant 1992 (millions)	Sector	C\$ constant 1992 (millions)
Goods Producing Industries	257,186	Services Producing Industries	529,186
Agricultural & related services	12,972	Transportation & storage	36,602
Fishing & trapping	708	Communications	29,906
Logging & forestry	4,698	Wholesale trade	50,331
Mining, quarrying & oil wells	27,376	Retail trade	50,790
Manufacturing	143,107	Finance, insurance & real estate	126,434
• non-durable manufacturing	57,591	Business service	49,681
• durable manufacturing	85,516	Government service	47,194
Construction	42,286	Educational service	40,852
Other utility industries	26,421	Health & social service	46,449
		Accommodation, food & beverage service	21,026
		Other service industries	29,921

Source: Statistics Canada, *Catalogue 15-001-XPB*, April 2001

Within the goods producing sector, *durable manufacturing* industries experienced the highest growth (35%) in GDP over 1996 values, followed by *construction* industries, which grew 16% over the same period. Stagnant industries included agriculture, fishing, logging and mining.

Growth rates within the service producing sector were more dramatic between 1996 and 2000, with GDP increases of 43% shown in the *communications* and *business services* industries, 39% in *wholesale trade* industries, 22% in *retail trade* industries, 17% in *accommodation, food & beverage services* industries, 16% in *transportation and storage* industries, and 15% in *finance, insurance and real estate* industries.

An increase in raw materials prices has accompanied this economic growth (Table 1.3).

Table 1.3: Average Annual Raw Materials Price Index

	1996	2000
	1992 = 100	
Vegetable products	155.1	113.5
Animals & animal products	113.4	119.1
Wood	154.7	141.5
Ferrous materials	132.7	118.4
Non-ferrous materials	128.8	118.3
Non-metallic materials	108.6	121.4
Mineral fuels	122.9	188.6
ALL RAW MATERIALS	129.1	143.7

Source: Statistics Canada, *Catalogue 62-011-XPB*, April 2001

Business Investment: Over the past two decades, Canadian industry has been significantly restructured, manufacturing facilities rationalized and management techniques streamlined. This has resulted in a more competitive, leaner industrial base that will continue to contribute to Canada's economic growth. Technology has played a vital role in these changes. In 2001, private and public investment is expected to rise 13% over 1997 values, as shown in Table 1.4.

Table 1.4: Private and Public Capital Expenditures, by Province (C\$millions)

PROVINCE	1997	1998	1999	2000	2001
Newfoundland	2,738	2,774	3,501	3,218	2,764
Prince Edward Island	444	462	517	534	505
Nova Scotia	3,964	4,304	4,989	4,188	4,178
New Brunswick	2,675	3,046	3,782	3,574	2,974
Québec	29,568	31,285	32,454	34,597	34,781
Ontario	58,321	60,386	63,604	65,612	69,002
Manitoba	4,882	4,990	5,158	5,180	5,152
Saskatchewan	7,448	6,603	6,499	6,256	6,194
Alberta	28,834	32,284	29,714	34,735	35,505
British Columbia	21,806	20,055	20,056	20,972	20,720
Yukon	231	212	270	272	305
Northwest Territories	594	663	821	537	726
Nunavut	-	-	-	225	246
CANADA TOTAL	161,725	167,377	171,303	179,904	183,052

Source: Statistics Canada, *Catalogue 61-205-XIB*, April 2001

Canadian Labour Force: The Canadian labour force, defined as individuals 15 years of age or older who are employed or willing to take a job, was 16 million persons in 2000, up from 14.9 million in 1996. Canada's 'participation rate', i.e., the proportion of people who are actively in the labour force, was 65.9% in 2000, up from 64.7% in 1996. This is one of the highest participation rates in the world, due partly to an increasing number of women in the Canadian labour force.

Unemployment was at its lowest level in five years at 6.8% in 2000, down from 9.6% in 1996. Job gains were recorded across most sectors of the economy, with the strongest gains in the service-producing sector which accounted for 74% of total employment in 2000.

Economic Outlook: Canada's GDP grew by an impressive 24% between 1996 and 2000, at rates of between 2.7% and 8.4% annually. While the strongest growth, 8.4%, was noted between 1999 and 2000, only moderate growth of between 2% and 3% is expected in 2001. The Canadian economy is greatly influenced by economic conditions in the United States, with the USA buying three-quarters of Canada's exports and supplying two-thirds of its imports. In addition, interest rates in the USA have a major influence on Canadian monetary policy and credit conditions. Higher interest rates in 2000 in both the USA and Canada were implemented to fight the threat of inflation. This resulted in a greater than expected lowering of corporate spending and profits, increased layoffs and somewhat reduced consumer confidence. With inflation now apparently under control, the talk has turned to a potential recession, with a resultant easing of interest rates to

counter this possibility. A continuation of this policy should result in the recovery of corporate and consumer spending in both countries.

A booming high technology market in the last few years resulted in a tight labour market for skilled employees and tight housing and commercial real estate markets in several parts of Canada. With a cooling economy, some of these companies have cut back on spending and employment, some smaller ones going bankrupt. This has begun to ease the tight labour and real estate markets which, however, still remain at impressive levels.

MARKETS

Retail trade figures in Canada's ten provinces and three northern territories are found in Table 1.5.

Table 1.5: Retail Trade by Province (C\$millions)

PROVINCE	1996	2000	PROVINCE	1996	2000
Newfoundland	3,542	4,496	Manitoba	7,920	9,404
Prince Edward Island	932	1,238	Saskatchewan	7,024	8,105
Nova Scotia	7,071	8,504	Alberta	23,806	31,923
New Brunswick	5,449	6,909	British Columbia	32,071	35,747
Québec	52,086	63,583	Yukon	284	343
Ontario	80,213	106,259	Northwest Territories	441	396
			Nunavut	-	185
CANADA TOTAL	220,870	277,097			

Source: Statistics Canada, *Catalogue 63-005-XIB*, April 2001

Canada has a predominantly (78%) urban-based population. This holds true for most of the country's provinces and territories, with only New Brunswick, Prince Edward Island and the Northwest Territories having populations that are primarily rural. Since demographic characteristics differ considerably across Canada, it is more meaningful to think of the country as composed of four regional markets of varying size — Central Canada, the Prairies, British Columbia and Atlantic Canada.

REGIONAL MARKETS

Central Canada: This region includes Ontario, with 11.7 million people and Québec, with 7.4 million. With about 62% of Canada's population, 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 about 62% of all retail sales in Canada, a fact of considerable significance for potential exporters to 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.

The Prairies: This region consists of three provinces — Alberta, Saskatchewan and Manitoba, accounting for about 17% of Canada's population. In the past, these provinces were predominantly agricultural, focused mainly on grain and livestock farming. Mineral discoveries, notably petroleum in Alberta, have partially transformed their economies, promoting rapid urbanization and growth. Of the three, Alberta has experienced the fastest growth and the greatest urbanization.

British Columbia is Canada's third most populous province, with just over 13% of the country's people. The province has an increasingly diversified economy but one that still reflects its traditional dependence on forestry. Mining, tourism, fishing, transportation as well as the high technology and film making sectors are also key contributors to this province's economy.

Atlantic Canada: With 2.4 million inhabitants, the Atlantic provinces — New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland — contain about 7.7% of Canada's population. Based on fisheries and agriculture, the region is the most rural and least diversified part of Canada.

SELECTED URBAN MARKETS

Growth has been dramatic in Canada's biggest cities. In 1951, Canada's 25 largest cities accounted for 46% of the population, jumping to 61% in 1991. By the 1996 census, this figure reached 63%. Toronto, Montréal and Vancouver together account for more than 33% of the total Canadian population. The characteristics of some selected urban markets are presented below.

Growing concern over the environment has begun to alter the way many Canadians view products. Environmentally-friendly goods such as detergents that are less polluting and biodegradable or recyclable products and packaging are viewed favorably.

Toronto: With a population of about 4.75 million, Toronto is the largest city in Canada, the capital of Ontario and the focal point of the province's industrial heartland. Between 1996 and 2000, Toronto's population rose by about 8%, and boasts a diverse ethnic mix from around the world. This rapid growth has been accompanied by upward pressure on prices, making Toronto's cost of living one of the highest in Canada. 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 city of 3.5 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 such fields as fashion, engineering, aerospace and finance. A significant number of major corporations are based in the city. 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 2.05 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 in the Vancouver area in recent years, transforming the city's ethnic and cultural mix and strengthening its business links to the Asia-Pacific region. Tens of thousands of people from other parts of Canada have moved to the Vancouver region over the past decade 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 have expanded impressively in the past decade, resulting in a more diversified local economy. Most Asian exports to Canada enter the country through Vancouver as do some Asian exports destined for the USA market. While a significant number of importers are based in Vancouver, it ranks well behind Toronto and Montréal in this respect.

Calgary: Western Canada's second leading business centre is Calgary, with a population of 0.95 million. 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. Although Calgary is a very prosperous market with personal and household incomes about 15% higher than the national average, only a few importers are located there.

Halifax: Located on the east coast, Halifax is the largest city in Atlantic Canada, with a population of about 0.36 million. The capital of the province 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, household incomes in Halifax are roughly at the national average, and per capita retail sales exceed the national average. Although some international trading activity has developed because of its status as a major port, only a modest number of importers are based in Halifax.

CONSUMERS

Canadians have healthy incomes to spend on both domestic and imported goods and services, even given price increases at the consumer level as measured by the Consumer Price Index (Table 1.6).

Table 1.6: Average Annual Consumer Price Index (1992 = 100)

	1996	2000		1996	2000
Food	105.9	112.2	Transportation	117.8	130.7
Shelter	103.1	108.8	Health & personal care	104.1	112.0
Household operations & furnishings	105.3	110.0	Recreation, education & reading	112.1	122.5
Clothing & footwear	101.4	105.5	Alcoholic beverages & tobacco products	86.6	97.6
ALL ITEMS	105.9	113.5			

Source: Statistics Canada, *Catalogues 62-001-XPB, 62-010-XIB*, April 2001

Income: According to the most recent Canadian census in 1996, the average per capita annual income was about \$24,000. In that year, almost 30% of all families earned between \$30,000 and \$50,000, while over 20% enjoyed incomes in excess of \$70,000. In 1998, the average annual income after taxes of a family of two or more people was \$49,626, while that of an unattached individual was \$21,067, an increase of 6% and 3% respectively since 1996.

Canadian domestic income is derived primarily from employment or self-employment, investment income, retirement income, or government transfers. In recent years, labour's share (wages and salaries) of total net domestic income has fallen somewhat and now stands at about 70%. Other sources of income have also shifted in relative importance. The contribution of farm income to overall domestic income continues to fall, reflecting the ongoing shift of the Canadian population to urban employment. By contrast, interest and investment income has increased, partly as a result of rising technological innovations contributing to corporate efficiencies, growth and rising profits. Canada also has a thriving base of technology companies which contribute significantly to employment and investment income.

Spending: In 1999, there were approximately 11.3 million households in Canada, with an average size of 2.6. In that year, about 42% of all households in Canada had at least one internet user, with this number expected to rise over time.

Over the past three decades, spending on food has declined in relative terms, reflecting both higher incomes and a greater tendency to take meals in restaurants. With rising affluence and an aging consumer base, spending on recreation and household improvements has also gradually increased.

The average expenditure by household is outlined in Table 1.7.

Table 1.7: Average Expenditure by Household, 1999

	C\$	% of total
Food	6,101	11
Shelter	10,243	19
Household operations	2,414	4.5
Household furnishings & equipment	1,477	3
Clothing	2,325	4.3
Transportation	6,877	13.1
Health care	1,263	2.3
Personal care	708	1.3
Recreation	2,962	5.5
Reading materials & other printed matter	275	0.5
Education	762	1.4
Alcoholic beverages & tobacco products	1,181	2.2
Games of chance (net amount)	267	0.5
Miscellaneous	858	1.6
TOTAL CURRENT CONSUMPTION	37,713	70.5
Personal income taxes	11,561	21.6
Personal insurance payments & pension contributions	2,839	5.3
Gifts of money and contributions	1,362	2.5
TOTAL EXPENDITURE	53,474	100

Source: Statistics Canada, *Income Statistics Division*, 2000

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.

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 in demand.

Age: By the year 2011, it is projected that about 30% of the Canadian population will be more than 55 years of age, outnumbering those under 25 years of age. An increasing proportion of Canadians will be older than 65, the traditional retirement age. The actual number of retired people will rise even more quickly because of the growing popularity of early retirement between the ages of 55 and 64.

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.

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 up-scale toys and baby items for grandchildren. This trend will continue in the coming decades, as the 'baby boomers' (those born in the late 1940s and 1950s) reach retirement age.

Households: Increasing home ownership has caused a dramatic rise in new home construction, home renovations and repair. In 2000, municipalities issued \$20.4 billion in residential and \$16.7 billion in non-residential building permits, the best performance in a decade. Renovations and repair expenditures are expected to reach \$27 billion in 2001.

The nature of households in Canada presents several opportunities for suppliers to this market. Unattached individuals account for about 23% of all Canadian households. This high percentage of single-person and single-parent households is a result of several factors, including a falling

Of the approximately 24 million people employed in Canada in 2000, slightly more than half were women. More of these women are gradually moving into higher-level, better-paying jobs and occupations. As a result, their purchasing power has increased. This trend will continue because of increasing female enrollment in universities, where women account for over half of all students.

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. In addition, services such as cleaning, home maintenance and child care previously provided within the household are now frequently provided by specialty suppliers.

The large number of households in Canada has supported significant spending on an entire range of durables from cars and houses to furniture, appliances, electronic products and decorating supplies. There is also a significant market for a wide range of leisure products and services.

Home Offices: 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.

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 Canada's birth rate gradually fell below replacement levels. In addition, patterns of immigration have changed. Traditionally, Canada drew most of its immigrants from Europe, but today, most immigrants come from Asia.

While English and French are the two official and dominant languages in Canada, about 16% of Canadians claim Italian, German, Chinese, Somali or other languages as their mother tongue. Canada's ethnocultural groups tend to be concentrated primarily in Ontario, British Columbia, Québec and Alberta, with many new immigrants tending to settle in the larger cities. As a result, these cities boast highly specialized niche markets for ethnic goods and services.

1.2 Imports

Canada's high per capita GDP, its impressive record of economic growth and its openness to imports make it an appealing market for international exporters. The proportion of Canada's economic activity that relies on international trade is higher than any other G8 or OECD country; exports of Canadian goods and services combined rose by about 48% between 1996 and 2000 to \$474 billion or 45.7% of the GDP, while imports rose 49% to \$426 billion over the same period.

Canada often plays a vital role in international events leading to the expansion and liberalization of international trade, as well as in the development of effective institutions and rules to govern that trade. Imports fall into two broad categories: goods and services.

GOODS

Between 1996 and 2000, imports of goods entering Canada increased by almost 53%, from \$237 billion to \$363 billion. 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, fish, grains, wood and lumber products, coal and a large number of ferrous and nonferrous metals. In addition, Canada is a major exporter in all of these commodity areas. Thanks to its rich endowment of natural resources, Canada buys only modest amounts of most crude materials from other countries.

Exporters must bear in mind that the Canadian market is about 10% the size of the US market, so be prepared to fulfill small orders.

Table 1.8 provides a breakdown of imports of goods on a balance-of-payments basis.

	1996	2000		1996	2000
Agriculture & fishing products	14,137	18,568	Automotive products	51,106	77,404
Energy products	9,605	17,753	Other consumer goods	25,839	40,080
Forestry products	1,913	3,064	Special transactions & unallocated adjustments	12,217	13,093
Industrial goods & materials	46,484	70,460			
Machinery & equipment	76,384	122,739			
ALL IMPORTS	237,688	363,163			

Source: Statistics Canada, *CANSIM Matrix 3651*, April 2001

Ten countries account for 86% of the goods imported into Canada. These countries, as well as major import sources by region are outlined in Table 1.9.

By Region		Top 10 Source Countries			
USA	74%	USA	64%	Germany	2%
Japan	3%	Japan	5%	Re-imports (Canada)*	2%
European Union (EU)	9%	U.K.	4%	South Korea	1%
Other OECD countries (excl. USA, Japan, EU)	5%	Mexico	3%	Taiwan	1%
Other Countries (non-OECD or EU) of which	9%	China	3%	Norway	1%
• Africa (9%)					
• Latin America & Caribbean (22%)					
TOTAL	100%			TOTAL	86%

* Re-Imports (Canada) refers to materials sent abroad for value-added work and brought back in a finished state, or ready-to-finish in Canada before the final sale.

Source: Statistics Canada, *CANSIM Matrices 3651 and 3685*, April 2001

SERVICES

Since 1996, Canada has consistently imported more services than it exported. Although service exports reached a record high of \$56 billion in 2000, imports surpassed them at nearly \$63 billion, up from \$49 billion in 1996. These 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. It is estimated that services account for about two-thirds of the world's economic activity; this is expected to grow, in part due to the reduction of trade barriers and the imposition of rules under the 1995 General Agreement of Trade in Services (GATS).

Canadian travel abroad is a fast-growing service import. In 1999, Canadians made about 18.4 million trips abroad, of which 14.1 million trips were to the United States and 4.3 million to overseas countries. This represents the greatest number of trips by Canadians to overseas destinations over the past three decades. In 2000, the amount spent in these destinations reached a record high of nearly \$18 billion, up from \$15 billion in 1996.

'Services' cover 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, trademarks and copyright.

The four major categories of services recognized by Statistics Canada are listed in Table 1.10. The largest of these, *Commercial Services*, are imported by industries such as wood and paper, energy and metallic minerals, machinery and transportation, finance and insurance, and retailing.

Table 1.10: Categories of Services		
TRAVEL <ul style="list-style-type: none"> • Business • Personal 	TRANSPORTATION <ul style="list-style-type: none"> • Water • Air • Land and other 	GOVERNMENT SERVICES <ul style="list-style-type: none"> • Public administration including defense
COMMERCIAL SERVICES <ul style="list-style-type: none"> <li style="width: 50%;">• Communications services <li style="width: 50%;">• Management services <li style="width: 50%;">• Construction services <li style="width: 50%;">• Advertising & related services <li style="width: 50%;">• Insurance services <li style="width: 50%;">• Research & development <li style="width: 50%;">• Other financial services <li style="width: 50%;">• Agricultural, engineering & other technical services <li style="width: 50%;">• Computer & information services <li style="width: 50%;">• Miscellaneous services to business <li style="width: 50%;">• Royalties & license fees <li style="width: 50%;">• Audio-visual services <li style="width: 50%;">• Non-financial commissions <li style="width: 50%;">• Personal, cultural & recreational services <li style="width: 50%;">• Equipment rentals 		

Source: Statistics Canada, *Catalogue 67-203-XIB*, 1999

Values of services imported into Canada are provided in Table 1.11. These imports are sourced from the USA (64%), the United Kingdom (7%), other EU countries (9%), Japan (2%), other OECD countries (4%) and other countries (14%). More details on the service sector, including statistics on individual countries, are available in TFOC's 'Services' market report.

Table 1.11: Imports of Services, current account payments (C\$millions)					
	1996	2000		1996	2000
Travel	15,353	17,983	Other commercial and government services	23,042	31,024
Transportation	10,567	13,806			
ALL IMPORTS	48,961	62,814			

Source: Statistics Canada, *CANSIM Matrix 2360*, April 2001

1.3 Trade System

AGREEMENTS

Canada is party to several global, regional, bilateral and multilateral trade agreements for goods and services. Table 1.12 lists the major agreements as well as ongoing negotiations for potential trade arrangements with specific countries or regions. There is also an *Agreement on Internal Trade* which aims to reduce interprovincial barriers to the movement of persons, goods, services and investment within Canada. Further details on any of these can be obtained through the comprehensive *Trade Negotiations and Agreements* website of the Department of Foreign Affairs and International Trade (<http://www.dfait-maeci.gc.ca/tna-nac>).

Issues covered by these agreements include:

- market access
- investment
- government procurement
- subsidies
- competition
- intellectual property rights
- dispute settlement
- antidumping & countervailing duties.

Table 1.12: Canada's Major Trade Agreements and Negotiations, as of April 2001

<p>WORLD TRADE ORGANIZATION AGREEMENTS</p> <p><i>Multilateral</i></p> <ul style="list-style-type: none"> • General Agreement on Tariffs & Trade (GATT) • General Agreement on Trade in Services (GATS) • Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)^a <p><i>Purilateral</i></p> <ul style="list-style-type: none"> • Agreement on Trade in Civil Aircraft • Agreement on Government Procurement • International Dairy Agreement • International Bovine Meat Agreement 	<p>SERVICES TRADE AGREEMENTS^b</p> <p><i>Existing</i></p> <ul style="list-style-type: none"> • General Agreement on Trade in Services (GATS) • North American Free Trade Agreement (NAFTA) • Canada-Chile FTA <p><i>Under discussion through</i></p> <ul style="list-style-type: none"> • Free Trade Area of the Americas (FTAA) • Asia Pacific Economic Cooperation (APEC) • Organization for Economic Cooperation & Development (OECD)
<p>REGIONAL AGREEMENTS</p> <ul style="list-style-type: none"> • North American Free Trade Agreement (NAFTA) • Free Trade Area of the Americas (FTAA) • Canada-European Free Trade Association (EFTA) • Canada-APEC 2000 	<p>BILATERAL FREE TRADE AGREEMENTS (FTAs)</p> <ul style="list-style-type: none"> • Canada-Costa Rica FTA • Canada-Chile FTA • Canada-Israel FTA
<p>DISCUSSIONS ON POTENTIAL FREE TRADE AGREEMENTS</p> <ul style="list-style-type: none"> • Canada-Central America Four* FTA (*El Salvador, Guatemala, Honduras, Nicaragua) • Canada-Singapore FTA 	<p>OTHER TYPES OF ARRANGEMENTS</p> <ul style="list-style-type: none"> • Trade & Investment Cooperation Agreements, e.g., CARIBCAN for the Commonwealth Caribbean • Canada-USA Softwood Lumber Agreement • Foreign Investment Protection & Promotion Agreements (FIPAs) • Canada-EU Action Plan • Canada's Trade Action Plan for Japan • Joint Canadian Palestinian Framework for Economic Cooperation and Trade

Source: DFAIT, *Trade Negotiations & Agreements*, April 2001

^a Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) covers standards for:

- copyright & related rights
- trademarks
- geographical indications
- industrial designs
- patents
- layout-designs (topographies) of integrated circuits
- protection of undisclosed information
- control of anti-competitive practices in contractual licenses.

^b Canada has negotiated or is negotiating commitments in the area of services in several international trade agreements including the ones listed here. GATS, the first multilateral agreement covering trade in services, was negotiated at the WTO and came into force in 1995. More information may be obtained through the 'Services 2000' website (http://strategis.ic.gc.ca/sc_mrkti/services/engdoc/homepage.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 Customs and Revenue Agency (CCRA), the federal agency responsible for compliance with Canada's tax, trade and border 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.

CCRA 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 Harmonized System Code, and know their value and origin. CCRA can then provide advice on the appropriate valuation method, tariff classification and tariff treatment. The CCRA website (<http://ccra-adrc.gc.ca/customs/business/importing>) provides details on the import process and requirements from a customs perspective.

Tariff Rates: The rate at which duties are assessed depends on the tariff treatment given by Canada to the country from which imports originate. This classification can be affected by the origin of raw materials and components. Tariff treatments fall under the following:

VALUATION METHOD

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 CCRA 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 5 subsidiary methods. Further information may be obtained through the importer or the CCRA website.

- Most Favoured Nation Tariff (MFN) for all members of GATT and countries enjoying bilateral agreements with Canada;
- Commonwealth Caribbean Countries Tariff (CCC);
- Least Developed Country Tariff (LLDC);
- British Preferential Tariff (BPT) for all members of the British Commonwealth except Britain or Ireland;
- Australia Tariff;
- New Zealand Tariff;
- Preferential tariff treatment under the North American FTA, Canada-Chile FTA and Canada-Israel FTA;
- General Preferential Tariff (GPT) for countries not covered by any of the categories above.

Some countries are eligible for more than one tariff treatment. For example, all countries entitled to the LLDC Tariff treatment must be beneficiaries of the GPT. It should be noted that not all goods exported to Canada from developing countries are eligible for GPT treatment. Among those excluded are goods on the *Import Control List* (see Section 1.4), including most textiles, footwear and clothing products, as well as many processed food and steel products.

To qualify for entry under GPT 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,

TAXES

The federal government imposes a 7% 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.

eligibility for GPT 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.

REMEDIES

Trade disputes between Canada and other countries may be settled through international arbitration panels, generally organized by the World Trade Organization. Dispute settlement between individual importers and exporters is covered in Section 2.3 of this document.

DUTY FREE
Goods which are eligible for reduced rates of duty under the GPT may enter Canada duty free when at least 40% of the ex-factory price originates from one or more LLDC country. The certification and shipping requirements of the LLDC tariff are the same as under the GPT.

Canada's *Special Import Measures Act* regulates the imposition of special duties on 'unfairly' traded imports deemed to have been dumped or subsidized. This statute conforms to the rules governing dumping, subsidies and countervailing duties outlined in the *GATT Anti-dumping Code* and the *GATT Agreement on Subsidies and Countervailing Measures*.

Anti-dumping Duties are the most commonly used unfair trade remedy in Canada. After a complaint is lodged with the Canadian government by a Canadian manufacturer, producer or trade association, anti-dumping duties are only imposed if two conditions are satisfied:

- the exporter being investigated sells a product to Canada at a price below the 'normal price' at which the product sells in its home market, or at prices below the cost of production (this part of the investigation is the responsibility of the CCRA); and
- 'material injury' to Canadian producers of like goods is caused/threatened due to the dumping (this part is investigated by the Canadian International Trade Tribunal (CITT)).

Preliminary anti-dumping duties are frequently imposed following a positive finding by CCRA, but at the end of the proceeding there may be no finding of 'material injury' by the CITT. In such cases, the duties paid are refunded and the matter is closed. Anti-dumping investigations may be suspended when an exporter agrees to an undertaking to raise the price of exports to Canada in order to eliminate the dumping or injury to Canadian production. The number of dumping cases is quite small, and the impact on most importers is minimal.

Countervailing Duties: Under Canadian law, countervailing duties may be imposed on imports which have benefited from foreign government subsidies and which cause, or threaten to cause, 'material injury' to Canadian producers. The procedures and time limits applicable in countervailing duty investigations are virtually identical to those used in dumping cases.

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.

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 key 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, e.g., the International Organization for Standardization (ISO) 9000 designation for quality management is 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.

The development of Canadian national standards is influenced by current or potential international standards, ensuring not only that Canadian citizens' interests are protected, but also that Canada maintains an efficient and competitive edge in its product and service offerings.

STANDARDS

The Standards Council of Canada (SCC) coordinates Canada's participation in the international standards system and accredits the 4 organizations involved in standards development, and the over 225 organizations involved in product or service certification, testing and management systems registration activities in Canada.

INSPECTION

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.

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, e.g., underground steel storage containers for flammable liquids.
- *Design Standards:* These identify specific design or technical characteristics of a product, e.g., for oil pipelines.

- *Management Standards:* These set out standards for quality and environmental management system processes, e.g., ISO 9000 and ISO 14000.

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 the ISO 9000 series of standards for quality management, or the ISO 14000 standard for environmental management.

REGULATIONS

Canada has a complex network of regulations which contain standards applicable to products and services. Many of these are included in Canada's international trade agreements listed in Section 1.3, thereby affecting imports into this country. A brief summary of the major regulations are 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 TFOC's market reports, but should also be confirmed through your buyer or the internet sites of the agencies listed in the Annex.

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.

Export and Import Permits Act: Imports of some products are controlled, restricted or prohibited from entry into Canada. Permits to import or export these are issued under this Act.

Customs Tariff Act: Tariffs are applied to imported products and services according to this Act.

Consumer Packaging & Labelling Act: Packages must be manufactured, filled and displayed so that consumers are not misled as to the quality or quantity of the product contained in the package. Standard size containers are required for certain prepackaged products, with some food products sold by weight, drained weight or volume.

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 pounds and kilograms and the number of items per container;
- size of box;
- country and region of origin;
- name and address of manufacturer or exporter.

Textile Labelling Act: Almost all imported consumer apparel products should bear labels showing the following details in English and French:

- 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);
- the fiber content (especially for linings).

Food and Drugs Act and Regulations: These apply to food, pharmaceuticals, 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 there is

a visual depiction of fresh strawberries on a frozen pie product, information on any artificial flavourings used must be provided.

Labels for packaged food products must include information such as:

- common or generic name of the product;
- net quantity and list of ingredients;
- name and address of the dealer/distributor;
- number and size of servings;
- 'best before date', except for fresh fruits and vegetables.

Canada Agricultural Products Act: include regulations for dairy products, eggs, fresh fruit and vegetables, honey, livestock, poultry and related processed products.

Meat Inspection Act: 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. All containers for imported meat shipments destined for further processing in Canada, as well as canned and preserved meats must be labelled in accordance with requirements of 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.

Fish Inspection Act: Canadian 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.

Plant Protection Act and Plant Quarantine Regulations: These apply to imports of cut flowers and plants.

Animal Disease and Protection Act. This applies to imports of customer pet foods.

Hazardous Product Act: 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.

Medical Devices Legislation: These new regulations apply to imports of medical devices.

Environmental Legislation: Three major acts in play here are the *Canadian Environmental Assessment Act*, the *Canadian Environment Protection Act* and the proposed *Species-At-Risk Act*. These affect imports of commercial agriculture products and threatened and endangered species.

CONTROLS

Several key federal government agencies, listed in the Annex, are responsible for implementing and managing regulations at the national level.

While most imports enter Canada without special permits or approval, some are restricted by placement on an Import Control List or by quotas and may require import/export permits; others are prohibited from entry. These, as well as other controls affecting imports are described here.

Import Control List: Exporters of textiles and clothing, agricultural products, steel products and weapons and munitions must have a special permit obtained through your own government or from the Canadian Department of Foreign Affairs and International Trade. Import permits may also be required for your buyer in Canada.

Quotas: Imports of some agricultural commodities are controlled by quota to implement Canada's responsibilities under international agreements, e.g., the International Coffee Agreement. Seasonal tariffs may also be applied to imports of fresh fruits and vegetables representing species grown in Canada and are typically triggered when the Canadian-grown products are ready for market.

Prohibited Goods: 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.

Health Standards: Special health, grading and other standards apply to meat and meat products, seafood, plants and seeds, as well as some fresh fruits and vegetables, all of which are subject to inspection. In addition, plant quarantine inspectors from Agriculture and Agri-Food Canada check for insect diseases and presence of soil on incoming produce.

Provincial Rules: Imports of alcoholic beverages require prior authorization from the provincial liquor commission before customs authorities will clear them.

Fresh Fruits and Vegetables: All Canadians dealing in international and interprovincial trade in fresh produce must be licensed by the Canadian Food Inspection Agency. You are strongly advised to obtain and confirm the license number of your buyer before exporting to Canada.

SECTION 2

Doing Business In Canada

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.

Proprietorship: This is the simplest type of organization, where the business is owned by an individual who operates under his/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/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.

All 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 CCRA. 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.

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

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, this promotes 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 does 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 a treaty called 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 Industry Canada website (<http://strategis.ic.gc.ca>), or through the Canadian Intellectual Property Office which operates within Industry Canada (<http://cipo.gc.ca>).

2.2

Key Considerations

Rapid technological and social change 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. The value of a product's annual sales in Canada 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.

MARKETING

Strategy: The key to successful exploitation of the Canadian market is the development of an organized marketing strategy. Requiring priority attention are:

- 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/samples, with any changes agreed to in advance with your 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);
- 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: 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 unsaleable in Canada. To satisfy demands for quality, extended warranties for many consumer durables are increasingly offered.

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 USA, 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.

CONTINUITY OF SUPPLY

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.

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. TFOC advertises export offers in *ImportInfo*, a publication sent to over 2000 Canadian importers. Some Canadian trade periodicals publish an annual buyers' guide and may allow advertisements by exporters.

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/promotion arrangement.

Other advertising options used by Canadian importers include brochures, contests, direct mail, 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.

DOCUMENTATION

Some of the key documents required for exporting to Canada include:

Bill of Lading or Airway Bill: A receipt for goods and contract for carriage issued by the ocean or air carrier; gives title to the goods; signed copies are proof of ownership.

Pro Forma Invoice: A delivered cost estimate usually required for a successful sale.

Commercial Invoice: 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/package, total weight, terms of delivery and payment.

Certificate of Origin (Form A): CCRA requires a certificate of origin to establish where the goods were manufactured and to determine the applicable rate of customs duty.

Packing List: Sometimes required to supplement a commercial invoice.

Inspection Certificates: Sanitary and other certificates are required for some types of products entering Canada, e.g., plants, seeds, animals, pharmaceuticals, nursery stock and meat.

Export Permits: Issued by the exporter's home government, e.g., for endangered species.

PRICE

To stimulate demand, promotional activity at the retail level is common. 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 and/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.

TFOC provides an export costing worksheet (Table 2.1) 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/testing;
- transportation;
- overheads; and
- other carrying costs.

Table 2.1: Export Costing Worksheet

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

Source: Trade Facilitation Office Canada

2.3 Distribution

FINDING A BUYER

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 has become 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.

We encourage you to register with TFOC using the forms provided in the back of this report . You may also contact TFOC by e-mail, fax, regular mail or phone to register.

This will enable us to consider including you on TFOC's website, databank and newsletter, available to Canadian importers.

Finding a buyer requires perseverance and a serious commitment of time, effort and some cost. TFOC encourages exporters to use any of the following tools to help in these efforts.

- 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 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 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 foreign trade ministry.
- 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.
- Contact any bi-national Chamber of Commerce existing between your country and Canada.
- Use trading companies and agents (regional, national or in Canada). While most Canadian trading houses help Canadians export goods and services, some might assist exporters entering Canada. Information on Canadian trading houses is available through the Canadian Federation of Trading House Associations, CAFTHA (<http://www.caftha.ca>).
- Seek the assistance of your bank or freight forwarding company.

Exporters can also identify Canadian buyers who are listed in:

- various internet sites by sector;
- Canadian trade associations or the Canadian Importers' Association;
- directories that can be purchased, e.g., Retail Chains Directory. This is expensive, 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 design trends in the industry.

Documentation to assist in evaluating the costs and benefits of your participation in trade shows is available from TFOC. It is also advisable to check with your agent, buyer or Embassy's commercial counsellor before deciding on such involvement.

Please note that TFOC does not provide letters of invitation to assist with travel/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 key 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 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 US market and therefore must be prepared to fulfill small orders.*

At first contact with an importer in Canada, the exporter will likely be asked for samples. These samples might require adaptation to Canadian preferences and sizes. In Canada they will be assessed for compliance with regulations and standards which are established by the Canadian Government in consultation with public, private and industry representatives. 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 consignment which is consistent with the accepted samples and which is delivered according to an agreed-to delivery schedule may then be sent to Canada.

Exporters should bear in mind potential competition from suppliers in the United States. Canadian importers are aware of the advantages of purchasing from the USA — lower transportation costs, shorter delivery and lead times and relatively simpler payment mechanisms. American 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.

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 warehouse. When buying directly from the source, the importer assumes the risks of currency and price fluctuations and cargo rejection. The importer purchases insurance and generally covers ocean freight, trucking, handling and storage costs.

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

Small opening orders, just-in-time-delivery and automatic replenishment during the season are often requested by retailers. To satisfy these requirements, an importer plays a vital role by carrying inventory, allowing the delivery of goods right when they are needed.

Payment for imports from traditional suppliers is either cash against documents or an irrevocable letter of credit backing the production cycle. The letter of credit often includes a clause stating that the goods must be inspected and signed off in-country by the buyer or agent prior to shipping. The full invoiced amount is not paid until the inspection is completed. 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.

Since the Canadian market is relatively small, Canadian importers often expect exclusive importing rights for the country or for specific items they agree to import. Importers may ask for quotes for various amounts, e.g., 1,000, 5,000, 10,000 and 50,000 units. For large production ranges, it is customary to allow a discount of 5% - 10%. Delivery time, including delivery to the importer's warehouse, is agreed-to between the parties (usually 60 days from receipt of the order), and must be respected. Other requests that the exporter may encounter are credits which can result from poor quality, damage before or during shipping, or late delivery.

DISTRIBUTION CHANNELS

Canada's distribution networks have tended to be highly centralized because of the country's sparse population, its great distances and its adverse weather conditions. However, the growing importance of regional markets, niche marketing and customized products have 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, Montreal and Vancouver is common.

DISPUTE SETTLEMENT
<p>Both exporters and importers should ensure that each transaction or contract is specific about the questions relating to non-performance of either party, and the acceptability or not of products as delivered, e.g., by stating product specifications and/or payment terms. Any potential for disagreement should be covered by specifying an arbitration board, e.g., the International Chamber of Commerce and their relevant rules of arbitration. Both parties should agree beforehand to be mutually bound by the contract.</p>

The key players in the distribution process include:

- *Buyers*, including wholesalers, brokers, mail-order firms, department and chain stores, single-line retailers, purchasing cooperatives and industrial users who may buy directly from the exporter. TFOC's market report on retail and grocery stores provides details on these buyers.
- *Local agents* and manufacturers representatives who sell imports on a commission basis, accepting orders from Canadian buyers according to agreements with exporters.

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

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 may arise in meeting Canadian requirements for sizes, quality, etc., 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 etc.. Exporters who do not supply references will probably not be well-received.

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. Among the most important factors in establishing your reputation for reliability are:

- Same day response to every communication, preferably by e-mail. Use e-mail as your primary tool for disseminating your marketing material. It immediately shows the potential buyer, who gets many of these offers each week, what you are capable of. In addition, always keep your fax machine switched 'on'. Please note that Canada is divided into different time zones, e.g., Vancouver is three hours behind Toronto, so communication with a buyer may be at unusual hours. Buyers who cannot readily contact an exporter will quickly turn to other sources of supply. There is no excuse for a delayed response to a buyer's request. An interim note must be sent if the necessary information is not immediately available. Give a reasonable date for when all the information would be ready and honour that date. An exporter who turns off the fax machine when the office is closed, or who does not respond to a buyer is viewed as an exporter who is not serious about doing business with Canada.
- 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; the buyer must be asked to agree to accept any delay.
- Provide accurate information, and follow up important sales calls in person as soon as possible.
- Get to know the Canadian market and your importer. Read trade publications and visit trade shows in Canada to get a feel for the market.
- If you are asked for exclusive rights to your product, the buyer should be requested to 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 into 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 US dollars.

Please complete and send in TFOC's Exporter Company and Product Profile forms provided in the back of this report.

This will enable us to consider you for listing on the TFOC data bank which is used by Canadian importers.

Annex

Sources Of Information

TFOC'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:

- *Canadian Association of Importers and Exporters* (<http://www.importers.ca>): Provides information and services to the Canadian importing and exporting community.
- *Department of Foreign Affairs and International Trade* (<http://www.dfait-maeci.gc.ca>): Issues import permits for items on the Import Control List and keeps out imports prohibited by international sanctions.
- *Industry Canada* (<http://www.ic.gc.ca>): Provides information on individual sectors in the 'Business Information by Sector' section of their website; oversees consumer packaging and labelling for non-food items, precious metals marking and textile labelling; is responsible for issues related to intellectual property rights.
- *Canada Customs and Revenue Agency* (<http://www.ccr-aadrc.gc.ca>): Sets import tariffs. In the website, search for *Tariff*, then go to the section on *Table of Contents, Customs Tariff 2001*, and follow links to get to your product or service.
- *Statistics Canada* (<http://www.statcan.ca>): The official source for Canadian social and economic statistics and products, including detailed import statistics.
- *Canadian Food Inspection Agency* (<http://www.cfia-acia.agr.ca>): Responsible for food safety, animal health and plant protection. Administers acts and regulations related to foods, feeds, seeds, fertilizers, agricultural products, plant products, and packaging and labelling related to these products.
- *Health Canada* (<http://www.hc-sc.gc.ca>): Handles inquiries on pest control products, veterinary drugs, pharmaceuticals, medical devices, disinfectants, consumer chemicals, therapeutic products and containers.
- *Environment Canada* (<http://www.ec.gc.ca>): Monitors hazardous products including ozone depleting substances.
- *Transport Canada* (<http://www.tc.gc.ca>): Concerned with transportation of dangerous goods by air, sea, rail or road.
- *Natural Resources Canada* (www.nrcan.gc.ca): Deals with explosives.

