



Doing Business in CANADA

Understanding the Market

The United States and Canada maintain one of the strongest trading relationships in the world. Bilateral trade between the two countries is estimated at \$509 billion a year, which breaks down to \$1.4 billion U.S. of goods that cross the border each day between the two countries. This relationship continues to grow. The U.S. share of Canadian imports is estimated at 55 percent while 80 percent of Canada's exports are destined to the U.S. It is no wonder first-time exporters are encouraged to look north as their first export destination. Furthermore, the similarity of business practices with those of in the United States facilitates both existing and new exporters to pursue market opportunities in Canada.

Although the similarities are greater than the differences, it needs to be highlighted that Canada is still a foreign country and that shipping to Canada requires proper shipping and customs documentation by all U.S. exporters. In certain circumstances, additional permits and registrations may be required by the Canadian government in order for the product to be sold in the country. Furthermore, since Canada is a bilingual country, certain products, particularly consumer and packaged goods, must comply with the Federal labeling laws.

LEADING SECTORS FOR GEORGIA EXPORTERS AS DETERMINED BY THE U.S. COMMERCIAL SERVICE

- Security/safety equipment (SEC)
- General industrial machinery
- Aerospace
- Electrical power systems
- Telecommunications equipment
- Building products
- Medical devices
- Travel and tourism
- Computer software
- Computer hardware and peripherals
- Oil and gas field machinery
- Automotive parts and service equipment



Distribution and Sales Channels

DIRECT SALES

Due to the geographical proximity and the nature of the product/service being sold, more U.S. companies are selling and shipping directly to customers and manufacturers than are going through a distributor. However, companies that wish to either establish name or brand recognition tend to either establish a sales office or appoint a sales agent, sales representative or distributor. Furthermore, most companies find it challenging to cover the vast country either directly from the United States or even with one Canadian representative.

AGENT/SALES REPRESENTATIVE

Most Canadian sales agent/representatives do not take title of the goods, and they work on a commission by the client. These commission rates vary depending on the industry sector and product. The agents are either calling on larger retail or OEM accounts or represent a higher ticket item that is to be sold in Canada. Traditionally, they maintain non-conflicting products/services in their line card.

As a note, in the food business, these agents are usually referred to as food brokers and are largely responsible for selling a product and establishing a distribution network for the client in Canada.

DISTRIBUTOR

Most distributors take title of the goods and will warehouse the product and resell these goods in Canada.

CANADIAN SALES OFFICE

In most cases, this strategy is implemented by a U.S. company with an established market and proven sales in Canada. A U.S. company can establish a sole proprietorship or partnership or incorporate a wholly owned subsidiary or joint venture in Canada. It is recommended that a U.S. company consult a legal and tax expert to determine the business structure best suited for its firm in Canada.

E-MARKETING & ONLINE SALES FOR CONSUMER SALES

Over the years, online direct sales have gained more popularity, particularly among smaller retail companies. If you are a U.S. company shipping your product to a Canadian customer, we recommend that the U.S. company roll in all charges in their delivered price or itemize these additional charges, such as taxes, insurance, or other related clearance charges by the courier or shipping entity on the invoice to your customer. Indicate to either the U.S. Post Office or courier firm that you will be responsible for these additional charges, thereby permitting the package landing on your customer's doorstep. Otherwise, the package will be held at the border and these related charges will be passed on to your customer and in most cases result in higher charges for the customer. As a note, shipping any package valued over C\$20.00 must clear Canadian Customs. Canada Post's clearance charges are \$5.00 for dutiable or taxable mail items. For companies using a reliable U.S. courier firm and providing a delivered price, please be sure to include the commercial invoice and indicate on the company's waybill the box that indicates bill duty, tax and shipping charges to the shipper.

Import Requirements

In response to both U.S. exporters and the logistics community, the Canada Border Services Agency developed the Non-Resident Importer (NRI) concept, making it easier for exporters to ship and service their Canadian customers without having a physical presence. A couple of the key advantages are that it permits the exporter to provide its Canadian customers with a landed cost of goods including applicable taxes and duties. Furthermore, an NRI status permits the U.S. exporter to reclaim the 5 percent Goods and Services Tax (GST) that was assessed on its shipment entering into Canada.



As a first-time shipper to Canada, it is recommended that U.S. companies engage the services of a freight forwarder or customs broker. The Canadian office for Georgia can provide a list of companies in your area.

Most shipments will require the following paperwork:

- Bill of lading – issued by the carrier and completed by the shipper. This document describes the goods being shipped.
- Manifest or cargo control document – This form is completed by the carrier and submitted and accepted by Customs.
- Commercial invoice – completed by the exporter
- NAFTA Certificate of Origin - The North American Free Trade Agreement (NAFTA) is a preferential tariff program, which allows zero or decreased duties for products that qualify under the provisions of the agreement. The exporter completes this document. To complete the form the exporter will need to know their product's Harmonized Number (HS).
- Import Permits – May be required depending on the product. This may include special permits or other paperwork, such as material safety data sheets, etc.

OBSERVATIONS OF THE MARKET

Canada continues to be Georgia's top export market, with \$3.7 billion U.S. worth of goods and services sold into the market, and is largely the United States' oldest trading partner. Georgia companies must be reminded that competition and pricing can be challenging and are encouraged to find their market niche and present their competitive advantages to Canadian companies. Service and nurturing personal business relationships go far to establish your business in Canada.

For more information on doing business in Canada or how to export to Canada, contact your Trade Specialist in Atlanta or the State of Georgia Canada office:

Atlanta Office-International Trade
Georgia Department of Economic Development
75 Fifth Street, NW, Suite 1200
Atlanta, GA 30308 – USA
T: +1 (404) 962-4122
F: +1 (404) 962-4121
E: exports@georgia.org

Canada Office
Georgia Department of Economic Development
1235 Bay Street, Suite 400
Toronto, Ontario M5R 3K4 – CANADA
T: +1 (416) 766-4067
F: +1 (416) 513-1273
E: marbulu@georgia.org

