



## THE LEGAL INSIDER

of Mr. Alain P. Lecours

### COMMERCIAL LAW

#### Canada and Québec: Gateway to the Greater North American Market

*For over a decade and still today, Canada has been a haven for immigrants and entrepreneurs from Europe and other countries. Already, many foreign businesses have set up themselves in order to benefit from the abundant investment opportunities, made easy by the free circulation of goods, capitals, and people between Canada, the United States, and Mexico. This, coupled with the country's bilingual status, is the primary factor making Canada most attractive to today's investors.*

Being the second largest country in the world and home to approximately 33 million people (including about 8 million French-speaking people, mainly within the provinces of Québec and New Brunswick), Canada has long enjoyed a prosperous and dynamic economy that allowed it to become an influent member of G8 and the OECD. Approximately three-quarters of Canadians live within a 160-km-wide band along the border with the United States. This common border itself is almost 9,000 km in length. A similar proportion of the Canadian population lives in urban areas, most notably the metropolitan areas of Toronto-Hamilton, Montréal, and Ottawa-Gatineau in the East, the area of Vancouver in the West, as well as the Calgary-Edmonton corridor in the province of Alberta.

Thus, the grouping of the Canadian population along the border with the United States, allied with the fact that the distance between the larger Canadian cities is as small as the distance to the major U.S. cities (as an example, Montréal is about as close to New York as it is to Toronto), explains that Canada is the United States' main commercial partner, and reciprocally. Indeed, two of the biggest United States economic markets are located along the East Coast and the West Coast, as is the case in Canada. Trans-border trade along these two coasts is particularly active. As a result, foreign businesses setting up in Canada often hold commercial ambitions that extend to the United States and Mexico which, together with Canada, form a market of 440 million consumers.

Conscious of this demographic, geographic, and economic reality, Canada, the United States and Mexico have signed in 1994 the *North American Free Trade Agreement* (NAFTA), thereby creating the world's largest free trade zone. NAFTA has contributed to intensifying the integration of the North American market to the global market. It reinforces trade by lowering barriers and guaranteeing access to each member state's market. While NAFTA's success is usually attributed to its opening up of the good and services markets, its capacity to attract foreign investments in the region is proving to be one of its most significant and most durable effects. This capacity is further improved by the fact that both people and capital can move very easily between the United States and Canada.

For more than a decade, foreign businesses have been able to set themselves up in Canada to benefit from this open market, whether on the Eastern Canada Seaboard for European businesses or on the West Coast for Asian businesses. Thus, Québec has become one of the choicest provinces within Canada for those wishing to set up shop with an eye toward business opportunities in New England: a market of 15 million people.

Located in the North Eastern portion of North America, Québec occupies a strategic position midway (commercially speaking) between Europe and the Americas. Undeniably, the "Beautiful Province" profits from an advantageous location in proximity to the major American metropolises. Thanks to NAFTA, Québec is a fully integrated member of North America's great commercial and economic networks—80% of products manufactured in Québec are exported to the United States (as per 2003 statistics). Thus, be it because of its strategic location in North America, of the modernity

of its transportation networks, of its business-friendly environment, of its competitive taxation, or of the quality of its trained workforce, Quebec is a favourable ground for investments as well as the creation and operation of businesses.

Indeed, it is relatively easy to create a corporation in Québec and North America, with short delays and limited fees. Likewise, social security contributions afferent to jobs created within corporations are lower than in many European states—in the same fashion, corporate taxation rates are lower. Moreover, Québec offers a system of financing assistance that does not require personal guarantees (except for venture capital), and tax credits for high tech businesses. Finally, the governmental administration facilitates integration by remaining close to the citizens' needs.

Furthermore, the impact of Québec's bilingual status (French and English) has a significant impact in the implantation of new businesses on the banks of the St. Lawrence River, as integration in this French-speaking milieu is easier for many European citizens (France, Belgium, etc.). However, the contribution of other languages spoken in Québec, such as Spanish, must not be neglected.

Together, these economic, legal, and cultural characteristics make Canada (in general) and Québec (in particular) fertile ground for foreign businesses, while offering a gateway to an even broader market: that of North America in its entirety.

## Conclusion

The opportunities offered by Canada to newcomers are numerous and varied. Indeed, a corporation can be created in Canada as easily as it would in the United States, thereby gaining easy access to the American and Mexican market. Further, in reason of a favourable immigration policy, Canada is today a very competitive alternative to the United States in the eyes of immigrants and entrepreneurs. However, it would be erroneous to believe that one can establish oneself in Québec, be it for personal or commercial purposes, without preparation. Indeed, any project to set oneself up in Canada requires conscientious planning and consideration. The procedures may sometimes last long, and sufficient financial reserves are necessary.

Also, while the bilingual status constitutes an attractive factor for Europeans, they must take note that the way of living and doing business in Canada is very much North American in nature, and differs from the European tradition. Newcomers must thus take the time to get acquainted with the habits and customs of Canada, as well as with its climate. Experience teaches that to avoid cruel disillusion, immigrants must, prior to leaving their home, plan out fully a viable project adapted to the new society they intend to join. To realize such a project and to successfully set up one's business, it is essential to create a network of local contacts, but not one limited to other expatriates, and to take advantage of the counsel of professionals, such as lawyers or accountants, at the time of creating one's business.

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This article was written by **Mr. Alain P. Lecours**, with the collaboration of **Ms. Diane Protat** (redaction) and **Me Louis-René Hébert** (translation). It is freely distributed by email to the clients and business partners of Lecours & Lessard. This article is meant solely to inform, and might not reflect the most recent legal developments; it is not intended as legal advice. Thus, clients and other readers should not act or refrain to act based upon this article without first obtaining legal advice from a professional who will provide analysis and counsel on specific matters.

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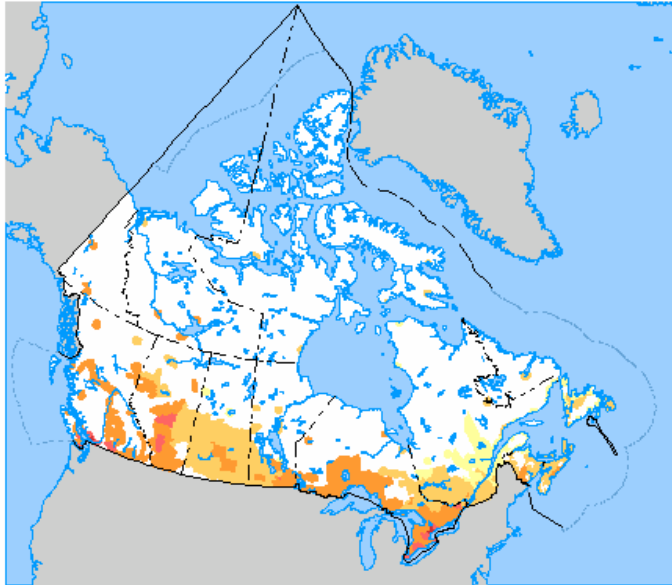
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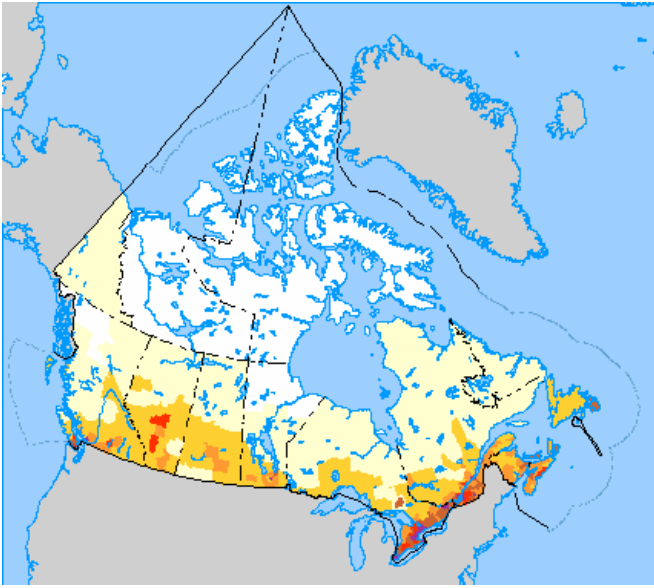
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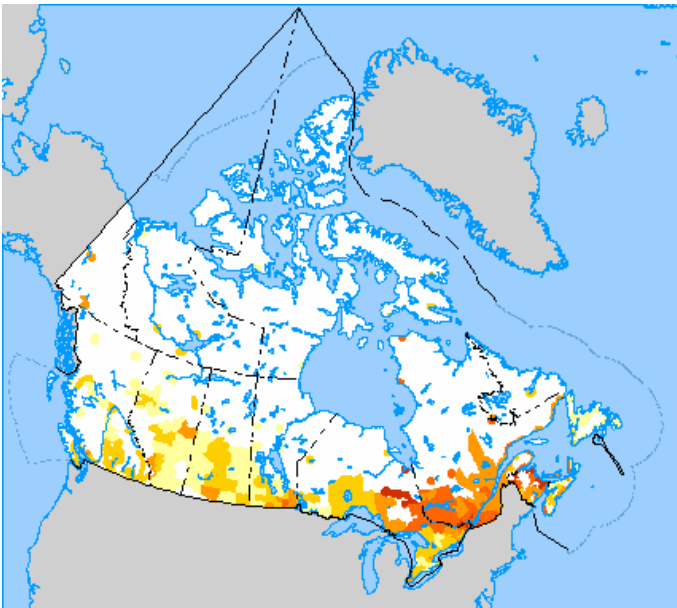
**Population born abroad 2001 (by census division)**

- 0,2 % - 0,9 %
- 1 % - 4,9 %
- 5 % - 13,9 %
- 14 % - 27,9 %
- 28 % - 48,9 %
- Sparsely populated regions



**Population Density in 2001 (people/square kilometer)**

- Below 0,1
- 0,1 - 0,9
- 1 - 4,9
- 5 - 19,9
- 20 - 49,9
- 50 - 150
- Above 150



**Bilingual French & English Speakers, 2001 (by census division)**

- 0,7 % - 4,9 %
- 5 % - 9,9 %
- 10 % - 19,9 %
- 20 % - 49,9 %
- 50 % - 71 %
- Sparsely populated regions