



Center for Economic Vitality

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Exporting to Canada- Opportunities and Challenges

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Canada is often the first country U.S. businesses think of when they want to begin exporting their products. This is a logical choice due to its close proximity to the United States, the cultural similarities, free market economies, comparable standards of living, and similar business practices. Additionally, as a result of the North American Free Trade Agreement (NAFTA) most trade barriers between the United States and Canada have been eliminated.

Now is also a good time to consider expanding business into Canada because of its promising economy. Even through the difficult economic times, the Canadian economy was expected to have grown 2.5 percent in 2010 and is forecasted to have 3.2 percent growth in 2011. With the strengthening Canadian dollar against the U.S. dollar, U.S. products are now more affordable for Canadian consumers and allow U.S. exports to be competitive in the Canadian market.¹

According to the U.S. Commercial Service, the best opportunities for U.S. companies in the Canadian market are centered on the following industries:²

Market Opportunities
1. Aerospace
2. Automotive supply chain
3. Energy/natural resources sector
4. Tourism (Canadian) to the United States
5. Canadian federal and provincial procurements

Even with the opportunities available in the Canadian market, it is important to recognize the business practices of the two countries are not identical. U.S.-based companies may need to make some changes to their business models or products before they can begin exporting to Canada.

Packaging and Labeling

In order to sell products in Canada, a U.S.-based company will likely need to make changes to labels in order to be compliant with the Canadian government's Federal Consumer Packaging and Labeling Act. The most notable

¹ "Doing Business in Canada: 2011 Country Commercial Guide for U.S. Companies," U.S. Department of Commerce. Feb. 10, 2011. http://www.buyusainfo.net/docs/x_615709.pdf

² Ibid

difference is all labels should be bilingual to include both English and French. Additionally, the following information must appear on the label:³

- **Product Identity Declaration**- describes a product's common or generic name, or its function. The declaration must be in both English and French.
- **Net Quantity Declaration**- must be expressed in metric units of volume when the product is a liquid or a gas, or is viscous; or in metric units of weight when the product is solid or by numerical count. Net quantity may also be expressed in other established trade terms.
- **Dealer's Name and Principal Place of Business**- where the prepackaged product was manufactured or produced for resale. In general, a name and address sufficient for postal delivery is acceptable. This information can be in either English or French.

There are additional requirements from other agencies that U.S. companies must follow in order to sell their products in Canada.⁴

- **Country of Origin**- the Canada Border Services Agency requires the country of origin being indicated on several types of imported goods.
- **Processed Products Regulations**- Canada's Processed Products Regulation requires standard container sizes for a processed fruits and vegetables.
- **Environmentally-Friendly Products**- Industry Canada is responsible for ensuring all claims of being "environmentally-friendly" are accurate and compliant with legislation. Claims should also specify if it is the product or the packaging that is "environmentally-friendly."

Federal and Provincial Sales Tax

In Canada both domestic and imported goods are subject to federal sales tax of 5 percent, known as the Goods and Services Tax (GST). In addition, some provinces have Provincial Sales Taxes (PST), which vary between provinces. Many of the provinces have combined both taxes into a single tax known as the Harmonized Sales Tax. The table below summarizes the current sales taxes as of July 2010.⁵

	GST/HST
Alberta	5%
British Columbia	12%
Manitoba	5%
New Brunswick	13%
Newfoundland and Labrador	13%
Northwest Territories	5%
Nova Scotia	15%
Nunavut	5%
Ontario	13%
Prince Edward island	5%

³ "Doing Business in Canada: 2010 Country Commercial Guide for U.S. Companies," U.S. Department of Commerce. Feb. 17, 2010. http://www.buyusainfo.net/docs/x_768751.pdf

⁴ Ibid

⁵ "GST/HST rates," *Canada Revenue Agency*. www.cra.gc.ca. (Last Modified April 15, 2011)

Saskatchewan	5%
Yukon	5%

It is the responsibility of the owner or importer of record to pay the tax on imported goods, therefore U.S. companies should clearly identify the responsibility for the sales taxes and customs duty payments on their invoices.

Exporting

In order to export products from the United States to Canada there are a number of documents, permits, or licenses that may need to be acquired from the Canadian and United States governments. While the majority of products cross the border without incident, there is the possibility that a company will have problems if the proper documentation is not in place. Every type of product requires different documentation, and it is the responsibility of the exporter to make sure all the correct paperwork is in order. In general, agricultural products, firearms, textiles and clothing, and steel are the most challenging products to import into Canada.⁶

To help with the paperwork headaches, it may be beneficial to hire a Customs Broker. This is a professional that is familiar with the customs process and will act on behalf of the company when communicating with the Canadian Border Services Agency. They can help to streamline the customs process and manage other details necessary for exporting and importing.

⁶ "Doing Business in Canada: 2010 Country Commercial Guide for U.S. Companies," U.S. Department of Commerce. Feb. 17, 2010. http://www.buyusainfo.net/docs/x_768751.pdf