**II. Analysis of the international business situation**

1. **Economic, political and legal analysis of the trading country**
   1. **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 practices a mixed economy that leans harder to the socialistic point of view, this means that they incorporate market and command market ideals. This creates a free market economy that is regulated by the government. Canada is a very socialist country yet they have a much lower corporate tax rate than we do in America. At 26.5% Canada’s corporate tax proves to be a significant advantage over the current 39.1% in the US. A lower tax rate isn’t the only reason cooperating with Canada’s economy would benefit REI as we attempt to enter a new market. Canada maintains a healthy trade relationship with the United States, with 76.8% of exports going to the US and 54.5% of Canadian Imports coming from the US. REI would come out on top by expanding into the Canadian market due to factors like the lowered corporate tax rates and the ease of trading between the US and the Canadian market.

To put the state of the Canadian economy into perspective we will look at a number of additional economic indicators to ensure that entering such a market will be beneficial in the long run. Canada’s current GDP as of 2013 was 1.827 Billion dollars, making Canada the 11th highest GDP in the world. Over the last 4 years Canada has managed to have their GDP jump a total of over $500 Billion dollars. As stated previously in this document the corporate tax rates for Canada are much lower than those of the US. Canada’s rate is a mere 26% which is low compared to the United State’s 39.1%. The importation of goods for our company will never be an issue thanks to the North American Free Trade Agreement.

REI will not only have an easy time entering this foreign market thanks to Canada’s numerous free trade agreements, but also thanks to the vast variety of foreign investment programs put out by Canada. Many foreign investment promotion and protection agreements are currently being enforced by Canada and many more in the works. This shows that Canada is being serious and is looking to strengthen their world economic presence by giving investors the chance to securely invest overseas. This gives REI the confidence we need to know that Canada’s economy is only going to grow in the future as more world-wide economic trade policies and investments take place.

Canada is also one of China’s largest trading partner, second only to the United States. This makes it easy for REI to ship products from factories in China directly to stores in Canada without having to ship it into US ports first. This gives us a short cut in our shipment process making it much easier for us to get products in the stores and on the floor. When we take all of these encouraging economic indicators and break them down for analysis it is easy to tell that it would be very wise to entering the Canadian marketplace. Canada is has a strong economy with several indicator pointing towards future growth. That is what gives REI the confidence needed to invest in such an ambitious expansion.

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

**controls trade and private business:**

Canada is a democratic constitutional monarchy, with a Sovereign as head of State and an elected Prime Minister as head of Government. Canada has a federal system of parliamentary government, where federal, provincial and territorial governments share government responsibilities and functions. Canada’s head of the state is currently Elizabeth II, she has been the Queen of Canada since February 6, 1952, yet holds no real political power within the government. The current Governor General of Canada is Viceroy David Lloyd Johnston, he has been serving this position since the queen appointed him on October 1, 2010. Again the Governor General holds little to no real political power but instead serves to follow tradition. Canada's Prime Ministers have all the real political power and act sort of like the US President would. Canada’s current Prime Minister Justin Trudeau has been serving since November 4, 2015. In the Cabinet the Ministers usually around thirty people are chosen by the Prime Minister and “appointed” or “approved” by the Governor General to lead various ministries and agencies. The Governor General is appointed by the monarch on the advice of the Prime Minister for a non-specific term, though it is traditionally approximately five years. Following legislative elections, the leader of the majority party in the House of Commons is usually designated by the Governor General to become Prime Minister.

* 1. **Describe laws and/or government agencies that affect your business / product / service:**

In Canada, the labor laws existing today include the Canada Labour Code. This form of a constitution implants a body of law which regulates the rights, restrictions obligations of trade unions, workers and employers in Canada. The law known as the Canadian employment law is that of the regulation in rights, restrictions obligations of non-unionized workers and employers in Canada. In regards to the actual labor itself, the standard hours of work is eight hours in a 24 hour day; 40 hours in a week. During weeks that include holidays, for each day taken, eight hours is reduced from the week. Overtime is a minimum of 1.5 times the regular hourly wage for those hours that apply; however managers, doctors, and lawyers are exempt from overtime. Annual vacations include: New Year’s Day, Good Friday, Victoria Day, Canada Day, Labour Day, Thanksgiving Day. Remembrance Day, Christmas Day, and Boxing Day.

**B. Trade area and cultural analysis**

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

Canada’s climate consists of experiencing temperate in the south to subarctic or arctic in the north. As far as Canada’s terrain, a majority contains plains with mountains in the west, and lowlands in the southeast. Natural resources include iron ore, nickel, zinc, copper, gold, led, molybdenum, potash, diamonds, silver, fish, timber, wildlife, coal, petroleum, natural gas, hydropower. In contrast, permafrost, cyclonic storms, tornadoes, and forest fires fall into the natural hazards category With the range of different obstacles Canada’s geography provides, transportation is something to take into consideration. Canada’s west coast is notorious for it’s stormy climate. Additionally, the diverse terrain along Canada, railroads and routes are obstacles. Our trucks should be required to carry a second pair or weatherized chained tires to ensure maximum safety and efficiency.

Although women slightly outnumber men at younger and older ages, a majority of male young-middle aged adults seem to thrive in comparison to women. This can be due to business. A majority of industrial and global communication between companies is through men; due to Canadian (and often American) gender roles. Canada’s median age is 39.8 years. Their birth rate is 1.61 births per women and their infant mortality rate is decreasing overtime; 4.The population growth rate is, as of 2013, 1.2%, surpassing the United States .5%. Incidentally, Canada's ethnic groups are rather diverse; with only 32.2% that are Canadian. The majority include English at 19.8%, French at 15.5%, Scottish at 14.4%, Irish at 13.8, German at 9.8&, Italian at 4.5%, Chinese at 4.5%, North American Indian at 4.2%. The remaining half of the country contains other ethnicities. All ethnicities attend 13 years of schooling. After secondary school, they go to colleges that allow them to pay as low as $10,000 for a Harvard level education with the proof of residency. In Quebec, students learn French at a young age as their primary or secondary language. Canada’s average income is $76,550, about 26 thousand more than the United States. About 1 in every 10 Canadians are considered to be living under the poverty line.

In Canada, the typical greeting consists of a handshake; if you’re french, maybe a light kiss on the left cheek. Nonverbal gestures include: a wave to indicate a “hello” or “goodbye”, a thumbs up to imply a “good job” or “yes”, an index finger curling in and out equivalates to a “come here” gesture. Avoid using your middle finger. Gifts are typically received through both hands, and anything related to flowers or romance-esque can be perceived negatively. Because of the globalization of the internet, as well as hollywood, Canadian fashion can be very much mistaken for American fashion; there is almost no variation. As far as religion, a 3rd are Catholic and another third is generally christiaan. Non-religious folks consume almost another third. The rest come in very small doses; these include hinduism at 1.5%, Islamic at 3.2%, etc.

Hofstede’s model of Canada indicates that Canada scores highly in individualism and indulgence. Thus, the more independent a corporation performs, the higher the productivity and production ratel. Incidentally, Canada is a low-context culture.

Advantages outway to the disadvantages when it comes to our IBP. One advantage is that we border the entire south of Canada, thus because of NAFTA, we are able to easily handle transportation and distribution. Additionally, Canada has an increasing GDP. Another helpful aspect includes how the ratio of U.S dollars to Canadian dollars equates to 1:1.3. This means that we can increase productivity and slightly decrease the cost of our products and, depending on how much you adjust, we could potentially be making either the same amount of profit that we make here in the U.S, or even more. A disadvantage would include limitation on the distribution of power given to corporations, in regards to the fact that Canada revolves around socialism; other than that there are no major disadvantages.

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

The target market for REI typically is meant to aim around 30-50 year old demographics (parents, young through the middle aged) of people making $40,000 or more per year individually. Since the majority of our products include outdoor gear, our typical audience includes those who are comfortable to outdoor activities such as hiking or camping. Now surprisingly enough, *there is no REI in Canada.* Bringing REI to remote parts of Vancouver and Calgary. With the terrain of Canada, including numerous national parks, mountains, trails, lakes, and more, gear provided by our company is more than necessary; it's *essential.* The citizens of Canada typically have an income of almost twice of our target audience here in the U.S, thus our customers will be more than eligible for consumerism. Canada has the 14th-largest (PPP) economy in the world. Because of this, eligibility will be more than sustainable.

Demographics in any IBP plan is essential to take into consideration. 27.8% of Canada’s population is within the age of 35-50. This means that REI would be reaching out to almost a third of Canada. Beneficially, there are no gender specific products.

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**