Bridges to Canada

Building Bridges to Prosperity with Canada First

Scott Bozek, Commercial Consul
Commercial Service Canada

December 2010
Building Bridges to Prosperity with Canada First

• U.S. – Canadian Relationship
• Canadian Economy
• Bilateral Trade Rebounding
• Best Prospects
• Export with CS Canada – Tips
The U.S. – Canadian Relationship

90% of Canadian population is within 100 miles of US border

Canada 3.9 million sq mi
Population 33 million

USA 3.8 million sq mi
Population 304 million
The U.S. – Canadian Relationship

“Geography has made us neighbors. History has made us friends. Economics has made us partners, and necessity has made us allies.”

President John F. Kennedy, May 17, 1961
The U.S. – Canadian Relationship

Second Largest Country in the World - 10 provinces and 3 territories
Rich in Natural Resources - 2nd Largest Oil Reserves in the World
昇* 5,500 mile border w/126 land border crossings
The Canadian Economy

Canada’s economy is growing again

- Stimulative monetary and fiscal policies
- Improved financial conditions
- Firmer commodity prices
- Rebounding business and consumer confidence
- Growth in domestic demand

Canadian GDP Growth

- -2.3 % for 2009
- 2010: 6.1% Q1; 5.4% Q2; 6.3% Q3 over 2009
- 3.7 % forecast for 2010
- 3.1 % forecast for 2011

Exchange Rate Remains the Big Question
Bilateral Trade Rebounding

The World’s Largest Bilateral Trade Relationship
FY 2009 (Jan-Dec)

• Two-way trade in goods: $431 billion
• Average of $1.1 billion per day
  – $500 million decrease per day from 2008
• U.S. exports: $204.6 billion, 22%
• U.S. imports: $226.2 billion, 33%
Bilateral Trade Rebounding

The World’s Largest Bilateral Trade Relationship
FY 2010 (Jan-Sep)

• Two-way trade in goods: $391 billion (Jan-Sep 2010)
  – Jan-Sep 2009: $311 billion
• Average of $1.4 billion per day
• U.S. exports: (Jan-Sep 2010) $185 billion, 24%
• U.S. imports: (Jan-Sep 2010) $206 billion, 27%
Bilateral Trade Rebounding

The World’s Largest Bilateral Investment Relationship

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. FDI to Canada</td>
<td>$226 B</td>
<td>$297 B</td>
<td>$261 B</td>
</tr>
<tr>
<td>Cdn. FDI to U.S.</td>
<td>$290 B</td>
<td>$283 B</td>
<td>$288 B</td>
</tr>
<tr>
<td>Total FDI to Canada</td>
<td>$510 B</td>
<td>$540 B</td>
<td>$549 B</td>
</tr>
</tbody>
</table>

• Largest Foreign Investor into U.S.: Canada (19% of FDI)
• Largest Foreign Investor into Canada: U.S.: U.S. (52%)
Bilateral Trade Rebounding

The World’s Largest Bilateral Tourism Relationship


Value of Canadian tourism to U.S.: $19 billion (2008)

Value of Canadian tourism to U.S.: $16 billion (2009)

For 2010 we anticipate a 10% increase over 2009
2010 Best Prospect List

Medical Devices
Safety and Security Equipment
Agricultural Machinery and Equipment
Aerospace and Defense
Consumer Electronics
Travel and Tourism
Automotive Aftermarket Parts & Accessories/Service Equipment
Computer Hardware
Telecommunications Equipment
Computer Software
Oil and Gas Field Machinery
Electrical Power Systems
Computer Software / Hardware

- 2009 total market size - US$7 billion and $11 billion, respectively
- Estimated growth for 2010 is 9.9%.
- As the economy begins to strengthen, IT spending is ramping up.

★ **Best Prospects for 2010:**
  ★ Server virtualization software
  ★ Software as a Service (SaaS)
  ★ IT security products
  ★ Netbooks
  ★ Touch-screen laptops
  ★ Green IT
Oil and Gas Field Machinery

- Total market size in 2009 was US $2.3 billion.
- Estimated growth rate for 2010 is 17%.
- Key driver is the strengthening economy which drives demand and new projects.

- **Best prospects for 2010:**
  - Specialized mining and extraction equipment for the oil sands
  - Technologies to save water and natural gas use
  - Safety and security equipment and services
Consumer Electronics

- Total market size for 2009 was estimated at U.S. $17.9 billion.
- Estimated growth for 2010 is 7.7%.

- Market drivers are 4G products, the CRTC’s decision to end analog television broadcasting in 2011 and the increased interest in online gaming.

- **Best prospects for 2010:**
  - LCD televisions
  - portable media players,
  - portable digital / satellite radio receivers and
Aerospace and Defense

- Total market size in 2009 was US $17.7 billion
- Estimated growth for 2010 is 3.4%
- Principle driver is the Canada First Defense Strategy

**Best Prospects for 2010:**
- Advanced Manufacturing and emerging materials
- Simulation, training and synthetic environment
- Avionics and mission systems
- Communications and control
- Sensors
- Unmanned vehicle systems.
Safety and Security

Total market size in 2009 was US$1.9 billion

Estimated growth for 2010 is 6.6%

Key driver – the increasing importance on the day-to-day business operations and new security challenges for corporations.

★ Best prospects for 2010:
★ Locks, keys and alarm systems
★ Electronic physical access control systems
★ Port security equipment
★ Airport security equipment
Building Products

- Total market size in 2009 was US$27.8 billion
- Estimated growth for 2010 is 6.4%
- Growth will primarily be in non-residential construction.

- Government fiscal stimulus has been and will be the key economic driver in this market during 2009 and 2010.
- 61% of total imports are from the United States due to geographic proximity, quality similarities, trade agreements and channels of distribution.
Telecommunications

- Total market size in 2009 - US $6.3 billion
- Estimated growth for 2010 is 5%
- Key drivers are 4G technologies, wireless subscriptions, ancillary services and broadband internet.

★ **Best prospects for 2010:**
★ 3.5G and 4G technologies
★ Products that increase network capacity
★ Smart phones and multimedia phones
★ Green IT products
Electrical Power Systems

- Total market size in 2009 was US$15.3 billion
- Estimated growth for 2010 is 1.5%

Key drivers in this sector are increased demand for electricity and the need to replace existing capacity.

**Best prospects include:**
- Primary power generating units
- Power conversion equipment
- Electricity generation equipment
- Switchgear
Automotive Aftermarket Parts & Accessories / Service Equipment

- Total market value in 2009 was US $7.1 billion
- Estimated growth for 2010 is 2-3%
- Canadians are keeping their vehicles for longer causing a need for more maintenance parts and service.

★ **Best Prospects for 2010:**
★ aftermarket accessories and
★ do-it-yourself maintenance materials.
“Our two countries ..... 

and our two peoples have much in common, but they are not identical in their moods nor in their interests, and it is a disservice to a proper understanding of one another if we overlook these distinctions.”

Prime Minister of Canada, Pierre Elliot Trudeau, April 14, 1972
Export with CS Canada - Tips

Canada - not an extension of the U.S. Market; and a Canadian is not an American.

– Political Differences
– Regional Differences
– Cultural Differences
– Officially Bilingual
– Metric System
– Standards, Regulations
– Taxes
Export with CS Canada - Tips

Our services are customized and include:

• Business Counseling
• Market Research
• Partner Search
• Due Diligence
• Business Advocacy
• Trade Promotion
• Marketing Support
• Commercial Diplomacy
Using an Agent/Distributor:

• Generally, sales agents expect to work on a two-tier commission basis.
• Agents receive a lower commission for contract shipments and a higher rate when purchases are made from the local agent’s own stocks.
• U.S. firms have historically used manufacturers’ agents that regularly call on potential customers to develop the market.
Export with CS Canada - Tips

Using an Agent/Distributor:

• Manufacturers’ agents/distributors play an important role in the importation and distribution of consumer goods.
• They know the market and can quickly get you where you want to be in Canada, province by province.
Choosing and Retaining a Good Agent/Distributor:

• Research the Market

• Know your competitors/competition

• Make sure the agent/distributor is reputable (e.g. Dun & Bradstreet)
  – You do not want to be represented by someone that will tarnish your name
Choosing and Retaining a Good Agent/Distributor:

• Choose an agent/distributor that is calling on the market you want them to call on.

• Ask about their sales volume and territory covered, products represented. Do their lines complement your products?
Choosing and Retaining a Good Agent/Distributor:

• Do they attend/participate in trade shows, advertise in relevant trade publications?
  – Ensures maximum exposure

• Can you periodically accompany them on visits to customers?
Export with CS Canada - Tips

Choosing and Retaining a Good Agent/Distributor:

• Do not sign exclusive agent/distributor agreement, until the relationship has been proven
  – State bench marks (to be met) over years, prior to exclusivity
  – It is very difficult and costly to get out of an exclusive agent/distributor agreement
Export with CS Canada - Tips

Choosing and Retaining a Good Agent/Distributor:

• Support your agent/distributor
• They are as good as you make them
• Provide assistance in gaining exposure for your products
  – e.g. Share a booth with them in relevant trade shows.
Export with CS Canada - Tips

Getting Your Products Across the International Border: Customs Brokers

• Utilize a custom broker for initial shipment
  – It is important that your products make it hassle free across the border the first time
  – They are well versed in Customs rules, regulations
  – They can properly code your products to your best advantage.
• It is worth the initial investment.
Export with CS Canada - Tips

★ Five offices in Canada
  • Ottawa, Toronto, Montreal, Vancouver, Calgary
  • 3 officers and 17 LES (actual 3 and 13)
★ Trade development and business facilitation services
★ Measure success on the basis of our clients success and satisfaction
U.S. Commercial Service - Toronto

Scott Bozek

Stefan Popescu  Ruth Williamson  Pixie Irving  Eli Osores
Thank You!

Scott Bozek, Commercial Consul
Scott.Bozek@trade.gov
Telephone: (416) 595 – 5412 x222
http://www.buyusa.gov/canada
http://www.export.gov
Bridges to Canada

Building Bridges to Prosperity with Canada First

Scott Bozek, Commercial Consul
Commercial Service Canada

December 2010