II**. ANALYSIS OF THE INTERNATIONAL BUSINESS SITUATION**

1. **Economic, political, and legal analysis of the trading country**
2. **Describe the trading country’s economic system, economic information important to your proposed business/product/service, the level of foreign investment in that country**

Canada is a mixed economy, meaning that individuals have the ability to create their own businesses and make their own decisions with regulation from the government. Examples of regulations the government places on businesses would be Food and Safety Regulation, Licensing the company, and controlling imports/exports. This affects our proposed business because the government controls trade with the United States and can decide to place high tariffs on foreign goods or services. Currently, Canada and the United States can trade together without restrictions due to the North American Free Trade Agreement.

Canada participates in social stratification, meaning they are not a socialistic economy. They have different social classes based on wealth, which means the government does not redistribute wealth of the upper classes back to the middle and lower classes. Amelie’s French Bakery will be successful in Canada because Canada has a large middle class, and the workers that will be working in our company will be middle class blue collar workers. Also, items will be moderately priced to fit and appeal to the middle class. It will be luxurious but affordable to the average canadian. By expanding our company to Canada, we will provide jobs to the middle class, relatively participating in lowering the unemployment rate and increasing the indulgence rate on their Hofstede model.

Foreign investment in Canada grew 8.8% in 2014, and 5.8% in 2015. Most of the foreign investment has come from the United States. Because of this Canada's net investment position grew to $96.5 billion in April 2015. Many countries all over the world invest in Canadian stocks abroad. The value of Canadian stocks abroad was worth $1.211 trillion. The United States invested over two thirds of that money, being the largest stockholder investing in Canada. This impacts our business tremendously because we will also be investing in Canada, bringing up their stock and investment numbers. Canada and the United States partnership includes 76% of exports going to the US, and 54% of imports coming from US. This mutually beneficial relationship will give both Canada and Amelie's positive benefits.

1. **Describe the trading country’s governmental structure and stability, how the government controls trade and private business**

Canada shares their government between a federal parliamentary democracy and a constitutional monarchy. It consists of a queen, minister, parliament, cabinet, and the general governor. Federal elections occur every four years. The senate is appointed by the Governor General with help of the prime minister. There are 105 seats available in the senate. The House of Commons is elected by the citizens of Canada in general elections. 308 seats are available in the House. Because Canada is under the principle of the constitutional monarchy, the Queen of England rules over Canada, but does not govern. Because the country is a federation, it has a central government but also has independence in internal fairs. A federal parliamentary democracy is a government where the party with the most representation in the parliament forms the government. The parliament consists of three separate elements which is stated in *The Constitution Act*. There should be the Crown, the Senate, and the House of Commons. Because Canada is a federal state, lawmaking resides in one federal, ten provincial, and three territorial governments. Most of the governmental power within Canada belongs to the prime minister, or is reported back to the prime minister.

The legal system in Canada is a common law system, except in Quebec where it is civil. Countries are usually common law if they were colonized by England. If a country is common law, the body of law is formed through decisions in the court. This is different from a non-common law system because the laws may be formed through statutes or written legislation. It is based on the doctrine of judicial precedent. The doctrine is the principle where the higher courts make decisions for the lower courts, instead of on statutory laws.

To be politically stable country, the government must be able to protect the citizens and others around the world. Canada is ranked as a country with one of the highest politically stable governments having the eleventh largest economy in the world. It has a solid ground of economic freedom because it has the second best property rights in the world. The business in Canada is very competitive and the efficiency of it is supported through prudent lending practices and sound oversight. If a country is very stable, it is most likely not corrupt. Canada has the sixth lowest corrupt ranking in the world. On a scale from one to ten, their corruption score is eight point nine. This means that they do not misuse their power. Compared to a country like Somalia, their government is overruling and steers away from a good government. Along with not being corrupt, Canada has a very low political risk score. In April of 2015 its score was ninety-four and it has been relatively stable over the past 4 years. It went down to ninety- three in 2014 and back to ninety-four. Compared to other countries, Canada has the least amount of political risk.

To maintain order, the federal government of Canada controls all international trade. The primary trade partners of Canada are the United States, the European Union, China, and Mexico. Besides NAFTA, Canada also has free trade agreements with CARICOM, Guatemala, Nicaragua, El Salvador, Dominican Republic, India, Japan, Morocco, Singapore, and the Andean Community.

The government also controls private businesses through agencies and policies, but encourages entrepreneurship and private business practices. Canada has a score of 89 in Business freedom, meaning it is easy to start a business. There is no capital needed to begin the process, meaning all that is needed is a business plan and an approved loan. There is only one procedure required to establish a business, and it takes five days. Licensing requirements takes about 200 days, and afterwards the company is ready to operate. The Canadian government values independence and even gives out millions of dollars in subsidies to private businesses to keep them growing.

1. **Describe laws and/or governmental agencies that affect your business/product/service [i.e., labor laws, trade laws (U.S.A. and/or Canada and foreign)]**

Canada is one of the two largest export markets for the United States. This country is a major controlling factor for millions of jobs provided in the United States. The reason for this is because of the North American Free Tr ade Agreement. The North American Free Trade Agreement was created 1994, becoming one of the largest free trade zones in the world. A free trade zone is an area in the world where different goods can be imported and exported with no intervention through customs authorities. The North American Free Trade Agreement takes place between The United States, Canada, and Mexico. With the agreement, the economies of these countries have improved drastically. It removes the tariffs on imported goods, decreasing the price. An effect it has on the economy is it increases wealth and competition throughout the countries, as well as benefits to the laborerers in the countries.

As the French Bakery, Amelie’s, moves to Canada, many things will need to be exported from the bakery in Charlotte, North Carolina. The North American Free Trade Agreement helps to make this more possible. We are able to ship the furniture at cheaper prices from the United States into the new country, as well as all of the machinery and equipment for the store without any barriers and restrictions.

Along with being able to export goods into Canada with no tariffs, the United States can send over laborers without many restrictions. One must become a resident of the country to live there full time, being accepted through application. If it is a short term visit, a United States citizen with a passport of NEXUS card can stay in the country for up to one hundred eighty days without applying for a Canadian visa. The friendly and business-like relationship between the United States and Canada is very advantageous when moving a company across borders. The free trade agreement between Canada and the United States makes it very effective and cheap to make business deals with Canada.

**B. Trade area and cultural analysis**

1. **Geographic and demographic information, important customs and traditions, other pertinent cultural information, competitive advantages and disadvantages of proposed project or service.**

Canada is the second largest country in the world, and has much colder temperatures compared to the United States. The average temperature in Canada is temperate in the south and arctic in the north, Opening Amelie’s in the south would benefit our company because when the weather is cold, people crave a hot coffee to keep them warm. A problem with Canada being so cold is that it is hazardous for urban development in the arctic. This means that we could not expand our business to northern canada because the population would not be developed enough to reach our target market. Another hazard is that many of western Canada’s volcanoes are still dormant, but this does not affect our company, because we will be located in the southeast. The Canadian terrain is mostly plains with mountains on the west side and lowlands in the southeast. This means that urban areas are easy to develop due to the non strenuous terrain. Current environmental issues in Canada include; vehicle emissions damaging forests and agriculture productivity, air pollution, ocean waters becoming contaminated due to agricultural, industrial, mining, and forestry activities. Canada’s natural resources include natural elements such as gold, iron, nickel, silver, ect. Along witht that they also have timber, fish, wildlife, diamonds, petroleum, and natural gas.

Canada is very diverse. They have over nine dominant ethnic groups, and over ten more unidentified. The most popular ethnicities are Canadian, (32.2%), English (19.8%), and French(15.5%). Canada also has two official languages, English(spoken by 58.7% of the population) and French (spoken by 22% of the population). The main religions are catholicism(40.6%) and protestantism(20.3%). The current population of Canada is 35, 099,836 with a migration rate of 5.66 migrants for every 1,000 populates, and a growth rate of .75%. The birth rate is 10.28 births per 1000 populates, and the death rate is 8.42 per 1000 populates, and the average life expectancy is 81.76 years. The infant mortality rate is very low, at 4.65 per 1,000 births. This means that the Canadian population continues to grow, spreading urban colonization throughout more parts of canada. This helps our company expand and reach more inhabitants. The median age is 41.8, making that age group our highest target market. The highest age group is 50-54, but our target market will be females and males from ages in the late teens to late 30’s. The educational attainment is 89%, meaning they are very educated and exceed average schooling. The population below poverty line is only 9.4%.

Canadians share many customs similar to the US but are also unique. The most common greeting in Canada is the handshake. The are very laid back and relaxed. They enjoy social gatherings, such as dinner parties. A typical gift to bring to dinner would be flowers upon arrival or pre-delivered. Another gift would be the highest quality bottle of wine one could afford. A bottle of wine is also an appropriate gift to bring to a business meeting. There is minimal amount of small talk in business meetings, meaning they get right to the point. Everyone present expresses their opinion on the topic, and then decisions are made. They negotiate by focusing on interests and emotions. When handling negotiations with Canada it is important to be patient and take breaks. When communicating, it is important to always keep eye contact and smile, and to stay further away. It is acceptable to speak English anywhere except Quebec, where the official language is french. People must always be acknowledged by their last name until given permission otherwise, and may not be called “madame” or “monsieur” unless it is in their job title. At work, men wear dark suits, and women wear conservative dresses or suits. They maintain a reserved demeanor. Canada values its multiculturalism and are known as the world wide peacekeepers. They do not like to be referred to as “U.S. like people”. Canada is a low context culture, similar to the United States and most of Europe. They do not value relationships as much as business decisions. According to their Hofstede model, they value equality, individualism, culture, and indulgence. This is appropriate for our company because we offer a part of their culture in a place where they can enjoy personal time with friends or family. Canada’s comparative advantage is in natural resources and industries, and will continue to be an advantage if they practice sustainable solutions. A comparative disadvantage used to be their manufacturing industries, but now they are slowly improving to being more competitive.

1. **Market segment analysis target market(age, income level, population estimate, other specific demographic and economic information) consumer buying behavior related to proposed product or service.**

Amelie’s French Bakery is located in Montreal, Canada, where the largest percentage of people range from the ages of 16 to 50. Amelie’s will be targeted mostly towards this range, specifically between age 16 to 28. Between these ages, many people will be in high school, college, or the beginning of a career in the city. Amelie’s is a great place to study for a few hours in a quiet environment, have a coffee or lunch break from work with a colleague, or even have a late night dessert while roaming the streets of the city. Amelie’s is targeted to all types of people within the age of 16 to 30. Anyone can enjoy the food,with any income.

Many people can afford the bakery, especially with the average income at $41,401 for people living on their own. In Canada, the GDP per capita is 38293.28 US dollars. This means that the economy is growing, and the the value of the products and goods are increasing. The average disposable income of someone living in Montreal is about $30,000.

With the problem of Montreal having a very high unemployment rate at 8.9 percent, the company does lose a large portion of their sales. Recently, high paying jobs have been having troubles and laying off their employees. Because Amelie’s is a fairly priced bakery, these people should still be able to come into the store for a coffee once in awhile even with money problems.

The human development index in Canada in 2013 was .9 which measures the quality of life for Canadians. With a rate of .9, Canadians are known to have a long and healthy life, access to knowledge, and a decent standard of living. It has been very consistent for the past three years. Compared to other countries, Canada is ranked number eight in the world for the best human development index. Between 1980 and 2012, the life expectancy of Canadians has increased by over 6 years, the gross national income per capita has increased by almost 60 percent, and the average years of schooling has increased by about three years.

Education is a major priority for Canadians. With more people having more education, there should be an increase in jobs. Throughout the last decade, the school life expectancy of someone who lives in Montreal has changed to between 15 and 16 years which should lead to a comfortably living income. Many people (9 percent) go as far to get a graduate degree which will lead to an even higher paying job at around $70,000.

1. **Analysis of the potential location- importance and requirements of each trade document required by the U.S.A and/or Canada and the country of choice**

Amelie’s French Bakery will be located in Montreal, Canada. Canada has one of the highest rankings for easily creating a business in the world, at number three. Due to the very friendly business qualities, Canada is a very easy country to do business with across borders. The rate at which someone can do business easily is measure upon the ability that an international company can get a construction permit, how easily electricity and credit can be received for the building, and the amount of time and effort that is needed to pay taxes and enforce contracts. To start a business in most countries, there are many requirements for the amount of time and paperwork that goes into establishing a new company. Canada has minimal requirements for this, which makes the process very easy.

Due to Montreal being a large city, many things will be going on during all hours. This gives Amelie’s a great advantage for business. Montreal is the largest city in Quebec with a diverse culture, which creates a lot of tourism. Along with the large population living there for business, Amelie’s will also have the business of the tourists.

Montreal, Canada requires businesses to have many licenses before opening. Since we are not importing or exporting a variety of products, business is easier. The only items truly required are permits or licenses. A construction permit is required for our business to be built. A certificate of authorization is required to cut down a tree, build a wall, install a heating tank, or add or modify a sign. Before anything, a certificate of occupancy is required to be obtained.