

DOING BUSINESS WITH CANADA.

ESSENTIAL FACTS

Canada occupies the northern half of North America and is the second largest country in the world, with a land mass of approximately 10 million square kilometers.

Almost all of Canada's 38 million people live in the southern third of the country. This leaves the vast majority of Canada's territory sparsely populated. Despite this, 80% of Canada's population resides in urban areas, where population densities are increasing.

English and French are Canada's official languages, with French predominating in the province of Quebec, and English predominating elsewhere. The basic duality of Canada – that is, as between English and French speakers – has shaped the country's history and politics since Canada was formed in 1867.

ECONOMY AND TRADE

Canadian Economy

Canada has a highly developed and globalized market economy. Canada has the world's ninth largest GDP on a nominal basis and 15th largest GDP by purchasing power parity. In 2019, Canadian trade in goods and services reached approximately CA\$1.5 trillion and its largest trading partners were the United States (US) and the European Union (EU). Canada's exports of goods and services totalled over CA\$729 billion, while its imported goods and services were worth over CA\$768 billion, of which approximately CA\$476 billion originated from the US, CA\$93 billion from the EU and the balance from other countries.

Although Canada's economy is dominated by the service industry, which employs about three quarters of Canadians, Canada is unusual among developed countries in the importance of the primary sector, with the forestry and

energy industries being two of the most important. Canada also has a sizable manufacturing sector, based in Central Canada, with the automobile and aircraft industries being especially important. With the world's longest coastline, Canada has the eighth largest commercial fishing and seafood industry in the world. Canada is one of the global leaders in the entertainment software industry.

Canada has the third highest total estimated value of natural resources, valued at US\$33.2 trillion in 2019. It has the world's third largest proven petroleum reserves and is the fourth largest exporter of petroleum. It is also the fourth largest exporter of natural gas.

Canada is considered to be one of the world's least corrupt countries and one of the world's top ten trading nations. The country enjoys high levels of economic freedom combined with a relatively low level of income disparity. The country's average household disposable income per capita is "well above" the OECD average. The Toronto Stock Exchange is the ninth largest stock exchange in the world by market capitalization, listing over 1,500 companies with a combined market capitalization of over US\$2 trillion. Canada is a member of the APEC, G7, G20, OECD and WTO.

Canada/EU Trade and FDI

The EU is Canada's second biggest trading partner after the US, accounting for more than 10% of Canada's and almost 2% of the EU's total external trade in goods.

Between 2017 and 2019, Canada's import in goods from the EU and Canada's export to the EU have increased both by 16%. In 2019, the EU exported approximately CA\$20 billion more in goods and services to Canada than it imported.



In 2018, the top three categories of products which the EU and Canada exported to each other were:

- Machinery (25% of EU exports to Canada and 24% of its imports);
- Chemical and pharmaceutical products (16% of EU exports and 9% of its imports); and
- Transport equipment (15% of EU exports and 7% of its imports).

Trade in services between Canada and the EU amounted to CA\$49 billion in 2019. Examples of services exported between Canada and the EU include transport, travel, insurance and communication services.

Since the inception of CETA in 2017, EU FDI has significantly increased both in CAPEX and jobs. Top sectors for EU foreign direct investment in Canada in recent years include manufacturing, information and communications technology, entertainment and media, energy and minerals and metals

EU-Canada Comprehensive Economic and Trade Agreement (CETA)

CETA provisionally entered into force in 2017. CETA is a comprehensive free trade agreement between Canada and the EU that eliminates or reduces trade barriers and enhances Canadian-EU market access.

Some of the most significant aspects of CETA are as follows:

- Removes tariffs from over 98% of goods by 2024;
- Provides EU suppliers with enhanced access to Canada for certain supply managed goods;
- Commitment to providing broad and open access service sectors;
- Enhanced labour mobility;
- Enhanced investment and intellectual property protections;
- Commitments to open and fair government procurement, including at sub-federal levels;
- Adoption of regulatory cooperation and conformity assessment to reduce non-tariff barriers to trade;
- Commitment to unify regulatory structures and to engage in negotiations to this end; and
- Commitment to sustainable development, labour and the environment.

Other Foreign Trade Agreements

Canada has been a full participant in the effort to reduce global trade barriers. In recent years, the country has concluded numerous trade agreements, including the United States Mexico Canada Agreement (USMCA). For EU companies, Canada represents a great base from which to enter the US market.

CANADIAN GOVERNMENT AND LEGAL SYSTEM

Government

Canada was formed in 1867 through the unification of several British colonies. Canada is a parliamentary democracy based on the UK model and remains a constitutional monarchy, although Canada's continuing recognition of the UK monarchy is essentially symbolic.

Canada is also a federal state in which legislative authority is divided between the national government and ten local jurisdictions known as provinces. The federal government has also established local governments in three northern territories that exercise powers in a manner similar to the provinces. In addition, the provinces and territories delegate certain powers to cities and other municipalities, effectively creating a third level of government.

The national Parliament, which sits in Ottawa, includes an upper and a lower chamber – the Senate and the House of Commons, respectively. The Senate plays a relatively limited role in the political process. Real legislative power rests almost exclusively in the elected House of Commons. The governments of the provinces are generally similar in form to the federal government, although the provinces have unicameral legislative bodies (there being no equivalent of the Senate at the provincial level).

Although the division of powers is complex in Canada, the federal government is generally empowered to deal with issues of national importance and the provinces are generally empowered to deal with more regional matters. For example, the federal government is responsible for national defence, foreign affairs, immigration, banking, the national currency and international trade while the provinces are generally responsible for regulating private property and commerce, natural resources, education, health care and social programs. There are also many areas of joint federal-provincial responsibility.

Legal System

Two distinct legal systems exist in Canada. In Quebec, private law is established by a Civil Code conceptually similar to that of France and other continental European countries. The other provinces and territories are common law jurisdictions. While historically the common law provinces of Canada have tended to attach more importance to British than to American precedent, in recent years American case law has become increasingly influential in Canada, particularly with respect to commercial matters.

Languages of Business

Canada's official languages are English and French. The governments of Canada and New Brunswick are constitutionally bilingual with respect to nearly all of their operations, while the governments of Quebec, Manitoba and Ontario also provide many of their services in both languages. Approximately 20% of Canadians speak French as a first language, including about 80% of the population of Quebec.

Anyone doing business in Canada must take into account federal laws aimed at promoting bilingualism and, if doing business that relates to Quebec, must also be aware of Quebec laws that are generally more specifically designed to protect and promote that province's mainly francophone culture.

IMPACT OF COVID

Like the rest of the world, COVID-19 has broadly affected the Canadian society and economy, resulting in lockdowns, supply chain issues, trade restrictions and reduced private investment. On both side of the Atlantic, there are calls for trade diversification in strategic sectors. In this context, CETA provides certainty for purposes of trade and investment. Currently, entrance into Canada is restricted and many visitors must undergo mandatory quarantine upon arrival. However, Canada's first COVID vaccinations occurred in December 2020 and the vaccination campaign is ongoing.

¹ 2020 Canada's State of Trade, Office of the Chief Economist, Global Affairs Canada, https://www.international.gc.ca/gac-amc/assets/pdfs/publications/State-of-Trade-2020_eng.pdf.

² https://en.wikipedia.org/wiki/Economy_of_Canada

³ EUCCAN - CETA 3rd Anniversary in figures <https://euccan.com/wp-content/uploads/2020/09/2017-2019-CETA-Figures.pdf>

⁴ 2020 Canada's State of Trade, Office of the Chief Economist, Global Affairs Canada, https://www.international.gc.ca/gac-amc/assets/pdfs/publications/State-of-Trade-2020_eng.pdf.

⁵ 2020 Canada's State of Trade, Office of the Chief Economist, Global Affairs Canada, https://www.international.gc.ca/gac-amc/assets/pdfs/publications/State-of-Trade-2020_eng.pdf.