



# Getting Ready to Export

THE FIRST STEPS TO SUCCESS

## TWENTY STEPS TO EXPORT SUCCESS

Advice from executives who have profited from world markets

- 1.** Make a long-term commitment to exporting.
- 2.** Develop an export marketing plan.
- 3.** Produce the right product for the market.
- 4.** Pay close attention to your export strategy, including product positioning and pricing.
- 5.** Be prepared to offer credit terms to customers.
- 6.** Give careful attention to the selection of your partner, agent or distributor.
- 7.** Nurture your relationship with your agent or distributor.
- 8.** Support your export marketing with multi-lingual promotional and technical materials.
- 9.** Hire personnel who speak the languages of your foreign markets and who know those markets.
- 10.** Provide ongoing export and international marketing training for staff.
- 11.** Develop strong in-house support for international marketing.
- 12.** Go out and meet your customers. Send senior company officers to a foreign markets from time to time after a contract has been won.
- 13.** Exhibit at trade shows or speak at international conferences. Take full advantage of Ontario and Canadian government missions to trade shows in your target markets.
- 14.** Learn the local culture and business customs.
- 15.** Consider using Canadian trading houses or experienced Canadian partners to develop the more distant and challenging markets.
- 16.** Honour your contracts with foreign customers.
- 17.** Be aware of potential hazards and manage your export risks.
- 18.** Be prepared to change strategy to suit changing market conditions.
- 19.** Make a commitment to ongoing research and development.
- 20.** Be prepared to respond quickly to changes in technology.

### Disclaimer

*The information contained in this publication is provided as a public service and should not be construed or taken as professional or legal advice. While every effort has been made to ensure the information is as accurate as possible and current as of the date of printing (listed on the last page of this publication), errors do occasionally occur. Additionally, sites in this guide may or may not be available in French or may have limited content in English. It is also strongly recommended that readers verify any and all information listed or referred to in this publication.*

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# This Guide at a Glance

*Getting Ready to Export* is designed to introduce Ontario companies, particularly small and medium-sized firms, to the fundamentals of export success and the wealth of resources available to them.

World markets have changed dramatically in the past 10 years, and the pace of change is accelerating. It's a challenge to keep up with the changes, but good business decision-making depends on having up-to-date information. The Internet is a good source for current information and statistics, and this guide can point you to numerous useful websites.

Exporting can be complex and there are risks as well as rewards. However, as you will discover in this guide, there are many programs and services available that can help you avoid the pitfalls and expand your business through international sales.

For more information about programs and services that can help you expand your business through exports, please contact us.

## **Ontario Ministry of Citizenship, Immigration and International Trade**

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[ontario.ca/export](http://ontario.ca/export)

## **Note**

*The information in this Guide is general in nature and provided as a public service. It should not be taken as professional or legal advice. To the best of our knowledge, it is accurate at the time of printing. The inclusion of an organization, its products or services, is not an endorsement. Readers should verify all information before acting on it.*



# Thinking about Exporting

## The Opportunities of World Markets

**T**he opportunities for Ontario companies in export markets are vast and growing.

For both large and small firms, globalization and the dismantling of trade barriers are opening new markets around the world and creating ever expanding opportunities for Canadian exporters.

Canada has free trade agreements in force with more than 10 countries, which provide a competitive advantage across a wide range of sectors. Emerging markets such as Southeast Asia and the Middle East continue to grow quickly. Latin and South America also offer an expanding range of niche markets.

There are several good reasons your company should consider exporting:

- › increased sales
- › higher profits
- › economies of scale
- › market diversification
- › increased competitiveness

However, along with opportunities, exporting brings challenges. Even if your company is successful in the domestic market, the decision to export should be considered carefully.

Export success calls for serious commitment by your company in several key areas:

- › a commitment by senior management to a multi-year process;
- › an ongoing allocation of resources and personnel; and
- › an engagement to continually learn new ways to deliver high quality products and services to foreign customers.

The good news is that many Canadian companies are successfully meeting the export challenge and profiting from world markets. If you are considering your export options, you have the opportunity to learn from their hard-won experience.

## IS YOUR COMPANY READY TO EXPORT?

The first step in determining whether exporting makes sense for your company is to evaluate the strengths and weaknesses of your business at home.

Generally, successful exporters begin with an established base in Canada. They have reliable production capabilities, excellent reputations for quality, and products that are in demand domestically and, therefore, potentially in international markets.

In some cases, highly specialized companies that do little or no business in Canada have also found a niche in foreign markets.

### **Exporting Demands a Major Commitment**

One factor that all successful exporters agree upon is the need for aspiring exporters to make a serious, long-term commitment to developing international markets. Exporting is not just a stop-gap for a slow domestic market. You should commit enough resources to support a two-year development strategy. Three years would be better. One is the absolute minimum.

### **Evaluate Your Company's Strengths and Weaknesses**

Any Ontario company thinking about exporting should assess its strengths and weaknesses.

Exporting will involve every aspect of your business. Analyze your current capacity in key areas and see how they could contribute to export success or how they need to be strengthened:

- › management expertise
- › production resources
- › product design and ability to adapt
- › domestic market success
- › marketing skills
- › technology
- › financial resources
- › people resources

Ask yourself the following questions. If you can respond positively to many or most of these challenges, then you are ready to start planning to export.

### **Your Current Position and Commitment**

- › What is your position in the Ontario market?
- › Are foreign markets necessary for your company's growth?
- › What is your scope for expansion?
- › Is your senior management prepared to have departments work together to support an export initiative?
- › Is your company prepared to make a long-term commitment of money and people to develop export markets?

### **People Resources**

- › Do your senior executives, marketing and technical staff understand how to do business in foreign markets and are they prepared to spend days – even weeks – away from home?
- › Do your professional/technical staff have the necessary certifications in the foreign market?
- › Will professional staff need to be licensed locally?
- › Do you have access to additional qualified labour?
- › Do you have Canadian support staff capable of speaking the relevant foreign languages?
- › Will your export manager be able to call on the support and cooperation of other key individuals in finance, production, technical support, and shipping? Is everyone in your company prepared to work toward the same goals?

## Financial Resources

- › Do you have funds available for foreign market development?
- › Do you have enough financial resources to manage professional fee withholds (if applicable)?
- › Are you financially equipped to increase production significantly?

## Product Suitability and Certification

- › Is your product suited for export? Can it be adapted easily to meet different cultural preferences?
- › Will you need to redesign your product to meet international standards?
- › Is your quality control up to international standards?
- › Will your product need to be certified by a foreign agency before being allowed into the market?
- › Does your packaging meet international requirements?
- › Will you need to translate technical or marketing materials?
- › Is your product cost-competitive?
- › What are the characteristics of your product that can provide it with a marketing advantage?
- › Can your goods be easily shipped?
- › Can your service be easily delivered abroad?

## Production and Communications Resources

- › Can you increase production to meet a surge in demand?
- › Will your production facilities need to be certified by a foreign agency before your product is allowed into the market?

- › Can you expand your telecommunications capabilities easily? Do you have a reliable website with e-commerce capability?
- › Do you have a customer service strategy for accommodating different time zones and languages if necessary?

## A Note for Service Exporters

Many small service firms are successful abroad in niche markets. These opportunities will continue to grow as barriers to the international trade in services are dismantled.

Services can be exported in several different ways:

- › by providing a service from a Canadian base to a foreign country (e.g., architectural drawings created in Canada for a foreign client);
- › by travelling to the foreign country to deliver the service (on-site construction project management); or
- › by providing the service to foreign clients in Canada (e.g., a training program in Canada for foreign executives).

Service exporters need to consider several factors that are less of a concern to traditional product exporters.

Because service exporting usually involves the movement of personnel across international borders, for example, you will need to become very familiar with immigration regulations and work permit requirements.

Secondly, for professional service firms in particular, your top professionals have to do the marketing – not a sales representative.

These factors underscore the need for you to fully understand the commitment that successful exporting demands and the impact that export success will have on your company.

### **Export Success: Critical Factors**

A number of internal and external factors contribute to the success of a company's export operations. These include:

- › a strong domestic business base (usually);
- › a long-term commitment to exporting by top management;
- › an allocation of sufficient company resources and personnel;
- › a sound business plan with a realistic time frame for export market development;
- › a well-designed, consistently high-quality product/service that meets the quality and performance standards applicable in the target export market;
- › a product/service that meets the often diverse requirements of foreign customers;
- › a product/service that sells at a competitive price and is delivered on time; and
- › a product/service that can be fully supported with after sales service (if applicable).

## **THE FIRST STEP TO EXPORT SUCCESS: DO YOUR HOMEWORK**

Exporting is a complex business venture that has its own terminology, networks, institutions and regulatory paperwork. There is a lot for a new exporter to learn.

One of the best first steps you can take is to familiarize yourself with the organizations and processes that are part of the international business operating environment.

The resources listed here can help you get started.

### **Ontario Ministry of Citizenship, Immigration and International Trade (MCIT)**

[ontario.ca/export](http://ontario.ca/export)

The Ministry's International Trade Branch team of knowledgeable trade specialists can help Ontario exporters develop targeted strategies for international markets. These specialists provide a wide range of services and programs for exporters including:

- › one-on-one consultations
- › community-based First Steps in Exporting seminars
- › New Exporters to Border States (NEBS) missions, seminars and workshops
- › virtual trade missions
- › trade missions
- › participation in trade shows
- › in-market trade support

The Ministry's export promotion website also contains trade-related information, including Trade Fact Sheets.

### **Global Affairs Canada**

[www.international.gc.ca](http://www.international.gc.ca)

Global Affairs Canada provides many services to exporters, from issuing passports to offering direct export promotion through the 260 offices in 150 countries of the Canadian Trade Commissioner Service.

## Canada Business Ontario

[www.cbo-eco.ca](http://www.cbo-eco.ca)

Canada Business Ontario is the main information gateway for Ontario companies to access federal and provincial programs and services for business. It can provide answers to business start-up, business growth and exporting questions.

## Canada Border Services Agency

[www.cbsa.gc.ca](http://www.cbsa.gc.ca)

There are various regulations that apply to exporting Canadian goods to other regions of the world. The Canada Border Services Agency's (CBSA) publications provide useful information for exporters on the rules involved in exporting products.

## Canada Revenue Agency

[www.cra.gc.ca](http://www.cra.gc.ca)

You will need to add an Import-Export Account number to your Business Number (BN) in order to report your export revenues to Canada Revenue Agency. The number is also used by the Canada Border Services Agency to process customs documents.

To avoid delays at the border, you should open your account before you import or export goods.

## Export Knowledge Development – Online and In-person

In addition to the First Steps in Exporting and New Exporters to Border States seminars, the Ministry of Citizenship, Immigration and International Trade offers market-specific seminars, usually in partnership with industry associations and often in conjunction with upcoming trade missions. Check the Ministry's online trade events calendar for more details: [ontario.ca/tradecalendar](http://ontario.ca/tradecalendar)

Forum for International Trade Training (FITT), a Canadian-based public-private sector partnership, offers a series of professional development courses both online and in classroom, which can lead to designation as a Certified International Trade Professional. For more information: [www.fittfortrade.ca](http://www.fittfortrade.ca)

A growing number of colleges and universities also offer courses in international marketing and entrepreneurship. Check the websites of your local post-secondary institutions for program details.

## Incoterms®

To help exporters and importers in different countries avoid misunderstandings, the International Chamber of Commerce (ICC) developed broadly accepted definitions for terms commonly used in international trade (such as DDP – delivered duty paid) which identify the responsibilities assumed by each party. For more information, visit the ICC website at [www.iccwbo.org](http://www.iccwbo.org).

### *Tip for New Exporters*

First Steps in Exporting seminars and workshops introduce new exporters to government export programs and services and other resources, and provide practical insights into the business of exporting. For information about upcoming seminars, contact the Ministry of Citizenship, Immigration and International Trade's International Trade Branch at 416-314-8200 or [ontario.ca/tradecalendar](http://ontario.ca/tradecalendar)

## THINKING ABOUT EXPORTING: KEY ONLINE RESOURCES

### **Ontario Ministry of Citizenship, Immigration and International Trade**

[ontario.ca/export](http://ontario.ca/export)

### **Global Affairs Canada**

[www.international.gc.ca](http://www.international.gc.ca)

### **Canada Business Ontario**

[www.cbo-eco.ca](http://www.cbo-eco.ca)

### **Canada Business Network**

[www.canadabusiness.ca](http://www.canadabusiness.ca)

### **Canada Border Services Agency**

[www.cbsa.gc.ca](http://www.cbsa.gc.ca)

### **Canada Revenue Agency**

[www.cra.gc.ca](http://www.cra.gc.ca)

### **Canadian Trade Commissioner Services**

[www.tradecommissioner.gc.ca](http://www.tradecommissioner.gc.ca)

### **Forum for International Trade Training**

[www.fittfortrade.ca](http://www.fittfortrade.ca)

### **Incoterms®**

[www.iccwbo.org](http://www.iccwbo.org)

## FAQ: TOP TEN QUESTIONS ABOUT EXPORTING

### **1. What export development programs and services are provided to small and medium-sized enterprises by the Ontario and federal governments?**

Please refer to the “Contacts and Resources” section of this guide for a more detailed description of both Ontario and federal services.

## **Ontario Programs**

The Ontario Ministry of Citizenship, Immigration and International Trade offers a wide range of programs and services for exporters, from seminars and workshops in communities across the province and one-on-one consultations to trade missions to key international markets. For more information, see the “Contacts and Resources” section of this guide.

Ontario Food Exports (OFEX) staff at the Ontario Ministry of Agriculture, Food, and Rural Affairs (OMAFRA) help Ontario agri-food companies develop export sales through trade promotion programs, export missions and hosting incoming trade delegations.

## **Federal Programs**

Canada Business Network is an online government information service for entrepreneurs and start-up businesses. It serves as the primary source of up-to-date and accurate business-related information and provides referrals to government programs, services and regulations — without charge — in all regions of Canada.

Canadian Trade Commissioner Service of Global Affairs Canada provides a range of services to Canadian exporters. Canadian Trade Commissioners are located in regional offices across Canada and at more than 260 Canadian consulates and embassies in 150 countries around the world.

The Canadian Commercial Corporation (CCC) is a federal Crown Corporation that contracts to supply foreign governments and international agencies with products and services from Canadian firms.

Export Development Canada (EDC) is Canada's export credit agency, offering insurance, bonding products and financial services to Canadian exporters.

## **2. What kind of export-related financial services are available for small and medium-sized businesses?**

In addition to the commercial services available by banks and other financial institutions, a number of publicly supported organizations and programs can also help companies expand through exports.

These include:

- › Business Development Bank of Canada (BDC)
- › Federal Economic Development Initiative for Northern Ontario (FedNor)
- › Federal Economic Development Agency for Southern Ontario (FedDev)

For more information about available financing support, see [“Financing Exports” \(pg 20\)](#).

## **3. Is there any financial assistance available for export/international trade development?**

The Ontario Chamber of Commerce's Global Growth Fund, which is funded by the Ontario government, can help small and medium-sized companies expand their export markets. There are three components to the program:

- › The Early Stage Exporters fund supports smaller companies to develop and grow export markets and generate new sources of funding;
- › The Export Market Access program helps defray the direct costs of international market development; and
- › The Ontario Exporters Fund helps to cover the cost of hiring an export manager (up to \$80,000).

For more information, visit

[www.occ.ca/programs](http://www.occ.ca/programs).

## **4. I am interested in doing business in the United States. Where do I start?**

The Ontario Ministry of Citizenship, Immigration and International Trade hosts Ontario Trade Fact Sheets at [www.ontario.ca/page/expand-your-export-markets](http://www.ontario.ca/page/expand-your-export-markets), which provide trade and related information specific to countries around the world.

The Ministry also organizes seminars and other events which often attract Ontario companies already doing business in the U.S. You could attend the events and meet the company representatives. Visit [ontario.ca/tradecalendar](http://ontario.ca/tradecalendar) for a list of upcoming events. Alternatively, you could contact our International Market Consultants specializing in the United States at [trade.officer@ontario.ca](mailto:trade.officer@ontario.ca)

## **5. Which Ontario government ministries are responsible for export promotion?**

The Ministry of Citizenship, Immigration and International Trade has a team of knowledgeable export professionals who can help Ontario companies develop their export strategies and expand into international markets. [www.ontario.ca/page/learn-export#section-2](http://www.ontario.ca/page/learn-export#section-2)

The Ontario Ministry of Agriculture, Food, and Rural Affairs (OMAFRA) provides specialized export promotion services for the agri-food industry. [www.omafra.gov.on.ca/english/food/staff/export.htm](http://www.omafra.gov.on.ca/english/food/staff/export.htm)

Programs to help northern Ontario mining supply and service companies enter export markets and increase revenue are also offered by the Ontario Ministry of Northern Development and Mines. [www.mndm.gov.on.ca/en/northern-development/trade-and-investment-support/mining-supply-and-services-export-assistance](http://www.mndm.gov.on.ca/en/northern-development/trade-and-investment-support/mining-supply-and-services-export-assistance)

## **6. How do I determine if my company is “export-ready”?**

Developing a solid export strategy requires a critical examination of the capabilities and resources of your company. The next two sections of this guide, “Preparing to Export” and “Developing Your Export Markets”, offer a step-by-step guide to the exporting process from market research to identifying buyers and financing. The last section of this guide lists a wealth of resources to help you refine and implement your export strategy.

## **7. How do I obtain market research for a specific country and/or product/service?**

The Ontario Ministry of Citizenship, Immigration and International Trade's International Market Consultants can refer you to valuable sources of information on international trade, and market research from a variety of domestic and foreign sources. Our website ([ontario.ca/export](http://ontario.ca/export)) includes Ontario Trade Fact Sheets, which provide trade and export-related information specific to countries around the world.

For more information please call 416-314-8200 or e-mail [trade.officer@ontario.ca](mailto:trade.officer@ontario.ca).

For sector-specific market research, the Canadian Trade Commissioner Service offers key information on foreign markets to Canadian businesses and organizations. Market reports are available at: [www.tradecommissioner.gc.ca/eng/market-report-access.jsp](http://www.tradecommissioner.gc.ca/eng/market-report-access.jsp)

## **8. How can I research the foreign regulations, standards or certification requirements for my product?**

The Standards Council of Canada can provide useful information on standards, regulations, certification, and accreditation. For more information: [www.scc.ca](http://www.scc.ca)

## **9. How do I identify potential distributors in export markets?**

Ontario's International Market Consultants can help with information on how to locate and evaluate potential agents and distributors in export markets. Foreign representatives such as agents and distributors should be carefully screened and interviewed, just as they are also reviewing your company product line. For more information, see [“Finding the Right Representative” \(pg. 35\)](#).

## **10. Can the Ontario government help me find international procurement opportunities?**

Yes, Ontario's International Market Consultants help identify qualified international procurement opportunities for Ontario firms.

For information on procurement opportunities, visit:

- › Development and Humanitarian Aid Markets

[www.tradecommissioner.gc.ca/eng/development-humanitarian-aid-markets/index.jsp](http://www.tradecommissioner.gc.ca/eng/development-humanitarian-aid-markets/index.jsp)

- › World Bank Group

[www.worldbank.org/projects](http://www.worldbank.org/projects)  
(click on Procurement)





# Preparing to Export

**E**xporting offers companies tremendous growth potential. Exporting is also a complex business process. Careful preparation can save you time, money and headaches.

Whether you decide to pursue opportunities in North America, Europe, Asia or anywhere else in the world, the fundamental planning steps are the same:

- › define your target market
- › develop your marketing strategy
- › arrange your financing

This section explores many of the practical aspects of both developing and financing an export plan, then takes a closer look at what is involved with exporting to the United States, which is often the first international market for many Canadian companies.

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## Developing Your Export Plan

### PREPARING YOUR EXPORT PLAN

Once your company has made the commitment to develop international markets, you will need to craft an export plan.

The advice from experts is clear: take your time and do it right. Your export plan is the foundation on which everything is built. A sound blueprint will ensure a strong and lasting export structure.

### Researching Your Target Market

Research will help you understand your target market: the opportunities, the risks and what you will need to do to win market share.

Start by finding out everything you can about key market components:

- › potential customers
- › market segmentation
- › competitors
- › market differences
- › trends
- › industry associations
- › industry/sector events calendars
- › export requirements

This information will help you to set objectives – short, medium and long-term – as well as budgets and market entry strategies.

### Export Market Data Sources

Many organizations can provide exporters with valuable information on potential export markets.

- › Ministry of Citizenship, Immigration and International Trade: [ontario.ca/export](http://ontario.ca/export)
- › Canadian Trade Commissioner Service: [www.tradecommissioner.gc.ca](http://www.tradecommissioner.gc.ca)
- › CanadExport: [www.tradecommissioner.gc.ca/eng/canadexport/home.jsp](http://www.tradecommissioner.gc.ca/eng/canadexport/home.jsp)
- › Industry Canada Trade Data Online: [www.ic.gc.ca/tdo](http://www.ic.gc.ca/tdo)
- › trade associations
- › major banks
- › international trade fairs

## MARKET ENTRY STRATEGIES

You have several market entry options.

Most manufacturers, especially when they begin exporting, export directly through a foreign distributor or agent for their products. Others choose an indirect approach to exporting by working with a Canadian trading house, for example. The best choice will vary by company or product.

Keep in mind that exporting the finished product or service represents only one of several strategies for entering foreign markets. You can also enter into export markets by:

- › licensing designs or technology
- › investing in a branch plant
- › setting up a manufacturing joint venture in collaboration with a local firm in the foreign market

Your strategy can differ from country to country and from regional market to regional market. You could find, for instance, that you can easily sell your goods in the United States, but that your transportation and product tailoring costs make it difficult to

export to Southeast Asia. A joint venture to manufacture in the region might make more sense. Alternatively, an investment in a foreign branch plant may work best for you.

The best strategy for entering a market is one that makes your merchandise most competitive in that market. Consider the following in assessing your potential to compete in a target market:

- › tariff and non-tariff barriers
- › the cost of customizing the merchandise to meet local market requirement
- › currency fluctuations
- › transportation costs

While adapting to a particular export market might increase your costs, the resulting increase in volume may make it worthwhile. Additional international sales can help offset your fixed domestic production costs even if the profit margin is relatively small.

### Export Plan Essentials

When developing your export plan, make sure your management is in clear agreement on:

- › company objectives for both the medium and long-term;
- › tactical approaches to entering the market;
- › marketing plans that schedule activities to support objectives and tactics;
- › allocation of resources for a one-to five-year commitment to establish a presence in your target market; and
- › the need to modify your export strategy in response to changing conditions and opportunities.

## Market Entry Strategies for Service Firms

Strategic options for marketing your services abroad are similar to strategies for expanding into another Canadian province. Depending on your business, there are several ways to enter a new market. In general, you will want to draw on personal referrals rather than making “cold calls.” For example, you could:

- › join a local business/trade association and become active on a prominent committee;
- › volunteer as a speaker for a local trade association or business/professional school;
- › apply for and secure an award for excellence and then promote that award in the local market;
- › become a speaker or panellist at a trade or professional conference in the market area;
- › present an educational seminar on an industry trend of interest, linking the presentation to what services you can offer; or
- › retain a media consultant and get articles placed in the local media about your firm.

Keep in mind that services can be exported in several different ways:

- › by providing a service from a Canadian base to a foreign country (e.g., architectural drawings created in Canada for a foreign client);
- › by travelling to the foreign country to deliver the service (on-site construction project management);
- › by providing the service to foreign clients in Canada (e.g., a training program in Canada for foreign executives).

For many service exporters, attending trade fairs will not necessarily prove time-effective. Instead, service exporters should also consider additional options for market entry and growth.

### *Tips for Service Exporters*

- › Build the profile of your firm, at least initially, rather than focusing on a particular service offering.
- › Because service exporting usually involves the movement of personnel across the border, you need to become very familiar with immigration regulations and work permit requirements.
- › For professional service firms in particular, your top professionals have to do the marketing – not a sales representative.
- › At some point in market growth, many service firms need to establish some form of a local presence to be accessible to customers.

## DIRECT EXPORTING OPTIONS

Just as in domestic business, selling products in foreign markets requires understanding customer needs, managing local logistics and being able to respond quickly. Many manufacturers find the best way to accomplish this is to hire an agent or distributor in the target market.

You have a number of options in terms of representation, each offering particular strengths.

## Foreign Distributors

A foreign distributor orders goods and resells them to wholesalers, retailers or end-users in their own country at prices they set themselves. Distributorships are usually granted for a specified territory and the distributor provides after-sales service and technical support.

Your distributor may also agree to develop a market for you with his or her sales force, appoint dealers, and handle all promotions. If a distributor is appointed on an exclusive basis, he or she receives sole rights to sell in a given territory. A distributor usually handles a number of similar product lines.

## Foreign Brokers

These are firms or individuals located in your target market that work for you on a straight commission basis. Brokers usually specialize in bulk commodities. They bring together buyers and sellers, and then help to negotiate agreements or contracts.

## Agents

A sales agent (or representative) in a host country generally works on commission in an exclusive territory. The agent seeks business, enters into legal contracts with the purchasers on your behalf and conveys the purchase order to your Canadian base. You then ship directly to the purchaser. In many instances, the exporter relies on the agent's judgment regarding credit risk. Agents often provide some collection support.

An agent may be an individual sales representative who works on his/her own in a specialized product area, or may be a large manufacturer looking for a product to complement its product line.

Agents may provide a variety of support services, including carrying stock, promoting services, advertising and repairing goods. When selling through an agent, you have more control over the market activities than you do by selling through a distributor.

## Direct Sales to Final Buyer

Direct sales to a buyer is an ideal strategy for technical products requiring technical service and support. You must have the ability and resources to be involved in all aspects of marketing and after-sales service. When selling directly to a buyer, you retain a high degree of market control. However, the marketing costs may be high.

Selling direct is appropriate when the depth of knowledge or expertise essential to sell your products can only be provided by your own sales staff. It also might be appropriate if you have relatively few potential customers or where your potential customers are concentrated in a relatively small geographical area.

## E-Exporting

The Internet makes it possible for companies to begin exporting without incurring many of the traditional market-entry costs such as participating in trade shows. The company website is, in reality, an online storefront in the worldwide marketplace, attracting buyers from around the world.

For some companies, the first international order they receive is an unsolicited, Internet-generated inquiry from a potential customer in a foreign country.

While e-exporting – fulfilling international orders received over the Internet – offers a business model with tremendous potential, the basic steps of export management remains the same.

E-exporters need to be aware of the impact of many international sales-specific issues, including:

- › the regulatory and reporting requirements related to exporting their product, both domestically and in the destination market;
- › the impact of international trade agreements that might, for example, reduce tariffs or impose export controls;
- › the costs of currency exchange rate fluctuations, freight-forwarding and international insurance;
- › online ordering and the increased risk of cross-border credit card fraud; and
- › additional after-sales service requirements for international customers.

The rapid growth of e-exporting will lead to changes in the current regulatory and reporting systems. Check the CRA website for announcements about changes to regulations or reporting requirements.

### Licensing Agreements

When an exporter is faced with high production costs at home, low-priced competition abroad, transportation problems or high tariff barriers, a licensing agreement can be an alternative to market development. The holder of the license then:

- › produces the product in the foreign country;
- › finances and builds manufacturing facilities; and
- › uses the exporter's trademark, patents, technical know-how, or training, in return for payment of a royalty or fee.

The main advantage of licensing is that market penetration can be achieved without direct investment by the exporter. However one disadvantage is that the licensee is a potential competitor once the licensing agreement terminates.

Exclusive agreements on sales territory and rights may be included in a license. Laws and regulations governing license agreements vary from country to country and the licensor's lawyer should review the foreign country's regulations covering the types of rights which can be licensed legally. Be sure to investigate your legal recourse to enforce the foreign licensee's agreement to pay the royalties and determine what the legal ramifications will be if either party should break the agreement.

### Joint Ventures

A joint venture is a step beyond licensing. Here, the exporter invests money along with a foreign investor or investors to produce the product in the host country.

Joint ventures entail many technical considerations and are often covered by special legislation. Before entering into a joint venture, it is important to retain a lawyer who has a thorough understanding of all the relevant laws of the host country.

## INDIRECT EXPORTING OPTIONS

For a new exporter wanting to minimize risk, export brokers, trading houses and other indirect export options offer an opportunity to profit from exports without incurring the risks of entering foreign markets. They can also help an experienced exporter reach non-traditional markets.

Export brokers, trading houses and other similar intermediaries are export and/or import specialists. They can act as the export department of a manufacturer, handling the export of merchandise into specific overseas markets. They know the intricacies of international trade, the local language, local rules and regulations, how to move goods into and through target market(s). Above all, they have local contacts.

### **Canadian Export Brokers**

This is an export broker based in Canada who works on a commission basis and is similar to an overseas agent or broker. Usually a specialist in certain bulk commodities or manufactured products, brokers find buyers for those products in many areas of the world.

### **Trading Houses**

Selling via trading house is a good option to consider if:

- › you do not have the resources to service a specific market;
- › a particular export market is relatively unfamiliar and requires cultural and market knowledge that you cannot readily acquire; and/or
- › you would prefer not to become directly involved with exporting but would rather deal through an experienced third party.

A trading house may buy products from you outright and assume all credit and financial risks in selling abroad or it may be retained on a commission basis, acting on your behalf, with credit and financial risks to be shared with you.

### **Canadian-based Foreign Buyers or Purchasing Agents**

Resident foreign buyers or purchasing agents in Canada act on behalf of their principals abroad. They buy a wide variety of industrial and consumer products and are located in large cities.

### **Procurement Offices**

Some countries buy goods through procurement offices established in foreign countries. These government agencies usually buy large quantities of goods, such as agricultural equipment, hotel furnishings, construction machinery and apparel.

### **Other Canadian Manufacturers**

Some manufacturers in Canada buy components or parts from other domestic manufacturers, either for use in the products they export or to complement their export product line.

### **Export Consortia**

Many Canadian companies participate in capital projects such as dams, schools, airports, or manufacturing plants in markets worldwide. These projects require hundreds of different products and services, which opens the door to small firms as suppliers or sub-suppliers.

## **WORKING WITH STRATEGIC PARTNERS**

A strategic alliance with an appropriate local partner can substantially reduce the time and money it will take for you to develop business abroad. A local partner already has a network of contacts, understands the key cultural variables and can provide you with a local office.

Depending on your needs, you may wish to seek a partner in your same industry or in a complementary industry. For example, high-tech firms may find it useful to partner with local marketing firms.

Industry associations may be able to recommend local firms interested in foreign partners. Similarly, the International Trade Branch of the Ontario Ministry of Citizenship, Immigration and International Trade and/or the Canadian Trade Commissioner Service may be able to assist in identifying appropriate local candidates. Remember that local partners may also be interested in opportunities for their own companies in Canada; consider selecting a partner whose expertise can also help you in your domestic market.

## INTERNATIONAL DEVELOPMENT PROJECTS

Another approach to exporting is to respond to Requests for Proposals (RFPs) from organizations in foreign markets or international financial institutions (IFIs) such as the World Bank or the regional development banks.

Remember that when an IFI is involved, you will have two clients – the IFI and the national government. The Canadian government has a representative at each IFI who can help you market your services. For more information: [www.tradecommissioner.gc.ca/eng/development-humanitarian-aid-markets/index.jsp](http://www.tradecommissioner.gc.ca/eng/development-humanitarian-aid-markets/index.jsp)

### *An Export Plan Checklist*

Your export plan should be a core business document. It should have a multi-year planning scope, with “big picture” goals, major milestones and key operational details. It can be used to keep export activities on track, guide day-to-day decision-making and provide an overview for new employees or potential financial partners.

At a minimum, it should include the following points:

- › business objectives for the short-term (1 year), medium-term (2–3 years) and long-term (5 years or more);
- › rationale behind the choice of the overall strategic approach: will you export directly or choose an indirect option, for example, by working with a trading house?
- › key drivers and inputs for establishing a competitive export price;
- › ongoing development of high quality and technically accurate marketing support materials in the language of your target market(s);
- › senior management visits to the target market(s) to confirm your company’s commitment to the market and your customers there;
- › core marketing tactics such as using major international trade shows to promote your merchandise and raise the visibility of your company; and
- › if you use an agent or distributor, include the resources you need for recruiting, training, incentives and other support. You may want to arrange for your agents, distributors, and customers to visit your plant in Ontario, if appropriate, for critical training in product application, after-sales service, etc.

## DELIVERY: CARRIERS, CONTAINERS AND STANDARDS

The success of your export plan will depend on getting your goods into the foreign market at a competitive price.

While the responsibility for transportation is negotiated in the terms of sale, it is important to understand the costs and alternatives available.

### The Freight Forwarders

A competent freight forwarder can save you time and effort in the preparation of export documents, and planning the best methods for shipping.

Since your potential customer compares quotations on the basis of his delivered costs, it is critical that you select the most cost-efficient method for shipping your goods. Cost savings achieved by your freight forwarder can be the key to setting a competitive and profitable export selling price.

Exporters of smaller shipments might consider using the services of a freight forwarder who offers the option of consolidating your shipment instead of shipping independently. Consolidation can result in lower shipping costs. It can also provide the convenience of a single billing and tracing service. Check the reliability, capability and experience of the freight forwarder best suited to you.

### Packaging Requirements

Your merchandise must arrive on time and in perfect condition.

The packaging must be designed to resist damage in transit and to conform to possible heavy-lift requirements. It has to resist both thieves and climate en route and at destination. Today, most shipments are containerized.

Environmental regulations in the country of destination may determine how you need to pack your goods. Increasingly packaging must be recyclable. Germany, for example, has one of the toughest packaging laws in the world. It requires companies to take back and recycle packaging used during transport or arrange for someone to do this. While the importer has immediate responsibility, your competitiveness in the market will depend on your ability to meet such requirements.

### Meeting Technical Standards

Technical and regulatory standards are playing an increasing role in exports across all industry sectors. From toys to pharmaceuticals, products must meet merchandise standards and codes that can vary from country to country and even at the sub-national level of individual states and provinces.

In the EU, for example, the European Commission issues directives for specific merchandise groups, outlining minimum requirements that must be met before goods can circulate freely throughout the EU. You need to identify what directives affect your goods and what standards must be met. The Canadian Trade Commissioner Service can provide relevant information.

## EXPORT PRICING

Export prices are often best established on a market-by-market basis. The cost inputs – additional financing, insurance, freight forwarding, customs brokers, marketing, agents’ commissions – can vary significantly.

Your export price also needs to include the additional risks of possible currency fluctuations between signing the order and receiving payment. To reduce your exposure to exchange-rate risks on large contracts, you may be able to arrange a “hedging” option from one of the chartered banks.

Cost competitiveness is always important. Positioning your product as the “low-cost alternative” can help you break into markets. Be aware, however, that anti-dumping laws in your target market must be a factor in your pricing policy. It pays to know the rules before offering the “best prices” available.

### Pricing for Payment Withhold

Service exporters should keep in mind that some countries require that a certain percentage (usually between 15% and 30%) of your professional fee be withheld at source for tax purposes. You will need to build this into your price or find a local presence option to avoid the withhold. As a result of tax treaties signed by Canada with various countries, you will eventually be able to recover the withheld amount – but that could take up to 18 months.

## Tax/Harmonized Sales Tax

Canadian Tax is not applicable on foreign sales, though it may be applicable on the portion of the work performed in Canada for a foreign client.

Exports are considered a zero-rated sale. This means you do not collect the GST/HST on the amount charged on exports, but you may claim an input tax credit for the GST/HST paid on virtually all your cost inputs.

To support a GST/HST exemption claim for exports, you must have proof that the goods or services were purchased by and delivered to a customer outside of Canada. For this reason you will need to keep any:

- > invoices;
- > purchase contracts;
- > transportation documents;
- > customs broker’s invoices; and
- > import documentation required by the country to which the goods are exported.

For more detailed information visit the Canada Revenue Agency website: [www.cra.gc.ca](http://www.cra.gc.ca)

Similarly, the Ontario Retail Sales Tax (RST) does not apply to the sale of goods shipped outside Canada by the exporter.

In 2010, the Government of Ontario adopted a single sales tax, the Harmonized Sales Tax (HST). This replaced the Ontario Retail Sales Tax (RST) and GST with the single sales tax system. For more information and the related reporting forms, visit the Ontario Ministry of Finance website: [ontario.ca/finance](http://ontario.ca/finance)

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# Financing Exports

As you might expect, exporting adds a few complications to the usual aspects of business financing.

A number of different and potentially expensive financial considerations need to be taken into account, all of which can affect your total export costs. These include:

- › currency exchange rates;
- › relative interest rates for different currencies;
- › the time it takes to receive payment;
- › contracts that involve more than one legal system;
- › credit available to both exporter and customer; and
- › the credit appetite of financial intermediaries (usually banks).

In addition, some of the commonly-used financial options for domestic sales are not necessarily available to finance export sales. Canadian banks do not normally finance foreign receivables, for example, with the possible exception of receivables due from U.S. customers.

Discussions with potential financiers should start early in the marketing phase. In some cases, committed financing may be required to close your first major export sale.

## EXPORT FINANCING AND PAYMENT OPTIONS

A number of short, medium and long-term financing and payment instruments and options are available to exporters.

### Bills of Exchange or Drafts

Like business or personal cheques, bills of exchange or drafts are financial instruments handled by the chartered banks and issued by the exporter that state the total value of the goods exported and the date of payment. They are addressed to the importer. They require the payment of a specified amount of money to (or to the order of) a specified person on demand or on a fixed or “to be determined” date. The title to the goods is not transferred until the payment is made.

### Buyer Credits

A buyer credit is a method of financing an export over the medium to longer-term whereby funds are loaned usually by a bank or other financial institution directly to the foreign customer. Buyer credits are commonly used to finance large capital purchases or turn-key operations.

### Cash in Advance (Prepayment)

When the customer pays cash-in-advance, the exporter receives a partial or full payment before the goods are exported. This method is normally only used in paying for goods or services that are scarce and in high demand.

### Consignment

When goods or services are sold on consignment, the exporter retains ownership until they are sold. This method of payment is normally only used for goods that are risky or not very popular.

### Countertrade and Barter

Countertrade is a trading arrangement in which a sale to an importer is conditional on a reciprocal purchase by the exporter. Instead of being paid in cash for a shipment, the exporter would receive products (or even certain kinds of services) from the target market.

The governments of developing countries often require trade deals to include countertrade arrangements because this helps them to conserve foreign exchange reserves and create new export markets for their domestic products.

Barter, or payment-in-kind, is the most basic form of countertrade. It involves the mutual exchange of goods and services between two or more parties. For example, two state-owned trading companies could agree to barter a quantity of sugar for a quantity of oil if the goods are considered to be of equal value.

### **Domestic Purchase of Foreign Receivables**

An exporting firm can convert its foreign receivables into immediate cash by selling them to a bank or factoring house. The receivables are discounted to cover financing charges and risks. The purchaser of the receivables then assumes responsibility for collecting payment from the foreign customer.

### **Export Leasing**

Canadian chartered banks can provide export leasing services through subsidiaries. This approach is sometimes used for exporting to countries where import restrictions prevent the customer from purchasing foreign equipment outright or where the tax regime favours leasing over outright purchase.

Depending on the mechanism used, the exporting firm receives cash for its transfer of title to the leasing company and the delivery of the capital equipment to the customer. The leasing company then collects regular payments from the leaseholder.

### **Forfeiting**

Forfeiting or forfeit financing is provided by a number of Canadian banks. The bank purchases medium-term (up to five, and in

special cases, seven-year) promissory notes due to the Canadian exporter from a foreign customer. The value of the promissory notes is discounted at a fixed rate so that the exporter receives cash, after deduction of the interest charge or discount.

The Canadian exporting firm benefits from passing on the credit risk and currency exposure to the Canadian bank and by turning a credit sale into a cash transaction.

### **Letters of Credit**

Letters of credit are the most common method of payment in international trade. They provide a measure of protection to both parties involved in the transaction.

Here's how they work. Canadian Exporter A agrees to sell \$1 million in products to overseas Customer B on the condition that B arrange for a Letter of Credit (LC) to cover the purchase price. Customer B then goes to his bank and arranges for the LC which specifies the amount to be paid to Exporter A and all the conditions that Exporter A must meet (e.g., delivery standards, packaging changes or translated literature) before collecting the specified amount. If the conditions are met, the bank pays Exporter A.

A letter of credit may be revocable or irrevocable. Irrevocable letters of credit are preferable because they cannot be cancelled unilaterally and therefore greatly reduce the risk of non-payment.

### **Open Account Trading**

This method is primarily used between companies that have a long-standing relationship. It is also common in transactions between Canada and the United States. Trading on open account consists of issuing invoices once the goods have been shipped, exactly as is done in domestic transactions.

## Project Financing

Project financing secures payment for a sale out of the cash flow that the project is expected to generate once it comes into production. The assets of the project serve as collateral for the loan.

Canadian charter banks, through their International Trade and Merchant Banking Divisions, are experienced in arranging project financing, particularly for the mining, energy, forestry, transportation, public utilities and engineering industries.

## Payment Tips for Service Exporters

Service firms usually work with their customers on an “open account” basis. Unless you are incurring major expenses in another currency, your safest route is to negotiate payment in Canadian dollars. However, your customer may refuse.

The most rapid ways to get paid from abroad are cash-on-delivery or a wire transfer directly to your bank in Canada. If you want payment by wire transfer, you will need to supply your customer with your bank account number and the routing information for your bank.

## SOURCES OF EXPORT FINANCING

Exporters can explore a number of possible federal, provincial, and private-sector sources of export financing to start or support ongoing exporting operations.

## Business Development Bank of Canada

The Business Development Bank of Canada (BDC) offers financial services to small businesses. These services include term loans, subordinate financing and venture capital. For more information, visit the BDC’s website [www.bdc.ca](http://www.bdc.ca).

## Canadian Commercial Corporation

The Canadian Commercial Corporation (CCC) is an export sales agency of the Government of Canada. On behalf of Canadian companies, it facilitates and structures the financing of export sales to foreign government buyers. The Corporation focuses on sectors that are sensitive or are outside of World Trade Organization (WTO) disciplines, such as defence, and where the governments of emerging and developing countries need help with financing complex and timely procurements.

For some Canadian exporters, the CCC’s International Commercial Business Services program can help increase sales to foreign governments around the world. This program offers the foreign purchaser a guarantee of supplier contract performance and provides the Canadian exporter with a range of government-to-government networking and negotiating options. For more information: [www.ccc.ca](http://www.ccc.ca)

## Export Development Canada

Export Development Canada (EDC) is Canada's export credit agency, offering financing, insurance bonding products and risk management solutions to help Canadian exporters and investors expand their international business. EDC's Accounts Receivables Insurance, for example, protects Canadian businesses against non-payment by foreign customers.

EDC operates on commercial principles. EDC can support exporters operating in any sector of the economy and generally looks for at least 50% Canadian content in the exports it supports. For more information: [www.edc.ca](http://www.edc.ca)

## NORTHSTAR Trade Finance Inc.

NORTHSTAR Trade Finance Inc. supports Canadian exporters by offering financing to credit-worthy foreign buyers of eligible Canadian goods and services. NORTHSTAR, a public-private sector partnership, complements Export Development Canada (EDC) export financing services by providing loans of up to \$5 million with repayment terms of one to five years. For more information: [www.northstar.ca](http://www.northstar.ca)

# North American Export Opportunities

Many successful Ontario exporters started their international growth with sales in the U.S market.

The North American market offers Ontario companies a first-step opportunity to develop the export management systems, expertise, and international supply and distribution chains they need to support expansion worldwide.

## NAFTA: A QUICK OVERVIEW

The North American Free Trade Agreement (NAFTA), which came into effect in 1994, established one of the largest free trade areas in the world. It encompasses Canada, the United States and Mexico, a combined marketplace with 444 million people and a GDP of more than U.S. \$19 trillion in 2013.

Under NAFTA, the three countries give "national treatment" to imports of each other's goods and services and to investors. This means each country treats the goods and services of the other two partners as if they were domestically produced and treat investors from partner countries as if they were nationals.

NAFTA's key benefits for exporters include:

- › reduction of tariffs;
- › qualification under the Rules of Origin;
- › special customs duty programs;
- › access to government procurement markets;
- › temporary entry for business people;
- › dispute settlement mechanisms; and
- › ease of investment.

Keep in mind that NAFTA rules and regulations sometimes change. The latest information about NAFTA is posted on the Global Affairs Canada website. The site provides information on many resources covering various aspects of the bilateral relationship including visas, immigration and border cooperation and trade. For more information: [www.international.gc.ca](http://www.international.gc.ca) (Under Trade, click on Opening New Markets.)

### **NAFTA Content Rules**

NAFTA provides preferential tariff treatment for all “originating” North American goods traded between Canada, the United States and Mexico. NAFTA content rules are used to determine whether an item qualifies as a product originating in North America. These rules ensure that preferential tariff benefits are only available for goods substantively produced or transformed in North America.

Any goods produced in any or all of the NAFTA countries, with components and materials that themselves are wholly sourced or manufactured in any of the countries, qualify as originating goods entitled to preferential tariff treatment.

Products that incorporate offshore raw materials or components also qualify for preferential tariff treatment if they have undergone a specified change from one tariff description to another. For certain goods, such as auto sub-assemblies, these criteria are supplemented by a value-added test.

### **Government Procurement**

NAFTA has increased the opportunities for Canadian firms to sell to the U.S. and Mexican governments.

Canadian companies may bid along with American and Mexican firms on large U.S. federal government and agency contracts for goods and services. The threshold value of these opportunities varies by sector.

In order to be eligible to bid on government contracts, firms must already be registered with the contracting department (and often with the particular district office of the department). There is no central registration in the United States.

NAFTA does not apply to procurement by provincial, state, county and municipal governments.

### **Intellectual Property Rights**

NAFTA provides extensive protection for patents, trademarks and trade secrets. It is the first trade agreement to offer protection for trade secrets, which can include formulas, customer lists and production processes. The Agreement also contains extensive provisions on intellectual property enforcement, including civil and administrative procedures, provisional remedies, criminal penalties and border enforcement mechanisms. Further information may be obtained on intellectual property matters by contacting the Canadian Intellectual Property Office ([cipo.ic.gc.ca](http://cipo.ic.gc.ca)).

### **Professional Qualifications**

Professional associations from the three countries are working together to establish standards for mutual recognition of professional credentials. Check with your professional association on the status of such negotiations.

## OPPORTUNITIES IN THE UNITED STATES

Because we share the same language and a similar business culture with the U.S., many Canadian companies see breaking into this market as a natural first step in export growth.

### Political and Cultural Distinctions

The U.S. market differs in structure from Canada, with four levels of government (federal, state, county, and municipal). Entrepreneurship is strong, and there is a greater separation between private and public sectors.

It is a good idea for Canadian exporters to be aware of current political issues in the U.S. Headline-grabbing political issues can affect trade initiatives and the general openness to dealing with Canadians. Congressional elections are held every two years.

U.S. customers expect to be offered multiple options and to be guaranteed excellent quality assurance, convenient access and rapid response times. Executives are often quick to reach decisions and may be ready to “make a deal” sooner than Canadians expect.

### U.S. Marketing and Communications Tips

Your U.S. customers may prefer to know that you are easily accessible. Ontario companies may find it of strategic benefit to have a U.S. telephone number with a remote call forwarding feature to your office in Ontario or an 800 or 888 number. These services can project the image of a local presence in the market without the cost of a local office. There are also services available that provide a complete range of business support services at reasonable cost such as mini-offices, a local business identity, corporate representatives, warehousing and shipping.

### Tax Implications

Canadian firms should be aware of the tax implications of doing business in the United States.

Canada and the United States have a federal tax treaty that basically gives credit for taxes paid in the other country on taxes owing in the country of residence.

Generally, if you are exporting from Canada and do not have any physical presence in the United States, you are not subject to U.S. income tax.

However, if a Canadian exporter is deemed to have a “U.S. establishment,” the firm will be liable for U.S. federal corporate income tax. The definition of establishment could cover a warehouse or distribution centre if there are employees.

If you are invoicing from a U.S. address, you need a Certificate of Authority that names your local corporate representative. This representative is a legal point of contact, not necessarily a marketing representative. The business licence and certificate requirements vary from state to state. You should check the requirements with the nearest Canadian Consulate in the United States.

The Canada-United States tax treaty provides firms with many advantages. It would be wise to get some advice from a U.S. tax specialist.

## BORDER SECURITY PROGRAMS FOR BUSINESS

For generations, Canadian and U.S. citizens shared a relatively open border. The attacks in New York and Washington on September 11, 2001 changed everything. Stronger, more rigorous security measures have affected border wait times, shipping and packing regulations, reporting requirements, travel and many other export-related issues.

After September 11, 2001, Canada and the U.S. signed the Smart Border Declaration and Action Plan. This identifies initiatives that promote bi-national cooperation in border security and management to ensure public safety and the security of both countries' economies.

### **Individuals Entering the United States**

Under NAFTA, the U.S. and Canadian governments have been streamlining the process for temporary business entry into the United States. At the same time, heightened concerns about border security have increased the need for thorough documentation. Without proper documents, border crossings can be delayed or refused.

Carry with you any correspondence indicating that you are entering the United States for developing business from a Canadian base or to provide a contractual service for which an agreement has already been reached. Keep in mind that U.S. Immigration is concerned about people going across the border looking for jobs/employment. The border crossing process is being expedited through several multiple-entry visa options.

To enter the U.S., Canadian citizens must present a passport or other government-issued identification that is compliant with the U.S. government's Western Hemisphere Travel Initiative regulations. Documentation requirements sometimes change. You should check the latest requirements with the Canadian Border Services Agency.

You can also find information about temporary entry into the U.S. and Mexico on the Global Affairs Canada website:

[www.international.gc.ca](http://www.international.gc.ca)

### **Free and Secure Trade Program (FAST)**

The Free and Secure Trade program (FAST) (<http://cbsa.gc.ca/prog/fast-expres/menu-eng.html>) is a joint Canada-U.S. initiative involving the Canada Border Services Agency (CBSA), Citizenship and Immigration Canada, and the U.S. Bureau of Customs and Border Protection (CBP) ([www.cbp.gov](http://www.cbp.gov)).

FAST helps move pre-approved goods across the border quickly. It is a harmonized commercial process offered to pre-approved importers, carriers, and registered drivers. Shipments for approved companies, transported by approved carriers using registered drivers, will be cleared into either country with greater speed and certainty, and at a reduced cost of compliance.

### **Partners in Protection Program (PIP)**

The Partners in Protection Program (PIP) ([www.cbsa.gc.ca/security-secureite/pip-pep/menu-eng.html](http://www.cbsa.gc.ca/security-secureite/pip-pep/menu-eng.html)) enlists industry's help to increase border security, reduce smuggling and combat organized crime. In Canada, PIP is managed by the Canada Border Services Agency (CBSA). Companies that sign up for the program submit a self-assessment of their security methods to the CBSA. In return, the CBSA will help the business remedy any flaws in its security.

PIP benefits companies through faster movement of low-risk personnel and goods through U.S. customs, improved security for the company and better understanding of customs requirements.

## Customs-Trade Partnership Against Terrorism Program (C-TPAT)

The Customs-Trade Partnership Against Terrorism (C-TPAT) program enlists businesses to help U.S. Customs keep international supply chains secure. If you produce goods and export them to the U.S., it may be to your advantage to be a C-TPAT participant. You will benefit from reduced inspections at the border, be provided with a customs account manager and be allowed to use the FAST program.

To enrol in C-TPAT, you'll need to carry out a thorough self-assessment of your supply chain security, using the C-TPAT guidelines developed by U.S. Customs and Border Protection. You'll also have to develop a program to enhance your supply chain security in accordance with those guidelines. For more information, refer to the C-TPAT web page of the U.S. Customs and Border Protection website: [www.cbp.gov](http://www.cbp.gov)

## Security Alerts

The U.S. Department of Homeland Security (DHS) issues security alerts when it believes there is increased danger of terrorist attack. The level of such alerts may affect movement of goods and people across the border. Refer to the U.S. Customs and Border Protection website ([www.cbp.gov](http://www.cbp.gov)) for information on the National Terrorism Advisory System (NTAS).

## U.S. CUSTOMS REGULATIONS

Although U.S. customs regulations are very complex, clearing goods into the U.S. can be relatively uncomplicated if you're well prepared. Inaccurate or incomplete documentation is the most common reason for export shipments having trouble entering the U.S.

There are two major ways in which your goods can enter the U.S. – as a formal entry, also called a commercial entry, or as an informal entry. Most exports enter the U.S. as a formal entry, for which U.S. customs regulations recommends the use of a U.S. customs broker. Informal entry doesn't require a broker if the exporter accompanies the shipment, or if the consignee comes to the port of entry to collect it.

A broker will clear your goods through customs quickly, sparing you storage costs. To find a U.S. customs broker, check the directory on the National Customs Brokers & Forwarders Association of America (NCBFAA) website: [www.ncbfaa.org](http://www.ncbfaa.org)

## Required Documentation for Formal Entry

For formal entry, your shipment will require the following documents and information:

### Commercial Invoice

Also known as a business invoice, this must accurately state the content and value of your shipment. Never declare goods, such as promotional items or samples, as being of "no commercial value." U.S. customs officials may decide to impose a value of their own or may even refuse entry of the goods. Another invoice tip – when using part numbers, provide a written description that will help classify the goods for customs purposes. Also, be sure that each invoice also shows the total amount charged to the buyer for the shipment. Never use the net value.

## **NAFTA Certificate of Origin**

It is the exporter's responsibility to determine the eligibility of goods for NAFTA treatment and provide the importer with a Certificate of Origin. To claim NAFTA treatment, the importer must be in possession of a valid Certificate of Origin from the Canadian exporter that certifies that the goods in question meet the NAFTA Rules of Origin. Exporters can obtain copies of the D11 series of memoranda from Canada Border Services Agency offices or by visiting the agency website: [www.cbsa.gc.ca](http://www.cbsa.gc.ca)

## **Importer ID Number**

Also known as the Customs Assigned Number, this is used by U.S. Customs to establish bond coverage, allow the release and entry of merchandise, liquidation, the issuing of bills and refunds, and drawback processing. Your customs broker can help you obtain the number or you can get it yourself by submitting to U.S. Customs and Border Protection Form 5106 which is available for download at: [www.cbp.gov/newsroom/publications/forms](http://www.cbp.gov/newsroom/publications/forms)

## **Bill of Lading or Airway Bill**

Your freight forwarder, carrier or broker is responsible for filling this out. A bill of lading is not required for shipments by mail.

## **Entry Manifest**

The carrier is responsible for filling this out. Again, this is not required for mail shipments.

## **Entry/Immediate Delivery**

This is used for time-sensitive shipments, such as fresh produce, and replaces the entry manifest. The carrier is responsible for submitting this to U.S. Customs before the shipment arrives at the port of entry.

## **Harmonized Tariff System Classification (HS Code)**

Depending on the nature of the goods being shipped to the U.S., the shipment may also need to be accompanied by permits or licenses (if they are controlled goods) and a packing list that identifies the contents by product code listed in the Harmonized Commodity Description and Coding System (HS). Customs agents use the HS code to make sure the correct tariff classification is applied to the products. For more information about HS codes, visit the U.S. Customs and Border Protection website: [hts.usitc.gov](http://hts.usitc.gov).

## **Country of Origin Marking Rules**

NAFTA marking rules are distinct from the NAFTA content rules. The marking rules serve the domestic purpose of informing the ultimate consumer of a good where the goods were made. In contrast to the content rules, which are common to all three parties, each NAFTA member is required to establish its own set of marking rules.

The marking rules of each NAFTA country apply only to imports from its NAFTA partners.

Accordingly, the U.S. marking rules will pertain only to imports from Canada and Mexico. Similarly, Canada's marking rules apply only to imports from Mexico and the U.S. The NAFTA marking rules do not apply to exports or to goods that are produced and sold domestically. Marking must be sufficiently permanent to remain in place unless deliberately removed.

## Informal Entry of Goods

Your goods are considered an informal entry if their value is less than US\$2,500, and provided they are not controlled goods. Informal entry does not require a broker if the shipment is accompanied by the exporter, or if the consignee comes to the port of entry to collect it. Documentation for informal entry is less stringent than it is for formal entry. The shipment must be accompanied with its commercial invoice. You should also include a NAFTA Certificate of Origin; while this is not legally required by U.S. Customs, providing one will smooth your shipment's path across the border.

### *NAFTA Tips:*

- › Because of the size and diversity of the U.S. market, Ontario firms exporting to the United States may benefit by having several agents or distributors to cover different states or regions.
- › Under NAFTA, Ontario exporters may be seen as a local supplier by many U.S. firms. In this case, it is customary for the American importer to request prices for Canadian goods delivered duty paid in U.S. dollars to the customer's receiving dock.

## OPPORTUNITIES IN MEXICO

Mexico is a country of nearly 122 million potential consumers with an expanding middle-class of around 44 million people (roughly the size of the Canadian market). It is a country that has challenges with respect to an underdeveloped transportation and communication infrastructure and environmental protection.

For the Canadian exporter, Mexico will not be as easy a market to penetrate as the United States. Differences in language and business culture can present barriers. But for those Canadians willing to invest the time and energy, the Mexican market represents an important export opportunity. Ontario exports to Mexico nearly doubled between 2011-2014, from \$1.7 billion to more than \$2 billion.

Mexico can also serve as a stepping stone to other Latin American markets. Exporters are advised to stay updated on the latest developments in trade liberalization between Canada and countries in Central and South America.

For more information about opportunities in the Mexican market, visit the Ministry of Citizenship, Immigration and International Trade ([ontario.ca/export](http://ontario.ca/export)) or contact the Ministry's International Trade Branch and speak to the market specialist for Mexico.



# Developing Your Export Markets

**E**xport success calls for not only vision and determination; it requires attention to a thousand details – from selecting the right trade shows to evaluating potential distributors to implementing risk management strategies.

In the previous section, “Preparing to Export”, you learned about some of the fundamentals of export planning, explored the opportunities offered by the NAFTA market and obtained an overview of what is involved to export successfully to the United States.

This section can help you build on that knowledge and take the next steps in the process of exporting to anywhere in the world.

## Scouting Your Export Market

The more you learn about the market or markets to which you will be exporting, the greater are your chances of success.

Scouting the market in-person helps you to familiarize yourself with market entry opportunities – including opportunities you might not otherwise learn about – as well as challenges you will need to address.

## YOUR FIRST VISIT

You have done your market research, established an export plan and developed a short list of key contacts. Now it is time to visit the market.

This trip should be planned carefully to maximize what you can learn and accomplish in a relatively short time.

It’s a good idea to stay in a hotel close to where business meetings will take place. Many business people prefer to be near the Canadian Embassy, especially if the Canadian Trade Commissioner is helping with the contacts. This can save you valuable travelling time and taxi costs.

Ontario has 14 international trade and investment offices in Canadian missions worldwide to assist you (as of 2016).

Remember to give the provincial and federal trade consultants plenty of notice in advance of your trip to the market.

### Important Items for Your Trip

- › a large supply of business cards for your meetings and visits (a card with a translation in the local language on the reverse can be helpful)
- › company stationery
- › company/product brochures, technical literature

- › product samples if feasible
- › a selection of appropriate gifts (consider gifts that relate to your business)
- › sufficient funds in local currency to get you to your hotel

### **ATA Carnet: Duty-free Admission for Product Samples**

The ATA Carnet is a special customs document providing for temporary, duty-free admission of commercial samples, advertising materials and professional equipment into more than 70 countries participating in the system. The Carnet allows the travelling exporter to:

- › use a single Carnet for goods that pass through customs of several countries in one trip
- › make these arrangements quickly at a pre-determined cost
- › make as many trips as desired within the one-year period of validity of the Carnet

To obtain a Carnet, an exporter will be required to provide security to the extent of 40% of the value of the shipment, which is held for up to 30 months. Security is refunded or cancelled provided the Carnet documents are in order and there is proof that the goods have been returned to Canada. For more information: [www.chamber.ca/carnet](http://www.chamber.ca/carnet)

#### **Export Tip**

Consider making your initial market scouting trip with a provincial or federal trade mission. Travelling with business associates can provide new insights.

### **Traveller's Tips**

- › Allow time to rest following arrival. You will likely experience some jet lag following a long flight.
- › Safeguard your valuables such as passport and credit cards. It is often advisable to leave these in the safety deposit box at the hotel and carry only the items necessary for the day's business activity.
- › Have duplicate copies of all important documents.
- › Carry an address card of the hotel with you in the local language. This may help you get back to the hotel if there is a communication problem with taxi drivers.
- › Contact the Canadian embassy, high commission or consulate if you need assistance.
- › When setting up your schedule of appointments remember to leave enough time for travel between appointments. In some cities it can take much longer to go from place to place than in Canada.

### **Pre-trip Checklist**

- › Acquire a valid passport. Most countries require passports upon entry to have at least six months left on their passport before it expires.
- › Arrange for visas or entry permits required by the country of destination. Also, transit visas may be required for stopovers en route. Check with your travel agent and local consulate of the countries to be visited. Carry extra passport-size photos.
- › Get the immunizations recommended for the destination country. Check with the traveller's clinic at major hospitals. Take along your certificate of vaccinations.
- › Get medical insurance for travelling outside Canada. Don't assume that your regular coverage will be adequate should an emergency arise.

- › Leave a duplicate copy of your itinerary, including hotels, with the office and/or family members.
- › Carry some basic medications – antibiotics, disinfectant, stomach and headache remedies, Band-Aids, etc.
- › Get your doctor’s advice before travelling, especially to the tropics. Be sure to have a letter with your doctor’s authorization if you’re carrying special drugs.
- › Confirm all airline and hotel reservations. Reconfirm airline reservations at each stopover during the outward journey. A word of warning: if outward or return reservations are not reconfirmed at least 48 hours prior to departure, your reservation may be cancelled automatically by computer.
- › Make sure you are aware of all international holidays observed in your new markets.
- › Check your credit cards for expiry date and acceptability. Be sure that balances are paid down so that you have maximum charging facilities.
- › Register your cell phone, computer and other equipment you plan to take abroad with Canada Customs to avoid problems when crossing borders or returning home. Carry bills of sale proving where these items were purchased.

### Tip

Check your local library for resources on cultural aspects of international business. The Canadian government ([www.travel.gc.ca/travelling/advisories](http://www.travel.gc.ca/travelling/advisories)) has “dos and don’ts” lists and travel advisories covering most major markets.

## CULTURAL ASPECTS OF INTERNATIONAL BUSINESS

Learning about the culture of the business community in your export market is the first step toward building a mutually beneficial commercial relationship.

Reading about the history and culture of a country before your first business trip is time well spent. Not only will this help you enjoy your visit more, but your interest will be noticed and appreciated by your business contacts. Business people who understand the culture of a country in which they wish to export are more likely to develop successful, long-term business relationships.

Canadians abroad are generally viewed as ethical and dependable, which helps in forming alliances. Usually, Canadians are well liked in international business circles, possibly because of our traditional reserve. Nevertheless, Canadian firms should pay close attention to different styles of doing business and the degree of importance placed on developing business relationships. Often the first meeting in many cultures is an occasion to get acquainted. Customs may demand that hard negotiations wait until another day.

### Customs and Taboos

Every business culture is unique. Understanding the expectations of your customers and potential partners will help you develop good working relationships with them.

Treat the exchange of business cards with respect, especially in a formal culture. In Japan, for example, the title and organization are acknowledged courteously as cards are exchanged. In Indonesia, only the right hand is used for business card exchange.

Cultures also differ with regard to the use of meal times for business meetings and the timing of when business topics are introduced. In France and Spain, the traditional business lunch may last two to three hours and is used as an opportunity to get to know one another. In the Caribbean, business persons go home to have lunch with their families.

Violating cultural taboos can damage a business relationship. In Thailand, for example, it is culturally unacceptable to touch the head of a Thai. Similarly, crossing your legs in a manner that shows the sole of your shoe is bad form. Gift-giving is an important part of doing business in Japan. In contrast, gifts are rarely exchanged in Germany.

Cultural customs also affect how and when products can be marketed effectively. For example, in the Netherlands, Christmas gifts are given on St. Nicholas Day (December 5) not on Christmas Day. If you plan on doing business in the Netherlands, you may need to adjust your advertising to reflect this cultural practice.

## ONTARIO AND CANADIAN GOVERNMENT SERVICES IN INTERNATIONAL MARKETS

The Ontario Ministry of Citizenship, Immigration and International Trade has trade development consultants in a number of emerging markets. They have a network of local contacts and can help open doors for Ontario exporters. Contact the Ministry's International Trade Branch for more information.

In addition, the Government of Ontario has established a network of international trade and investment offices in key markets worldwide. Staff at these offices can help open doors for you through a range of activities:

- › promoting Ontario-produced goods and services at trade shows and other events;
- › building relationships with local governments, business associations and the media; and
- › gathering timely market intelligence.

All Ontario trade and investment offices are located within Canadian diplomatic missions abroad. Currently, there are 14 offices in 10 countries:

- › Beijing
- › Chongqing
- › London
- › Mexico City
- › Mumbai
- › Munich
- › New Delhi
- › New York
- › Paris
- › Sao Paulo
- › San Francisco
- › Seoul (opening 2016)
- › Shanghai
- › Tokyo

### Canadian Trade Services in International Markets

The federal government, through the Canadian Trade Commissioner Service and its more than 260 consulates and embassies in 150 countries, assists Canadian companies with their export activities. Visit the Canadian Trade Commissioner Service website for a list of trade offices around the world: ([www.tradecommissioner.gc.ca/eng/offices-worldwide.jsp](http://www.tradecommissioner.gc.ca/eng/offices-worldwide.jsp))

Canadian Trade Commissioners can:

- › promote your company to local customers;
- › advise on marketing channels;
- › recommend participation in trade shows and other business events;
- › identify suitable foreign firms to act as agents;
- › help you find credit and business information on potential foreign partners;
- › give advice regarding problems with duties, taxes, foreign exchange, work permits;
- › advise on a country's current trade, business and financial environment and practices; and
- › advise and assist you with foreign joint ventures and licensing.

## TRADE MISSIONS

Trade missions offer excellent opportunities for exporters to learn about market opportunities and to meet face-to-face with key contacts who can help you start or expand an export network. Key contacts may include potential buyers and partners, agents and distributors, government officials, industry association leaders and representatives of financial institutions. For a list of upcoming trade missions, check the Ministry of Citizenship, Immigration and International Trade's Calendar of Events: ([ontario.ca/tradecalendar](http://ontario.ca/tradecalendar))

### Virtual Trade Missions

Virtual Trade Missions (VTMs) can be a cost-effective way for exporters to network, learn about new markets and showcase their products and services to the world, without leaving the province.

Using videoconferencing technology, VTMs connect Ontario firms with potential customers or business partners in international markets. To learn more about Virtual Trade Missions or to participate in an upcoming event, please contact the Ontario Ministry of Citizenship, Immigration and International Trade's International Trade Branch: [trade.officer@ontario.ca](mailto:trade.officer@ontario.ca)

## TRADE SHOWS

Trade shows/exhibitions can provide excellent opportunities for exporters to showcase and market their goods and services. They can also give exporters a chance to network with market representatives, find out about important trends and opportunities, and learn about competitors' products, services and marketing strategies.

Trade shows can be open to the public or, in some cases, open only to trade representatives. Trade shows entail an investment of time and money, and participation should be planned well in advance. Below is a "dos" and "don'ts" list that can help you maximize your trade show presence.

### DOs

- › evaluate the trade show well in advance
- › plan your event months in advance
- › use marketing experts to design your display
- › develop your customer approach strategy
- › provide promotional giveaways
- › prepare brochures and literature
- › dress professionally
- › be available at all times
- › record and follow-up on all leads
- › take everything when dismantling
- › evaluate the show results

## DON'Ts

- › assume all trade shows are the same
- › leave the planning until the last minute
- › try to save money by not using the experts
- › have mixed marketing messages
- › use poor quality or inappropriate marketing materials
- › look disinterested and constantly be seated
- › miss the chance to make a great first impression
- › leave any hardware or paperwork behind
- › forget to review your event

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## Finding the Right Representative

### THE RECRUITING PROCESS

Local agents or representatives are vitally important to the success of most export programs. They have contacts, networks and an established reputation in their local markets, all of which can open doors for you. The relationship that you create with your agent can be the foundation of a long-term, mutually beneficial partnership.

However, it is critical that you find an agent that is right for you. Make sure that the representation you select has the qualifications to develop and service your potential market. It is also crucial that you and your agent understand clearly what each party expects of the other.

Where can you start your search? The following sources can help you begin your recruiting process.

- › The Ministry of Citizenship, Immigration and International Trade's International Trade Branch can assist you to identify local representatives who have an established track record selling Canadian merchandise or related goods in your industry sector.
- › The Canadian Trade Commissioner Service can be an excellent source of advice in selecting representatives. Contact or email them and ask for a recommendation. The Trade Commissioner Service may be able to conduct an informal investigation into the performance and reputation of a potential representative.
- › Talk to other Canadian exporters in your industry with non-competing merchandise. They may recommend agents/distributors in your target market.
- › Participate in foreign trade shows. Not only is this an excellent way to test the market for your goods, it will also provide you with opportunities to meet agents who are seeking new lines. Be cautious though. An agent hungry for new lines may not be the best agent. Many of the best agents are careful about taking on new lines.
- › Advertise in the leading international sector/technology trade magazines.
- › Contact the local importers' association or sector association in your target market. They can often provide names of firms or individuals active in your sector. Where feasible, ask the potential buyers of your goods which agents or distributors they recommend.

## EVALUATING POTENTIAL REPRESENTATIVES

Researching potential representatives will take time – Internet searches, sending emails and making follow-up telephone calls – but the investment will be worthwhile. The effort you put into screening potential representatives pays off when you find the best possible representation for your products.

### Consider Their Experience and Knowledge

- › Who are the principals of the prospective agency or distributorship?
- › What is their background and experience in your field?
- › Are they active participants in the firm? If not, how important is this to you?
- › In some foreign markets the social and business connections of the principals can mean far more to the success of your merchandise than a monthly marketing call.

### Are They Reliable and Able to Deliver?

- › Examine the prospect's readiness to serve your needs.
- › Examine the prospect's service record.
- › Can the prospect deliver the service promised in your existing guarantees and/or warranties?
- › Does the prospective agent or distributorship have the know-how and resources to provide after-sales service at the quality level your company expects?
- › Examine their facilities.
- › Does the prospect have warehousing facilities and a good shipping system?
- › Does the prospect have up-to-date communications systems?

- › How many offices does the prospect have in the territory to be covered?

### Look at Their Existing Customers

- › Examine the prospect's current and past customers.
- › Does the prospect represent lines that compete with yours? Make certain that your agent or distributor has no conflict of interest in representing you.
- › Is the prospective agency or distributorship calling on the type of customer that would be interested in your merchandise (i.e. is its target market the same as yours)?

### Evaluate the Staff and Sales Structure

- › Is the prospective agency or distributorship large enough to service your potential market?
- › Is the staff qualified to handle your business?
- › Does the geographic distribution of the sales staff make sense? For example, in the United States manufacturers often have several agents located across the country, with assigned responsibility for specific regional territories.

## AGENCY AND DISTRIBUTOR CONTRACTS

You will want to have a written contract with the agent or distributor that clearly sets out the terms of the business and legal relationship.

Foreign and Canadian law affects agency and distributorship contracts in a variety of ways. For example:

- › Certain formalities may be required to create and maintain legally enforceable and binding obligations between the parties.

- › Provisions may be required to address imposed warranties, product liability, business practices and other matters governed by relevant law.
- › Certain provisions may be automatically included in the legal relationship even when not specified by the parties or unless specifically excluded by the parties.
- › Income tax laws may make one type of business and legal relationship preferable to another. An agent or distributor could constitute a “permanent establishment” making the Canadian exporter subject to the income tax provisions of that country.

Get legal advice before signing any contract. Both foreign and domestic laws – especially tax laws – need to be considered.

Foreign duties and taxes may vary according to the type of business arrangement used. If you sell direct to the end-user, duties and taxes may be imposed on your selling price. If you sell to a representative or maintain an inventory in the foreign market, the base for import duties and taxes will be different than the direct price.

When determining the most suitable type of relationship, remember that you can usually choose which country’s law will be applied to interpret the contract, and whether the courts or an arbitrator will be used to settle disputes.

When you are ready to draft a contract, consider the following points:

- › Define the merchandise to be represented.
- › Specify which present and future goods are to be covered by the contract.
- › Define the terms of business.
- › Establish which country’s law will govern the interpretation of your contract.
- › Is there any provision for arbitration in your contract?

- › Define the extent of the representative’s signing authority for you.
- › State whether the representative is an employee or an independent contractor.
- › Who, by law, is responsible for product liability claims, compliance with business practices legislation, and labelling and packaging laws?
- › Set out the terms of sale between you and your representative.
- › Specify the payment terms.
- › State the currency in which your business transactions will be settled, sales service, advertising, writing quotations, collections.
- › Define the territory. What are the boundaries of the territory that will be covered by the representative?
- › What exclusivity will be granted the representative or the exporter? Foreign laws may limit exclusivity.
- › Determine the length of the contract.
- › Define the circumstances under which the contract can be terminated.
- › Respect foreign laws requiring compensation to terminated representatives or to representatives not granted renewal of the representation.

### **Keeping Your Representative Motivated**

It is important that you and your chosen representative understand what you expect from each other. Appointing an agency or distributorship to represent your merchandise is only the first step in developing a customer base in your target market. A successful long-term business relationship requires that you communicate with your representative frequently.

Agencies or distributorships need to be kept up-to-date on your product line. If you can, offer their staff – your sales force – training and/or incentives to become and stay familiar with your merchandise and its applications. Provide prompt and complete responses to any questions from the sales force in your target market. Think of them as “customers” who must be kept “sold” on your merchandise on a regular basis.

### Checklist: What to Expect from an Agent or Distributor

- thorough knowledge of the local, national markets and any variations;
- knowledge of the import regulations governing your type of product;
- no competitive products;
- ability to cover your territory;
- timely payment as per agreements;
- adequate warehousing of variable models or stock;
- sales organization and unrestricted access to sales records;
- administrative support;
- ability to prepare marketing plans and sales forecasts;
- market research and competitive analysis;
- verified pricing assumptions and calculations;
- advertising and promotional campaigns;
- clear understanding of the termination clause in the contract;
- visits to production facilities for product updates; and
- capability to provide accurate verbal and written translations.

### Checklist: What Agents Expect from You

- exclusivity in writing;
- legal representation for patent and trademark protection;
- top-quality, trouble-free, warranted goods;
- shipping services: packaging, labels, documents;
- competitive prices;
- prompt payment of commissions;
- advertising and promotional literature and posters;
- new and modified products;
- training materials: manuals, videos, slides;
- timely updates, announcements, newsletters;
- periodic visits from high-level executives;
- sales conference attendance; and
- rewards and incentives.

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## Building Export Success

To help maximize the potential profit from your investment of time and money in an export strategy, you will need to implement a risk management strategy that helps protect you from unforeseen events.

### THE EXPORT CONTRACT

Legal responsibilities and liabilities are automatically imposed by law between the exporter and his distributor, and between the exporter and purchasers of goods sold via an agent. These legal relationships exist whether or not there is a written contract. However, you should ensure that suitable legal relationships regarding your exports are covered in written contracts.

## Preparing a Written Contract

The laws of the country where the offer to enter into a sale is accepted – or which has the more substantial tie to the transaction – will normally govern the legal relationship between you and your representative. A written contract can designate a different governing law in most business relationship matters.

Furthermore, these legal relationships can also be affected by verbal unwritten undertakings. Discuss with your lawyer what contractual terms are imposed under Canadian law or foreign law when no other agreement exists between the parties. You may choose to modify or add to those terms based on your findings.

## United Nations Convention on Contracts

The U.N. Convention on Contracts for the International Sale of Goods may also apply in addition to, or as part of, the domestic law otherwise governing the export sale. This applies in stipulated circumstances, i.e. if the countries of both parties have adopted the Convention, or if the law of the country that has adopted the Convention governs the contract. The Convention is in force in Canada and automatically governs most international trade contracts entered into by Canadian companies.

## Checklist: Writing Your Contract

A written contract for the export sale of goods should:

- be executed by persons empowered to legally bind the parties;
- stipulate the country whose law will govern the contract;

- exclude any terms imposed by law that the parties do not want to apply;
- stipulate price, terms of sale, terms of payment and currency of settlement (consider any foreign exchange controls);
- assign responsibility for compliance with local standards and codes in the export market (e.g., packaging and labelling laws, etc.);
- provide for arbitration if this type of dispute resolution is preferred over resorting to the courts;
- transfer financial liability to the extent that governing laws impose warranties, product liability, etc., in a manner not usual for the parties; and
- stipulate all other matters agreed to by the parties.

Be sure to have the general form of the contract to a particular country reviewed by competent lawyers in that country and in Canada.

## MANAGING YOUR RISKS

Risk is part of life for any business, including exporting. Risks exist even though you are prudent in what you have contracted to undertake. Some risks are beyond your control.

Fortunately, it is possible to take out insurance to cover many contingencies. You can, for instance take insurance precautions against:

- > non-payment by the customer
- > product liability
- > theft
- > damage
- > war

Not all customers and countries can be covered in this way. If coverage is not easily

available, you may want to think twice about doing business there.

Insurance for protection against risks of loss by exporters of goods or services are, in general, broken into two basic categories: political and general/commercial.

Risk begins once the contract comes into effect (if not before) and continues until payment is complete. As a result, exporters should understand the types and costs of insurance – both what is required and what is available.

### **Political Risk Insurance**

Insurance against many political risks can be obtained from either Export Development Canada (EDC) or from a number of private commercial insurers and your licensed insurance broker. While the various insurance products often compete in coverage and cost, they can also complement each other.

### **General/Commercial Insurance**

This covers the usual risks of doing business and is available from private commercial insurance companies and your licensed broker. Be aware, however, that many brokers have no experience relating to the export trade.

The following types of coverage are usually available:

#### **Credit Insurance**

Export receivables are subject not only to the political risk in the customer's country but also the commercial risk of the foreign customer, i.e. its ability to pay. Most firms find managing the commercial risk associated

with exports more difficult than managing the risk associated with domestic receivables. In exporting, inadequate credit information and the long distances between the supplier and customer can prove challenging.

Losses due to contract cancellation, customer insolvency, repudiation or simply default (refusal of the customer to pay an invoice when due), can have a disastrous impact on your cash flow and your ability to finance operations.

Coverage is available from private insurers and Export Development Canada (EDC), Canada's official export credit agency.

### **Transportation/Marine Cargo Insurance**

This insurance covers the loss or damage to goods during transit by land, sea or air and incidental associated storage periods. Coverage may include:

- > direct damage/property
- > third party (general) liability
- > surety/performance bonds
- > product liability

### **Travel Insurance**

This coverage needs to include trip cancellation (if a restricted air fare), travel of family members to care for personnel ill abroad, return of the body in case of death abroad, etc. Such coverage, up to specified limits, is often required as part of major contracts.

## Professional Liability Insurance

Professional liability insurance is especially important in markets like the United States where legal action is very common. At a minimum, such insurance can cover the cost of legal fees for responding to an action that has been filed against your firm. There are three other areas of exposure addressed by professional liability insurance:

- › alleged non-performance
- › problems resulting from implementing your recommendations
- › non-performance by third parties who were your subcontractors

At present, it is difficult to obtain “global” coverage and market-by-market coverage can be costly.





# Contacts and Resources

## Ontario Ministry of Citizenship, Immigration and International Trade

Thinking about exporting for the first time?  
Or expanding your export markets?

Our international market specialists can help you to develop effective market entry and growth strategies. They have the international experience, global networks of contacts and current market information which can save you time and money. They can open doors for you through trade missions and participation in key trade exhibitions, and introduce you to decision-makers at companies worldwide. Here at home, they offer seminars, workshops and virtual trade missions that can help you to explore new markets and network with other exporters.

### Phone toll-free at:

1-877-46-TRADE

1-877-468-7233

Telephone: 416-314-8200

Email: [trade.officer@ontario.ca](mailto:trade.officer@ontario.ca)

### Mailing Address:

Ontario Ministry of Citizenship, Immigration and International Trade  
International Trade and Representation Division  
International Trade Branch  
5th Floor, Hearst Block  
900 Bay Street, Toronto, ON M7A 2E1

## ONTARIO EXPORT RESOURCES

In addition to *Getting Ready to Export*, the Ministry offers a *Guide to Online Export Resources*, a comprehensive collection of online export resources including export training and skills development, finance, customs and regulations, market information and much more. Visit [Ontario.ca/page/learn-export](http://Ontario.ca/page/learn-export) for more information.

## PROGRAMS FOR EXPORTERS TO THE U.S.

Many small and medium-sized companies begin by exporting to the U.S. as a first step before expanding into other international markets.

## New Exporters to Border States (NEBS) Program

The New Exporters to Border States (NEBS) program is a practical, hands-on introduction to the basics of exporting to the United States. Designed for Ontario small and medium-sized enterprises (SMEs), NEBS is ideal for anyone working in marketing, sales, management or business development.

The two-day program gives you a solid understanding of the fundamentals of exporting to the United States. It includes expert briefings and site visits to a U.S. border entry point at Buffalo and a fulfillment warehouse. The wide-ranging program covers:

- › identifying new market opportunities
- › pricing
- › selecting agents and distributors
- › banking and legal considerations
- › warehousing and distribution
- › export financing and insurance
- › customs clearance procedures
- › immigration issues
- › provincial and federal government support

### Eligibility and costs

To participate in NEBS, your company should be export-ready, in business for at least one year, and have a manufacturing or service base in Ontario.

Your registration fee includes return transportation from the departure point and some meals. Participants are responsible for the cost of accommodation and any incidental expenses.

## Exporting to the United States seminars

The Ministry also offers an intensive half-day seminar on the fundamentals of exporting to the U.S. Held in locations throughout Ontario, the seminar features briefings by expert speakers on U.S. customs clearance requirements, U.S. banking options, U.S. taxation and immigration considerations and other topics of interest to Ontario companies exporting to the U.S.

To find out more about our U.S. programs, please contact:

Ontario Ministry of Citizenship,  
Immigration and International Trade  
International Trade Branch  
Email: [trade.officer@ontario.ca](mailto:trade.officer@ontario.ca)  
Tel: 416-325-6665

## INTERNATIONAL TRADE DEVELOPMENT REPRESENTATIVES

The Ministry's in-market international trade development representatives can offer market-specific assistance to Ontario exporters by providing market information, assisting in identifying potential business partners and advising on the regulatory environment and import requirements.

In-market services are currently available in these countries:

- › Brazil
- › Chile
- › Israel (opening 2016)
- › Mexico
- › ASEAN (covering Singapore, Malaysia, Thailand, Philippines, Indonesia and Vietnam)
- › United Arab Emirates

To find out more about our international trade development representatives, please contact:

Ontario Ministry of Citizenship, Immigration and International Trade  
International Trade Branch  
Email: [trade.officer@ontario.ca](mailto:trade.officer@ontario.ca)  
Tel: 416-314-8200

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## Ministry of Economic Development, Employment and Infrastructure

The Ministry of Economic Development, Employment and Infrastructure's Business Advisory Services (BAS) are focused on helping high-growth firms grow their businesses here and abroad. With offices across southern Ontario, BAS connects Ontario businesses to government programs and events, domestic and export market development support, financial analysis and other benchmarking tools to improve operations, access to public and/or private sector financing as well as support for innovation, new technology and productivity.

### ONLINE RESOURCES

The Internet has a wealth of information that can help exporters develop their international markets.

#### **Business Development Bank of Canada**

The Business Development Bank of Canada offers innovative financial services that address the needs of today's small and medium-sized businesses.

[www.bdc.ca](http://www.bdc.ca)

#### **Canada Border Services Agency**

Essential customs information, official forms and handy guides for exporters that cover reporting requirements, export permits, certificates, licenses and other authorizations required by other government departments.

[www.cbsa.gc.ca/export](http://www.cbsa.gc.ca/export)

#### **Canada Business Ontario**

Canada Business Ontario is the information gateway for Ontario business to access federal and provincial programs and services for business. They can help you to find answers to your export business start-up, business growth, and exporting questions.

[www.cbo-eco.ca](http://www.cbo-eco.ca)

#### **CanadExport**

CanadExport is Canada's official source of news and advice on trade, export and investment opportunities around the world, for entrepreneurs who want to compete, partner and prosper in the global marketplace.

[tradecommissioner.gc.ca/canadexport/index.aspx?lang=eng](http://tradecommissioner.gc.ca/canadexport/index.aspx?lang=eng)

#### **Canadian Commercial Corporation (CCC)**

CCC specializes in international procurement markets for Canadian exporters and provides services to help them win export sales.

[www.ccc.ca](http://www.ccc.ca)

#### **The Canadian International Freight Forwarders Association (CIFFA)**

The Canadian International Freight Forwarders Association represents and supports members of the Canadian international freight forwarding industry in providing the highest level of quality and professional services to their clients.

[www.ciffa.com](http://www.ciffa.com)

### **Canadian Manufacturers & Exporters (CME)**

Canadian Manufacturers & Exporters provides an online directory of the who, what, where and how of Canadian manufacturers, exporters and distributors.

[www.cme-mec.ca](http://www.cme-mec.ca)

### **Canadian Trade Commissioner Service**

With over 260 Canadian consulates and embassies in 150 countries worldwide, the Canadian Trade Commissioner Service can help companies access export markets. As representatives of Global Affairs Canada, Canadian Trade Commissioners can make direct inquiries or conduct preliminary surveys regarding the potential market for any product. Trade Commissioners can also assist in setting up appointments with local business leaders, potential partners or agents, end users and government departments for your visit to the market.

[www.tradecommissioner.gc.ca](http://www.tradecommissioner.gc.ca)

### **Global Affairs Canada**

Global Affairs Canada, the federal government's leading agency for trade promotion, provides a wide range of programs and services for Canadian exporters both internationally and in regions across Canada.

[www.international.gc.ca](http://www.international.gc.ca)

### **EuroPages**

EuroPages lists 2.6 million European and international suppliers, manufacturers, and distributors in its B2B directory.

[www.europages.co.uk](http://www.europages.co.uk)

### **Export Development Canada (EDC)**

EDC provides Canadian exporters with financing, insurance and bonding services as well as foreign market expertise.

[www.edc.ca](http://www.edc.ca)

### **Trade Data Online**

A custom-report generator that allows users to obtain Canadian trade statistics for more than 5,000 commodities, 500 standard industrial codes and 200 countries.

[www.ic.gc.ca/tdo](http://www.ic.gc.ca/tdo)

### **Ontario Chamber of Commerce (OCC) – Global Growth Fund**

The OCC has three funding programs to assist small and medium-size organizations (SMEs) access new markets and/or expand in existing markets.

[www.occ.ca/programs](http://www.occ.ca/programs)

### **Trade Show News**

A free Internet service providing information on global trade shows, conferences and seminars with a major emphasis on the U.S.

[www.tsnn.com](http://www.tsnn.com)

# SAMPLE EXPORT FORMS

Exporting involves completing forms issued by Canadian and foreign governments and their agencies. Today, all are available online.

Here are a few forms that are commonly used with NAFTA:

## Commercial Invoice

The Commercial Invoice form (B13A(11)) is a detailed document for exporters. It includes sections for:
 

- Header: Original/Amended status, date, and page information.
- Business information: Name, address, and contact details of the exporter.
- Destination information: Name and address of the consignee.
- Final destination: Country of final destination.
- Carrier and transport details: Name of the carrier, mode of transport, and document number.
- Mode of transport: Radio buttons for Highway, Rail, Marine, or Air.
- Vessel information: Vessel name and date of export.
- Package details: Number of packages, type, and location.
- Export reference and identification numbers.
- Item details: A table with columns for Origin (Country/Province), Item description, HS Commodity Code, Qty. and unit of measure, and Value F.O.B. place of exit.
- Value and weight: Gross weight, total value, and freight charges.
- Customs service provider information: Name, address, and company details.
- Declaration: A section where the exporter certifies the information and provides their signature and date.

## Export Declaration

The Export Declaration form (B13A(11)) is a document for customs purposes. It includes sections for:
 

- Header: Original/Amended status, date, and page information.
- Business information: Name, address, and contact details of the exporter.
- Destination information: Name and address of the consignee.
- Final destination: Country of final destination.
- Carrier and transport details: Name of the carrier, mode of transport, and document number.
- Mode of transport: Radio buttons for Highway, Rail, Marine, or Air.
- Vessel information: Vessel name and date of export.
- Package details: Number of packages, type, and location.
- Export reference and identification numbers.
- Item details: A table with columns for Origin (Country/Province), Item description, HS Commodity Code, Qty. and unit of measure, and Value F.O.B. place of exit.
- Value and weight: Gross weight, total value, and freight charges.
- Customs service provider information: Name, address, and company details.
- Declaration: A section where the exporter certifies the information and provides their signature and date.

<http://cgbpexamprep.com/wp-content/uploads/Chapter-12-part-b.pdf>

<http://www.cbsa-asfc.gc.ca/publications/forms-formulaires/b13a.pdf>

Please note that this form must be completed online.

# NAFTA Certificate of Origin

DEPARTMENT OF HOMELAND SECURITY  
U.S. Customs and Border Protection

OMB No. 1651-0098  
Exp. 03-31-2012  
See back of form for Paperwork Reduction Act Notice.

**NORTH AMERICAN FREE TRADE AGREEMENT  
CERTIFICATE OF ORIGIN**  
19 CFR 181.11, 181.22

Please print or type

1. EXPORTER NAME AND ADDRESS		2. BLANKET PERIOD	
		FROM	
TAX IDENTIFICATION NUMBER:		TO	
3. PRODUCER NAME AND ADDRESS		4. IMPORTER NAME AND ADDRESS	
TAX IDENTIFICATION NUMBER:		TAX IDENTIFICATION NUMBER:	
5. DESCRIPTION OF GOODS(S)		6. HS TARIFF CLASSIFICATION NUMBER	7. PREFERENCE CRITERION
		8. PRODUCER	9. NET COST
		10. COUNTRY OF ORIGIN	

I CERTIFY THAT:

- THE INFORMATION ON THIS DOCUMENT IS TRUE AND ACCURATE AND I ASSUME THE RESPONSIBILITY FOR PROVING SUCH REPRESENTATIONS. I UNDERSTAND THAT I AM LIABLE FOR ANY FALSE STATEMENTS OR MATERIAL OMISSIONS MADE ON OR IN CONNECTION WITH THIS DOCUMENT.
- I AGREE TO MAINTAIN AND PRESENT UPON REQUEST, DOCUMENTATION NECESSARY TO SUPPORT THIS CERTIFICATE, AND TO INFORM, IN WRITING, ALL PERSONS TO WHOM THE CERTIFICATE WAS GIVEN OF ANY CHANGES THAT COULD AFFECT THE ACCURACY OR VALIDITY OF THIS CERTIFICATE.
- THE GOODS ORIGINATED IN THE TERRITORY OF ONE OR MORE OF THE PARTIES, AND COMPLY WITH THE ORIGIN REQUIREMENTS SPECIFIED FOR THOSE GOODS IN THE NORTH AMERICAN FREE TRADE AGREEMENT AND UNLESS SPECIFICALLY EXEMPTED IN ARTICLE 411 OR ANNEX 401, THERE HAS BEEN NO FURTHER PRODUCTION OR ANY OTHER OPERATION OUTSIDE THE TERRITORIES OF THE PARTIES, AND
- THIS CERTIFICATE CONSISTS OF [ ] PAGES, INCLUDING ALL ATTACHMENTS.

11a. AUTHORIZED SIGNATURE		11b. COMPANY	
11c. NAME (Print or Type)		11d. TITLE	
11e. DATE (MM/DD/YYYY)	11f. TELEPHONE NUMBER	(Voice)	(Facsimile)

CBP Form 434 (04/97)

**PAPERWORK REDUCTION ACT NOTICE:** This information is needed to carry out the terms of the North American Free Trade Agreement (NAFTA). NAFTA requires that, upon request, an importer must provide CBP with proof of the exporters written certification of the origin of the goods. The certification is essential to substantiate compliance with the rules of origin under the Agreement. You are required to give us this information to obtain a benefit.

The estimated average burden associated with this collection of information is 15 minutes per respondent or recordkeeper depending on individual circumstances. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to U.S. Customs and Border Protection, Information Services Branch, Washington, DC 20229, and to the Office of Management and Budget, Paperwork Reduction Project (1651-0098), Washington DC 20503.

**NORTH AMERICAN FREE TRADE AGREEMENT CERTIFICATE OF ORIGIN INSTRUCTIONS**

For purposes of obtaining preferential tariff treatment, this document must be completed legibly and in full by the exporter and be in the possession of the importer at the time the declaration is made. This document may also be completed voluntarily by the producer for use by the exporter. Please print or type:

**FIELD 1:** State the full legal name, address (including country) and legal tax identification number of the exporter. Legal tax identification number is in Canada, employer number or importer/exporter number assigned by Revenue Canada; in Mexico, federal taxpayer's registry number (RFC); and in the United States, employer's identification number or Social Security Number.

**FIELD 2:** Complete field if the certificate covers multiple shipments of identical goods as described in Field #5 that are imported into a NAFTA country for a specified period of up to one year (the blanket period). "FROM" is the date upon which Certificate becomes applicable to the good covered by the blanket Certificate (it may be prior to the date of signing this Certificate). "TO" is the date upon which the blanket period expires. The importation of a good for which preferential treatment is claimed based on this Certificate must occur between these dates.

**FIELD 3:** State the full legal name, address (including country) and legal tax identification number, as defined in Field #1, of the producer. If more than one producer's good is included on the Certificate, attach a list of additional producers, including the legal name, address (including country) and legal tax identification number, cross-referenced to the good described in Field #5. If you wish this information to be confidential, it is acceptable to state "Available to CBP upon request". If the producer and the exporter are the same, complete field with "SAME". If the producer is unknown, it is acceptable to state "UNKNOWN".

**FIELD 4:** State the full legal name, address (including country) and legal tax identification number, as defined in Field #1, of the importer. If the importer is not known, state "UNKNOWN"; if multiple importers, state "VARIOUS".

**FIELD 5:** Provide a full description of each good. The description should be sufficient to relate it to the invoice description and to the Harmonized System (HS) description of the good. If the Certificate covers a single shipment of a good, include the invoice number as shown on the commercial invoice. If not known, indicate another unique reference number, such as the shipping order number.

**FIELD 6:** For each good described in Field #5, identify the H.S. tariff classification to six digits. If the good is subject to a specific rule of origin in Annex 401 that requires eight digits, identify to eight digits, using the H.S. tariff classification of the country into whose territory the good is imported.

**FIELD 7:** For each good described in Field #5, state which criterion (A through F) is applicable. The rules of origin are contained in Chapter Four and Annex 401. Additional rules are described in Annex 703.2 (certain agricultural goods), Annex 300-8, Appendix 8 (certain textile goods) and Annex 308.1 (certain automatic data processing goods and their parts). **NOTE:** In order to be entitled to preferential tariff treatment, each good must meet at least one of the criteria below.

**Preference Criteria**

**A** The good is "wholly obtained or produced entirely" in the territory of one or more of the NAFTA countries as referenced in Article 415. **Note:** The purchase of a good in the territory does not necessarily render it "wholly obtained or produced". If the good is an agricultural good, see also criterion F and Annex 703.2. (Reference: Article 407(a) and 418)

**B** The good is produced entirely in the territory of one or more of the NAFTA countries and satisfies the specific rule of origin, set out in Annex 401, that applies to its tariff classification. The rule may include a tariff classification change, regional value-content requirement, or a combination thereof. The good must also satisfy all other applicable requirements of Chapter Four. If the good is an agricultural good, see also criterion F and Annex 703.2. (Reference: Article 407(b))

**C** The good is produced entirely in the territory of one or more of the NAFTA countries exclusively from originating materials. Under this criterion, one or more of the materials may not fall within the definition of "wholly produced or obtained", as set out in Article 415. All materials used in the production of the good must qualify as "originating" by meeting the rules of Article 401(a) through (d). If the good is an agricultural good, see also criterion F and Annex 703.2. Reference: Article 407(c).

**D** Goods are produced in the territory of one or more of the NAFTA countries but do not meet the applicable rule of origin, set out in Annex 401, because certain non-originating materials do not undergo the required change in tariff classification. The goods do nonetheless meet the regional value-content requirement specified in Article 401(d). This criterion is limited to the following two circumstances:

- The good was imported into the territory of a NAFTA country in an unassembled or disassembled form but was classified as an assembled good, pursuant to H.S. General Rule of Interpretation 2(a), or
- The good incorporated one or more non-originating materials, provided for as parts under the H.S., which could not undergo a change in tariff classification because the heading provided for both the good and its parts and was not further subdivided. The heading provided for both the good and its parts and was not further subdivided.

**NOTE:** This criterion does not apply to Chapters 61 through 65 of H.S. (Reference: Article 407(d))

**E** Certain automatic data processing goods and their parts, specified in Annex 308.1, that do not originate in the territory are considered originating upon importation into the territory of a NAFTA country from the territory of another NAFTA country when the most-favored-nation tariff rate of the good conforms to the rate established in Annex 308.1 and is common to all NAFTA countries. (Reference: Annex 308.1)

**F** The good is an originating agricultural good under preference criterion A, B, or C above and is not subject to a quantitative restriction in the importing NAFTA country because it is a "qualifying good" as defined in Annex 703.2, Section A or B (please specify). A good listed in Appendix 703.2B.7 is also exempt from quantitative restrictions and is eligible for NAFTA preferential tariff treatment if it meets the definition of "qualifying good" in Section A of Annex 703.2. **NOTE 1:** This criterion does not apply to goods that wholly originate in Canada or the United States and are imported into either country. **NOTE 2:** A tariff rate quota is not a quantitative restriction.

**FIELD 8:** For each good described in Field #5, state "YES" if you are the producer of the good. If you are not the producer of the good, state "NO" followed by (1), (2), or (3), depending on whether this certificate was based upon: (1) your knowledge of whether the good qualifies as an originating good; (2) your reliance on the producer's written representation (other than a Certificate of Origin) that the good qualifies as an originating good; or (3) a completed and signed Certificate for the good, voluntarily provided to the exporter by the producer.

**FIELD 9:** For each good described in field #5, where the good is subject to a regional value content (RVC) requirement, indicate "NC" if the RVC is calculated according to the net cost method; otherwise, indicate "NC". If the RVC is calculated over a period of time, further identify the beginning and ending dates (MM/DD/YYYY) of that period. (Reference: Article 402.1, 402.5)

**FIELD 10:** Identify the name of the country "MX" or "US" for agricultural and textile goods exported to Canada; "US" or "CA" for all goods exported to Mexico; or "CA" or "MX" for all goods exported to the United States) to which the preferential rate of CBP duty applies, as set out in Annex 302.2, in accordance with the Marking Rules or in each party's schedule of tariff elimination.

For all other originating goods exported to Canada, indicate appropriately "MX" or "US" if the goods originate in that NAFTA country, within the meaning of the NAFTA Rules of Origin Regulations, and any subsequent processing in the other NAFTA country does not increase the transaction value of the goods by more than seven percent; otherwise indicate "JNT" for joint production. (Reference: Annex 302.2)

**FIELD 11:** This field must be completed, signed, and dated by the exporter. When the Certificate is completed by the producer for use by the exporter, it must be completed, signed, and dated by the producer. The date must be the date the Certificate was completed and signed.

CBP Form 434 (04/97)(Back)

<http://www.cbsa-asfc.gc.ca/publications/forms-formulaires/b232-eng.pdf>

# Grow your business through export.

Contact Ontario's Export Experts at  
[trade.officer@ontario.ca](mailto:trade.officer@ontario.ca)  
1-877-46-TRADE (468-7233)

**[Ontario.ca/export](http://Ontario.ca/export)**