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Swiss Confederation

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EFTA - Canada
Free Trade Agreement

Opportunities for Swiss Business

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FOREWORD

On January 26, 2008, Federal Councillor Doris Leuthard, her EFTA partners and David Emerson, Minister of International Trade of Canada, signed a free trade agreement (FTA) in Davos. They brought our ties to a new institutional level opening the way for enhanced economic relations.

For Switzerland, it is a great achievement reflecting a growing bilateral trade with a fourfold increase since 1990 and a sixfold increase of Swiss investments to Canada during the past four years only. Canadian presence in Switzerland is also important in manufacturing, services and research. Our firms are active simultaneously in our respective countries highlighting the importance of multiple locations in today's globalized world. The FTA will reinforce this trend.

The FTA will also be mostly welcomed by the 36'000 Swiss established in Canada and 5'000 Canadians in Switzerland. Not only do we have a common language with French and federal structures of government but now also an FTA.

The Swiss industry will benefit from an improved access to the Canadian market. The elimination of duties on all non agricultural goods will increase the competitiveness of Swiss exports of textiles, watches, transport equipment, chemicals, and electrical and non-electrical machinery. In food processing, preferential treatment will be granted to several products such as chocolate, soups and prefabricated cheese fondue. In addition, Swiss cheese will gain in attractiveness with the exemption from tariffs within WTO tariff quotas.

For the future, the potential to continue enriching our ties is very significant. We both are world leaders in highly-specialized fields, devote substantial resources to research and development as well as to high education.

The aim of this publication is to increase the awareness of Swiss firms for business opportunities in Canada. Key economic sectors of the Canadian economy are briefly presented as well as benefits from the FTA. In several areas such as services, investment and government procurement, the FTA confirms WTO commitments. A review shall take place within three years to consider further liberalisation.

A free trade agreement is not an end in itself but a strong signal for the beginning of a new partnership. Let us start right now !

Jean-Daniel Gerber
State Secretary

ACKNOWLEDGEMENTS

This publication was elaborated by a very dedicated team in Bern, Ottawa and Toronto.

As head of the project, Petra Heusser has made a very significant contribution. She has written the first chapter presenting key economic and political features of Canada and reviewed chapter 2 with Swiss government experts in charge of the negotiation of free trade agreements. Guido Barsuglia, Deputy Head of the Americas Unit, has also assisted on the elaboration of the first two chapters.

Chapters 3 and 4 were elaborated in Canada and have benefited from the knowledge on the field of Bruno Ryff (Consul General), Philippe Crevoisier (Consul) and Kathy Utigard (Trade Officer) from the Swiss General Consulate in Toronto as well as of Nicolas Brühl, Deputy Head of Mission at the Swiss Embassy in Ottawa. Their skilful identification of key sectors of the Canadian economy of interest for synergies for Swiss business is invaluable for this publication.

Finally, our gratitude is expressed to the Swiss negotiating team headed by Ambassador Christian Etter of the Foreign Economic Affairs Directorate at the State Secretariat for Economic Affairs as well as to Ambassador Monika Rühl-Burzi, Head of Bilateral Relations at the State Secretariat for Economic Affairs and Werner Baumann, Ambassador of Switzerland in Canada, for supporting this project.

Philippe G. Nell
State Secretariat for Economic Affairs
Minister, Head, Americas Unit
Editor

Arctic Ocean
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Alert
Kalaallit Nunaat (Greenland) (Denmark)
Iceland
Axel Heiberg Island
Beaufort Sea
Melville Island
Banks Island
Devon Island
Resolute (Qausuittuq)
Baffin Bay
Prince of Wales Island
Victoria Island
Baffin Island
Davis Strait
Arctic Circle
Inuvik
Dawson
Great Bear Lake
Yukon
Whitehorse
Northwest Territories
Nunavut
Foxe Basin
Iqaluit
Labrador Sea
Atlantic Ocean
Southampton Island
Hudson Strait
Yellowknife
Baker Lake (Qamanittuaq)
Great Slave Lake
Fort Nelson
British Columbia
Newfoundland and Labrador
Ungava Bay
Nain
Kuujjuaq
Hudson Bay
Lake Athabasca
Fort McMurray
Alberta
Saskatchewan
Churchill
Smallwood Reservoir
Réservoir de Caniapiscau
Churchill Falls
Prince George
Hecate Strait
Reindeer Lake
St. John's
Newfoundland
Edmonton
Manitoba
James Bay
Réservoir Robert-Bourassa
Sept-Îles
Saint-Pierre and Miquelon (France)
Gulf of St. Lawrence
Kamloops
Lake Winnipeg
Sandy Lake
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Calgary
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Charlottetown
Prince Edward Island
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Halifax
United States of America
Thunder Bay
Montréal
Nova Scotia
New Brunswick
Ottawa
Lake Superior
Toronto
Lake Michigan
Lake Huron
Lake Ontario
Lake Erie
Atlantic Ocean
Canada – Political
International boundary
International boundary (disputed)
370 km Exclusive Economic Zone (EEZ) boundary
Provincial/territorial boundary
Alberta Province/territory
Ottawa National capital
Regina Provincial/territorial capital
Kamloops Other locale
Scale
0 250 500 750 1 000 km

INTRODUCTION

The aim of this publication is to raise Swiss business awareness for the potential of the Canadian market. The free trade agreement (FTA) entered into force on July 1, 2009. It brings advantages for Swiss firms in a competitive economy and reinforces the close political relations between the two countries. Canada is a G7 Member with a diversified industrial basis, a high-quality business environment and a highly educated labour force.

The high quality of life, the excellent infrastructure and the abundance of natural resources contribute to Canada's attractiveness for foreign firms. Furthermore, with most of its population and industry within 150 km of the US border, Canada is an excellent gateway to the US. During the coming decade, Canada will continue to grow and improve its competitiveness and productivity. Swiss technology and know-how can contribute to reach important national objectives in the areas of environmental protection and health. At the multilateral level, in the WTO in particular, cooperation between both countries will be enhanced.

This publication was written for Swiss companies. It intends to bring together a significant amount of information based on 2008 data with website addresses. Chapter 1 presents an overview of Canada's population, political system, economy and regional differences and outlines the bilateral relations with Switzerland. Chapter 2 highlights the advantages of the FTA for Swiss business in key areas. Chapter 3 shows Canada's location advantages, the country's importance for Switzerland and assesses opportunities for business based on today's major Swiss exports to Canada. Chapter 4 provides practical information on how to access the Canadian market: emphasis is put on customs regime, investment, labour issues, services and business practices.[1]

Montreal

[1] Wikipedia Image, Montreal: http://en.wikipedia.org/wiki/Image:Mont.jpg

CHAPTER I

GENERAL COUNTRY INFORMATION

1. Population

With 33 mn people and a land area of 9.09 mn square km, Canada has one of the lowest population densities in the world. Most of the Canadians live in urban areas (85%), within 150 km of the US border, speak English (67.5%), French (13.3%) or both languages (17.7%). English is the predominant language in most regions, except Quebec, where over 80% of the population use French as their first language. The federal government has taken an active role in encouraging and facilitating the country's bilingual character, particularly in public service and public institutions.

In 2006, the population grew by 1%, 60% of the increase being associated with immigration. A low birth rate, significant improvement in health and changing work patterns contribute to modify progressively the age structure: in 2007, 30% of the Canadians were aged between 40 and 60[2], and life expectancy was 80.3 years.[3]

Today, 80% of the population is Canadian-born. Early settlers came from England and France, to be joined later by other Europeans. In the 1980s, Asia became the main immigration source. The Canadian Constitution recognizes three Aboriginal groups: Indians, Métis and Inuit. These ethnic groups have unique heritages, languages, cultural practices and spiritual beliefs.[4] Multiculturalism is an important part of the country's identity.[5]

2. Political system

Canada is a constitutional monarchy. Elizabeth II, Queen of England, is the Head of State. A Governor General proposed by the Canadian Prime Minister and appointed by the Crown represents her in Canada. The Parliament consists of the House of Commons (308 members) and the Senate (105 members). The political party with the largest representation in the House of Commons forms a majority or minority government. The Prime Minister and the Members of the Cabinet are also Members of the House of Commons. Each of the ten provinces has a legislative

[2] Statistics Canada: www40.statcan.ca/l01/cst01/demo10a.htm
[3] Human Development Report 2007/2008: http://hdr.undp.org/en
[4] Ministry of Indian and Northern Affairs: www.ainc-inac.gc.ca/pr/info/tln_e.html
[5] Mount Allison University: www.mta.ca/faculty/arts/canadian_studies/english/about/multi/#policy

assembly with one chamber. Quebec is the largest and sole "French-speaking only" province in Canada.

In 2006, the Conservative Party, led by Stephen Harper, returned to power after 12 years in the opposition. The new minority government has brought forward through Parliament important legislation such as the reduction of the federal value-added-tax from 7% to 5%, the introduction of new ethics and accountability standards for government, and the Tackling Violent Crime Act. On foreign policy, Harper has set a conservative course, closer to the United States, and with the support of the Parliament extended Canada's military mission in Afghanistan until 2011. Furthermore, he has been strengthening the Canadian Forces with new equipment, cutting the Foreign Ministry's budget, and increasing Canada's presence in the Arctic. On the international economic scene, the government has given priority to open up important foreign markets and diversify export possibilities i.a. with free trade and cooperation agreements. This new policy orientation provided a strong stimulus to the EFTA-Canada FTA, which was signed in early 2008, after the negotiations had been suspended for several years.[6]

Parliament Hill, Ottawa

In September 2008, Prime Minister Stephen Harper asked Governor General Michaëlle Jean to dissolve the Parliament and to call elections. On October 14, 2008 the Conservative Party strengthened its position in Parliament with 143 seats (+ 19), 13 short of the absolute majority. On November 19, 2008, the Governor General presented to the Parliament the speech to the throne; she highlighted the new minority government's key priorities with legislation to ratify the free trade agreements concluded with EFTA, Peru, Colombia and Jordan ; expanding investment and trade; reforming global finance; ensuring sound budgeting; securing jobs for families and communities; securing Canada's energy future; tackling climate change and preserving the environment; keeping Canadian safe; and building stronger institutions.

3. Economy

Canada is rich in natural resources like oil, minerals and wood and has a large production of cereals. In recent years, the share of commodities has decreased to about 20% of overall exports. This is reflected in the distribution of the work force with two-thirds employed in services. As in other industrialized countries, services have the largest share (70%) of GDP, followed by industry (28%) and agriculture (2%). In 2007, unemployment reached 5.8%, a 33-year low.[7]

[6] Wikipedia Image, Parliament Hill, Ottawa: http://en.wikipedia.org/wiki/Image:Canada_Parliament2.jpg
[7] Statistics Canada: www.statcan.ca/english/Subjects/Labour/LFS/lfs-en.htm

In terms of growth, Canada has achieved a remarkable performance with uninterrupted positive results since 1992, except for three quarters. This is underpinned by a rigorous macro-economic policy, a well-balanced economy and a strong participation in global trade and investment.

For the fiscal period 2006/07, the government presented the tenth budget surplus in a row (USD 12.3 bn) despite strong pressure for more expenditures. Public finances are structurally solid following major austerity programs in the 90s, large tax revenues and high prices for natural resources.

Inflationary concerns, that were still prevalent in 2007 due to strong economic growth and rising salaries, vanished at the beginning of 2008 with the ongoing appreciation of the CND against the USD and the slowdown of the US economy. In 2007, the inflation rate was 2.2%.[8]

The Canadian dollar has been appreciating since the end of 2002 (+77% towards the USD), reaching an all-time high of 1.1 CND for a USD in November 2007.[9] In response to the CND appreciation and the global financial market turbulences, the Bank of Canada has cut the interest rate gradually since December 2007 from 4.5% to 3% (May 2008).

Key country data: 2005 – 2007[10]

	Canada 2005	Canada 2006	Canada 2007		Switzerland 2007
GDP (USD bn)	1'135	1'275	1'406		478
GDP/inhabitant (USD)	35'109	39'141	42'738		58'083
Real GDP growth (%)	2.9	2.7	2.4		2.8
Inflation (%)	2.2	2.0	2.2		0.7
Current account (% of GDP)	2.0	1.6	1.8		16.9
Public debt (% of GDP)	78.6	73.5	68.4		44.1

In 2007, foreign trade was led by strong exports of natural resources. With 76% of exports directed to the USA (25% of the GDP), Canada is very dependent on US economic performance and the exchange rate level. In recent years, the latter had a negative impact on Canada's export competitiveness for manufactured products. In addition, this sector is presently affected by the weakness of the US economy and decreasing timber exports linked with the fall of the US housing market.

This dependency and the strong linkage of Canada's trading and financial sector with the USA imply a very high vulnerability to US economic cycles. In addition, the continuously decreasing work force as a result of an aging population, is a challenge for the Canadian economy.

Canada's fastest growing import sectors are industrial materials, vehicles and consumer goods. Between 2002 and 2007, the US share in Canadian imports decreased from 64% to 55%, as China became an important new supplier (8.7%).

Canada has concluded FTAs with the USA and Mexico (North American Free Trade Agreement - NAFTA, 1994), Chile (1997), Israel (1997), Costa Rica (2002), the European Free Trade

[8] In 2007, 1 CND corresponded to 1.12 CHF and 0.93 USD (yearly average).
[9] Bank of Canada: www.bank-banque-canada.ca
[10] IMF - World Economic Outlook, IMF, Article IV Consultations

Association - EFTA (2008), Peru (2008), and is currently negotiating with ten other countries or groups of countries.[11]

4. Regional differences

The ten provinces and three territories differ significantly in terms of area, population, natural resources and economic activity. [12]

Canada's most important province, **Ontario** (40% of GDP) benefits from a well-diversified economy with automobile, high-technology, financial, tourism and mining industries. Ontario has been Canada's primary metals producer for almost a century, producing minerals worth over CND 7 bn a year, from barite to zinc, most of which are exported.[13] Ontario offers good conditions for investments such as a modern transportation system, a large and well-educated labour force, reliable and reasonably priced electricity, and proximity to the US market. However, the recently increasing energy prices and the strong CND affect Ontario's competitiveness and represent significant challenges.

Quebec's economy (20% of GDP) relies mainly on electricity production, aluminium, forest products, electronics, telecommunications and transport equipment (in particular aircraft and aircraft engines). These sectors are geographically unevenly distributed, Montreal being the main center.

British Columbia (12% of GDP) experiences an economic boom with significant investments for the Vancouver 2010 Winter Olympics. Rich in natural resources, this province benefits from mining, agriculture, fishing and a strong tourism sector. Potential businesses opportunities refer the high-tech, computer, telecommunication, aerospace and sub-sea industries.

The three Prairie Provinces - **Manitoba**, **Saskatchewan** and **Alberta** - account together for 20% of the Canadian GDP, with Alberta contributing to more than two-thirds of that output level. Alberta has 65% of Canada's crude oil and 80% of its natural gas reserves and ranks second in the world for oil reserves (175 bn barrels). The natural resources have led to strong economic growth. Alberta's largest manufacturing industries are in food processing. Other rapidly-growing sectors contributing to Alberta's diversification are petrochemicals and plastics, forest products, metals, machinery, refineries, aerospace and transportation equipment, industrial and speciality chemicals. The service sector generates 60% of the province's activity.[14] With 6.8%, Alberta's GDP growth outpaced in 2006 Manitoba (3.3%) and Saskatchewan (0.4%).

The Atlantic Provinces **New Brunswick**, **Newfoundland and Labrador, Nova Scotia** and **Prince Edward Island** accounted for less than 6% of GDP in 2006. Their economies are based on tourism, mining and agriculture. In recent years, the information-technology and high-technology industry gained importance.

The **Yukon Territory**, **Northwest Territories** and **Nunavut** offer opportunities regarding natural resources such as diamond mines, oil and gas production. Adventure and ecotourism, commercial fishing and Arctic shipping contribute also to the North's economy. Moreover, the territories lie next to the Arctic continental shelf and within the Arctic archipelago, where huge still untouched resources lie: one quarter of Canada's unexploited discovered oil fields and one half of the country's estimated potential oil sources.

For further information, see Invest in Canada[15] and the Government of Canada.[16]

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[11] Ministry of Foreign Affairs and International Trade: www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx?lang=en#free

[12] Wikipedia Image, political map of Canada: en.wikipedia.org/wiki/Image:Map_Canada_political-geo.png

[13] Ontario: www.gov.on.ca/ont/portal/!ut/p/.cmd/cs/.ce/7_0_A/.s/7_0_252/_s.7_0_A/7_0_252/_l/en?docid=004467; www.2ontario.com/industry/mining.asp

[14] The government of Canada: www.maeci.gc.ca

[15] Invest in Canada, Explore our regions: www.investincanada.gc.ca/en/explore-our-regions.aspx

[16] Government of Canada, Provinces and Territories: www.maeci.gc.ca/canada-europa/eu/aboutcanada13-en.asp

5. Institutional bilateral relations Switzerland - Canada

Swiss emigrants started to head for Canada during the 17th century. Today, Canada hosts the fifth largest Swiss colony in the world (36'000 Swiss nationals). The Swiss presence led to the opening of a Swiss Consulate in Montreal in 1875 which was followed by the establishment of diplomatic relations in 1945 and the opening of a legation in Ottawa, that was upgraded to an Embassy in 1957.

The first Bilateral Friendship, Trade and Establishment Agreement was concluded in 1855. An Arrangement on Trade and Economic Cooperation (1997), an Agreement on Double Taxation (1998) and a Memorandum of Understanding on Good Manufacturing Practices (1998) strengthened the framework conditions for business. In addition, a Mutual Recognition Agreement (MRA) covering pharmaceuticals, medical devices, information technology and transmitter, electromagnetic compatibility, electronic products and sports boats, providing easier access to conformity assessment procedures, was concluded in 1999.

In 2008, the economic ties were significantly reinforced with the signing of the EFTA-Canada FTA, which will enter into force in 2009 after completion of Parliamentary procedures in both countries.

CHAPTER II

THE EFTA - CANADA FTA: CONTENT AND IMPLICATIONS

The European Free Trade Association (EFTA) was established in 1960 by the Stockholm Convention. The original purpose of this intergovernmental organization was to remove customs duties on industrial products in trade among its Member States. The current members of EFTA are Iceland, Liechtenstein, Norway and Switzerland. In contrast to the European Union (EU), EFTA is not a customs union. Individual EFTA States set their own customs tariffs and trade measures vis-à-vis third countries. EFTA is a platform to strengthen relations with the European Union - through the European Economic Area of which Switzerland is not a Member - and for joint negotiations of FTAs with interested partners. Fifteen FTAs are currently in force and several are being negotiated.

1. The EFTA - Canada FTA

The FTA will eliminate duties on practically all industrial products and abolish or reduce duties on many processed agricultural products. Tariff reductions relating to selected agricultural products are included in bilateral agricultural agreements negotiated between the individual EFTA States and Canada.

The EFTA-Canada FTA strengthens economic and trade relations between Switzerland, the other EFTA States and Canada and guarantees mutually improved market access. It considerably enhances the network of FTAs established by the EFTA States since the beginning of the 1990s. In terms of trade flows, Canada will be the most important free trade partner of the EFTA States after the European Union.

Swiss Federal Councillor Doris Leuthard with the Canadian Minister of International Trade David Emerson at the signing ceremony of the FTA in Davos, January 26, 2008.[17]

A Joint Committee is established to supervise and administer the FTA and oversee future developments. A chapter contains rules and procedures for the settlement of disputes.[18]

The focus of the Canada-EFTA FTA is on **trade liberalization for goods** by the removal of customs duties and other trade barriers. The agreement also includes provisions on competition policy and trade facilitation. Relating to areas such as **services, investment and government procurement**, the agreement foresees future negotiations.[19] Through evolutionary clauses, the

[17] Picture source: The Department of Foreign Affairs and International Trade, Canada: www.international.gc.ca/commerce/visit-visite/Davos/photos.aspx#EFTA

[18] EFTA Secretariat: www.efta.int/content/free-trade/fta-countries/canada

[19] Ministry of Foreign Affairs and International Trade Canada: www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/efta-aele.aspx?lang=en#2

Parties express their willingness to review the Agreement in the light of future developments in international economic relations, and to initiate negotiations where suitable.
Concerning competition policy, the Agreement includes provisions directed towards the avoidance of restrictive business practices hindering the implementation of the Agreement. Both parties will inform one another about competition policy measures that could affect the interests of the other.

Regarding provisions on trade facilitation, both parties commit to adhere to international standards when elaborating customs procedures as well as to work towards a collaboration of the customs authorities in order to avoid unnecessary administrative trade barriers. Higher transparency and the use of information technology shall help to achieve higher levels of cooperation.

With respect to technical barriers to trade and sanitary and phytosanitary measures, the Agreement provides that the rights and obligations of the Parties are governed by the relevant disciplines of the WTO.

2. Trade in goods

2.1. Rules of origin

In order to get preferential status when exporting to Canada, Swiss firms must fulfill specific rules of origin. They indicate the working and processing required to be carried out on non-originating materials in order to receive preferential treatment under the EFTA-Canada FTA. The rules of origin combine the European and the NAFTA approaches and are less restrictive than the European ones. In addition, consignments may be split in third states (e.g. after their arrival in a European port) without the loss of preferential origin. With regard to Switzerland's landlocked geographical position, this is useful for many Swiss exporters.

The rules for major Swiss exports to Canada are:

Pharmaceuticals: the processing rules require a change within any subheading (six-digit level) and from any other subheading of chapter 30 of the Harmonized System[20] (HS) except for 3006.91 (50% value-added) and 3006.92 (change of subheading). Exporters may also export without an origin declaration as Canada has eliminated all customs duties under the WTO, except for goods of heading 3006.70 (MFN duty: 6.5%), which are subject to the EFTA-Canada rules of origin.

Chemicals: the rules foresee a change from any subheading (six-digit level) or heading (four-digit level) for chapter 31 (fertilisers), chapter 32 (tanning or dyeing extracts,...), chapter 33 (perfumery, cosmetics,...), chapter 34 (soap,...), chapter 35 (starches, glues, enzymes,...), chapter 36 (explosives,...), chapter 37 (photographic goods,...) and chapter 38 (miscellaneous chemical products). The rules of origin for some goods involve a combination of a 50% value-added rule and a change of heading.

Machines[21]: the rules foresee a value-added of 35% for the assembly of a machine from parts and of 50%[22] or a change of heading for the production of parts, the percentages being calculated on the basis of tariff positions of chapters 84 or 85.

Precision instruments[23]: the rules foresee a change from any other heading of the HS or a value-added of 60% (50% and 35% for some headings).

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[20] The Harmonized System (HS) is a classification system for goods comprising 21 Sections, 96 Chapters and 1'241 headings (4-digit level). Some headings are sub-divided into sub-headings (6-digit level) which are further sub-divided at a national level into two-dash sub-headings (8-digit level). The HS includes 5'018 separate categories of classification of goods. It is implemented by the international Convention on the Harmonized Commodity Description and Coding System of 1 January 1988. It is now used in the customs tariffs and trade statistical nomenclatures of nearly 120 countries. For more details, see Hironori Asakura (1993): *The Harmonized System and Rules of Origin,* 27 J.W.T. 4, pp. 5-21.

[21] Chapter 84 and 85 of the Harmonized System.

[22] The non-originating materials from that parts subheading should not exceed 50% of the transaction value.

Textiles: the rules for yarn and fabric foresee only one processing stage with a change of heading; this means that yarn may be produced from non-originating fibres (i.e. fibres from outside the EFTA-Canada zone). Fabric may be produced from non-originating yarn (i.e. yarn from outside EFTA-Canada zone). Special rules apply to man-made yarn.

Clothing: the rules foresee only one processing stage with manufacturing from non-originating fabric (i.e. fabric from outside the EFTA-Canada zone) provided the product is both cut and sewn or otherwise assembled in the EFTA-Canada zone.

Embroidery[24]: the rule foresees processing from fabric, provided that the distance between the embroidery patterns is not wider than 80 cm and the embroidered surface covers at least 15% of each square metre of the surface.

Finally, it has to be noted that in special cases[25] an alternative rule of 60% value-added in the EFTA-Canada zone applies for all products except plastics (chapter 39) and textiles (chapters 50-63). The EFTA-Canada area is considered as a single zone for obtaining origin; all operations taking place in this area can be summed up.[26]

2.2. Tariffs before the entry into force of the FTA[27]

The Customs Tariff[28] is based on the Harmonized Commodity Description and Coding System (HS). The Canada Border Services Agency issues regularly consolidated versions of the Customs Tariff incorporating new amendments.

The simple average applied MFN tariff declined from 6.8% in 2002 to 5.5% in 2007. According to the WTO, the MFN tariff for non-agricultural products was 3.7% (down from 4.2% in 2002), and 17.9% for agricultural products (21.7% in 2002). This decline was driven by tariff reductions on 1'123 products following the implementation of WTO commitments, which resulted in a reduction of applied rates in tandem with bound rates. In 2006, duty-free lines represented 52.7% of all tariff lines.

The products subject to the highest value added tax or value added tax equivalent rates are dried egg albumin (532%), prepared meals of fowl (378%), and fats derived from milk (313%). Milk and cream are subject to rates amounting to 292%. These rates apply only to out-of-quota volumes for the products in question.

In 2006, the average applied MFN tariff for the product categories of major interest to Swiss exporters ranged from 17.2% for clothing, 10.6% for textiles, 5.6% for transport equipment to 4.4% for chemicals, 4.3% for electrical machinery and 3.4% for non-electrical machinery.[29]

There is no regular pattern of tariff escalation in Canada: the average applied rate for semi-processed products is lower than for raw materials and the average for fully-processed goods is higher than the average for raw materials and semi-processed merchandise.
For exhaustive customs tariff schedules see Sections and Chapters of the Harmonized System[30] by the Canada Border Services Agency.

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[23] Chapter 90 of the Harmonized System.
[24] Tariff heading 5810.
[25] These cases - both the product and the non-originating material are classified under the same heading or subheading - are defined in art. 4 (sufficient production) of Annex C (rules of origin and administrative co-operation).
[26] This is called full cumulation. E.g. it applies between the Members of the European Economic Area, however not with Switzerland.
[27] Based on WTO Trade Policy Review Canada, The Secretariat Report, June 2007: www.wto.org; WTO Statistics database: http://stat.wto.org//countryprofiles/CA_e.htm; www.wto.org/english/tratop_e/tariffs_e/tariff_profiles_2006_e/can_e.pdf
[28] Canada Border Services Agency, Customs Tariff: www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/menu-eng.html
[29] Tariff Profile by the WTO: www.wto.org/english/tratop_e/tariffs_e/tariff_profiles_2006_e/can_e.pdf

2.3. Tariffs for Manufactured products under the FTA

On most industrial goods, including fish and other marine products, tariffs will be abolished as of the entry into force of the FTA. This applies also to watches, which will benefit significantly from the FTA, with the elimination of a 5% tariff.

For ships, boats and floating structures imported into Canada, customs duties are to be eliminated after transitional periods of 10 or 15 years. These goods account only for a very small part of Swiss exports to Canada.

2.4. Tariffs for processed agricultural products under the FTA

Regarding processed agricultural products, Canada will eliminate important tariffs i.a. for biscuits, bakery and confectionary products (MFN tariffs 4%-6%), marmalade (MFN tariffs 6.5%-12.5%), milk drinks (MFN tariffs up to more than 200%), various soups (the 6% MFN tariff was eliminated, the 11% MFN tariff was reduced to 5.5%) and dressings (MFN tariffs 3%-12.5%).

2.5. Tariffs for basic agricultural products under the FTA

Basic agricultural products are covered by bilateral agreements concluded in parallel to the FTA between Canada and each EFTA State.

Canada grants Switzerland duty-free access (within the WTO quotas) for hard cheese and semi-hard cheese, such as Swiss Emmental and types thereof, Gruyère and types thereof (MFN tariff 3.32 CND/kg) as well as processed cheese (MFN tariff 3.32 CND/kg). Furthermore, Canada grants Switzerland duty-fee access for prefabricated cheese fondue (MFN tariff 6%) and fruit juices as for example apple or pear juice.

3. Government procurement

The Government of Canada spends about CND 20 bn a year on goods and services. As the Government's main purchasing organ, Public Works and Government Services Canada (PWGSC) plays a key role by helping departments define their requirements or scope of work, and obtain the goods and services they need at the right price. PWGSC must meet the contracting objectives of the Government of Canada - to procure goods and services in a way that improves access and competition, treats industry fairly, and gets the best value for Canadians. Every purchase is subject to Canadian laws, regulations, government policies, and must meet Canada's trade obligations.[31]

For further information and a step-by-step guidance for tenders, see: Annex - useful Internet addresses: Government procurement.

The EFTA-Canada FTA states that rights and obligations in respect to public procurement are governed by the WTO *Agreement on Government Procurement* (GPA). Canada has excluded provinces and cities from the coverage of the GPA as well as:

- shipbuilding and repair;
- urban rail and urban transportation equipment, systems, components;
- communications, detection and coherent radiation equipment;
- purchases by small and minority businesses;
- agricultural products made in furtherance of agricultural support programs or human feeding programs;
- national security exemptions, i.e. oil purchases related to any strategic reserve requirements or procurements made in support of safeguarding nuclear materials or technology.[32]

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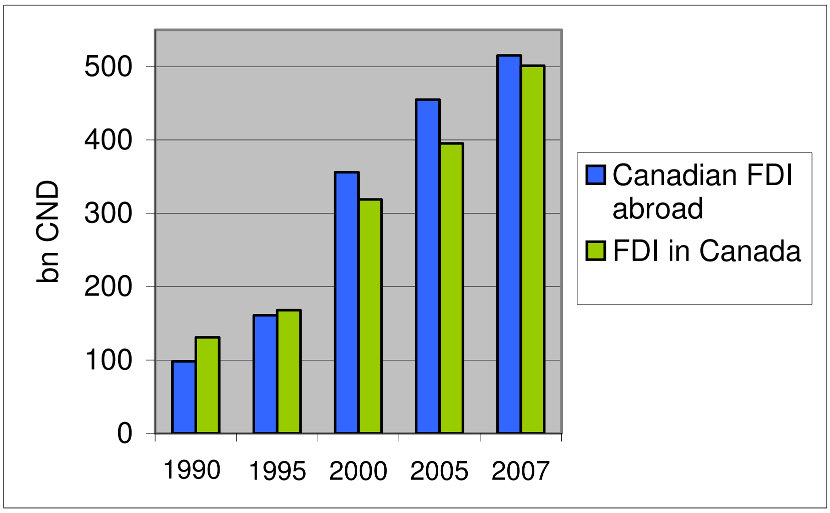
[30] Sections and Chapters of the Harmonized System: www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2008/01-99/tblmod-1-eng.html
[31] Business Access Canada: www.contractscanada.gc.ca
[32] WTO Appendices and Annexes to the GPA: www.wto.org/english/tratop_e/gproc_e/appendices_e.htm

Under the principle of reciprocity, Switzerland has limited the coverage of the GPA for Canada excluding the cantons, cities and sectors not included by Canada. The FTA stipulates further that if one Party enters into an agreement that provides greater transparency or better market access, the other Party may request negotiations in order to achieve the same level of transparency and market access for the EFTA-Canada FTA. In addition, the parties agree to cooperate in the Joint Committee with the aim of further transparency and liberalization and to review this provision three years after the entry into force of the FTA.

4. Investment and services

Canada has liberalized foreign investment significantly since 1998. FDI stock in Canada amounted to CND 449 bn in 2006 and is mainly in oil and gas, finance, insurance, chemicals, information, communication technologies, management of companies and wholesale trade. Since 2000, FDI inflow into Canada has significantly risen (+ 130 bn) with a wave of acquisitions of some major Canadian companies by foreign investors. In 2006, American investors held 60% of the FDI stock.[33]



Foreign direct investment [34]

Canada maintains a general policy of national treatment for FDI; however, there remain sector-specific restrictions related to fishing, mining and energy, air transport, telecommunications and cultural activities.

The Investment Canada Act[35] governs the establishment of new foreign businesses and the acquisition of control of Canadian businesses. A foreign acquisition above a given threshold is subject to review in order to guarantee that it results in a "net benefit" to the country. There are also federal and provincial statutes that govern investment in particular sectors. As a result, there is a need to reduce interprovincial barriers to investment.[36]

Services is the most important sector in Canada's economy, with 68% of total gross domestic product, 75% of employment and 53% of consumer spending.[37] Canada is traditionally a net importer of services (deficit in 2005 CND 13.7 bn). Over half of Canada's transactions are in commercial services, transportation and travel accounting for most of the rest.[38] Regarding barriers to services, Canada is open in value-added telecommunications, relatively open in environmental

[33] Statistics Canada: www.statcan.ca/Daily/English/070509/d070509a.htm; Foreign Affairs and International Trade Canada: www.dfait.gc.ca/eet/pdf/FDI-Inward-Stocks-Major-Partner-2006-en.pdf
[34] Foreign Affairs and International Trade Canada: www.dfait.gc.ca/eet/foreign-statements-en.asp
[35] Industry Canada, Investment Canada Act:: www.ic.gc.ca/epic/site/ica-lic.nsf/en/home?OpenDocument
[36] Based on WTO Trade Policy Review Canada, The Secretariat Report, June 2007: www.wto.org
[37] Statistics Canada: www.statcan.ca/bsolc/english/bsolc?catno=63F0002XIE2003046; Foreign Affairs and International Trade Canada: www.international.gc.ca/eet/research/TPR_2002/18-en.asp
[38] WTO Trade Policy Review Canada, The Secretariat Report, June 2007: www.wto.org

services, rental services, maritime transportation and computer services, whereas it has some restrictions in postal services, basic telecommunications, audio-visual services, a few professional services and education.[39]

The EFTA-Canada FTA recognises the increasing importance of trade in services and investment in the world economy. The parties agree to collaborate to create the most favourable conditions for expanding investment and achieving further liberalization and additional mutual opening of markets for trade in services, in line with WTO requirements. The Joint Committee shall review issues related to services and investment and consider the adoption of liberalization measures no later than three years after the entry into force of the FTA.

5. Competition policy

Competitive forces in Canada are relatively strong, administrative and economic regulations inhibiting competition being amongst the lowest in the OECD countries (OECD 2005 report[40]). However, anti-competitive conduct is exempted when required by regulation based on Canada's regulated conduct doctrine, significant parts of the economy being out of the scope of competition law. In network industries, competition has largely been absent in the electricity sector. The enforcement of Canada's Competition Act remains mainly a challenge in the area of horizontal agreements.[41]

The parties of the FTA commit themselves to adopt or maintain measures to avoid anti-competitive conduct and acknowledge the importance of cooperation and coordination on issues relating to competition law enforcement policy. The FTA also provides for cooperation mechanisms between the Parties, such as notification and consultations.

6. Intellectual property

Canada's system of intellectual property rights is governed by the Canadian Intellectual Property Office (CIPO), which is a special operating agency of Industry Canada. It grants patents, trademarks, copyrights, industrial designs and integrated circuit topographies.

For detailed information, see: Annex - useful Internet addresses: Intellectual property.

Both Canada and the EFTA States provide in their national legislation a comparable high level of protection. The Parties therefore agreed not to include a separate substantive chapter on intellectual property.

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[39] Statistics Canada: www.statcan.ca/bsolc/english/bsolc?catno=63F0002XIE2003046; Foreign Affairs and International Trade Canada: www.international.gc.ca/eet/research/TPR_2002/18-en.asp

[40] OECD 2005 Report, Product market competition and economic performance in Canada: www.olis.oecd.org/olis/2005doc.nsf/linkto/eco-wkp(2005)8

[41] WTO Trade Policy Review Canada, The Secretariat Report, June 2007: www.wto.org

CHAPTER III

BUSINESS OPPORTUNITIES FOR SWISS FIRMS

1. Location advantages and challenges

Among G-7 countries, Canada is recognized by leading global organizations such as the OECD as the strongest performer in recent years and one of the best places in the world to invest and do business. Canada's location advantages are widely recognized[42]:

- Strong economy with a diverse industrial base.
- Good business environment: rules are clear and respected, businessmen have an innovative and entrepreneurial spirit. The government provides generous funding initiatives.[43]
- Highly competitive economy: in 2007, Canada ranked 16th in the World Economic Forum Business Competitive Index.
- Excellent access to major world markets: free trade agreements covering more than 467 mn consumers.
- Solid infrastructure and good communication systems.
- Quality of life: low crime, good housing possibilities, outdoor activities, multiculturalism and art.
- Highly-educated population.

However, apart from very attractive location advantages, one also faces challenges doing business in Canada:

- Inter-provincial trade barriers such as different regulations, licensing requirements and preferential treatment of local enterprises impair competitiveness.
- Canada is not cohesively developed, but consists of highly-advanced economic sectors located mainly within 150 km of the US border.
- Relatively low labour productivity (compared to the USA).[44]

In order to promote competitiveness and productivity, the Canadian government has set up the plan "Advantage Canada", which focuses on the country's strengths in five key areas:

- Fiscal policy: establish the lowest tax rate on new business investment in the G7.
- Debt: eliminate the total government net debt in less than a generation.
- Regulation: reduce needless regulation and increase competition.
- Education: create the best educated, most skilled and most flexible labour force in the world.
- Infrastructure: build a modern one.[45]

2. Importance of the Canadian market for Switzerland

Canada is Switzerland's second most important trading partner on the American continent after the USA. In 2007, Canada was globally Switzerland's 14th most important export destination and the 19th most important source of imports. From the Canadian perspective, Switzerland ranked 18th for exports as well as for imports.

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[42] EFTA Secretariat: www.efta.int/content/free-trade/fta-countries/canada
[43] Location Canada: www.locationcanada.com/worldStage.htm
[44] OECD 2004-2005: www.oecd.org/dataoecd/31/7/29880166.pdf
[45] Department of Finance, Canada: www.fin.gc.ca/news06/06-069e.html

In 2007, Swiss exports (CHF 2.8 bn) increased by 5.2%, and were made mainly of pharmaceuticals (48.6%), chemicals (22.6%) machines (8%), and, precision instruments and watches (6.7%). During the same period, Swiss imports from Canada (CHF 1.1 bn) grew by 13% and consisted mostly of pharmaceuticals (37.7%), airplanes and vehicles (19.1%), machines (13.1%) and agricultural goods (8.4%).

In 2006, Swiss firms had a FDI stock of CHF 17.5 bn and employed 32'249 persons in Canada. According to Canadian statistics, Switzerland ranked 5th (3.1% of total) among foreign direct investors in Canada, before Japan and Germany.[46] From 1996 to 2006, Swiss capital stock tripled and experienced a particular sharp increase since 2003 (+ 592%), with large investments in finance, chemical and pharma, food and building materials sectors. During the same period, the persons employed by Swiss enterprises increased only slightly (+4.5%).

Swiss FDI in Canada (in mn CHF): 1996 - 2006[47]

	1996	2000	2003	2006
FDI stock	5029	5275	2952	17483
persons employed	25271	34680	30844	32249

The following Swiss industries and service sectors have subsidiaries in Canada: chemicals and pharmaceuticals, machines, food, watches; finance, engineering, logistics and consulting.

3. Key sectors for Swiss firms[48]

Switzerland is an important exporter of capital goods, intermediate inputs and consumer goods for industries including automotive and aerospace, food and agri-food, oil and gas, energy and mining. As these sectors grow in Canada, export opportunities should also increase. In 2005 and 2006, the value of Swiss exports to Canada grew by 14% and 21% and consolidated in 2007 (+5%).

3.1 Pharmaceuticals

Pharmaceuticals represent the most important Swiss export sector to Canada.[49] Compared to 2000, Swiss exports to Canada have increased more than fourfold, amounting to CHF 1.4 bn in 2007 (+6.6%).

The pharmaceutical industry is one of the most innovative and profitable industries in Canada, composed of both brand-name drug companies (which include biopharmaceutical companies) and generic-drug companies. Both segments produce prescription drugs with total sales of CND 21.1 bn in 2006[50] and non-prescription drugs with total sales of CND 2.2 bn in 2006[51]. Canada ranks as the 8th largest market in the world with a share of 3.5% of global pharmaceutical sales. Prices are at 92% of the median of prices of seven countries.[52] Ontario leads the Canadian provinces with a market share of 41.5%.

[46] Foreign Affairs and International Trade Canada: www.dfait.gc.ca/eet/foreign-statements-en.asp
[47] Swiss National Bank: www.snb.ch
[48] Based on Industry Canada: www.ic.gc.ca; Invest in Canada: www.investincanada.gc.ca
[49] Swiss pharmaceutical exports 2005: CHF 1'020 mn; 2006: CHF 1'321 mn.
[50] The Canadian Institute for Health Information: http://secure.cihi.ca/cihiweb/splash.html
[51] Ibid.
[52] The Patented Medicine Prices Review Board (PMPRB) conducts an international price comparison using seven foreign countries: France, Germany, Italy, Sweden, Switzerland, the United Kingdom and the United States. In 2005, Canadian prices were lower than prices in the U.S, Switzerland, the U.K., and Germany and higher than those in Italy, France and Sweden.

The Canadian Intellectual Property Office (CIPO) is responsible for administering Canada's intellectual property system. A significant intellectual property issue involves the pharmaceutical industry. The Canadian Drug Manufacturers Association CDMA[53] represents Canada's generic pharmaceutical manufacturers who object to certain aspects of patent legislation. On the other hand, Rx&D[54] has presented arguments concerning the need for effective intellectual property protection on behalf of Canada's brand name pharmaceutical manufacturers.

The Patented Medicine Prices Review Board (PMPRB) is an independent quasi-judicial body established by Parliament in 1987 under the Patent Act (Act).The PMPRB is responsible for regulating the prices that patentees charge, the "factory-gate" price, for prescription and non-prescription patented drugs sold in Canada, to wholesalers, hospitals or pharmacies, for human and veterinary use to ensure that they are not excessive. The PMPRB regulates the price of each patented drug product, including strength of dosage form of each patented medicine sold in Canada. This is normally the level at which Health Canada assigns a Drug Identification Number (DIN).[55]

Four pharmaceutical companies hold a market share of more than 5%: Pfizer (11%), AstraZeneca (5.4%), Johnson&Johnson (5.1%) and Apotex, Inc. (5.1%).

Two firms dominate the Canadian generic market; Apotex (Canadian-owned) and Novopharm (owned by Teva Pharmaceuticals, Israel). They account for approximately 6% and 2% of the Canadian drugs market respectively.[56]

Novartis Pharmaceuticals Canada Inc. has its national headquarters in Dorval, Quebec. Novartis Consumer Health Canada Inc. and Novartis Animal Health Canada Inc. are based in Mississauga, Ontario. Novartis has greatly increased its R&D activities in Canada following the modernization of the nation's pharmaceutical patent laws in 1987 and 1993. Since 1989, Novartis' annual R&D investment has grown from CND 17 to over CND 55 mn in 2004.[57]

Roche has more than 75 years of business in Canada and employs over 500 people across the country. Operations are centered in Mississauga, Ontario (pharmaceuticals) and Laval, Quebec (diagnostics). Roche is conducting clinical trials in Canada.[58]

In 2007, Galenica Holding SA has bought Victoria (B.C.) drug biotechnology company Aspreva Pharmaceuticals Corp. for CAN 915 mn. This represents the largest corporate takeover in the region's history.[59] Aspreva is cooperating with Roche among others.

A smaller biopharmaceutical company headquartered in Basel, Switzerland, is currently building a sales and marketing organization in Toronto.

The industry is clustered in the metropolitan areas of Montreal and Toronto. The location of R&D facilities is strongly influenced by the location of major biosciences clusters and supportive government policies. Total business expenditures on research and development by pharmaceutical companies based in Canada reached CND 1.25 bn in 2005.

InVivo is the brand name for metro Montreal's Life Sciences cluster, a complete ensemble of over 480 private companies and 150 public and university-based research organizations; it is a fertile ground for creative synergy. The Montreal InVivo cluster ranks 8th in North America among large metropolitan areas in the number of jobs, hiring over 40'500 skilled workers. This very creative cluster also boasts four universities and ranks first in Canada for the number of research centers

[53] The Canadian Drug Manufacturers Association: www.cdma-acfpp.org
[54] Rx&D: www.canadapharma.org
[55] Patented Medicine Prices Review Board: www.pmprb-cepmb.gc.ca
[56] IMS Health: www.imshealthcanada.com
[57] Novartis Pharmaceuticals Canada Inc.: www.novartis.ca
[58] Roche Canada: www.rochecanada.com
[59] Exec US: www.execdigital.com

and total funding for university research. Montreal InVivo ranks second in North America in terms of the number of university students per capita.[60]

In 2005, MaRS Centre opened in Toronto's Discovery District, Canada's largest concentration of scientific research, anchored by major teaching hospitals, the University of Toronto and more than two dozen affiliated research institutes. MaRS is a non-profit innovation centre connecting science, technology and social entrepreneurs with business skills, networks and capital to stimulate innovation and accelerate the creation and growth of successful Canadian enterprises.

The Ontario Provincial Government has launched in 2008 the Next Generation of Jobs Fund (NGOJF), a five-year CND 1.5 bn program to support job creation/retention in strategic areas of great potential for Ontario. Within the NGOJF CND 150 mn over the next 5 years have been earmarked for the Biopharmaceutical Investment Program targeted to encourage research-based pharmaceutical companies to invest in Ontario. [61]

Distribution: Independent pharmacy distributors (IPD) act as intermediaries between pharmaceuticals producers and pharmacies for 57% of the market. McKesson Canada (16 distribution centers) is the country's largest IPD serving 6'800 pharmacies and 1'350 hospitals with 35'000 products. Large pharmacy chains as for example Shoppers Drug Mart work with their own distribution (34% market share).[62]

Internet pharmacies (IP) are a relatively new phenomenon exploiting the drug price differential between Canada and the United States. This segment grew very rapidly from 2000 to 2003. However, sales volumes have declined steadily and in 2005 the IP-US sales volume dropped by 28.5% to CND 425 mn. (IMS Health). The volume of sales by IP is a key concern to the brand-name industry, which operates in both markets.

3.2 Chemicals

Chemicals are the second largest Swiss export sector to Canada (2007: CHF 595 mn).[63] Since 2000, Swiss chemical exports to Canada have more than doubled, whereas agrochemical and pesticides make up a large proportion.

Industry Canada estimates that 36 companies in the **pesticides and agrochemicals industry** employed 460 persons directly and produced shipments for CND 551 mn. Overall, imports did amount to CND 962 mn and exports to CND 110 mn.[64]

The globally active Swiss company Syngenta is also a leader in crop protection in Canada and ranks high in the high-value commercial seeds market. Syngenta Crop Protection is headquartered in Guelph (Ontario) with western offices in Calgary (Alberta). Syngenta owns two research facilities in Canada.

As an organization of Health Canada, the Pest Management Regulatory Agency (PMRA) is responsible for assessing the safety of pest control products. The Canadian Food Inspection Agency (CFIA) is responsible for assessing the environmental safety and feed safety of novel plants, such as those created through plant biotechnology. Recent initiatives by municipalities (e.g. Toronto) and a province (Ontario) to ban the use of pesticides for garden and lawn has been challenged by CropLife Canada, the trade association representing the manufacturers, developers and distributors of plant science innovations — pest control products and plant biotechnology — for use in agriculture, urban and public health settings. Crop Life Canada states that it is important that the well-established scientific standards used by Health Canada and other regulatory agencies around the world on these matters be the benchmarks for discussion about possible changes to

[60] Montreal's Life Sciences cluster: www.montreal-invivo.com
[61] Ontario Ministry of Research and Innovation: www.mri.gov.on.ca
[62] Competition Bureau Canada: www.competitionbureau.gc.ca
[63] Swiss chemicals exports 2005: CHF 503 mn; 2006: CHF 556 mn.
[64] Industry Canada: www.ic.gc.ca

rules governing the use of pest control products and would not exclude possible impacts on R&D spending decisions by member companies in Canada.

The Canadian **adhesives and sealants industry** had shipments of CND 616 mn in 2006, and employed 1'930 people in 49 establishments.

The largest concentration of establishments is in Ontario (50%). On the basis of shipments, this concentration in Ontario is even more pronounced — rising to near 70%. This primary concentration in Ontario and secondary concentration in Quebec reflects the strong regional character of this industry where production tends to be shipped to customers within close proximity of the producing site.

The Canadian adhesive and sealant industry is dominated by foreign-owned companies. Most of Canada's international trade is with the United States. Much of the sector does not compete in markets outside North America. In 2005, exports totalled CND 248 mn and imports were valued at CND 519 mn. Trade is predominantly with the United States. In 2005, 85% of imports originated in the United States, while 90% of exports were shipped there.

The Canadian **paints and coatings industry** had shipments of CND 1.6 bn in 2006, and employed 6'220 people in 130 establishments. While most of the larger manufacturers of industrial coatings are located in southern Ontario, some of the larger architectural coatings producers have plants in several provinces. Regional manufacturers of architectural paints serve local markets across the country in competition with national firms. The majority of larger firms operating in Canada are owned by US and European multinational firms that operate subsidiary or joint venture operations around the world. In 2006, exports totalled CND 463 mn and imports were valued at CND 963 mn. Trade is predominantly with the United States. In 2006, 94% of imports originated in the United States, while 91% of exports were shipped there.

The Canadian **petrochemical industry** had shipments of CND 7.2 bn in 2006, and employed 1'490 people in 16 manufacturing establishments. The majority of larger firms operating in Canada are owned by US and European multinational firms that operate subsidiary or joint venture operations around the world. NOVA Chemicals and Petromont are the largest producers with headquarters located in Canada. Canada's petrochemical plants are concentrated in Alberta, Ontario, and Quebec.

Most of the recent growth in the industry has occurred in Alberta, based almost exclusively on natural gas feedstocks. There are two main petrochemical complexes in the province. One at Fort Saskatchewan, near Edmonton, is an integrated petrochemical cluster based heavily on ethylene and derivative products that offers extensive pipeline inter-connections, large underground salt cavern storage capacity for hydrocarbons (raw materials and products), and nearby petroleum refineries for raw material acquisition and co-product exchange. The other complex at Joffre, near Red Deer, is an integrated cluster based exclusively on ethylene and derivatives. Joffre is connected to the Alberta Ethane Gathering System for feedstock supply, and is connected by pipeline to Fort Saskatchewan allowing for movement of product streams between the two centres.

In Ontario, the petrochemical industry is concentrated around Sarnia. This region offers well-developed infrastructure for petrochemical production, surpassed in North America only by the US Gulf Coast. Sarnia has a highly integrated petrochemical complex that provides petrochemical producers with large underground salt storage caverns, nearby petroleum refineries, access to Western Canadian NGL feedstocks via the Cochin pipeline, a tanker terminal for offshore shipments, ready access to large US and Canadian customers via excellent transportation networks, and access to crude oil and oil-based liquids by pipeline from Montreal. Most of the recent investment in Ontario has been to make existing manufacturing units more efficient through "debottlenecking". Up until the late 1990s, construction costs were estimated to have been 15% higher in Sarnia compared to the US Gulf Coast which acted as a strong deterrent to investment. In response, the Ontario government passed legislation that allows companies to negotiate construction agreements on a project-by-project basis or for multiple projects, successfully overcoming the former cost disadvantage.

In Quebec, the petrochemical industry is centred around Montreal and is based solely on oil-based feedstocks. Crude oil arrives in Montreal by tanker or via pipeline from Portland, Maine. Although on a smaller scale than Sarnia, Montreal is also an integrated petrochemical complex that offers petroleum refineries, a tanker terminal for ocean shipments, and close access to the large eastern and central US and Canadian markets. The region has successfully attracted a number of new investments in recent years, building an aromatics value chain to complement the previously existing olefins chain. These investments were supported through equity participation by the *Société générale de financement du Québec* (SGF), an agency of the Quebec government.

Canadian facilities compete with producers based in the United States, notably with plants located along the US Gulf Coast. Facilities in Ontario and Quebec are better situated than those on the Gulf Coast to supply the large customer base in the northeastern and central United States and Canada. Commodities manufactured in Alberta are largely shipped to central and western US markets or offshore.

In 2006, exports of petrochemicals were CND 2.6 bn and imports were CND 0.9 bn producing a strong trade surplus. Canadian exports represented 36% of shipments in 2006, and imports accounted for just 16% of the domestic market.

The proportion of Canadian exports going to the United States increased throughout the 1990s. In 1992, 64% of Canadian exports went to the US. By 2001 this had jumped to essentially 100%, and it has remained there. The proportion of Canadian imports coming from the United States was 91% in 2006.

The Canadian **synthetic resins industry** had shipments of CND 10.6 bn in 2006, and employed about 7'180 people at 103 establishments. The majority of larger firms operating in Canada are owned by US and European multinational firms that operate subsidiary or joint venture operations around the world. NOVA Chemicals and Pétromont are the largest producers.

The Canadian industry is concentrated in three provinces — Alberta, Ontario and Quebec. Plants based in Alberta produce commodity-grade thermoplastic resins from raw materials derived mainly from natural gas. The plants in Ontario and Quebec produce both thermoplastic and thermoset resins using raw materials derived from both crude oil and natural gas.

Canadian exports of synthetic resins have grown dramatically, from 38% of total shipments in 1990 to 68% in 2006. Imports of resins have also increased significantly during this period and by 2006 accounted for 66% of total domestic consumption. Trade with the United States predominates with 89% of exports going there and 88% of imports originating there in 2006. This growth in two way trade reflects rationalization and specialization of the resins industry on a North American basis, and the increasing use of complex, higher-performance engineering resins that are mostly not manufactured in Canada.

3.3 Machines

In 2007, machines made up 8% of total Swiss exports to Canada (CHF 230 mn).[65] Exports of non-electrical machines declined by 22% while exports of electrical machines grew by 14%. Two-thirds of Swiss machines exports are machinery engineering.

Overall, Canadian imports of industrial and agricultural machinery has risen from CND 26.8 bn in 2003 to CND 31.6 bn in 2007, an increase of 18%.

Under the influence of variations in the exchange rate the price indexes for machinery and equipment has fallen from 2001 to 2005 by almost 8%. The considerably strengthening CND towards the USD has forced the manufacturing sector to improve productivity partly by investing in machinery.

[65] Swiss machinery exports 2005: CHF 232 mn; 2006: CHF 269 mn.

Historically, the top suppliers of machine tools to Canada are the US, Japan, Germany, Italy, and Switzerland. The top destination for Canadian machine-tool exports is the United States, which accounts for around 80% of exports.

The Canadian Machine Tool Distributors' Association[66] and the Canadian Tooling and Machining Association[67] both have been sponsors of the Montreal Manufacturing Technology Show in May 2008. There is also the Toronto-based CMTS (Canadian Manufacturing Technology Show, October 2007, scheduled to run again in 2009), traditionally the largest forum for machine tools in the country; it, too, is produced by SME Society of Manufacturing Engineers.[68]

3.4 Precision instruments

In 2007, Swiss exports of instruments, measuring devices and watches reached CHF 192 mn.[69] Major Swiss watch companies maintain a representation office in Canada, Rolex for example even has its own watch maintenance and repair shop in Toronto.

3.5 Services (banking, insurance, HR solutions, logistics, inspection)

Services constitute the single most important industry in Canada's economy, with 70% of total gross domestic product, 75% of employment and 50% of consumer spending.[70]

Finance and insurance, real estate, renting, leasing and management of companies and enterprises has contributed CND 240 bn to the Canadian gross domestic product in 2007.[71]

Toronto, Canada's business and financial capital, is the third largest North American financial centre after New York and Chicago, based on direct employment and is home to Canada's largest banks, insurance companies, investment firms and pension funds, as well as most foreign financial services companies[72]. Toronto is also home-base for the TSX Group, the third largest stock exchange in North America and seventh largest in the world, based on market capitalization. In addition to conventional securities, the TSX lists exchange-traded funds, split share corporations, income trusts and investment funds. In December 2007, the TSX has merged with the Montreal exchange, which is specialized in the trading of derivates such as future contracts and options.

Toronto ranks 13th in the Global Financial centres Index in the category of a "National Financial Centre". 27% of all Canadian financial services employment are located in Toronto, while 8% or 220'000 persons of all Toronto employees work in the financial sector. Financial services contribute 17% to the GDP of the Greater Toronto Area. 10 of 21 domestic banks and 18 of the 27 foreign banks are headquartered in Toronto.

UBS Bank (Canada), UBS Securities (Canada), Credit Suisse First Boston Canada Inc., Credit Suisse Securities (Canada) Inc., Swiss Re Canada, Swiss Re Life and Health Canada and Zurich Insurance Company[73] have established their Canadian headquarters in Toronto. A number of Swiss private banks are represented in Montreal and Toronto.

Montreal and Vancouver are two other important financial centres.

The Canadian Bankers Association has recently stated: "Canada's banks are still restricted in the business decisions they can make to achieve the size and scale they need to compete in the

[66] Canadian Machine Tool Distributors' Association: www.cmtda.com
[67] Canadian Tooling and Machining Association: www.ctma.com
[68] Canadian Society of Manufacturing Engineers: www.sme.org
[69] Swiss instruments, measuring devices, watches exports 2005: CHF 148mn; 2006: CHF 174mn.
[70] Statistics Canada: www40.statcan.ca/l01/cst01/demo10a.htm
[71] Ibid.
[72] Toronto Financial Services Alliance: www.tfsa.ca
[73] Zurich: www.zurichcanada.com

international marketplace. Canadian banks are denied the opportunity to pursue legitimate strategies for growth, including insurance retailing and mergers."[74]

Both Adecco[75] and Egon Zehnder International Inc.[76] have their Canadian headquarters in Toronto. Adecco employs around 11'000 temporary employees daily, making it the largest recruitment solutions and HR consulting services company with over 60 offices located across Canada.

Kühne + Nagel Ltd.[77] and Panalpina Inc. have their Canadian head office in Mississauga (Ontario) and offer logistics solutions to costumers across Canada.

SGS Canada[78] also has its Canadian head office located in Mississauga (Ontario) and serves customers with its 800 employees in 20 locations from coast to coast.

3.6 Manufacturing

Manufacturing employs 2.2 mn Canadians directly and another 2.5 mn depend on the sector for their livelihood. Nearly 70% of all goods manufactured in Canada are exported, up from 25% in 1980. Manufactured products account for 90% of Canada's merchandise exports or more than USD 400 bn (USD 150'000 per employee).

Manufacturers perform 75% of private sector R&D in Canada and 30% of business investment in non-residential construction, machinery and equipment.

Directly, manufacturing accounts for 21% of Canada's economic activity. However, when spin-offs are included, such as the purchases of goods and services in Canada, manufacturers drive 55% of the economy. According to Canadian Manufacturers and Exporters[79], every CND 1 of manufacturing in Canada generates CND 3 in total economic activity.

The Manufacturing Industry, mainly located in southern Ontario and to a lesser extent in Quebec, is currently under strong pressure by international competition and the high Canadian dollar.

A recent bank analysis[80] foresees the downtrend to persist in textiles and clothing which are facing significant reductions in trade protection. Heavy restructuring pressure to readjust operations lies on paper, wood products, furniture, rubber and plastics, motor vehicles and parts and "other" transportation equipment (mainly aerospace and railway rolling stock). Other industries, including printing, electrical equipment, non-metallic mineral products, and fabricated metals and machinery also likely face some restructuring but pressure to do so appears to be somewhat less intense according to the study.

The Automotive Industry:[81] Canada does not have a homegrown auto company. However, the Canadian automotive industry is producing more than 2.5 mn vehicles per year for six different manufacturers in ten plants. This means that one out of six cars built in North America is assembled in Canada. The country ranks 9th worldwide on the list of the biggest car producing countries and comes 3rd as automotive vehicles and parts exporter after the USA and Japan. The automotive industry is by far Canada's largest manufacturing sector and accounts for about 15% of the national GDP employing more than 170'000 people.

Automotive manufacturing is clustered in central Canada, in the heart of the North American auto industry, while distribution and aftermarket operations are spread across the country. All of the light

[74] Canadian Bankers Association: www.cba.ca
[75] Adecco: www.adecco.ca
[76] Egon Zehnder International: www.egonzehnderknowledge.com
[77] Kuehne+Nagel global logistics: www.kn-portal.com
[78] SGS: www.ca.sgs.com
[79] Canadian Manufacturers and Exporters: www.cme-mec.ca
[80] Bank of Montreal: www4.bmo.com
[81] The Consulate General of Switzerland in Toronto has published (in French only) a detailed sector report on the automotive industry in Canada in 2007. A free electronic copy can be ordered by e-mail: vertretung@tor.rep.admin.ch

vehicle assembly plants are located in southern Ontario — from Windsor to Oshawa and Alliston. Commercial truck and bus plants are located in Ontario, Quebec and Manitoba. Original equipment suppliers are clustered to serve these assembly plants in Canada as well as those in the United States, which are readily accessible via major highways (e.g., Hwy 401-I75 corridor), railways and border crossings.

90% of the cars built in Canada are coming out from assembly plants owned by the Detroit-based three big US manufacturers. They presently face a structural crisis (mainly due to a lack of plant modernization and a very low renewal of their technology and fleet during the last decades) compounded by the high price of energy. This has a negative impact on the Canadian automotive industry, where more than 4'000 jobs cuts have been announced by the big three since the end of 2007. The car manufacturers present in Canada continue nevertheless investing in new plants and in the modernization of existing ones thus creating new job opportunities.

To encourage this kind of investment, the Ontario Government has recently announced the Next Generation Jobs Fund. This CND 1.5 bn fund is aimed at attracting investment in environmental and economic advances in key sectors, including clean automotive and other green technology.[82] The fund is modelled after a previous government's successful fund that helped to leverage more than CAN 7 bn in total new automotive investments and anchored thousands of jobs. In order to successfully bid for financial support, companies have to demonstrate they can secure jobs for Ontarians and reduce greenhouse gas emissions in their sector.

Aerospace and Space Technology: The gross sales for the sector were CND 21.7 bn in 2005, with 85% of production sold internationally. The US accounted for CND 13.7 bn in exports in 2005, CND 2.6 bn to Europe and CND 700 mn to Asia. Canada takes advantage of special trade agreements besides being a member of NAFTA: Canada is the only country which enjoys certain exemptions within the US International Traffic in Arms Regulation (ITAR) and the Defense Development Sharing Agreement and the Defence Production Sharing Arrangements.

Canada has tripled its share within the global aerospace industry over the last 20 years being the 5th largest aerospace producer worldwide. More than 550 companies in the sector employ 75'000 workers, 43% of them engineers and specialized technicians. According to Industry Canada, there are no restrictions on FDI in the aerospace industry.

Canada is home to some world-class companies like Bombardier, Pratt & Whitney Canada, Honeywell Canada etc.

Montreal is one of the three largest aerospace centres in the world, along with Toulouse (FR) and Seattle (US). Toronto is an international centre for commercial aircraft manufacturing and systems integration and Winnipeg is a major North American centre for aerospace manufacturing, repair and overhaul.

Bombardier, a world-leading manufacturer of innovative transportation solutions, from regional aircraft and business jets to rail transportation equipment, systems and services, headquartered in Canada, has awarded RUAG's Oberpfaffenhofen site Authorized Service Center status for its Challenger and Global Express business jets with effect from 1 February 2008.

Canadian space technology is internationally competitive and at the forefront of research and innovation: Canada is the world's second-largest supplier of global navigation satellite systems equipment, after the United States, a world leader in space robotics (the Canadarm2 is critical to the construction and use of the International Space Station) and Canada leads the world in developing earth observation systems, having built more than 70% of all civilian multi-satellite earth observation ground stations used around the globe. Canadian space firms have been in close cooperation with the United States (NASA) for over 30 years, from Alouette to RADARSAT, and maintain a special relationship with the European Space Agency for more than 20 years as well as cooperating with other European and Asian countries such as Russia, Japan and Sweden.

[82] Next Generation Jobs Fund: www.ontario-canada.com/ontcan/en/progserv_ngjf_en.jsp

Canadian aerospace and defence business enterprises' investments in R&D grew 61% between 1990 and 2001 (OECD data); the sector invests CND 1.2 bn each year in R&D (AIAC 2005). Canada has strong aerospace R&D capability, with a large pool of scientific and engineering personnel and an extensive network of institutional and academic research organizations that offer world-class aerospace expertise and R&D facilities that partner directly with industry on technology and innovation projects. Canada offers the most favourable R&D tax treatment among the G7 according to Industry Canada.

In an unprecedented move the Canadian Government has recently blocked the planned USD 1.3 bn acquisition of the space business of Canadian company MacDonald, Dettwiler and Associates (MDA) by US defence contractor Alliant Techsystems (ATK), stating that this significant transaction does not demonstrate net benefit to Canada and therefore cannot be approved under the Investment Canada Act.

Rail Equipment Manufacturing: This manufacturing sector includes companies, which design and manufacture rolling stock and fixed equipment for use in freight and passenger interurban rail services, commuter rail services, and rail transit systems such as subways and streetcars.

There is only one major manufacturer of locomotives, the Diesel Division of General Motors of Canada, and only Bombardier manufactures guided urban transit vehicles and passenger rail cars. Three freight car manufacturers build many types of freight cars and approximately 250 component suppliers supply all aspects of the industry, and many supply other industries as well. The freight car subsector consists of three manufacturers: National Steel Car, Trenton Works Inc. and Procor Ltd. The North American freight car market has shown considerable resurgence in recent years and Canadian companies are taking advantage of this upswing in demand. National Steel Car, which designs and manufactures freight cars in Hamilton, Ontario, is the largest builder, and is well positioned to increase its United States market share. Trenton Works, located in Trenton, Nova Scotia, is experiencing a strong resurgence in demand for its products. Procor, located in Oakville, Ontario, which also owns Canada's largest fleet of tank and specialty cars, manufactures specialty tank cars for its own fleet and that of its US parent, Union Tank Car. Bombardier is one of the few manufacturers in the world to offer a complete range of rail passenger vehicles and has been able to attain about a third of the North American rail passenger vehicle market.

All levels of Canadian government have announced large investments in public transit over the next years. While some of the projects remain virtually closed to foreign competition others are open for international bidding, as for example the procurement of light rail vehicles by the Toronto Transit Commission which has set the required minimal Canadian content to a low 25% and thus respecting its status as an international hub for trade and commerce.

Forestry: The forest products industry is one of Canada's leading manufacturing sectors and largest net exporter. It is the cornerstone of the economy and a major component of the industrial structure and employment base of all regions of the country. The forest sector comprises two integrated groups: Wood Products Industries and Paper and Allied Products Industries. The Wood Products Industries group makes commodities like lumber and panels as well as the higher value-added products such as doors, windows, kitchen cabinets, manufactured housing and flooring. The Paper and Allied products industries group manufactures products such as pulp, newsprint, printing papers, packaging papers and paperboard as well as value-added paper products like tissue, napkins, and other consumer paper products.

3.7 Information and Communication Technology (ICT)

Canada is a significant player in the global ICT industry. 32’000 ICT companies are gathered in regional clusters including the Kitchener / Waterloo / Cambridge Technology park, the 2nd largest park in North America after Silicon Valley. 579'000 skilled workers generate over CND 137 bn in revenues for the ICT industry. CND 5.7 bn have been spent for R&D in 2006, led by Nortel (CND 2.25 bn) and Bell Canada (CND 1.75 bn).

The seven Canadian regional hubs:

- Ottawa’s telecommunications cluster, home to JDS Uniphase, Nortel Networks, Newbridge - now part of Alcatel SA, Mitel and others;
- Wireless data in Calgary and Vancouver;
- Internet applications and software development in Toronto, Waterloo and Halifax;
- E-commerce services, telecommunications and multimedia in Montreal.

Software Products and Computer Services: Canada has leading products in the fields of graphics, document management, enterprise resource planning, customer relationship management, supply chain management, cryptography and various tools. There are strong vertical markets (e.g. financial services, retail systems). The industry consists of over 16’000 firms, 93% of which have revenues less than CND 2 mn. Growth within the sector is expected in outsourcing, application software and professional services.

Multimedia: This sector is located in Ontario (40%), Quebec (28%) and British Columbia (13%), consisting of mostly small businesses. The business sector accounts for 50% of revenue, with education at 20%, residential at 13% and government at 10%. Growing broadband capacity is a driver for the increasing demand for animation and web-based graphics.

Telecommunications and networking equipment: With an important share of the world’s networking equipment market, Nortel Networks is a leading Internet technology provider. Canada has leading capabilities in Network equipment, fiber-optics (JDS Uniphase), enterprise equipments

(ATMs), Wireless equipment manufacturing (Research-in-Motion, the developer and producer of the Blackberry). Canada's broadcasting and telecommunications system is regulated by the Canadian Radio, Television and Telecommunications Commission, an independent agency.

3.8 Medical Devices

In the period 2004 to 2005, the medical device manufacturing and development industry consisted of 1’101 facilities, comprising approximately 998 firms. Medical device manufacturing and development facilities were generally small as more than half (57%) had fewer than 25 employees and 37% had from 25 to 49 employees. Of the remaining facilities, only 45 (4%) were of medium size (50-150 employees), and less than 1% were large (greater than 150 employees). Approximately 90% of the medical device facilities were Canadian owned, unchanged from 2002. Foreign-owned facilities tended to be larger as 21% had 50 or more employees, compared to just 4% of domestically-owned facilities. 42% of the medical device industry is located in Ontario, 32% in Quebec.

Canada’s exports of medical devices increased at a solid compound annual growth rate of 10.5% from 2000 to 2005. The country’s nearly 1'000 medical devices manufacturing and development firms generated sales of CND 4 bn in 2003, with exports representing 52% of total sales. The US market accounted for 76% of all exports in 2005, followed by the UK (4%), Germany (3%) and China (2%).

Leading medical device companies as Baxter, 3M, Bard, McKesson, St. Jude, Siemens, Mitroflow and Tyco have invested in Canada. As Industry Canada states, they have capitalized on low costs, generous R&D incentives and a progressive regulatory regime.

Under the Food and Drugs Act, Health Canada defines a device as "any article, instrument, apparatus or contrivance, including any component, part or accessory thereof, manufactured, sold or represented for use in:

1. diagnosis, treatment, mitigation or prevention of a disease, disorder or abnormal physical state, or its symptoms, in human beings or animals;
2. storing, correcting or modifying a body function or the body structure of human beings or animals;
3. the diagnosis of pregnancy in human beings or animals; or
4. the care of human beings or animals during pregnancy and at and after birth of the offspring, including care of the offspring; and includes a contraceptive device but does not include a drug."

The Medical Devices Regulations were published in the Canada Gazette Part II, May 1998 and came into force July 1, 1998. The Regulations replace the old Medical Devices Regulations that were in existence since 1978.

The new Regulations require the manufacturer of a medical device to satisfy eleven safety and effectiveness requirements based on objective evidence to establish that a medical device satisfies those requirements. In addition, a medical device must bear a label that contains specific information as described in the Regulations.

Regulating medical devices in Canada is the responsibility of the Therapeutic Products Programme at Health Canada. The TPP comprises several bureaus that regulate pharmaceuticals, blood, biologic's, disinfectants and medical devices. Medical devices fall within the domain of the Medical Devices Bureau.

Further information is available through Medec[83], the association of Canada’s medical device technology companies.

[83] Medec: www.medec.org

3.9 Environmental Technology

Valued at more than CND 29 bn, the environmental market in Canada consists of some 8’000 firms generating environmental exports currently worth more than CND 1.4 bn per year. Small firms (fewer than 100 employees) form the majority (93%) of the country's environmental firms.

Environmental firms can be found throughout Canada with a major concentration in Ontario (31%) and Quebec (21%).

Renewable Energy: Wind is the fastest growing renewable energy source in Canada. In every province and territory, numerous proposals for industrial expansion are appearing on the horizon. By 2012, according to estimates, initiatives at the federal and provincial/territorial government levels, whether planned or already underway, are expected to reach a total installed capacity of over 5'600 megawatts (MW) of wind energy, representing investments totalling CND 8.4 bn.

The Canadian **wind energy industry** includes some 150 companies, roughly one third of which are technical consultants. The industry is composed of component manufacturers, developers, distributors, suppliers (also called designers or installers) and consulting firms. By 2012, with concerted efforts by Canada’s industry and governments, the wind energy sector could be supplying Canadians with more than 13’000 high-quality jobs in such fields as manufacturing, installation, and maintenance. Investments in Canadian content could well reach CND 1.8 bn per year.

The Wind Power Production Incentive program (WPPI) from the Government of Canada was initially intended to provide financial support for the installation of 1'000 MW of new capacity by March 2007. With its 2005 budget, however, the Government of Canada announced its commitment to quadruple the scope of the WPPI program, raising the production target to 4'000 MW.

Today, Canada imports nearly all of its large turbines and components, with the towers being the one notable exception. The majority of wind turbines in use are located at sites where the average wind speed is at least six meters per second or 22 km/h.

Canada’s Photovoltaic (PV) Industry includes some 50 companies, the majority of which (90 to 95%) are designers or installers of residential systems. It is estimated that the Canadian PV industry has generated revenues in excess of CND 100 mn, employing approximately 625 persons in 2004. The first solar-power neighbourhood debuted in Waterloo, Ontario, in 2002. The goal is to promote the development and showcasing of networked solar PV homes across Canada.

Solar systems for heating air are the principal sector of activity for only about half a dozen companies while about 70 companies dedicate their activities systems for heating water with solar power.

Bioenergy: Currently, Canada uses biomass to meet approximately 6% of the national demand for primary energy. Yet this resource is often under-used and requires specific technologies for energy conversion.

The processes of bioenergy production in Canada are direct combustion, anaerobic fermentation, mixed combustion, rapid pyrolysis, gasification, and biofuels. Projects that make use of biomass can be sustainable and profitable, because they rely on biological (renewable) feedstocks and can be designed to produce heat as well as electricity. In addition, bioenergy offers a potential solution to the disposal of municipal solid waste by converting solid waste to energy.

The single largest consumer of industrial biomass is the paper and pulp industry. Per capita, Canada has access to more biomass resources than any other country in the world. The Canadian bioenergy industry can be broken down into four subsectors: residential wood stoves or pellet stoves, industrial combustion or anaerobic fermentation, centralized and municipal heating and energy production facilities, and biofuels.

Centralized and municipal heating and energy production facilities using bioenergy technology are currently numbering only a few with potential for increase over the coming years. In 1999, there were 16 facilities using landfill gas to produce a total of 85.3 MW of electricity in Canada. The Keele Valley landfill site, located in Vaughan, Ontario, is one of the world's largest gas-to-energy projects. This facility provides nearly 33 MW of continuous energy to the Ontario energy network.

Biofuels: The Canadian Renewable Fuels Association[84] is the professional association of Canada's ethanol and biodiesel producers and lists on its website federal and provincial programs.

3.10 Food and Beverage

In 2005, Canadian consumers spent about CND 131 bn on food and beverages in retail stores and foodservice operations. This represents on average 11% (13% including alcoholic beverages) of the after-tax household spending. Consumers spend on average CND 38 on 228 trips to retail stores per year and CND 6.12 per meal on 520 visits to foodservice facilities.

About 73% of the food products sold in the country in 2005 was distributed through traditional food stores including large chains (e.g. Loblaws, Sobeys, Metro) and independent grocers. A growing portion (27%) of food sales is coming from drug stores, warehouse clubs (e.g. Costco), mass merchandisers (e.g. Wal-Mart), dollar stores and convenience stores. The latest successful market expansion of mass merchandisers like Wal-Mart - which intends to open 24 new super centres in Canada this year bringing its number of stores to more than 300 since starting operating in the country in 1994 - is mainly taking business share from large supermarket chains and not so much from independent grocers who generally have better and faster (even if limited) ability to accommodate customer needs in a changing market environment.

Food processing is the second biggest manufacturing sector in Canada in terms of shipment and the biggest in terms of employment, providing about 270'000 jobs through 6'700 manufacturing facilities. Food processing is the major industrial sector for the provinces of Manitoba and Saskatchewan (meat and agriculture) as well as for the Atlantic provinces (seafood, potatoes). Meat processing is one of the main manufacturing industries of Alberta and ranks number one on the list of the major food processing sectors in Canada. In 2003, Canada has exported food products in the value of CND 18.6 bn – one third meat products.

More educated and better-informed customers are nowadays more discerning about the choices they make for themselves in terms of food quality. This explains why sales of grocery items at the retail level are increasing, and why demand is big for high quality food with nutritional value and products offering unique flavours. An aging Canadian population reinforces the growing demand

[84] Canadian Renewable Fuels Association: www.greenfuels.org

for healthier and more nutriously complete products. The pronounced multicultural environment and the important number of immigrants arriving in Canada every year further generate specific demand in the food sector which in turn opens good opportunities for international specialities and ethnic food products.

Canada generally offers good market opportunities to foreign manufacturers of high quality food specialities. Recent success stories of medium-sized Swiss food manufacturers in Canada include Lindt and Sprüngli whose sales revenue dramatically increased when the company decided to reshape and reinforce its distribution channel and marketing activities in the mid-1990 to become one of the best known and successful players on the confectionary market.

Foreign manufacturers and exporters should however be aware that beside the usual health safety and customs regulations, they also will have to comply with some extended food labelling and advertising rules to enter the Canadian market. Imported dairy food (e.g. cheese) and the provincial monopolies on alcoholic beverages are two examples of products that face even stronger regulations, which sometimes constitute non-tariff trade barriers.

For imported cheese for instance, Canada has strictly imposed an annual tariff rate quota of 20'412 tons since 1975. For importers like Swiss Cheese Marketing Inc. in Montreal - a subsidiary of Switzerland Cheese, which imports the majority of all Swiss cheeses (successfully) sold in Canada - this quota (allocated among all importers) is definitely restricting business as imported cheese specialties are in high demand while the over run quota has not been reviewed for over 30 years even if the population of Canada has increased by 37% in the meantime.

3.11 Agri-food

Canada is the world’s fourth-largest exporter of agricultural products. High tech, knowledge based and cost advantageous, the CND 77.6 bn Canadian agriculture and agri-food system is a complex integrated and globally competitive supply chain providing food, beverages and tobacco products to consumers in Canada and 175 other countries. Canada's main grain crops are barley, corn, oats, rye and, of course, wheat. Canadian oilseed production is concentrated in canola, soybean and flaxseed.[85]

3.12 Oil and Gas and Oil and Gas Equipment

With 28.4 bn cubic metres of proven oil reserves in 2005, Canada's reserve base of crude oil is the second largest in the world and only surpassed by that of Saudi Arabia.

Canada is the third largest producer of natural gas and the ninth largest producer of crude oil. Canada is also one of the largest exporters of elemental sulphur in the world.

Domestic manufacturing revenues in 2005 amounted to CND 13.9 bn, while service revenues were CND 55.5 bn. Contract drilling revenues in 2004 amounted to CND 11.3 bn.

The industry employs a significant number of people with 47’000 employed in manufacturing, 120’000 in services and another 52’000 in contract drilling.

Alberta is the primary concentration for all three sub-sectors of the industry, with about 78% of business coming from that province.

Manufacturers with revenues over CND 100 mn are primarily active in the manufacturing of drilling equipment. Service firms of the same size are mainly engaged in engineering and geomatics services. All three sub-sectors expect near or greater than double digit growth in the coming years. Manufacturers are expecting growth at 9%, while services and contract drillers are expecting growth at about 12.7%.

[85] Agriculture and Agri-Food Canada: www.agr.gc.ca

The top three export markets for manufacturing and services are the same, with the United States ranked first, the United Kingdom second and Russia third. Contract drillers focus primarily on domestic operations.

In 2005, 61% of firms imported equipment at a value range of up to CND 500’000. Another 20% imported within the range of CND 5 to 100 mn, and accounting for all imports, the total value was estimated at CND 1.7 bn.

In 2005, domestic revenues for the oil and gas industry were CND 69.3 bn; services account for CND 55.5 bn, and manufacturing, CND 13.8 bn. Exports and foreign production generate another CND 55 bn in revenues, for a total of CND 124.3 bn in global industry revenues.

Global industry employment[86] by Canadian firms reached 240’000. Domestic levels of employment were 168’000 in total, with 48’000 in manufacturing and 120’000 in services.

3.13 Minerals and Mining[87]

In 2007, Canadian mineral production reached CND 40.4 bn, a 19% increase from 2006. This increase was due to significant growth in the value of both metallic and non-metallic mineral production. Metallic mineral production for 2007 reached CND 26.3 bn, an increase of 25.1%, while non-metallic mineral production increased by 13% to CND 11.3 bn. The 2007 value of coal production decreased to CND 2.8 bn in 2007 from CND 2.9 bn in 2006, a decline of 4.3%.

Nine of the thirteen provinces and territories boasted increases in their overall value of mineral production in 2007. Newfoundland and Labrador showed an impressive 65.7% increase in overall value of mineral production. This was mainly due to a 60.4% rise in the volume of nickel produced in the province and a 135.9% increase in the value of nickel production. Saskatchewan’s sizeable increase of 50.4% in value of total mineral production was attributable to a 73.2% increase in the value of metallic mineral production and a 36.4% increase in the value of other mineral production. The value of uranium produced in the province reached a record high CND 2.5 bn, an increase of 76.3% from 2006. Quebec’s 2007 value of mineral production rose by 21% to CND 5.5 bn due, in part, to a 57.5% increase in the value of nickel produced. The percentage increases in the value of mineral production for the rest of Canada were as follows: Manitoba, 19.4%; Nunavut, 16.4%; Yukon, 14.8%; Northwest Territories, 12.6%; Ontario, 12.1%; Alberta, 8.6%; and New Brunswick, 2%. The only decreases in 2007 occurred in British Columbia (5.3%), Nova Scotia (7.1%), and Prince Edward Island (18.9%). Ontario continued to lead the country in its percentage share of Canada’s mineral output in 2007 at 26.4%, just slightly down from 2006. Saskatchewan moved into second place with 14.4%, just edging out British Columbia who was third at 14 %. Quebec dropped to fourth place with 13.7% and Newfoundland and Labrador held onto its fifth place with a 12.4% share.

More information on mining related issues is available on the website of Natural Resources Canada.[88]

3.14 Nuclear Energy

In 2007, 18 nuclear reactors (CANDU) provided 14.6% of Canada’s electricity. Two reactors had been put in safe storage and an other two being refurbished. Twenty units are located in Ontario, one in Quebec and one in New Brunswick.[89]

Atomic Energy of Canada Limited[90] is one of the world’s leading nuclear technology companies, providing services to nuclear utilities on four continents. Established in 1952, AECL is the designer and builder of CANDU® technology, including the CANDU 6, one of the world’s top-performing reactors.

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[86] Global industry employment is an estimate of the number of people employed by Canadian companies domestically and abroad.
[87] Natural Resources Canada: www.nrcan.gc.ca
[88] Ibid.
[89] Canadian Nuclear Association: www.cna.ca
[90] Atomic Energy of Canada Limited (AECL): www.aecl.ca

The National Research Universal (NRU) reactor, located at AECL's Chalk River facility, is the world's primary source of radioisotopes produced for use in nuclear medicine. Canada is the world's leading supplier of medical isotopes used to diagnose, prevent and treat diseases in more than 80 countries. Canada also produces more than 75% of the world's supply of Cobalt-60, used to sterilize disposable medical supplies.

3.15 Hydroelectric Energy

Canada is the world leader of hydroelectricity production, followed by the United States and Brazil. Installed generating capacity totalled 67'121 MW in 2002. A high electrical energy production rate of 59% was achievable due to the use of large reservoirs.

About half of the Canadian provinces are responsible for the majority of hydroelectric energy production in Canada, with Quebec being a market leader. The largest producers are provincially-owned electric utilities such as Hydro-Quebec, BC Hydro, Manitoba Hydro, Ontario Power Generation, Newfoundland and Labrador Hydro.

These utilities have developed a series of large-scale hydro sites across the country. One of the largest hydroelectric developments in the world is La Grande complex on the Quebec side of James Bay. It has a capacity of over 15'000 MW.

During the 1980s and 1990s, the hydroelectric energy industry has witnessed the growth of independent hydroelectric energy producers. These producers usually sell their hydroelectric energy to electric utilities. They develop small-scale projects, usually between 1 and 30 MW, which help utilities to match more closely the growth in demand with small increments in capacity.

There is still significant potential for additional hydroelectricity production in Canada. There is an estimated potential of 182'832 MW. 34'371 MW of this potential is considered practical for future development by electric utilities after considering the technical, environmental and economic factors involved in developing a new electric utility.[91]

[91] Natural Resources Canada: www.nrcan.gc.ca

CHAPTER IV

PRACTICAL ADVICES

1. Customs procedures and requirements

The main laws governing customs procedures in Canada are the Canada Border Services Agency Act and Customs Act. All importers of commercial goods are therefore required to register with the Canada Border Services Agency for a business number, which includes an import/export account. This number must be inscribed on relevant customs documentation. Canadian importers of fresh fruit and vegetables must be licensed by the Canadian Food Inspection Agency. The Customs Self-Assessment (CSA) facilitates importation by involving a rationalized accounting and payment process for all imported goods by pre-approved importers.

For a detailed step-by-step guidance to import goods and services into Canada visit the Canadian Revenue Agency, Goods and services imported into Canada.[92]

2. Investment promotion in Canada

Invest in Canada[93] is an initiative of the Canadian Government to promote FDI. As a bureau of the Department of Foreign Affairs and International Trade, it provides guidance to multinational companies planning to invest in Canadian businesses or expand their operations and introduces them free of charge and confidentially to experts who offer one-on-one assistance adapted to their particular needs.

3. Labour market and visa regulations

In Canada, responsibility for labour issues is distributed among the federal, provincial and territorial governments. These fourteen jurisdictions are accountable for different labour law covering labour relations, standards, health and safety, and other workplace matters. In addition, the Government of Canada has established minimum standards for employment to define and assure the employees' rights and responsibilities at work.[94]

For answers to questions about jobs, skills and the availability of workers in local areas across Canada see Labour Market Information.[95]

Swiss nationals with a valid passport do not require an entry visa for tourism and are allowed to stay up to three months in Canada. A work permit is required to undertake remunerated work. The Canadian Embassy in Bern does not deal with work permits. Work permit requests from Swiss citizens are treated by the Canadian Embassy in Paris in cooperation with the *Citizenship and Immigration Canada* (CIC) department. In addition, the employer has to request a confirmation from the Human Resources and Social Development Department (HRSDC) that the position in question can be filled with a foreigner, unless the business person is covered by Canada's commitments at the World Trade Organization in which case the requirement for a labour market confirmation is waived.

Switzerland and Canada have a trainee agreement since 1979 (extended in 2007), providing access to their respective labour market for young professionals.

If individuals or companies have any doubts about immigration and visa issues, they should check the corresponding websites and ask the Canadian Embassy in Paris before setting out on any business trip.

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[92] Canada Revue Agency: www.cra-arc.gc.ca/E/pub/gp/rc4027/rc4027-09-e.html
[93] Invest in Canada: www.investincanada.com
[94] Human Resources and Social Development Canada: http://canadaonline.about.com/gi/dynamic/offsite.htm?zi=1/XJ/Ya&sdn=canadaonline&cdn=newsissues&tm=9&gps=86_6_1020_623&f=00&tt=14&bt=0&bts=0&zu=http%3A//www.hrsdc.gc.ca/en/labour/employment_standards/index.shtml
[95] Labour Market Information: www.labourmarketinformation.ca/standard.asp?pcode=lmiv_main&lcode=e

Canadian Embassy
35, avenue Montaigne
75008 Paris
Phone: +33 144 43 29 00
Opening hours Consular section: 9:00-12:00, Monday to Friday
Opening hours Visas and Immigration section: 8:30-11:00, Monday to Friday
Homepage: www.amb-canada.fr

For further information see: Annex - useful Internet addresses: Practical Advices

4. Services: lawyers, accountants, banking industry

The federal and the provincial governments share jurisdiction over financial services. Insurance and trust and loan companies are regulated at both the federal and provincial levels. The Department of Finance develops regulations governing banks and other federally regulated financial institutions. The Office of the Superintendent of Financial Institutions (OSFI) supervises federally regulated financial institutions and provides input for the development of federal regulations.[96]

For lists of lawyers, accountants, banks or insurances visit the following websites[97]:

Lawyers: Canadian Bar Association's Referral Service[98]

Accountants: Canadian Institute of Chartered Accountants[99], Certified General Accountants[100]

Financial/Banking: Bank of Canada[101]; Business Development Bank of Canada[102]; Canadian Bankers Association list of Domestic and Foreign Banks[103]

Insurances[104]

5. Business practices and holidays

Public holidays

Statutory holidays: Generally recognized holidays are as follows:

New Year's Day[1]	(1 January)
Good Friday[2]	
Easter Monday[3]	
Victoria Day	(the Monday on or preceding 24 May)
Canada Day[1]	(1 July)
Civic or Provincial Holiday[4]	(1st Monday in August)
Labour Day	(1st Monday in September)
Thanksgiving Day	(2nd Monday in October)
Remembrance Day	(11 November)
Christmas Day[1]	(25 December)
Boxing Day[1, 5]	(26 December)
St.John the Baptist's Day Quebec National Holiday	(24 June)

Certain provinces have additional holidays.

96 WTO Trade Policy Review Canada, The Secretariat Report, June 2007: www.wto.org
97 Invest in Canada, At your service: www.investincanada.com/en/at-your-service.aspx
98 Canadian Bar Association's Referral Service: www.cba.org/CBA/Info/FAQ/referral.aspx
99 Canadian Institute of Chartered Accountants: www.cica.ca/index.cfm?ci_id=17150&la_id=1
100 Certified General Accountants: www.cga-canada.org/en-ca/Pages/default.aspx
101 Bank of Canada: www.bank-banque-canada.ca/en
102 Business Development Bank of Canada: www.bdc.ca/en/home.htm?cookie%5Ftest=1
103 Canadian Bankers Association list of Domestic and Foreign Banks: www.cba.ca/en/toolbar/links.asp
104 Assurances: www.insurance-agents-4u.ca

[1] When these days fall on a Sunday or Saturday, the next working day is considered a holiday.
[2] Business remains open in Quebec.
[3] Business remains open in most provinces, e.g. Ontario (but stays closed in Quebec).
[4] Manitoba, the Northwest Territories, Ontario and Saskatchewan.
[5] In most provinces.

Transportation, Business hours

Air Canada offers daily direct flights between Toronto and Zurich in summer and five flights a week in winter. Swiss International Air Lines offers daily direct flights between Zurich and Montreal.

Commercial businesses are generally open from 9.00 am to 5.00 pm, Monday to Friday, while Government offices are usually open from 8.30 am to 4.30 pm. Most banks are open for business from 9.00 am to 4.00 pm.

Business practices

It is recommended to respond immediately to requests and invitations: In North America, business is conducted at a very fast pace. Decisions should always be made 'yesterday', so 'Strike while the iron is hot'.

Service is a very important issue. It is actually as important as the quality or technology of the product. It is not always the 'best' product that wins - the best company does.

Promotional material (including websites) should be designed for the Canadian market. Unless otherwise requested, pricing should be in Canadian dollars.

It is highly recommended, when doing business with French speaking customers, to provide all business related services in French.

Business Cards and Company Websites

As a rule, business cards are exchanged at a first meeting. Not being able to present a business card at a meeting could be viewed by your Canadian contact as unprofessional and may hurt your credibility as a legitimate and serious business partner. When presented a business card at a conference table, place the business cards on the table in front of you to refer to the correct names of your contacts during the meetings.

Your potential business partner will most probably visit your website before you meet. An English/French language menu will be helpful and signals that you are serious about entering into business with North America.

Forms of Address, Formality and Informality, Business attire

Address your counterpart as Dr, Mr, Mrs, Miss or Ms. However, very soon after meeting you, your contact will usually suggest to switch to a first-name basis. Nevertheless, this should not be mistaken as a sign that you have achieved an advanced level of intimacy. Do not hesitate to ask your contact how his/her name is pronounced correctly.

Conversation

In general, Canadians enjoy laughing and appreciate people with a sense of humour. Usually, a compliment is a good choice as a conversation starter since it is common to compliment one another in Canada. This could include a nice remark concerning an achievement or about something they are wearing. Sports is usually a very good conversation starter. Canadians will likely ask you about your first impressions of the country/city, which constitutes a welcome opportunity to exchange compliments. Try to avoid any discussions or jokes about race, religion, politics, sexual orientation or gender. You could gravely insult someone or be viewed as politically incorrect.

Smoking
Smoking in indoor workplaces and public places is banned in most provinces and at federally regulated buildings. In Toronto (Ontario) for example smoking is banned at all workplaces and enclosed spaces open to the public. When smoking in the street you have to respect a distance of 10 meters to the next building entrance. Shops are banned from displaying tobacco. In general, the tolerance towards smokers has become very low.

Sales tax, tips, and gratuities
Retail sale prices indicated on merchandise tags and restaurant menus never include sales taxes. In most cases, the federal Goods and Services Tax (GST) of 5% and a Provincial Sales Tax (rates vary from 0% in Alberta to 10% in Prince Edward Island) will be added to any bill at the cashier. Taxes on exported goods can be reimbursed upon request. Tips and gratuities for services are generally not included anywhere in Canada. A tip of 15% to 20% is expected on restaurant bills, while services by taxi, hairdresser, etc, are usually rewarded by a tip of 8% to 15%.

Samples/ Give Aways
Business items, such as printed material, commercial samples, blueprints, charts and audio-visual material, are permitted for entry but may be subject to full duty and tax fees or require a refundable security deposit. Most materials necessary for staging events such as congresses and conferences can be brought in both duty and tax-free. Display goods for exhibits may require a refundable security deposit. For more information, please consult the website of the Canadian Border Services Agency.[105]

Particularities of the Canadian market
The Canadian marketplace is unique and demands a solid and thorough preparation from the Swiss exporter. Canada, with 33 mn inhabitants, is, in relation to its size, sparsely populated and there are striking regional differences. For this reason, marketing to Canadians can become more expensive per capita than it is in many other markets. Distribution costs are higher per capita due to the large, thinly populated countryside with a wide variety of climates, terrains, etc. Although Canada's international trade is dominated by its strong bilateral relationship with the United States, representing over three quarters of total trade, Canada as a trading nation is making big efforts to promote its trade relations with other foreign nations.

Attitudes and lifestyles vary from coast to coast. In general, the way of life is typical of many western nations in the sense that it has become increasingly fast-paced. Time is precious and convenience is critical.

Environmental issues and the need to reduce, reuse and recycle are important for many Canadians. They are also very concerned about social issues such as gender rights, pay equity, minority and animal rights. Therefore, environmental and social issues must be taken into consideration when dealing with the Canadian marketplace.

Canadians are very conscious of what they are buying and are very much interested in reliable technical support and after-sales service. They are open-minded and known to explore their options in terms of available goods and services. However, they do encourage one another to shop Canadian.

To sum it up, Canadians prefer to buy products and services which enhance their quality of life by providing them with more time or increased convenience. These will prove more successful than products that simply save Canadians money.

Export salespeople used to the US market should note that Canadians prefer the soft-sell approach. They are likely to resent an overly-aggressive, pushy sales presentation. Avoid hype and overblown product claims.

[105] Customs - Information for Visitors: www.cbsa-asfc.gc.ca/travel-voyage/visitors-eng.html

ANNEX

Useful Internet addresses

General Information

Government of Canada: http://canada.gc.ca/home.html
Site of the Prime Minister: http://pm.gc.ca/
Site of all governmental Departments and Agencies: www.canada.gc.ca/depts/major/depind-eng.html
Statistics Canada: www40.statcan.ca
Ministry for Foreign Affairs and International Trade: www.international.gc.ca/index.aspx/menu-en.asp
Ministry for Agriculture and Agri-Food: www.agr.gc.ca
The Government of Canada, Citizenship and Immigration: www.cic.gc.ca

Economy

Department of Finance: www.fin.gc.ca
Ministry of Industry: www.ic.gc.ca/ic_wp-pa.htm
Resources for Business: www.ic.gc.ca/epic/site/ic1.nsf/en/h_00140e.html
Canada Border Services Agency: www.cbsa-asfc.gc.ca
Canada Revenue Agency (tax authorities): www.cra-arc.gc.ca
Bank of Canada: www.bank-banque-canada.ca
Invest in Canada: www.investincanada.gc.ca

Doing Business

"Doing Business with Canada" by the Government of Canada: www.canadainternational.gc.ca/dbc/DoingBusinessWithCanada-en.aspx
Information about the government procurement system by the Government of Canada: www.contractscanada.gc.ca/en/index.html
Small and Medium-sized Enterprise Centre: www.cbsa-asfc.gc.ca/sme-pme/menu-eng.html
Importing Goods into Canada, a Step-by-Step Guide: www.cbsa-asfc.gc.ca/sme-pme/i-guide-eng.html
Services: www.investincanada.com/en/1007/Services.html
Location Canada 2007: www.locationcanada.com

Government procurement

Business Access Canada, a step-by-step guidance: www.contractscanada.gc.ca/en/index.html
Canada Business - MERX: Electronic Tendering Service: www.canadabusiness.ca/servlet/ContentServer?cid=1081944203051&lang=en&pagename=CBSC_FE%2Fdisplay&c=Services
Canada Business - Doing Business in the Government Procurement Marketplace: www.canadabusiness.ca/servlet/ContentServer?cid=1081945277357&pagename=CBSC_FE/display&lang=en&c=GuideFactSheet
Public Works and Government Services Canada: www.tpsgc-pwgsc.gc.ca/comm/index-eng.html

Intellectual Property

The Canadian Intellectual Property Office: www.ic.gc.ca/sc_mrksv/cipo/welcome/welcom-e.html

Practical Advices

Citizenship and Immigration Canada: www.cic.gc.ca/english/index.asp
Human Resources and Social Development Department: www.hrsdc.gc.ca/en/home.shtml
The Canadian Labour Market at a Glance: www.statcan.ca/english/freepub/71-222-XIE/71-222-XIE2004000.htm

Labour Market Information
www.labourmarketinformation.ca/standard.asp?pcode=lmiv_main&lcode=e (April 2008)

Chambers of Commerce and Industry
Swiss Canadian Chamber of Commerce (Québec): www.cccsmtl.com
Swiss Canadian Chamber of Commerce (Ontario): www.swissbiz.ca
Swiss Canadian Chamber of Commerce (British Columbia): swisscanadianchamber.com
Canadian Swiss Chamber of Commerce (Zürich): www.canswiss.ch

Swiss addresses
Osec, Export-, Import- und Standortförderung: www.osec.ch
Association of Swiss Foreign Trade Chambers: www.swisscham.ch/e/index.htm
Federal Office for Migration (Booklet: *Leben und Arbeiten in Kanada*): www.swissemigration.ch/themen/laenderinfos/laenderliste/00079/index.html?lang=de (German). This document provides general information on Canada and on living and working requirements for Swiss who want to emigrate to Canada.

The EFTA-Canada FTA
Information on EFTA: www.efta.int
Information on the EFTA-Canada FTA:
www.efta.int/content/free-trade/fta-countries/canada

Contact addresses

Swiss Embassy in Canada
5 Marlborough Avenue
Ottawa, ON
K1N 8E6
Phone: 001 613/235 1837
Fax: 001 613/563 1394
E-Mail: vertretung@ott.rep.admin.ch
Homepage: www.eda.admin.ch/canada

Swiss General Consulates:

Montreal
1572 Av. Dr Penfield
Montreal, QC
H3G 1C4
Phone: 001 514/932 71 81/82
Fax: 001 514/932 90 28
E-Mail: mon.vertretung@eda.admin.ch

Toronto
154 University Avenue
Suite 601
Toronto, ON
M5H 3Y9
Phone: 001 416/593 53 71
Fax: 001 416/593 50 83
E-Mail: tor.vertretung@eda.admin.ch

Vancouver
World Trade Center
790-999 Canada Place

Vancouver, BC
V6C 3E1
Phone: 001 604/684 22 31
Fax: 001 604/684 28 06
E-Mail: van.vertretung@eda.admin.ch

Canadian Embassy in Switzerland
Kirchenfeldstrasse 88
P.O. Box
3000 Bern 6
Phone: 031/357 32 00
Fax: 031/357 32 10
E-mail: bern@international.gc.ca
Homepage: www.bern.gc.ca

Glossary

All definitions originate from the Canadian Department of Finance Glossary[106]:

Anti-dumping duty are applied to imports of a particular good from a specified country in order to eliminate the harm being caused by the dumping to the domestic industry of the importing country.

Goods and services tax (GST): A 5% value-added tax applied to most goods and services sold in Canada for domestic consumption. The GST does not apply to basic groceries, most medical services and devices, prescription drugs, residential rents and exports.

Harmonized sales tax (HST): A single harmonized value-added tax that replaced the provincial retail sales taxes and the federal GTS in Nova Scotia, New Brunswick, and Newfoundland and Labrador. It is applied at a single rate of 13% on the same basis as the GST.

The Harmonized System (HS) is a classification system for goods comprising 21 Sections, 96 Chapters and 1'241 headings (4-digit level). Some headings are sub-divided into sub-headings (6-digit level) which are further sub-divided at a national level into two-dash sub-headings (8-digit level). The HS includes 5'018 separate categories of classification of goods. It is implemented by the international Convention on the Harmonized Commodity Description and Coding System of 1 January 1988. It is now used in the customs tariffs and trade statistical nomenclatures of nearly 120 countries.

Most favoured nation (MFN) treatment: Article I of the General Agreement on Tariffs and Trade 1994 (GATT 1994) requiring countries not to discriminate between goods on the basis of country of origin or destination. The MFN principle has provided the foundation of the world trading system since the end of World War II. Article XXIV of the GATT excludes regional trade agreements from the application of this rule.

National treatment: Extension to imported goods and services of treatment no less favourable than that accorded to domestic goods and services with respect to internal taxes, laws, regulations and requirements. General Agreement on Tariffs and Trade members are obliged to accord to one another national treatment with respect to internal measures that can affect trade.

Rule of origin: The term for the set of laws, regulations and administrative procedures that determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty. These rules vary from country to country.

[106] Canadian Department of Finance Glossary: www.fin.gc.ca/gloss/gloss-e.html