

Lesson 9 - The Import, Export Process

We will become familiar with the process involved in importing and exporting products to and from Canada. We will also become familiar with different types of intermediaries that can help facilitate the import/export process.

How to Export from Canada (1 of 2)

Anyone with a product or service can export, or at least attempt to export. But success is far from guaranteed. Exporting is a complex and challenging process. When it is approached with careful deliberation, exporting can be a rewarding growth strategy for any business. Exporting offers you opportunities for growth, increased sales and diversified markets.



How to Export from Canada (2 of 2)

Exporting takes time and effort. It takes resources and a strong commitment to compete beyond your current borders. The secret to export success is preparation and a carefully researched export plan. An export plan helps you to act - rather than react - to the challenges and risks encountered in international business.

An Export Plan Comprises Many Elements:

- ▶ a description of your company, its market and industry, and your business objectives; information on your products or services;
- ▶ an analysis of the target market and industry, including trends and forecasts;
- ▶ an examination of the competition and their strengths and weaknesses in contrast to your own;
- ▶ international marketing strategies, including customer profiling and the development of sales and distribution channels;
- ▶ employment and training issues;
- ▶ financial requirements and forecasts.

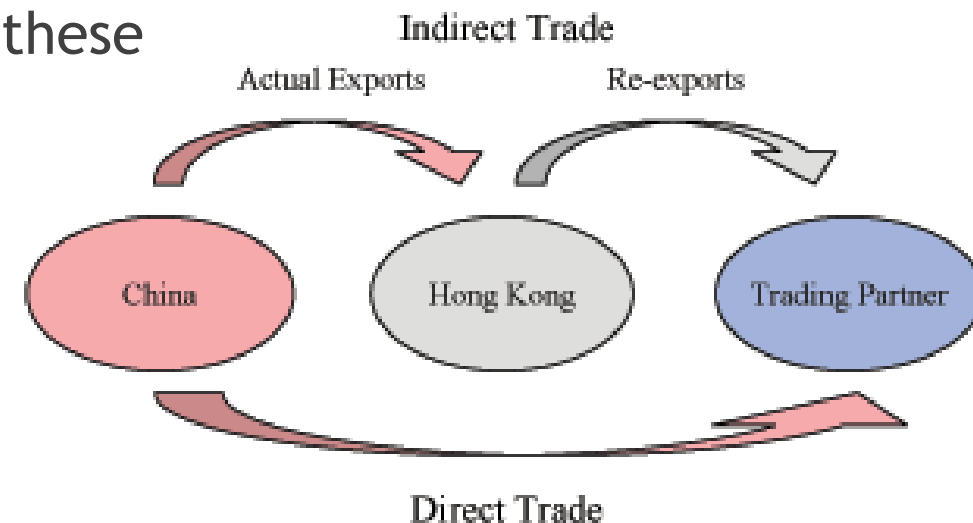
Market Entry Strategies (1 of 4)

There are as many market entry strategies as there are markets; however, these strategies can be loosely grouped into three categories:

- ▶ Direct Exports
- ▶ Indirect Exporting
- ▶ Strategic Partnerships

Market Entry Strategies - Direct Exports (2 of 4)

Direct exports, as the name implies, involves direct marketing and selling to the client. In an easily accessible market such as the United States, direct exporting of products or services may be a viable option. But in less familiar markets, with different legal and regulatory environments, business practices, customs and preferences, direct exporting may not be an option. A local partner, for example, may be better able to manage these complexities and serve your potential clients better.



Market Entry Strategies - Indirect Exporting

(3 of 4)

Indirect exporting is frequently used to enter new markets. Businesses selling products enter into an agreement with an agent, distributor or a trading house for the purpose of selling (or marketing and selling) the products in the target market.

Market Entry Strategies (4 of 4)

The third market entry strategy involves **strategic partnerships** with other companies or individuals with complementary skills and capabilities. A partner can often provide the insight, contacts and expertise that fill the gaps in your export readiness. A strategic alliance with a company selling a complementary product or service can provide more effective market access, resulting in more foreign sales in less time. As with indirect exporting relationships, contractual agreements with partners must be stated in clear terms and, whenever possible, refer to Canadian laws for the protection of the Canadian company.

Rules & Regulations (1 of 2)

Every market has its own set of rules and regulations covering safety, health, security, packaging and labelling, customs and duties among other things. Additionally, these rules and regulations may vary depending on the product or service you are exporting. It is critical that you understand the rules and regulations that apply to you before you ship your goods or open your foreign business location. Product-based businesses with shipping requirements will benefit from developing a relationship with a freight forwarding company and a customs broker. Whether you are shipping by truck, rail, sea or air, the documentation will likely be extensive and potentially confusing. The services provided by these businesses will assist you in determining the most efficient and least risky options for shipping your goods across borders.

Rules & Regulations (2 of 2)

Exporting exposes Canadian businesses to unfamiliar laws and regulations. There are numerous international conventions, treaties and national, regional and municipal rules that can affect your ability to operate successfully in foreign markets. Exporters may also encounter disputes with agents or distributors, clients or creditors. It is important to understand your rights and obligations when resolving disputes, selling goods or services and protecting intellectual property.

How to Import into Canada

- ▶ Read Article in Handout: How to Import into Canada

Duty

The duty rates vary according to the type of goods you are importing and the country they came from or were made in. Depending on the goods or their value, some other taxes may apply, such as excise duty or excise tax on luxury items like jewellery.

Under the North American Free Trade Agreement (NAFTA), duties on various goods imported from the United States and Mexico have been either reduced or eliminated. The NAFTA rates only apply when the goods you are importing are made in the U.S. or Mexico.



NAFTA ACTIVITY

- ▶ Try this NAFTA Activity for more information:

https://resources.elearningontario.ca/d2l/lor/viewer/viewFile.d2l/10489/98133/BBB4MPU04/BBB4MPU04A09/mme/BBB4MP_MME_U03A07v03.html

Goods and Services Tax (GST)

You have to pay GST on most goods you import into Canada. This is to make sure the imported goods are taxed in the same way as those sold or provided in Canada. GST is calculated on the item's duty-paid value. This is the total value converted to Canadian funds, plus any duties that apply.

Provincial Sales Tax (PST) (1 of 3)

In Ontario, PST is charged on all goods that are taxable under the province's tax base. Examples of goods exempt from PST are books, footwear under \$30 and children's clothing.

Importer/owners must notify U.S. Customs 72 hours in advance of their intent to export a vehicle to Canada.

Provincial Sales Tax (PST) (2 of 3)

It is worth noting that more than one analyst has found that most vehicles priced at less than \$30,000 in Canada are not available in the United States at a great savings if any at all – or at least the savings are not great enough to justify the time, effort and cost of importing.

Provincial Sales Tax (PST) (3 of 3)

Beware flood-damaged vehicles

- ▶ A number of vehicles sold in the United States may have been damaged by flooding along the U.S. Gulf Coast. Canadians are allowed to import flood-damaged vehicles, but these vehicles will be branded as "salvage" by the Registrar of Imported Vehicles.
However, at the provincial level these vehicles may be deemed "Nonrepairable" and thus can only be used as scrap or for parts.

Assignment - Automobile Importing

- ▶ See Handout for Assignment

Customs Brokers - Read Article

- ▶ Read Article in Handout on Customs Brokers