



**Trade Intermediaries in the Canada-China Context: A Comprehensive
Cartography for Canadian SMEs Expanding to China**

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Tel que l'a annoncé le Premier ministre Justin Trudeau le 22 septembre 2016, le Canada approfondira ses liens économiques avec la Chine en entreprenant une mission bilatérale dans l'objectif de doubler le commerce d'ici 2025. Compte tenu de l'ampleur de cette décision, la façon dont le gouvernement peut naviguer et encourager les relations bilatérales, tant en offrant un accès crucial au réseau, qu'en abaissant les coûts engendrés par les PME canadiennes en expansion vers la Chine, est un sujet d'étude impératif. Cependant, la réalité des entreprises canadiennes aujourd'hui n'est pas l'absence de services facilitant le commerce, mais plutôt qu'il y a trop de choix et un manque de clarification des services offerts par chaque facilitateur. Jusqu'à présent, un seul document académique existe pour identifier les intermédiaires commerciaux publics et privés dans le contexte canado-chinois. Il y a également très peu de recherche sur la façon dont les services de ces intermédiaires commerciaux peuvent atténuer les coûts changeants (coûts de recherche, coûts d'information, etc.) ainsi que les coûts immuables (prix d'expédition des produits en Chine) de l'expansion des PME dans le contexte canado-chinois. Ce rapport vise à élaborer une méthodologie pour mieux comprendre comment les services des facilitateurs du commerce public et privé, les plus importants au Canada, sont différenciés. Les données qualitatives seront recueillies au moyen de l'entrevue semi-structurée ainsi que par la méthode d'enquête avec les cadres supérieurs de chaque organisation, afin de créer une cartographie exhaustive des services disponibles et réduire les coûts d'expansion.

Mots clés: Canada, Chine, Commerce international, Intermédiaires commerciaux, PME, internationalisation, CBDA

Abstract

As Prime Minister Justin Trudeau announced on September 22, 2016, Canada will deepen its economic ties with China by embarking on a bi-lateral mission to double trade by 2025. Considering the magnitude of this decision, the way in which the Canadian government can navigate and encourage bilateral relations, both in providing crucial network access and lowering the costs endured by Canadian SMEs expanding to China is an imperative subject of study. However, the reality Canadian companies today face is not the absence of trade facilitation services, but rather that there are too many choices and a lack of clarification of the services each facilitator provides. Thus far, only one academic paper exists to identify public and private trade intermediaries in the Canada-China context. There is also very little work on how the services of these trade intermediaries can mitigate the changeable costs (search costs, information costs, etc.) and unchangeable costs (price to ship products to China) of SME expansion in the Canada-China context. This report aims to develop a methodology to obtain a better understanding of how the services of Canada's most significant public and private trade facilitators are differentiated. Qualitative data will be collected via the semi-structured interview and survey method with senior managers of each organization to create comprehensive cartography of the services available and how they lower the costs of expansion.

Key Words: Canada, China, International Trade, Trade Intermediaries, SMEs, Internationalization, CBDA,

Le 23 novembre 2016

À l'attention de : Andriana-Alida Hnatykiw
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Table of Contents

LIST OF TABLES AND FIGURES	4
1.0: Introduction	5
Chapter 2A: Literature Review	9
2.1 Internationalization Theory, OLI and Entry Modes of SMEs	9
2.1.1 Costs of Doing Business Abroad (CDBA)	11
2.1.2 Melitz Model, SMEs and Emerging Markets	14
2.1.3 Network Theory of Internationalization	15
2.1.4 The Government as network intermediaries	19
Chapter 2.2: Intermediaries	21
2.2.1 Heterogeneous Demand for Intermediaries	21
2.2.2 Classifying the Role of Intermediaries in Facilitating Trade	23
Type A: Physical Fulfillment	23
Type B: Transaction Creating	24
2.3: Canadian SMEs and Emerging Markets	26
2.3.1-The Importance of Canadian SMEs	26
2.3.2- Current Trade Patterns for Canadian SMEs in emerging markets	27
2.3.2- Barriers for Canadian SMEs	28
Barriers to Investment and Trade	29
Barriers to acquiring business intelligence	29
Barriers: Domestic and International Competition	31
2.3.3- International Government support in the Canadian Context	31
2.4.: The Conundrum- A Case for Differentiation	33
Chapter 3: Canada-China Relations	37
3.1: Canada-China Trade and Investment Relations	37
3.2: Canada-China Relations under the Trudeau Administration	39
3.2.1: Why Should Canada Trade with China?	40
3.3 China: The world's most attractive market, but at great cost	41
Chapter 4: Methodology	48
4.1- Validity	48
4.2- Why semi-structured interview?	48
4.3- Who will be interviewed?	50
4.4- Why structured survey?	50
4.5- Research Design: Mixed Methods	51
4.6: Data Collection and Analysis	52
Chapter 5: Analysis	54
5.1: Service Portfolio of the Intermediaries	55
The Quebec Office: Shanghai Chapter	55
<i>Membership</i>	55
<i>Services</i>	56

<i>Quebec Bureau Service Profile</i>	58
Export Development Canada	59
<i>Client Base</i>	60
<i>Services</i>	60
<i>Export Development Canada Service Profile</i>	62
The Canadian Chamber of Commerce-Shanghai Chapter	63
<i>Membership</i>	63
<i>Services</i>	63
<i>CanCham Service Profile</i>	65
Canada China Business Council	67
<i>Membership</i>	67
<i>Services</i>	68
<i>CCBC Service Profile</i>	70
British Columbia Trade and Investment Office	71
<i>Membership</i>	71
<i>Services</i>	71
<i>Service Profile</i>	73
Alberta Shanghai Office	74
<i>Membership</i>	74
<i>Services</i>	74
<i>Service Profile</i>	75
Ontario International Marketing Center	77
<i>Membership/Client Base</i>	77
<i>Services</i>	77
<i>OIMC Service Profile</i>	78
The Canadian Trade Commission	79
<i>Client Base</i>	79
<i>Services</i>	80
<i>Service Profile</i>	81
5.2: Comparative Analysis	83
5.2.1- Cluster 1: The Canadian Chamber of Commerce and The Canada China Business Council	84
5.2.2-Cluster 2: The Provinces.....	87
5.2.3-Differentiation Success: Export Development Canada	90
5.3-Possible Solutions	90
5.4-Additional Information to Consider: Canada’s Entrepreneurial Culture.....	92
Chapter 6: Concluding Remarks on Findings	95
6.1-Limitations and Recommendations for Future Research.....	95
6.2-Contribution to the Literature	96
Appendices	97
Appendix 1: Interview Guide for Senior Managers	97
Appendix 2: Structured Survey Results	101
Sources	102

LIST OF TABLES AND FIGURES

Figure 1: The Endowment/Market Failure Paradigm of International Production Dunning (1998)	10
Figure 2: Hierarchical Model of choice of entry modes (Pan and Tse 2000)	11
Figure 3: Uppsala Model Johansson & Vahlne (1977)	13
Figure 4: Uppsala Model Revised Johansson & Vahlne (2009)	13
Figure 5: Relationship Between Firm Productivity and Profits in Melitz Model, Lapham (2015).....	14
Figure 6: Centralized and Decentralized Network Structures; Lorenzen and Mudambi (2013).....	17
Figure 7: Share of Canada’s Total Export Value to Emerging Markets; Sui and Tapp (2015).....	27
Figure 8: Management Deficiencies leading to Bankruptcy; Baldwin & Gellatly (2003).....	29
Figure 9: Crucial facilitators for Canadian firms in the Canada-China business community; Bathelt and Li (2015).....	36
Figure 10: Canada’s Trade with China \$billion, 2005-2014; Bathelt and Li (2015).....	37
Figure 11: Major Canadian Exports to China (Left) and Canadian Imports to China (right) by product group, percentage according to value 2014; Bathelt and Li (2015).....	38
Figure 12: FDI between Canada and China \$billion, 2000-2004; Bathelt and Li (2015)	39
Figure 13: Map of China’s 33 Provinces and Administrative Regions; TMF Group (2016)	42
Figure 14: Access Points and Chinese Markets; TMF Group (2016)	43
Figure 15: Entry Mode Costs in China for SMEs; TMF Group (2016)	44

1.0: Introduction

SMEs are the backbone of the Canadian economy. Accounting for 99% of Canadian businesses, SMEs create roughly 100 000 jobs per year, and produce 25% of Canada's total exports (Industry Canada, 2011). What is troubling, however, is the amount of SMEs engaging in exports. According to Laurin (2013) less than 2% of Canada's SMEs are currently exporting, leaving substantial room for growth if the government focuses their efforts on aiding SMEs in international expansion (p.8). Considering their prolific role in the Canadian economy, sustaining and increasing their economic performance to meet the challenge of global competition is vital. In this light, differentiation and clarification of services offered for Canadian SMEs in their expansion efforts is a much-needed step in the right direction.

In today's globalized market economy, the decision-making process of the firm is seen as the series of human action to enable optimum usage of firm capabilities and resources so as to develop a competitive advantage and survive within fiercely competitive global markets. Fundamental to the decision-making process is the attainment and management of knowledge agreed upon by scholars as intrinsic to the enhanced organizational performance and innovation of the firm (Gretsy, 2013, p.144). SMEs however, are particularly vulnerable to the "loss or erosion of knowledge" and often lack the ability to share, store, create, and use knowledge to enable their long-term survival (ibid). What's more, is the overabundance of informational sources that confounds and overcomplicates the acquirement of crucial business intelligence. Considering that internationalization is often "expensive, time consuming and a significant drain on scarce resources" for SMEs, an overabundance of information can hinder decision-making processes related to choice of market, timing, and mode of entry or cause the abandonment of the expansion process altogether (Collinson and Houlden, 2005, p. 414). This explains why SMEs, despite their growing engagement with international markets, continue to be characterized by high failure rates worldwide (Jocumsen, 2004).

The internationalization process is complex and requires the development of a comprehensive strategic plan in order to overcome both current and new challenges. From a resource-based perspective, this is often because of SMEs' lack of expertise, internal resources, and deep knowledge of the target market (Ramaswami & Yang, 1990). In order to compensate for these insufficiencies, various support organizations, particularly intermediaries, are consulted to

advise companies and facilitate the internationalization process, particularly through the coordination of “relationships with other firms to provide value-adding activities needed for their market offerings” (Fung et al., 2007, pg. 160). For this reason, international trade intermediaries (ITIs) are a crucial force in the facilitation and expansion of foreign trade as they exist to provide access to inaccessible markets and to lower costs.

What’s more is the prolific role government can have in trade intermediation. According to Wilkinson and Brouthers (2006) there is economic justification for government involvement in export promotion due to the inability of SMEs “to successfully export their products to overseas markets ...[which] may be viewed as a condition for market failure” (p. 234). In this context, governments can action in the form of trade policy implementation, export promotion programs (trade missions, shows, etc.), and the creation of firm-specific trade agencies, providing firms with crucial market information to aid with product adaptation and, thus, incentivizing international expansion and facilitating international trade. By offering resources to complement the internal resources and capabilities of SMEs, the efforts of government can be viewed as its own subset of trade intermediation and, consequently, facilitation of company expansion overseas.

Despite the obvious importance of trade intermediation (governmental and private) for the successful internationalization of SMEs, there is only a limited literature that has investigated which role trade intermediation plays for exports. Furthermore, most studies have analyzed the demand side of the equation: why do SMEs need trade intermediaries? Few studies have looked at the supply side: which type of trade intermediaries are available to SMEs, and how are they differentiated? This is an important question since the reality that many companies face today is not an absence of facilitating bodies, but rather that there are too many choices with a lack of clarification of the services each facilitator provides. According to Sui and Tapp (2015), only 5% of Canadian exporters utilize Canadian government services which are freely available to them. In this light, there clearly is a need to gain a better understanding whether there are supply-side forces that are constraining SMEs’ willingness to rely on trade intermediaries for their international expansion efforts.

In this thesis, I will attempt to gain new insights into this question by examining the most important intermediaries that aid Canadian SMEs to internationalize into China. I chose to focus on Canada-China relations for a number of reasons. Described as a “vast and dynamic web of cooperative linkages and undertakings dating well before 1970”, the Canada-China relationship is

not only prolific but extremely relevant (Government of Canada, 2016). As Prime Minister Justin Trudeau announced on September 22, 2016, Canada will deepen its economic ties with its third largest trade partner by embarking on a mission to double trade by 2025. Considering the magnitude of this decision, the way in which the Canadian government can navigate and encourage bilateral relations, both in providing crucial network access and lowering the costs endured by Canadian SMEs when they expand to China, is an imperative subject of study. In their comprehensive report on Canada-China innovation clusters, Bathelt & Li (2015) posit that Canadian SMEs lack the experience of ascertaining foreign contacts, therefore constraining them to few business connections within the Chinese market (pg. 24). Subsequently, this increases SME risk and uncertainty when deciding to expand to China (ibid). The authors explain that because of their size and lack of international experience that Canadian SMEs “need the support of a network of public- especially government- organizations and business associations, as well as private facilitators that assist them in managing legal issues, hiring employees or finding local partners” (ibid). Thus, this report will aim to create a cartography of the crucial public and private facilitators, or trade intermediaries, for Canadian SMEs in the Canada-China business community. According to Bathelt & Li (2015), the most prolific facilitators include:

1. *CCBC or Canada China Business Council* (Toronto, Vancouver, Montreal, Calgary, Beijing, and Shanghai)
2. *Canadian Embassy in Beijing* (Shanghai, Guangzhou, Chong Qing, and Hong Kong)
3. *Trade Representative offices of Canadian provinces in China*: Alberta (Beijing, Shanghai, and HK), Quebec (Beijing, Shanghai, and Hong Kong), British Columbia (Beijing, Shanghai, Guangzhou, and Hong Kong), Ontario (Shanghai, Beijing, and Chong Qing)
4. *Export Development Canada* (offices throughout Canada and in Shanghai and Beijing)
5. *Canadian Chamber of Commerce in China* (Shanghai and Hong Kong)
6. *Canadian Manufacturers and Exporters* (Ottawa, Toronto, and Calgary)
7. *Asia Pacific Foundation of Canada* (Vancouver and Toronto)

The reality companies today face is not the absence of facilitating bodies, but rather that there are too many choices with a lack of clarification of the services each facilitator provides. Thus far, only one academic paper (Bathelt and Li, 2015) exists to identify public and private trade intermediaries in the Canada-China context. There is also very little work on how the services of

these trade intermediaries can mitigate the changeable costs (search costs, information costs, etc.) and unchangeable costs (price to ship products to China) of SME expansion in the Canada-China context. This report aims to develop a methodology to expand the work of Bathelt and Li (2015) and obtain a better understanding of how the services of these seven facilitators are differentiated according to extant trade intermediary literature. Thus, the research question for this project will be: *How are the services of the seven public Canada-China business facilitators be differentiated?* Qualitative data will be collected via the semi-structured interview and survey method with senior managers of each public body. The end goal of this paper will be to create comprehensive cartography to differentiate the services of each intermediary to provide clarification and guidance to Canadian SMEs seeking to expand to China.

Chapter 2A: Literature Review

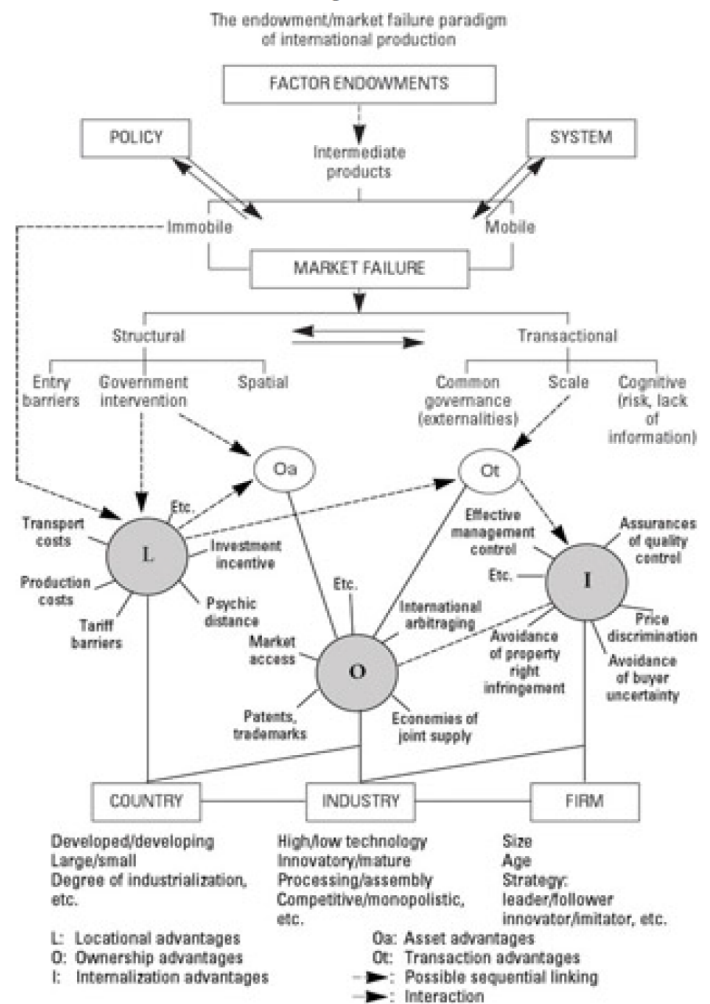
With the rampant pace of globalization, small and medium-sized enterprises (SMEs) play an integral role in the development of countries worldwide. However, despite their historical ubiquity in the economic prosperity of nations, SMEs face numerous barriers in the internationalization process, especially in comparison to larger firms. This is because larger firms have “developed their resources and capabilities over time, such as managerial knowhow and export departments to conduct export activities with a well-developed base” (Lee et al. 2010, p. 328). In this light, there are significant differences in the ways SMEs will respond to the opportunities and threats in international markets (ibid). Oftentimes, SMEs may utilize the services of an intermediary to help mitigate the costs and challenges they endure during internationalization. The intention of this section is to illustrate the environment in which the demand for international intermediation services emerges to reduce the costs of internationalization. First the internationalization theories pertinent to SMEs are examined. Next, the costs of doing business abroad (CDBA) are identified and classified. This is followed by an explanation of the Meltiz Model to gather an understanding of the traditional dominance of exports by larger firms. Next, the network theory of internationalization is examined, followed by an exploration of how the government’s role can act as a network intermediary. This chapter concludes by offering a crucial insight into trade intermediary literature and suggests that the government can also be considered an intermediary, and provide crucial services to help mitigate the costs of expansion for SMEs.

2.1 Internationalization Theory, OLI and Entry Modes of SMEs

Lu and Beamish (2001) argue that SMEs who internationalize perform better and endure long-term success. Although their small size negatively impacts their growth, Coad and Tamvada (2012) reveal a positive correlation between firm growth and exports for SMEs. Internationalization is defined by Johanson and Vahlne (1977) as a process which includes incremental decisions and strategies which transfer products, knowledge and services across borders (p.23). This theory highlights two main types of knowledge which influence the speed and commitment of a firm’s expansion: objective knowledge- which is transferred from one market to the other- and experiential knowledge: which is gained by experience in a foreign market. In essence, the amount

of knowledge a firm accumulates in foreign markets and operations is reliant on the total amount of resources it has committed in these foreign markets.

Hand-in-hand with internationalization strategy is the eclectic model as postulated by Dunning (1988), which presents a conceptual framework for analyzing a firm's market selection and entry decision (p. 1). It is based on the transaction costs associated with three types advantages. The "O" represents the ownership advantage of the firm, wherein the firm possesses a specific asset (technological, organizational, financial, physical or human) that generates its competitive advantage, and thus encourages the firm's likelihood to penetrate foreign markets and compete with local firms who possess deep knowledge about the business environment. In some circumstances, a company's ownership advantage can reduce transaction costs due to the high demand for its product or services. "L" refers to a firm's location advantage, which determines whether the company has a cost advantage when conducting particular activities in a certain foreign environment. For example, the company's proximity to the new market may reduce transportation costs, or the target country offers regulations that would benefit the company. Lastly, the "I" represents the internalization advantage of a company, wherein the company chooses to internalize operations due to high transaction costs. In this case, when costs are low it is better to outsource. In order to successfully enter a foreign market, firms need to have a sufficiently large O advantage in order to be able to compete against local firms that know more about the local environment. In this light, depending on the firm's resources, size and experience, the costs of internationalization can present a cumbersome dilemma to expansion and has a profound impact on the mode in which they choose for market entry (Figure 1).



Source: Dunning (1988), p. 12.

Choice of entry mode is considered in academia to be one of the most important aspects of a firm's internationalization strategy, as it will determine the long term success or withdrawal of the firm from foreign markets. In this light, making the wrong choice can be very costly for the firm, which is why there is a direct correlation between entry mode selection and the types of transaction costs anticipated in the expansion process (Williamson 1985). There are many factors which influence entry mode decision, which can be divided into external factors (home country and host county environment, production and market factors) and internal factors (company-specific capabilities and resources).

According to Pan & Tse (2000) there is a hierarchical model of choice of entry modes, which can be viewed in Figure 2 below. There are also risks, or costs which are unique to every entry mode, which are identified and examined below.

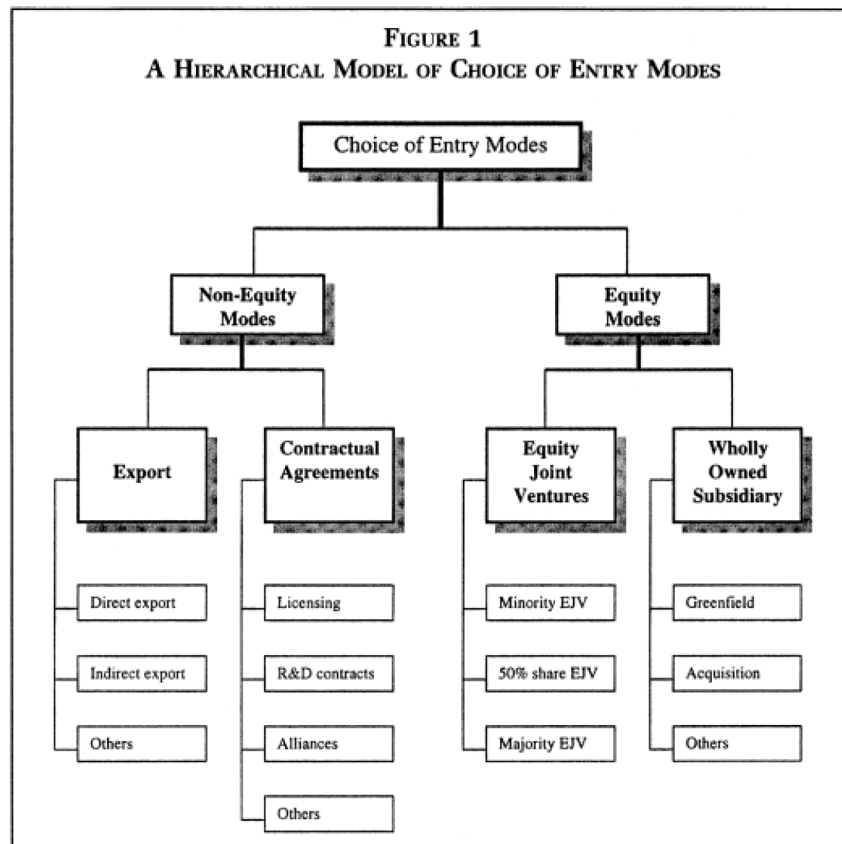


Figure 2: (Pan and Tse 2000), p.538

2.1.1 Costs of Doing Business Abroad (CDBA)

When considering expansion, firms must consider that the treatment they will receive in the local market will differ substantially from what they experience in their home country. In direct relation

to this topic is one of the most prolific discussions within International Business literature: the costs of doing business abroad (CDBA). Identified by Stephen Hymer in 1960, these costs are measured by “the advantages national firms have in their home markets relative to foreign owned firms” (Eden & Miller 2004, p. 186; Hymer 1960/76). According to Hymer (1960), the main disadvantages for firms expanding abroad (which generate CDBA) are the start up costs of acquiring information; risk of host governments “generating differential treatment” to foreign firms (i.e more taxes etc) and working with a foreign currency (conversion rates) (ibid). From his research, Hymer (1960) discerned that a firm looking to internationalize required a “firm specific advantage that raised revenues or lowered costs in order to offset CDBA” and justify expansion (Eden & Miller 2004 pg.191).

CDBA is an inherently economic concept encapsulating two major proponents, the first being the market driven costs associated with geographic distance. These costs are derived from the increase of production, marketing and distribution costs over greater distances. These costs “can be anticipated and are finite” (Eden & Miller 2004 pg. 194). The second proponent is argued by Eden and Miller (2004) to be Liability of Foreignness (LOF), otherwise known as the social costs of international business. Termed by Zaheer (2002), social costs arise from the “unfamiliarity, relational, and discriminatory hazards that foreign firms face and domestic firms do not” (Eden & Miller 2004 pg. 189). These are driven by uncertainty in the foreign marketplace and thus persist overtime as they arise in relation to the social costs of access and acceptance (Zaheer 2002 p. 352). However, a firm’s presence in a foreign market engenders an understanding of the country over time, which makes it possible to become an insider and reduce or even eliminate the effect of being a foreigner (ibid). Luo et al. (2002) stipulate that firm strategies to cope with LOF can be separated into two categories:

1. **Offensive Strategies:** “local networking, resource commitment, legitimacy improvement and input localization” (p.285)
2. **Defensive Strategies:** “contract protection, parental control, parental service and output standardization” (ibid)

In their study focused on foreign companies expanding to China, Luo et al. (2002) found that contract protection and local networking (*guanxi*) mitigate LOF (ibid). On one hand, contracts, “reduce production and marketing costs, - as they curtail operational revenues- but do not stimulate revenues,” while *guanxi* “enhances sales revenues- as it increases indigenous adaptability,

improves organizational legitimacy and intensifies local collaboration- but does not reduce production and marketing costs” (ibid).

In order to further distinguish the costs managers must endure in the internationalization process, one must understand as well, the concept of “Liability of Outsidership.” The Uppsala model (U-model) was developed by Johansson & Vahlne in 1977, which posited that companies will export to markets where a low level of psychic distance is present. This process was seen as linear and gradual, as companies accumulated experience and knowledge over time, thus reducing their initial difficulties in penetrating foreign markets (Figure 3). In 2009, this model was revised (Figure 4) in order to adapt to the new business environment, which recognized markets as comprised of large networks of actors.

Figure 3: Uppsala Model (1977)

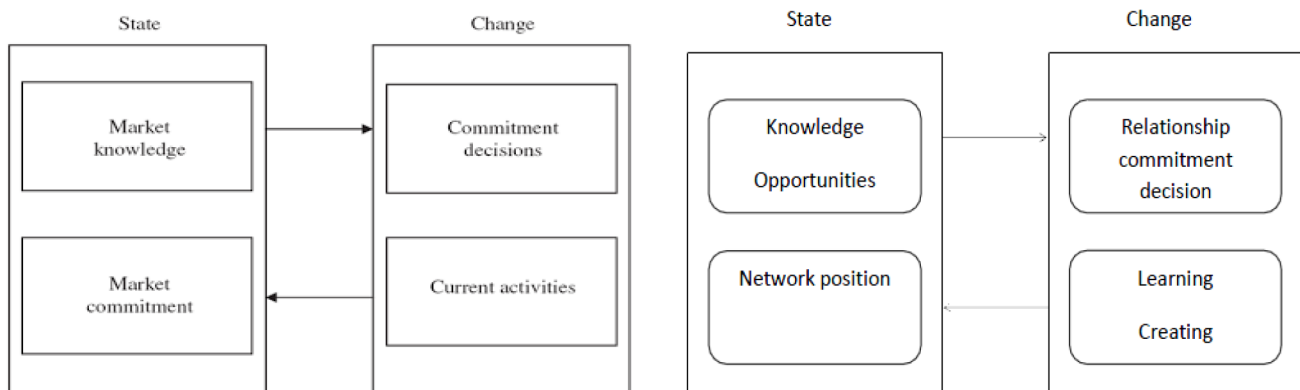


Figure 4: Uppsala Model Revised (2009)

This model emphasizes the benefit of having an internal link (insidership) – being a part of a professional network – in the internationalization process. In this light, the firm is “embedded in an enabling, and at the same time constraining, business network that includes actors engaged in a wide variety of interdependent relationships. Internationalization is seen as the outcome of firm actions to strengthen network positions by what is traditionally referred to as improving or protecting their position in the market” (Holm et al. 2015, n.p). The membership in a developed network allows for the creation and accessibility of knowledge via network insiders (ex trade intermediaries), the maintenance of mutual trust and allows the firm to seize important market opportunities. The authors posit that this claim is also consistent with the business network view, where primary functions of the firm are contingent on existing relationships (Hakansson & Snehota, 1995). It is clear that the problem here isn’t necessarily that the firm is foreign, but rather the fact that they are new to the environment- an outsider. The reevaluation of the Uppsala Model

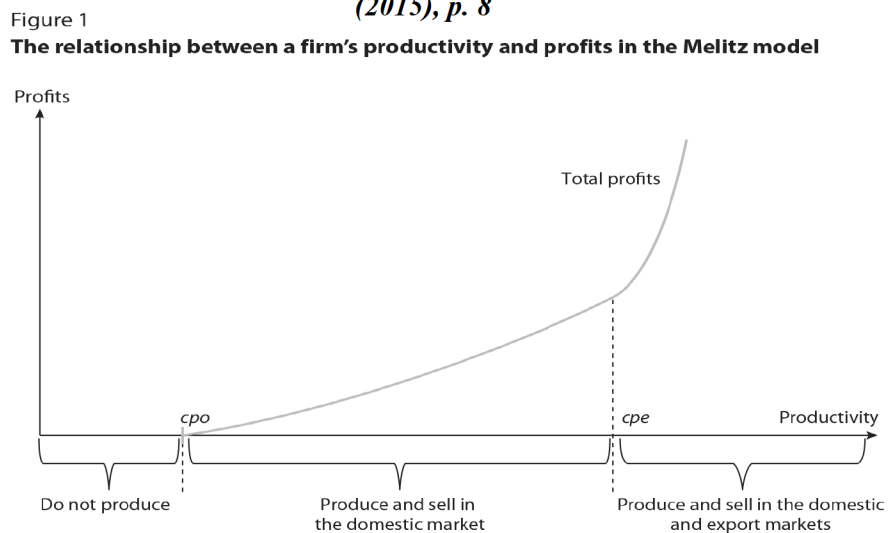
is crucial to internationalization theory as a whole, as it highlights the importance of “learning and commitment in the ability of the firm to identify and exploit opportunities” (Eriksson et al. 1997, n.p.). This is because successful internationalization is reliant more on “developing opportunities than on overcoming uncertainties” (ibid).

Overall, it is clear that the problems experienced by firms today are less country-specific and more-so related to the lack of specific network ties. This is illustrated in the case of market entry, “The firm does not know who the business actors are, or how they are related to each other, unless it already enjoys relationships with one or several actors in that market” (Van Assche 2016). In this light it is clear that the CBDA which a firm endures is correlated to its network configuration: networks matter for both market and social-driven costs.

2.1.2 Melitz Model, SMEs and Emerging Markets

It is important to understand that CDBA companies face in the international marketplace is contingent on their size. In economics literature, scholars address a similar model which focuses on fixed costs. The Melitz Model is a dynamic industry model which posits that as heterogeneous firms engage in international trade, resources intrinsic to the industry they operate within are relocated. This model displayed in Figure 5 is said to be consistent with empirical evidence from trade liberalizations as low productivity firms exit (remain present only in domestic industry), high productivity firms (with the money to overcome costs) enter export markets and thus change industry composition. This is to say that the internationalization of enterprises depends on the ability to be productive and to overcome fixed and variable costs.

Figure 6: Relationship Between Firm Productivity and Profits in Melitz Model, Lapham (2015), p. 8



Source: Author.
 cpo = cut-off productivity level for operating cpe = cut-off productivity level for exporting

In this light, SMEs are less likely to internationalize than large firms. According to Lapham (2015) the fixed costs related to the export process contribute to barriers for companies in their profitability and development within international markets (p.8-9). Due to the various institution policies which regulate markets, costs are often related to the retrieval of information (ibid). The government, in addition to private or public trade intermediaries can reduce costs by facilitating the transfer of knowledge and understanding of foreign market regulations. According to Sui and Goldfarb (2014) SMEs have much more difficulty accessing information necessary for foreign market penetration. Among the 500 Canadian SMEs penetrating high growth markets, “only a tiny group of small and medium-sized exporters accounts for most of Canada's SME exports, as measured by value (dollars of revenue earned).” Moreover, the authors observed a wide gap between the best and worst performers, “For the weakest performers, sales to fast-growth markets dropped by 70 per cent annually after initial success, and they exited these markets after less than a year” (ibid). This weak performance is attributed to the lack of “constant innovation, previous experience, resources, strategic planning and commitment in education programs” and most importantly, the lack of sufficient knowledge *of networks in* the target market. Overall, it is clear from the Melitz model that only the most productive firms will be able to overcome the CDDBA.

2.1.3 Network Theory of Internationalization

Numerous empirical studies (Chetty 1994; Gray 1994; Coviello et al., 1995) identify business networks as crucial to a firm's internationalization strategy, and are furthermore identified as one of the greatest perceived barriers to international expansion. The internationalization process chosen by small-to-medium sized enterprises in particular, is often dictated by the resources they have access to, which explains why they often suffer from “scarce communication and information processes, lack of visibility, lack of empowered resources and effective organizational structure” (Battaglia et al., n.d, p.2). Despite these setbacks, SMEs can integrate into previous existing networks to propel themselves into foreign markets. Extant international business literature highlights the network approach, which posits that internationalization can be induced and sustained via the network linkages created by the firm. (Johanson & Mattson 1987; Hakansson & Snehota 1995). According to Battaglia et al. (n.d.), “SMEs have very often considered inter-organizational cooperation the only way to survive in the domestic market and in global competition” (p. 4). In this light, instead of being governed purely by market forces, a

growing body of literature is emerging which suggests that contemporary international exchange is instead “governed by the invisible hand of the process of networking” which links together “various market actors and their complex activities and heterogeneous resources” (ibid). Through the network theory lens, the ability of SMEs to create value, acquire market intelligence and generate profit relies on their ability to develop connections with the right contacts, and insert themselves in the local business ecosystem.

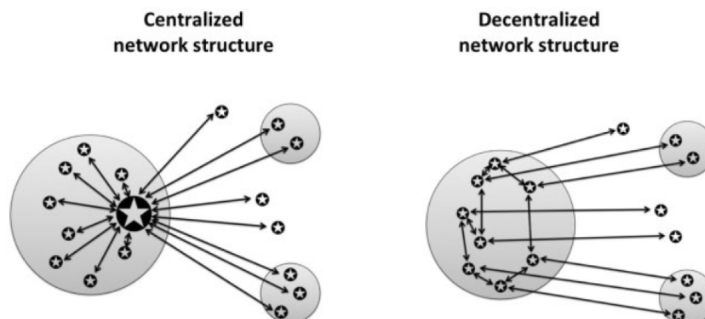
According to Masum et al (2012), “all firms in a market are considered to be embedded in one or more networks via linkages to their suppliers, subcontractors, customers and other market actors” (p.34) A network is described by Emerson (1981) as a business relationship with two or business firms, and their collective actors (ibid). These networks can be understood as global linkages, in which “local and non-local actors are the nodes and their linkages are the relations” (Lorenzen & Mudambi, 2013 p. 503). Extant international business literature posits that relations within these networks are social in nature, and can be described as the “intangible and soft infrastructures” that are integral to the operation of “hard infrastructures” such as transportation and communication pathways (ibid). In this context, the main assumption of network theory is that a firm’s internationalization is inherently linked to the natural development of a network relationships with foreign firms and actors. No individual firm acts in isolation- as firms interact with one another their action becomes organized (Hakansson & Snehota 2005). In this light networks can be seen as a bridging mechanism which allow for rapid internationalization. This is accomplished as all involved parties are brought closer via the utilization of “information that the firm acquires by establishing close relationships with customers, suppliers, the industry, distributors, regulatory and public agencies as well as other market actors” (Masum et al. 2008, p.35). According to Granovetter (1973) the strength of these ties is determined by a combination of “time, emotional intensity, intimacy and reciprocal services of the ties” (pg.1360-61). If a firm has no previously established networks in their target market, then the internationalization process will be far more time consuming (Johansson & Mattson, 1988)

Johansson & Mattsson (1988) identify four categories of firms in the network theory lens: the early starter, the lonely international, the late starter and the international. SMEs usually fall into the early starter category due to their “lack of resources, competences and technologies” and depend on those of “suppliers, distributors, customers and competitors” (Battaglia et al. n.d p.6). This this light, this lack of resources means SMEs have “fewer possibilities in choosing the

appropriate markets and entry modes” (ibid; Alon 2004). According to Battaglia et al (n.d), networks help small companies “think and act big” (Selz 1991) permitting them “to access knowledge, resources and customers that might only be available to larger firms” and allows the firm to share risks, identify potential buyers and contact business partners directly (ibid).

Business networks are crucial in the exchange of information, which explains why some scholars argue that internationalization can be viewed as a dynamic process of learning (Benito and Welch 1997). Firms rely on their networks to familiarize themselves with the intricacies of the foreign target market in order to discern how to overcome institutional and cultural barriers that are present. Lorenzen and Mudambi (2013) provide a framework to understand and classify these global linkages. They separate these linkages into organization-based linkages (pipelines) and person-based linkages (Personal Relationships) (p. 503). Pipelines are formulated and maintained by firms which are native to the target country, and are operated in a way which maximizes the efficiency of resource transportation via the establishment of “common ownership or strategic alliances” at both ends of the pipeline (ibid). Lorenzen and Mudambi (2013) posit that personal relationships are created and maintained by individuals which share mutual ties to the same country, family, friends or culture. In this light groups of individuals are able to leverage their commonalities and build “swift trust” (Meyerson et al. 1996) within and across various business communities. The growth and productivity of these global linkages is highly dependent on the network structure in which they operate. Lorenzen and Mudambi (2013) posit that these structures can either be centralized or decentralized (p.504). When the network is centralized, select actors - or gatekeepers- with multiple relations to other actors within the network dominate and control the resources, operations and flows in and out of the network. When a network is decentralized, all actors have the same number of connections and relationships and thus have the same amount of centrality (Figure 6).

Figure 6: Centralized and Decentralized Network Structures; Lorenzen and Mudambi (2013), p.505



The operation of global linkages is contingent upon whether local linkages are centralized or decentralized (Lorenzen et al 2013. p 505). As illustrated in Figure 6, the centralized network structure depicts linkages where all external actors are linked to a central actor which facilitates and maintains all flows within the network (ibid). This means that the central actor has a direct influence over the operation and relations of all local linkages and peripheral actors (ibid). In the decentralized network, local actors are linked to external actors and co-evolve with local actors (ibid) Lorenzen and Mudambi (2013) posit that each network has a type of linkage configuration which can distinguish a cluster’s connectivity. The authors identify 4 pure archetypes of connectivity:

“Pure” Archetype	Description
Centralized Pipelines	Flagship firms acting as gatekeepers between cluster firms and global markets, and anchor tenants, attracting customers or investments from other global markets.
Decentralized Pipelines	High-technology indigenous firms or MNE subsidiaries that have located in a cluster to participate in widespread local knowledge sharing through R&D partnerships.
Centralized Personal Relationships	Person-based relationships revolving around a few central elders, particularly found within Chinese business networks where extended family linkages facilitate privileged access to labor, capital, information, credit and markets.
Decentralized Personal Relationships	Global Argonauts: independent diaspora members, each with a job in several clusters, who leverage commonalities of language and culture as well as experience and contacts from one cluster to start up business ventures in another.

**quoted verbatim from: Lorenzen and Mudambi (2013)*

Lorenzen and Mudambi (2013), propose that in the real world, these pure archetypes are often mixed with one another, as organizations are composed of individual decision makers (p. 508). Overall, network embeddedness is absolutely crucial to the export success of SMEs, as it allows them to “to deploy informal cooperative strategies that positively impact export knowledge intensity and export performance” (Lee et al. 2010, p. 335). In sum, we see that the success of SMEs on an international scale depends on whether or not they are able to reduce their CDDBA by creating network linkages in the target foreign market. In order to facilitate the network

development process, SMEs with few to no relationships in the target market can consult agents or intermediary bodies for assistance (ibid). It is through the intermediary's resources, experience, knowledge and access to networks in the target country that business can be facilitated. Ultimately the government can play a very important intermediary function in the expansion process of SMEs by providing services to which help in network facilitation. Below, this role is outlined and analyzed.

2.1.4 The Government as network intermediaries

In the previous section, the importance of establishing, developing and maintaining relationships is one of the most crucial aspects of internationalization for SMEs, as it allows them to overcome resource limitations and reduce the costs of internationalization (Chetty & Wilson 2003; Chetty et al. (2007) p. 5). These relationships can be utilized to identify and exploit business opportunities in the target market and thus improve international performance. It is clear that the relationships a firm has with other actors within local networks is of great strategic importance and integral to internationalization. One of the most important actors in which SMEs need a relationship with is their home government.

Governments worldwide strive to provide various services to assist SMEs with the volatile costs associated with overseas expansion. The goal of these programs are to “enhance export performance by improving firms’ capabilities, resources, and strategies and overall competitiveness” (Francis and Collins-Dodd, 2004, p.474). Katsikeas et al. (2000) provide empirical evidence on the positive correlation between the utilization of government export services and export growth. Senik et al. (2011) outline several studies (Mahajar and Carraher 2006; Zizah et al. 2007) confirming the influence of government support and the internationalization strategies and success of SMEs. Specifically, the authors confirm a positive correlation between the ability of the government to maximize awareness of international opportunities and motivate indigenous SMEs to internationalize, and influence their “choice of markets, entry modes, pace and pattern of expansion” and provide access to established foreign networks and relationships, lower costs and risks, and increase their credibility in the target market (p.262). According to Seringhaus and Rosson, (1990) and Diamantopoulos et al., (1993), this support from the government can be provided in the form of:

1. **The Provision of information:** “export market information, market research on foreign markets, export-marketing seminars, and newsletters.”
2. **Export Motivation:** “via seminars, speeches, case studies and other communication materials.”
3. **Operational Support:** “including exporting logistics training, marketing assistance, trade missions, financing support, foreign buyer visits, providing contacts, and regulatory assistance.”

Czinkota (1996) posits that these services increase the chances of success for SMEs in the international marketplace, as they augment organizational competencies such as “research capabilities, market knowledge and connections, and human and technical resources” and managerial competencies such as “education, international exposure, expertise, international orientation and commitment” (Francis et al. 2004, p. 476). In this light SMEs can utilize government services to overcome uncertainties in foreign markets and penetrate local networks. Later in this report, this phenomenon will be discussed in detail in the context of Canadian SMEs expanding to China.

Chapter 2.2: Intermediaries

From the analysis above it is clear that the government can play a crucial role in the reduction of costs for its SMEs expanding abroad. In this way, it is possible to think of the government as a crucial intermediary in the provision of trade and business relations with other nations. In this section, extant trade intermediary literature is reviewed and classified to conceptualize the ways in which public (and private) entities can provide crucial intermediary services to SMEs to expand abroad.

Export and import development research is identified by Leonidou & Katsikeas (1996) as, “one of the most pioneering, established and mature streams of the export literature” and is considered one of the, “most cited” in international business literature (p.518) This notoriety is due in part to the global shift from horizontal to vertical competition (global supply chains) (Fung et al. 2007). In this context, the simultaneous management of multiple relationships has become the new requirement for operations abroad, making trade intermediaries essential to global trade. However, Felbermayr and Jung (2009) stipulate that conventional trade models fail to identify *how* firms export to foreign markets- that is, the literature addresses general choices in internationalization mode (for ex: Franchising vs JV), but neglects to specify the exact methods and players involved in making the internationalization process a reality (p.1-3). Thus, trade economists have begun to include the role of intermediaries in the internationalization of firms and subsequent distribution of goods across national borders. Despite their historical ubiquity in global markets and their unparalleled role in, “the development of international trade and marketing in many societies” international business scholars failed to generate substantial literature on the topic until the early 00’s (Ellis 2010, n.p). Seeing as these agents are some of the “most enduring organizational entities in the history of international business” it is of paramount importance to examine them in the context of economic relations between nations (ibid.).

2.2.1 Heterogeneous Demand for Intermediaries

Trade intermediaries exist to help firms organize their export decisions and lower transaction costs (Peng & Ilitch 1998, pg. 614). Firm size and experience level heavily influences the nature of the costs it endures and thus the services it requires from an intermediary. For the purpose of this report, two categories of firms will be utilized: SME – a firm with fewer than 500 employees (Statistics Canada 2016) and MNE- a corporation with activities located in 2 or more countries

which engages in FDI (Lazarus 2001). The service offerings of intermediaries can be separated into two categories: “traders” and “marketers” (Brasch 1981; Ellis 2003 p.11). Traders are involved with goods and services which have a pre-existing demand and require small efforts in distribution to its network contacts (Ellis 2009). On the other hand, marketers are oriented towards physically creating networks of business opportunities and building their client’s brand overseas (Ellis 2009, p.21). Here, it is noted that there is a drastic difference between the expenditure and expectations for the services of these two categories of intermediaries. This is to say that traders offer “physical fulfillment” services aimed at supplying existing demand and simplifying an existing export relationship and marketers offer “transaction creating” services with the intention of stimulating new demand (ibid). Examples of transaction creating services include “representing the manufacturer at trade affairs, preparing advertising literature, and selecting and training foreign distributors” whereas “physical fulfillment” services include undertaking “the physical fulfillment aspects of exporting relating to the consolidation of shipments, meeting customs requirements and so on” (ibid). In this light, larger firms who have already internationalized, turn to ITIs for coordination and distribution services such as shipping and insurance for foreign markets they have already penetrated (ibid). These firms may also require the intermediary to “stimulate new demand in some markets while simultaneously outsourcing its physical distribution needs to ITIs in other markets” (ibid). This is to say that MNEs utilize intermediary services in pre-existing relations and processes in which they are already initiated.

In contrast, it is likely for SMEs to rely on an intermediary during the earlier stages of the internationalization process, particularly when making the decision to internalize or outsource production activities. This is because they do not typically possess the necessary resources, knowledge of foreign markets and networks to handle exporting activities in house, and therefore perceive a higher “risk and uncertainty surrounding international sales (Peng et al. 1998, p.612). For this reason, SMEs are more likely to “entrust the intermediary with the transaction creating task of identifying and negotiating with new foreign buyers” (Ellis 2001, p.2) Lee et al. (2008) suggest that the utilization of an intermediary is absolutely crucial for SMEs, as their ability to search for legitimate business partners and facilitate meaningful connections within a pre-existing network is limited due to their lack of information and financial resources (p.293). In this context, trade intermediaries are utilized to fill the gap between domestic companies and foreign markets by offering their networks and experience, in addition to their “specialization and scale of

operations” (ibid). In sum, demand for intermediary services are heterogeneous and contingent upon firm size and capabilities. The value of trade intermediary services is confirmed by a comprehensive study of Ahn et al (2010), as firms which utilize intermediary services in previous years are more likely to achieve direct export capabilities in future years, than firms that did not utilize intermediary services at all.

2.2.2 Classifying the Role of Intermediaries in Facilitating Trade

With the rampant pace of globalization and increased fragmentation of value chains comes a substantial increase in demand for trade intermediaries and their services. Depending on firm size and unique needs, trade intermediaries may assume one of the two roles mentioned by Ellis (2009)- physical fulfillment (PF) vs transaction creating (TC)- or a mix of the two. Review of all recent international trade literature by Balabanis (2005, p.438) highlights the following roles found under each category.

Type A: Physical Fulfillment

If a client is looking for assistance in filling foreign orders, it would be wise to select an intermediary which offers physical fulfillment services. Here, the intermediary is chosen because it improves the efficiency of product and service distribution. The range of services an ITI of this nature can include:

- A.** Export documentation
- B.** Provision of cost, insurance and freight quotes
- C.** Export packaging and marking;
- D.** Warehousing and freight forwarding
- E.** Quality control of exported goods
- F.** Financing and credit of export transactions

This type of intermediary is often approached by large firms or even country governments with the aim of maximizing productivity. According to Ellis (2003) intermediaries can maximize the productivity of their clients in two ways. Firstly, they improve the efficiency of product and service distribution via the minimization of costs incurred by trade barriers (p.87). According to Cox (1965), this is possible "because they reduce the cost of maintaining the connections through which people make contacts with one another” (n.p.) Secondly, intermediaries of this nature are crucial

in the facilitation of international exchanges, by providing access to previously unreachable markets and ascertaining new sources for the firm/home country's supply chain. The consequence of this type of trade is often the, "relaxation of supply constraints and an accrual of gains from trade" (Ellis 2003, p78). On the firm level their value is discovered through their ability to improve buyer/seller communication and accelerate the flow of information within the supply chain (ibid). This is demonstrated as they "coordinate the flow of materials and resources between customers and suppliers (Popp 2000, p.85)" In this sense, intermediaries help clients "search for new opportunities to trade new sources of products and materials, and design new ways in which supply and demand can be integrated" (ibid).

Type B: Transaction Creating

Here, the intermediary is chosen to serve as a conduit for market information, technology and networks. The range of services an ITI of this nature can include (Balabanis 2005):

- A. International market research
- B. Product research and design
- C. Development of marketing strategies and plans
- D. Advertising and promotion
- E. Selection of foreign distributors
- F. Training of distributors' staff
- G. Pre and Post sales services
- H. Negotiation of collaborative agreements on behalf of suppliers

As a result of the geographic and cultural distance between buyers and sellers. information asymmetries have a ubiquitous presence within the spectrum of international trade, and have crucial effects on the allocation and distribution of resources. Thus, international trade intermediaries serve as an important conduit for market information, technology and networks for firms seeking to internationalize. In fact, one of the most notorious ways in which firms can obtain crucial market information is by accessing the "deep knowledge" possessed by intermediaries (Rauch et al. 2004, p.69). This is because without accurate estimates of supply and demand of their product, coupled with non-transparent information on the most appropriate buyer or seller to approach, internationalization becomes time-consuming and costly. Seeing as most markets (especially those of emerging economies) typically lack perfect information about prices and

product specifications, Rauch et al. (2004) postulate that intermediaries can be classified by their ability to sell/provide access and use of their specialized networks (ibid). Moreover, Popp (2000) supports this view, terming intermediaries as “specialists in handling information” as they use information to “markets over time and space, improve coordination, monitor progress on orders, combine orders to realize economies of scale and to evaluate new sources” (Fung et al. 2007, p 160-61). Lastly, ITIs are able to lower costs for firms by owning the negotiation process and in the “prevention of cultural misunderstandings due to language and cultural gaps.... And help to produce a better ‘deal’ thus reducing the potential for export failure (Peng & Ilnitch 1998, p. 614).

In sum, what remains clear is that SMEs have an overall disadvantage in engaging in international expansion due to their size, lack of resources and liability of foreignness and newness. For this reason, SMEs will rely on intermediary services to help them gather important information and forge linkages within the target market. For the purpose of this report, it is argued that the home government can act as an intermediary and work together with the vital private intermediaries in the target market business ecosystem to coordinate and offer crucial services to its SMEs in their expansion process. This study is particularly relevant in Canada’s efforts to mobilize its SMEs to engage with and export to emerging markets. This case is illustrated below.

2.3: Canadian SMEs and Emerging Markets

2.3.1-The Importance of Canadian SMEs

An official statement by the Government of Canada stipulates that small to medium-sized enterprises play the most prolific role in Canada's economic prosperity, accounting for 99% of Canadian businesses and employing 64% of Canadian workers in the private sector (Industry Canada, 2011). 98.2% of these businesses have fewer than 100 employees (Innovation, science and economic development Canada, 2016). 55% of these businesses have fewer than 4 employees, while 1.6% are categorized as medium sized enterprises (100-499 employees) (ibid). On average, small businesses create roughly 100,000 jobs per year and produce 25% of Canada's total exports (ibid), yet only less than 2% of Canada's SMEs are currently exporting, leaving substantial room for growth if the government focuses their efforts on aiding them in international expansion (Laurin 2013, p.8).

It is clear the Canadian SMEs are the backbone of the Canadian economy, which means sustaining and increasing their economic performance is vital. While exports have long supported Canada's economic ascension into the 21st century, Canada's export performance has lost its momentum due to the "strength of the Canadian dollar, poor productivity growth compared to other companies, and what Canada exports and to whom it exports" (Laurin p.4, 2013). For this reason, Canadian companies have begun to shift their attention from their long-time partners in the United States towards the burgeoning emerging economies, whose rampant growth can no longer be ignored. In this context, "sustaining the country's future prosperity depends on [Canada's] companies to meet the challenge of global competition" (ibid). New realities affect the nature of the global economy and the prosperity of nations, the most noted being the fragmentation of value chains, wherein the location of firm activities have an enormous impact on profit generation and how different countries are integrated into the global economy. This means that new opportunities are emerging for Canadian SMEs to enter GVCs domestically, allowing for specialization, capitalization and growth on an international scale (Laurin 2013, p.8).

In this light, authors Sui and Tapp (2015) posit that Canadian SMEs must be encouraged to increase their exports and investment to emerging economies in order to diversify trade past the manufacturing sector and sustain Canada's economic prosperity as a whole (p.1). Studies by Industry Canada (2011a) indicate that Canadian SMEs experience far more success in emerging

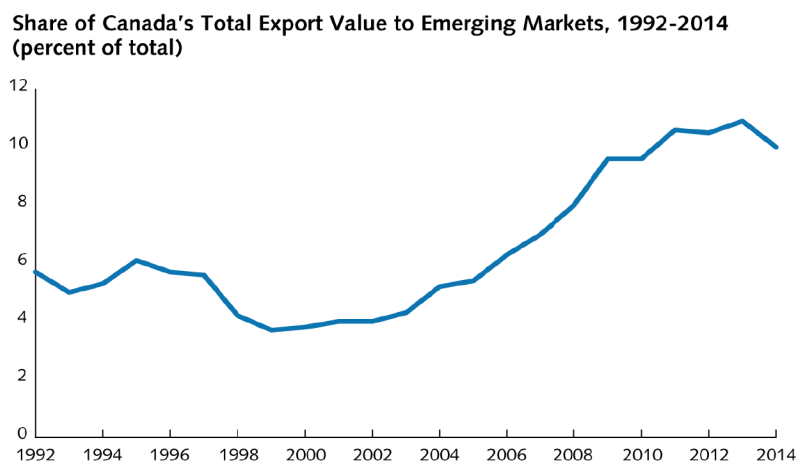
economies, than American and European markets (Laurin, 2013 p.8). The study found that Canadian SMEs account of 20% of Canadian exports to the US and European markets and 40% of Canadian exports to “South Korea (52.8 per cent); India (65.1 per cent); Indonesia (44 per cent); Turkey (60.6 per cent); and Egypt (63.3 per cent)” (ibid). Moreover, Baldwin and Yan (2015) derive a direct correlation between exporting and overall firm performance, which stands true for Canadian SMEs (Sui & Tapp, 2015 p. 15-16). Exporting SMEs had high revenues and tax profits because they invested far more in R&D, technology and training, which allowed them to innovate their product and service offerings. These firms were a part of a Global Value Chain, which allowed them to focus on their assets and leverage their competitive advantage. In order for Canada to remain internationally competitive, motivating SMEs to export must become critical component of the government’s trade policy. Below, current trade patterns for Canadian SMEs are discussed.

2.3.2- Current Trade Patterns for Canadian SMEs in emerging markets

Canadian SMEs need to take advantage of the growing demand in emerging markets. This was recognized as the Trudeau administration took office in 2015, Minister of International Trade Chrystina Freeland declared that, “among the top mandates of the office is to Develop a targeted strategy to promote trade and investment with emerging markets... [and] should include the mobilization of our SMEs” (Trudeau 2015). Given the the Canadian’ government’s new focus on SME export engagement in emerging markets, it is important to identify the current trade patterns of Canadian SMEs to construct strategies for the future (Tapp & Sui, p.1, 2015).

Sui and Tapp (2015) highlight a 6% increase in Canada’s total exports to emerging economies since 1992 (Figure 7).

Figure 7: Share of Canada’s Total Export Value to Emerging Markets, 1992-2014; Sui and Tapp (2015) p.20



Source: Authors’ calculations using Innovation, Science and Economic Development’s Trade Data Online.

The authors posit that this upward trend is concomitant with the economic growth of emerging economies- especially China- and the slow recovery of advanced economies in Europe and the USA after the global financial crisis, suggesting a continuing trend for Canadian SMEs to choose emerging economies as their first export destination (Sui and Tapp 2015, p. 20). In their seminal report on the effects of exporting to different types of markets on the performance of SMEs from 2008-2014; Sui and Goldfarb (2015) found that exporting increased sales and profits for Canadian SMEs, particularly in BRICS economies, with a large amount residing in China (Sui and Tapp, 2015, p. 22; Sui and Goldfarb, 2015). That being said, the authors also present an interesting trend- in 2014, over 40, 000 firms were exporting goods and services; 96.9% of this total were SMEs and 3.1% were MNEs (firms with 500+ employees) (Sui and Tapp 2015, p.5). However, MNEs accounted for substantially higher export revenues (on average \$276,809) in comparison to SMEs (\$2,995) (ibid). This is to say that although SMEs account for the highest share of Canadian export values in emerging markets, they still lack substantial revenues in comparison to MNEs in the same markets (Koldyk et al. 2015; Laurin, 2013 p. 8). Due to the significant fixed costs involved in serving emerging economies, size matters for Canadian trade outcomes, as “both export propensity (the percentage of businesses that sell goods and/or services abroad) and export intensity (the percentage of total business revenues that comes from exports) increase with firm size” (Sui and Tapp, 2015, p. 10). Seeing as the economic prosperity of Canada hinges substantially on the ability of SMEs to engage in successful trade with emerging economies, further analysis must be conducted to understand which barriers are standing in the way of revenue maximization in their endeavors. Understanding these barriers can help the government provide services and implement policy to mitigate them. Below these barriers are categorized and discussed.

2.3.2- Barriers for Canadian SMEs

With the potential of large returns comes significant risk, which presents substantial barriers to companies who lack sufficient resources to manage their products abroad and compete with rival firms (p.2). Despite the numerous potential benefits of exporting and investing in emerging economies, the growth profile of Canadian SMEs in export markets scores below the OECD average (DEEP center, 2015, p 6). According to Export Development Canada, “only 4.8% of Canadian companies with export potential actually do so” (Herman, 2015). For the Canadian

government to mitigate the obstacles of international trade and implement meaningful policy, an understanding of the real barriers faced by Canadian SMEs must be acquired. Laurin (2013) posits that there are 3 categories of barriers which face Canadian SMEs who are considering/ interacting with global markets: “barriers to trade and investment, barriers to acquiring business intelligence, and barriers to domestic competitiveness” (p. 27).

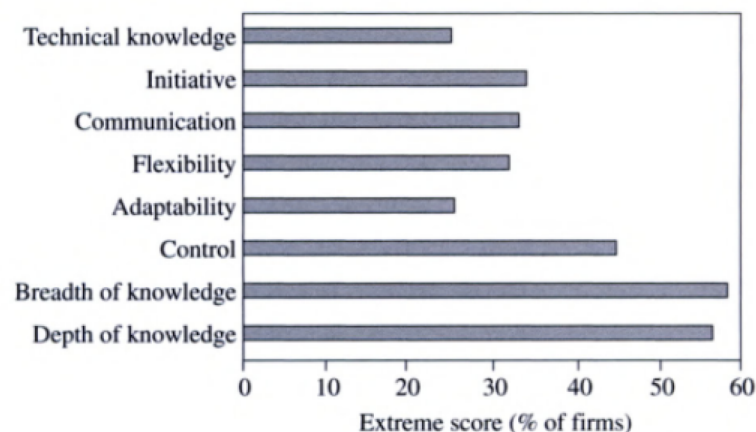
Barriers to Investment and Trade

A 2013 survey of Canadian companies by the Canadian Manufacturers and Exporters (CME) found that when asked, 35% of respondent sited protective regulations and product standards as one of the top barriers to investment and trade (DEEP Centre, 2015 p. 8). 23% noted import barriers and 15% sites security and/or customer requirements in foreign markets as other significant barriers to trade (ibid). According to OECD (2009), shortages of working capital to finance exports is another top barrier for SME exporters (ibid). Considering most SMEs have trouble accessing the proper financing for their expansion needs, barriers which incur high capital expenditure will often deter SMES from the process entirely.

Barriers to acquiring business intelligence

Firm size plays a substantial role in knowledge and network access (Huggins et al. 2010). According to Aldrich and Auster (1986), small firms suffer from a “liability of smallness” because they face several resource deficiencies in terms of time, knowledge, staff and money- making them more prone to relying on external services in the internationalization process (Aldrich & Auster, 1986; Garsombke and Garsombke, 1989). In Figure 8, Baldwin and Gellatly (2003) discovered that 56% of bankrupt Canadian SMEs failed due to knowledge insufficiencies (p. 149-150).

Figure 8: Management Deficiencies leading to Bankruptcy; Baldwin & Gellatly (2003), p. 150



Moreover, the OECD (2009) suggests that a 3 of the 4 top challenges facing SME exporters are “limited information/analysis of markets; inability to contact potential customers and lack of managerial knowledge” (Deep Center 2015, p. 7). In 2013, a survey conducted by the CME asked respondents to choose the most significant barriers to exporting, in which 43% answered “lack of experience or knowledge of new markets; 38%- Difficulty in finding partners, distributors or sales agents; 35% responded with Difficulty identifying market opportunity; and 31% identify a lack of internal expertise” (ibid).

Okello-Obura et al. (2011) confirm that SMEs “need to have access to adequate information to enhance productivity and to facilitate market success.” Due to the forces of globalization, time and knowledge have come to the forefront of business strategy and survival for SMEs. Specifically, networking and external knowledge sourcing is becoming a trend which has become crucial to their success and competitiveness (Huggins et al, 2010 p.2). Knowledge sourcing encapsulates “learning to use new technology... drawing on new scientific research to facilitate research ... or using expert marketing advice or technical or business expertise that is not available in-house” (ibid). As their size prevents them from generating all the necessary information to develop their own products and processes, SMEs must know where to look and also choose the expertise and information most suited for their business goals. However, an unfortunate reality is many SMEs (as a result of their lack of expertise and general knowledge), are either unable to choose the right knowledge sources and often miss out on international business opportunities. For SMEs looking to go abroad for the first time, the first process of internationalization can be most cumbersome as it involves a significant amount of market research to determine the most effective penetration strategy. In an era where time is concomitant to effective business strategy implementation, SME managers cannot afford to waste time on advice and knowledge services which are not in direct use to their goals. Therefore, knowledge and information provision is the top service required for SMEs.

It is important to note here that a major problem is not that the information is insufficient, but rather, there is “too much information produced [from] multiple sources” (ibid). To combat this issue of information saturation, Okello-Obura et al. (2011) posit that “appropriate interventions” such as providing “an appropriate selection criterion” is required (ibd). In this light, diffusing and categorizing relevant information for SMEs is of utmost importance in order to

enable their success in the internationalization process. In section 3.2 it is argued that the provision of market information is a role and service that the government can provide to its indigenous firms.

Barriers: Domestic and International Competition

The competition faced by Canadian companies abroad is fiercer than ever, and is frequently cited by business and political figures alike as one of the main barriers to obtaining market share in emerging economies. According to Laurin (2013), competition is particularly cumbersome for SMEs, as “64 per cent of small businesses in the manufacturing sector already compete against multinational enterprises in their main market (Industry Canada, 2011).” In a survey conducted by the CME, 47% of respondents identified competition from third countries as the most significant external challenges in expanding sales (DEEP Centre, 2015 p. 8). Interviews conducted by the DEEP Centre in 2014 found that as competition increases, the more difficult sustained growth and competitiveness are able to be achieved by Canadian companies (ibid). All interviewees noted that their, “continued success in international markets will rely, in part, on a stronger and more effective public role in facilitating international expansion and in ensuring Canadian companies are operating on a level playing field vis-à-vis their international competitors” (ibid). In this light, the current state of Canadian business relations requires the government to increase its involvement and services to help Canadian companies compete in the global marketplace.

2.3.3- International Government support in the Canadian Context

There are 5 main roles the government can play in various stages of internationalization of Canadian SMEs. These roles are: Providing market information and local market knowledge; Relationship brokering; Providing operational knowledge and business services, Mentorship and networking, and low cost space (Deep Center, 2015 p. 9). These roles are discussed in detail below.

1. Market Research and Local Market Knowledge: A crucial role a government can play to support its exporters is by providing market information, which allows SMEs to make decisions based on their unique circumstances in the beginning stages of the internationalization process. This holds especially true for Canadian SMEs, as reports conducted by the DEEP center (2015). suggest that increasing export activities remains the top challenge facing the Canadian government, due to their lack of local market knowledge and market research (p. 9). This is because Canadian SMEs lack the proper market-specific knowledge, tools and data sources for,

“assessing opportunities for their products or services in these markets” and therefore lack the ability to clearly identify the right opportunities for growth (ibid). Therefore, there is increased demand for the Canadian government to provide access to up-to-date sector-specific and market-specific information on emerging economies. In addition, the government needs to provide local market knowledge- information that is specific to the local business environment of the target economy, which allows SMEs to specifically adapt their product to fit local demand. These two roles are the most crucial for SMEs in the beginning of the internationalization process.

2.Relationship Brokering: After a firm deems its product or service suitable for the local target economy, the issue of brokering the right relationships with partners, buyers and/or distributors is both incredibly taxing and time consuming. As in many circumstances where time means money, SMEs are more susceptible to “fruitless searches for contacts and potential buyers” (DEEP Center, 2015, p.9). In this light, governments can act as relationship brokers- introducing their SMEs to the right contacts to save time and capital.

3.Operational Knowledge and Business Services: Once a relationship with the right contact has been forged successfully, costs arise due to cultural differences and regulatory barriers in emerging markets. As a result, Canadian SMEs require operational knowledge and business services in the form of “information, guidance and services in issues such as tax, regulatory compliance, in-market human resources and intellectual property” (ibid). According to Laurin (2013), a crucial role the Canadian government can play is to lower these costs of entrance and operation to emerging markets for Canadian SMEs. In this light, the government can be seen as a “trouble shooter” which can be pursued via the negotiation of trade and investment agreements, and the resolution of customs clearance or unfair business treatment issues, which “reduces obstacles and improves market access” and “simplifies customs procedures and promotes cross-border commerce” (p.4).

4. Mentorship and Networking: Another key government service area identified by the DEEP Center (2015) is the provision of connection to the pre-existing Canadian expat community in the target market. The government can also provide mentoring services targeted towards cultural

integration and adaptation of the firm's services and employees. These services can often take the form of localized networking events and organized celebration of Canadian holidays (p. 9).

5.Low-Cost Space: A major challenge for Canadian SMEs are the search and fixed costs of finding and acquiring short-term office space and/or residential housing in emerging markets (ibid). Thus, there is a demand for accessible and reliable spaces for short and long term stays. In this way, the government can broker contracts with local landlords to have spaces available or provide the spaces at a lower cost.

In order to improve Canada's trade performance, Canadian businesses must take their operations abroad (Laurin 2013, p.2). In light of the ever changing landscapes of international business, it is clear that Canadian SMEs require particular services from the government that extend beyond brokerage of international trade deals. Rather, Canadian SMEs need specific facilitation and support services from the government in order to increase the success of their expansion to emerging markets. That being said, recent literature shows that unique barriers emerge to constrain Canadian SMEs from using intermediary services. This phenomenon is discussed below.

2.4.: The Conundrum- A Case for Differentiation

In 2011, the Government of Canada conducted a study to measure international business performance by comparing firms assisted by trade commissioners to those unassisted. The results showed that firms which utilized trade commissioner services exported 18% more than firms which did not utilize the trade commission service (Parliament of Canada, n.d.). The study also showed that these firms were able to diversify in international markets 36% more than firms who had not received government assistance (ibid). These services create value for market penetration and have increased the success of SME market penetration by 50% (ibid).

However, in their seminal research on trends and evolution of Canadian SMEs, Sui and Tapp (2015) discovered an alarming conundrum: Despite the availability and proven efficiency of government services, only about 5% of Canadian exporters utilize Canadian government services (p. 27). Sui and Tapp (2015) confirm that few government policies "appear to have played a supportive role in increasing Canadian exports" for existing exporters, while "their effectiveness in helping first-time exporters is still unknown" (ibid). The authors stipulate that the Canadian

government would benefit substantially from additional empirical evidence confirming the best strategy for Canadian firms in a particular market (ibid). Moreover, a report conducted by the SME Services Officer to the Canada-China Business Council in 2014 stipulated that expressing government services effectively is an important challenge. What's more is that there is an overabundance of aid organization for internationalization in China that makes differentiating between services offered difficult for SMEs. In fact, the report shows that SMEs often have several services at their disposal that remain underutilized in light of the unsuccessful communication (Crnogorac, 2013). In a world categorized by an overabundance of information, making the right business decisions and choosing the right services is more difficult than ever (Anderson, 2006, p. 81). According to Ogbadu (2012), SME managers commonly discover that their "information problems result from an overabundance (not paucity) of marketing data" (p. 29). This is confirmed by Hu et al. (1998), who posit that a main barrier facing firms today is "not that they are unable to find the information that they are looking for" but, rather, their inability "to digest the overabundance of data/information" that they uncover (p. 226).

To motivate Canadian SMEs to expand to China, the Canadian Government must make an effort to differentiate and educate its SMEs on the services each intermediary body offers and how their particular services can lower various costs of expansion. Sheen Iyengar's seminal research on "*How to make choosing easier*" suggests that service providers should "Cut, Concretize, Categorize and Customize for complexity" when offering a range of services. By categorizing the services, SMEs will have a better understanding of what they are choosing and will be more likely to participate in ongoing decisions rather than abandoning the process altogether (Iyengar, 2011). With this in mind, this report will act to clarify, differentiate, and increase awareness of existing intermediary bodies and their services in the Canada-China relationship. In the scope of this project, there has been little work that examines how intermediaries differentiate from each other in the Canada-China context. What's more is the lack of work in extant intermediary literature that supports the crucial role government can serve in the trade and expansion processes of its domestic firms. Considering the relevance of Canada's growing trade relations with China and the increasing demand to encourage Canadian SMEs to export to emerging markets, detailing the services available to Canadian SMEs so as to help them penetrate local Chinese markets is crucial. One report, through the Asia Pacific Foundation of Canada, and by Bathelt and Li (2015), emphasizes the crucial roles and services of the most prolific organizations in the facilitation of

expansion of Canadian SMEs to China (Appendix 1). The roles and services of these organizations will be cross-analyzed and categorized according to current trade intermediary literature (Balabanis, 2005) so as to differentiate their services for Canadian SMEs considering expansion to China.

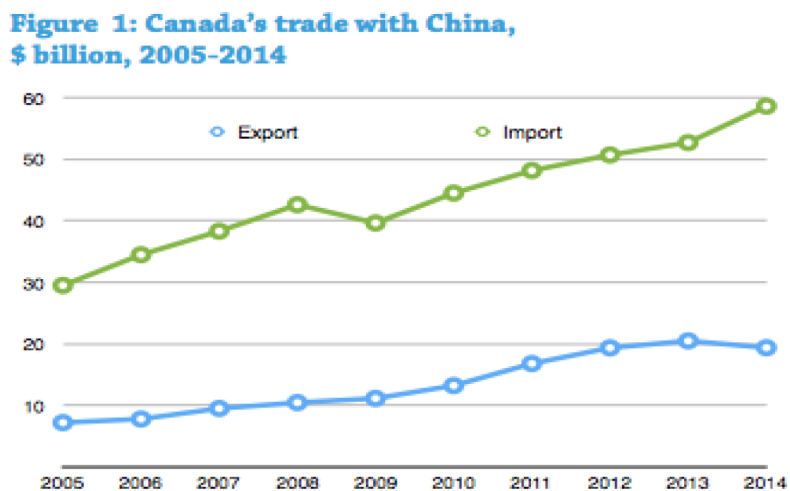
Chapter 3: Canada-China Relations

Intermediaries are highly influenced by the unique “economic and regulatory conditions of their home environments” (Ellis 2001, p. 242), the context in which Canadian intermediaries in the Canada-China relationship must be discussed. According to Daniels et al. (2007), international business relations comprises “all commercial transactions that take place between two or more regions, countries and nations beyond their political boundaries.” For the purpose of this report, international business relations will be represented by the exchange of trade and foreign direct investment (FDI) between two countries. These two components are indicated by the exchange of capital, goods, and services across global borders (ibid). Below, this paper presents a brief synopsis of the trade and investment between Canada and China so as to illustrate the current nature of their business relations.

3.1: Canada-China Trade and Investment Relations

As of 2003, China has maintained its position as Canada’s second largest trading partner. According to Figure 10, created by Bathelt & Li (2015), Canada-China trade has clearly exhibited a positive, linear relationship for the past decade (2005-2014).

Figure 10: Canada’s Trade with China \$billion, 2005-2014; Bathelt and Li (2015) p.10

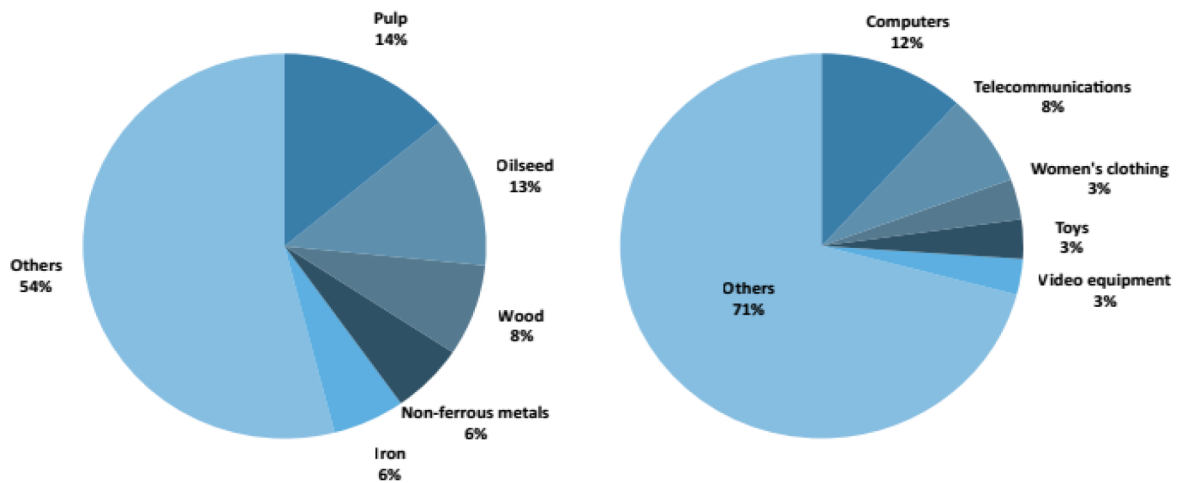


Data source: Canada. Industry Canada,¹⁷ authors’ calculations

Despite Canada’s extreme reliance on the United States for most of its trade, the authors stipulate that second place China makes up 4.3% (\$19B) of Canada’s total export value and 11% of Canada’s total import value at \$58B (ibid). Analysis of Canada-China trade statistics from 2005-2014 show that Canada’s trade deficit with China has multiplied twofold from \$20B to \$40B, “suggesting that Canadian imports from China have grown much faster than Canadian exports to China” (ibid). Furthermore, the authors anticipate that Canada’s trade with China will continue to increase because of the steady growth of the Chinese economy (ibid). The authors illustrate the current organization of Canada-China trade in Figure 11, demonstrating “evidence of a structural imbalance” in the relationship, as Canada imports manufactured goods and exports raw materials to China (ibid). This provides an interesting opportunity for Canadian economists to conduct a thorough examination and thereby determine whether this phenomenon extends beyond the comparative advantage of these two countries and also whether Canada has the capacity to take a more dominant role in its trade.

Figure 11: Major Canadian Exports to China (Left) and Canadian Imports to China (right) by product group, percentage according to value 2014, p. 11

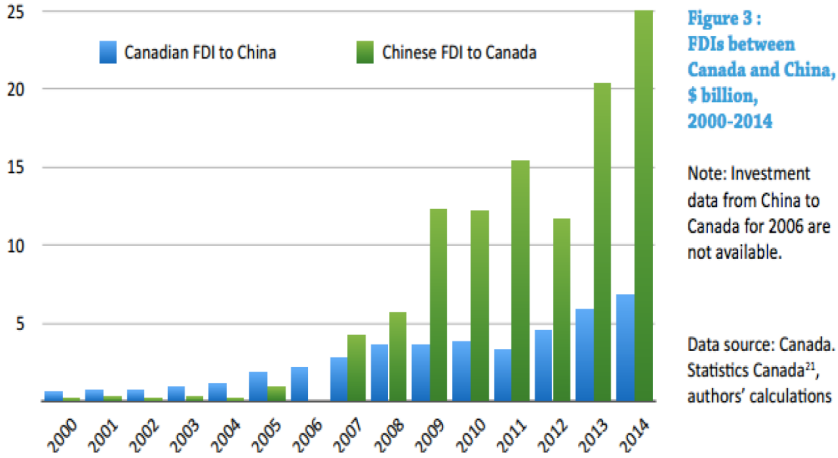
Figure 2: Major Canadian exports to China (left) and Canadian imports from China (right) by product group, percentage according to value 2014



Data source: Canada. Industry Canada²⁰, authors’ calculations

Figure 12, by Bathelt & Li (2015), shows a steady but small increase in Canadian investment in China, totaling \$6.8B in investments by 2014.

Figure 12: FDI between Canada and China \$billion, 2000-2004; Bathelt and Li (2015) p. 15



In light of these trends, investments made by SMEs in both countries are notably growing rapidly, with Canadian SMEs investing in Chinese manufacturing and service sectors and Chinese SMEs investing in Canadian agriculture and tourism. According to the Canadian Agri-Food Trade Alliance, China has become “the third largest destination for agricultural products worldwide” and is expected to become the “world’s largest agricultural importer by 2020” (CAFTA, 2017). In 2014, China absorbed \$4.7 billion of Canadian agriculture and agri-food products and, aside from canola products, has become “an important market for Canadian pork beef, wheat and barley” (ibid). Despite these high numbers, Canadian exporters face a number of trade barriers which impede growth and restrict the types of products that can be sold because China has instituted several self-sufficiency domestic policies that protect domestic agriculture, thereby impeding on the competitiveness of imported goods from Canada (ibid). In light of the *Global Markets Action Plan*, deepening bilateral and investment ties and renegotiating the terms upon the two countries exchange is crucial.

3.2: Canada-China Relations under the Trudeau Administration

Since his election in 2015, Prime Minister Justin Trudeau has relentlessly continued his father’s legacy in Canada-China relations. On September 6, 2016, Trudeau concluded a successful first visit to China to “reset” relations and strengthen ties between the two counties. Following this visit, more than 60 commercial deals were signed, including a “Joint Venture between SNC-Lavalin Inc, China National Nuclear Corp and Shanghai Electric Group Co Ltd to develop nuclear

reactors” (Van Der Linde, 2016). Sandy Taylor, the president of SMC’s power division, posits that this is a huge step and promises benefits for both parties, giving the Canadian company access to local markets and opportunities for future collaboration on and knowledge-sharing of future nuclear-based projects around the world (ibid).

On September 22, 2016, Trudeau and Premier Li Keqiang announced the deepening of economic ties between Canada and China, with goals to double trade between the two countries by 2025 (ibid). At this joint conference, the two leaders began a discussion of an eventual free trade agreement and also re-negotiated previously detrimental trade requirements (ibid). According to HSBC Chief Economist David Watt, there are many benefits for Canada’s resource-based economy as China continues to be a “top driver of commodity prices for the next 30 years” (ibid). There are also major benefits for China as well in the area of “financial sector knowledge and technical expertise” (ibid). In addition to the numerous common interests between Canada and China, forging a strong alliance is more important than ever for Canada’s productivity and ability to compete on a global scale. According to the director of the Canada-China Energy and Environment Forum, Wenran Jiang, “the stakes are extremely high if Canada does not reset the relationship with China”, a failure which would prevent Canada from competing in the global arena with countries who have already signed free trade agreements with China (CBC, 2016). Overall, Canada-China relations are clearly more relevant than ever and developing a strategy for trade and business relations going forward is essential for Canada’s future prosperity.

3.2.1: Why Should Canada Trade with China?

China has proven itself to be one of the most remarkable economic success stories of the 21st century. As it transitioned from previous years of stringent government control over its corporate world to a more liberal system marked by an “open door” policy, unsurprisingly, it has become one of the most popular destinations for inward foreign direct investment in the world. According to Global Affairs Canada (2016), China’s annual GNP sits around 7-8%. Gordon Orr (2016) illustrates the remarkable growth trajectory of China’s consumer market, which grew from \$1.3 trillion in 2010 to a whopping \$10 trillion in 2015. Forbes (2011) estimates that 10 million new consumers enter the market each year. Despite the slowing of its infrastructural and industrializing efforts, businesses continue to see China as a valuable opportunity for investment. This is largely because of the consumption and production potential of its 1.3 billion population. This first became

distinctly apparent in 2011. As China entered its 12th 5-year plan, it shifted from an export-based economy to one focused on serving domestic demand. In fact, Chinese officials have repeatedly called for a focus on consumerism, or internal demand, to be the new overall direction for the Chinese economy, moving from an emphasis on expansion to stability. This shift has created a new, lucrative opportunity for foreign businesses offering products and services in all industries.

Moreover, the income and size of the Chinese middle class is increasing and is no longer represented strictly by the urban population found in Shanghai, Beijing, and Hong Kong, but also by the second- and third-tier cities in developing areas. According to Goldman Sachs (2014), only 11% of the Chinese population can be classified as middle class, leaving room for extreme growth and, thus, market potential. Goldman Sachs (2014) divides Chinese consumers into four sub-groups: white-collar "Urban Middle", blue-collar "Urban Mass", "Movers and Shakers", and "Rural Workers". The firm is confident that future growth will come from two key groups: the "Urban Middle", China's narrow middle class, which represents 146 million people earning \$11 733 US per year, and the "Urban Mass", which includes 236 million Chinese (comprised of blue-collar and migrant workers) who earn an average of \$5858 US per year (ibid). The "Urban Middle" segment is relevant as policies to increase income will have a "strong effect on their purchasing power in future years", while the "Urban Mass" is predicted to endure the biggest rise in income, thus "allowing [it] to broaden [its] spending beyond consumer staples" (ibid).

3.3 China: The world's most attractive market, but at great cost

The decision of whether to expand to a new market is one of the most critical decisions that a firm will make and barriers to entry in the target market are a key factor in market entry decisions. According to Niu et al. (2012), a market entry barrier is defined as "any factor that reduces the motivation or ability of potential entrants to enter a new market despite the high profits enjoyed by the early pioneers in that market" (p. 96). Although China offers attractive opportunities for foreign companies, the market entry barriers in regards to a foreign company's internationalization strategy are also important to consider. With a population of over 1.3 billion people and a landmass spanning further than that of the United States, China presents a unique set of obstacles in comparison to any other market in Asia (Hedley, 2016). As mentioned above, China has a diverse population with large income gaps and diverse consumption patterns. These differences are often misunderstood or neglected, especially by non-Chinese firms (Forbes, 2011). China cannot be

addressed as a single market. Rather, it must be divided into its various sub-groups in order to gain a comprehensive understanding of its function before a company can adapt strategies of penetration (ibid). In this light, China must be interpreted not by its global consumers, but rather as an amalgamation of markets with varying demographic, economic, and cultural characteristics (ibid). According to Hedley (2016), this is exemplified by the, “huge variations between different provinces in terms of population levels, per capita GDP, average income levels, consumer spending habits, education levels, literacy rates, lifestyles and so on”. Hedley emphasizes the varying “nature and make-up of markets” in Chinese provinces as a critical focal point in a foreign firm’s expansion strategy (ibid).

Although the profit potential of expanding to China is impressive, so are the obstacles. In fact, recent literature stipulates that firms expanding to emerging markets for the first time will “face an array of institutional voids that shape capital, product, and labor markets in these economies” that can deter timely and/or efficient entry (Khanna and Palpeau, 2010; Su et al., 2014 p.3). For this reason, Canadian SMEs require the assistance of intermediaries. In the context of expansion to China, market entry barriers to China for foreign firms can be divided into seven categories. These categories are discussed below.

(1) Market Access: Choosing the Right Entry Point

Market access, or choosing the right point of entry, in China is particularly difficult as a result of complicated “local distribution networks, habits of local consumers and regulatory requirements” (TMF, 2016). When observing China’s 33 provinces and administrative regions (Figure 13), the different geographical locations (entry points) offering differing routes in accessing the broader Chinese market become clear (Figure 14) (ibid).

Figure 13: Map of China’s 33 Provinces and Administrative Regions; TMF Group (2016)



Figure 14: Access Points and Chinese Markets; TMF Group (2016)

Province	Industry
Shanghai	Petrochemicals, chemicals, pharmaceutical, automobile, electronic apparatus, financial
Beijing	IT, communications, electronics
Guangzhou	Automobiles, electronic appliances, textiles, apparel, toys, petrochemicals, chemicals
Jiangsu	Chemicals, textiles, communications, petrochemicals, steel, foods, auto parts, biomedicine
Shenzhen	IT, semiconductors, biomedicine, communications, electronics information
Zhejiang	Light industry, plastics, textiles, apparel, toys, metallurgy, household electrical, furniture, kitchenware
Shandong	Agricultural, oil & foodstuffs, pharmaceutical

In the past, foreign entrants have typically preferred initial expansion to “coastal provinces such as Zhejiang, Guangdong, Jiangsu and Shanghai, due to higher populations and incomes in those areas” (ibid). For this reason, Hedley (2016) identifies these cities as the typical initial destination for foreign companies with little to no previous experience in China as the cities offer the lowest risk to entry (ibid). However, what many companies fail to recognize, is that Chinese markets are geographically scattered. This is because the location of particular industrial clusters are governmentally mandated to be concentrated in a handful of cities away from the coastal regions (ibid). Hedley (2016) refers to these locations in Tier 2 cities, such as “Shenzhen, Tianjin, Wuhan, Chongqing, Chengdu, Nanjing, Qingdao, Dalian, Suzhou and Hangzhou,” as not only offering companies first mover advantage, but generally lower setup and operating costs in addition to the benefits of the “increased consumer spending power in these areas, creating rapid growth in demand for foreign manufactured goods and products” (ibid). Thus, the most effective expansion strategy is contingent upon the identification of the target market and pinpointing the location offering the best proximity, opportunities, and lowest costs to entry.

Hedley (2016) posits that this decision can only be determined with thorough research on the market landscape, including “mapping out the location of customers and suppliers, understanding how distribution channels vary between different locations, and fully researching any local regulatory barriers that could block market entry in specific regions”, which is either

incredibly difficult to access or inaccessible altogether. Here, intermediaries can exist as important conduits to bridge the knowledge gaps between firms and the Chinese market and determine the best internationalization strategy according to the firm's unique needs and capabilities (Figure 15).

Figure 15: Entry Mode Costs in China for SMEs; TMF Group (2016)

	Advantages	Disadvantages
WFOE	<ul style="list-style-type: none"> • High level of managerial control • Can employ own people without restrictions • Greater flexibility • Can convert RMB profits into US dollars • Greater level of IPR protection 	<ul style="list-style-type: none"> • Initial set-up costs high • Long incubation period • No access to JV partner resources • Higher start-up and operating costs (registered capital) • Some industry limitations • Minimum number of staff requirement • Tax and repatriation of profits challenging
Joint Venture (JV)	<ul style="list-style-type: none"> • Mandatory for some industries • Opportunity to utilise existing sales networks and customer base • Access to partner's existing resources • Production facility • Lower cost base (local management) 	<ul style="list-style-type: none"> • Less managerial control • Finding a trustworthy partner is critical • Challenging to agree terms of the partnership • May be a long negotiation period • Potential risk to IPR • Success may depend on having staff on-the-ground to oversee operations • Partner likely to negotiate terms in their favour
Rep Office	<ul style="list-style-type: none"> • Quick to set up • Low cost (low overheads) • No registered capital requirement • Good for marketing, partner auditing and admin 	<ul style="list-style-type: none"> • Unable to trade • Staff employed via third party • Limits on number of staff

(2) Bureaucracy: Administrative Licensing and Ownership Limits

According to Hedley (2016), understanding Chinese government policy and regulations is of paramount importance for SMEs. TMF (2016) shows in a recent business survey that 31% of 338 respondents listed China's laws and regulations concerning ownership limits and license and product approvals as the primary barriers to expansion. In fact, the laboriousness of completing the required paperwork for these processes is referenced by firms as the biggest obstacle to entering the market (ibid). To this day, many industries prohibit the entry of foreign companies, such as companies in the petrochemical, energy, or telecommunications industries (Hedley, 2016).

According to Lopez (2011), the rules surrounding how “products are designed, manufactured, sold, used, disposed of and certified before they enter the market” are incredibly complicated and put in place to protect domestic firms. The length of these procedures slows down the expansion process significantly and often deters companies from going altogether. To mitigate these issues, intermediaries can provide services in representation and organization to speed up the process of registration and approval.

(3) Transparency: Government Corruption and Discrimination

China has a notorious history of government corruption and of an all-around lack of transparency in regards to rules surrounding “how products are designed, manufactured, sold, used and disposed of”, making it a stressful and daunting environment for foreign firms to operate in (TMF 2016). Moreover, China’s regulations are notorious for quick and non-transparent changes, which “make it difficult to anticipate regulatory changes before they happen” (Hedley 2016). The government is often accused of favouring domestic firms over foreign entrants, making entry even more difficult. According to Lopez (2011), foreign firms are often considered secondary during project bidding, in addition to “being considered for receiving incentives, [acquiring] the same scope of business as domestic firms, indigenous innovation preferences and the ability to open branches at the same pace as domestic companies.” These difficulties are further compounded by the anti-monopoly legislation used against foreign firms. In this light, trade intermediaries can help foreign entrants interpret Chinese laws and regulations so as to mitigate the potential for confusion and level the playing field within the market.

(4) Intellectual Property Rights Enforcement

Intellectual property rights enforcement is considered one of the most daunting tasks in China, especially for tech companies. According to Hedley (2016), “any company entering the market for the first time should work under the assumption that its technology will be compromised at some point.” To avoid problems, firms must register their trademark/patent before entering the market under the consultation of lawyers, IPR strategists, or intermediaries who have deep knowledge and contacts within the Chinese IPR network. In this light, intermediaries can help companies evaluate potential partners and conduct market monitoring to detect infringements that could compromise the company’s business (Hedley, 2016).

(5) Local Competition

As China continues to ascend the value chains in several global industries, Chinese firms now offer products which now directly compete with those of foreign companies. Coupled with government policy preferences granted to local firms, this makes foreign firms' abilities to compete and remain relevant in Chinese markets difficult. In this case, firms can consult the intermediaries to acquire pertinent knowledge and advice in regards to product strategy and adaptation.

(6) Human Resources: Talent Recruitment and Retention

A firm's success is directly correlated to the quality of its staff. Lopez (2011) sites the "lack of talented skilled workers as the number 1 issue for foreign firms expanding to China." Foreign companies face the decision of employing expatriates, who are often costlier and lack local knowledge, for senior management positions or to localize these roles. Because of the high staff turnover rates in China, Hedley (2016) posits that "retaining quality managers over the long term is challenging" and forces employers to pay excessive amounts to recruit high caliber employees. According to US-Pacific Rim International (2010), another issue is the differences and subsequent tensions that arise because of the differing expectations of roles in the workplace: "While western employees tend to delegate responsibility and have flexible lines of authority, Chinese workers are accustomed to a more hierarchical structure in which each person has a clearly defined role." This reality means implementing additional strict procedures and incentives for Chinese employees to encourage creativity and productivity. In this light, firms can consult intermediaries to develop and implement useful HR strategies to mitigate cultural differences and retain high-caliber employees.

(7) Complex Business Culture (Guanxi)

Guanxi is the fundamental organizational principle of Chinese society and is present in all social interactions. The concept is defined as "a subset of Chinese personal connections between people (relationships) in which one individual is able to prevail upon another to perform a favor or service" that involves the meticulous deployment of essential moral behaviours "in pursuit of diffuse and calculated instrumental ends" (Langenberg, 2007, p. 1-2). In essence, as a key behavioral rule governing interactions in Chinese society on a macro and micro level, guanxi provides a "lubricant" (as some scholars call it) that helps in the day-to-day life of the Chinese (ibid). According to Gold (1985), the model guanxi network includes "everyone from store clerks who control scarce commodities to cadres who have the final say over the permits" (p. 661) In fact, because of the profound role of guanxi in everyday life, scholars argue that guanxi is a key

determining factor in the Chinese business environment, adding a “second currency” to the macroeconomic system (ibid). Guanxi has been rendered of the utmost importance in the exchanges of “affection, face, gifts and favors” and are in many circumstances more influential than common commodity transactions (ibid). Overall, in order to succeed in China, firms must invest a significant amount of time “cultivating relationships with counterpart businesses, government agencies and trade organizations” (ibid). Moreover, language barriers make negotiations, translation, and educating the Chinese population on product increasingly difficult and time consuming. In light of these issues, intermediaries can facilitate the necessary connections the firm requires to penetrate and adapt to the local market.

Clearly, there are significant barriers to expansion in China for Canadian SMEs. However, these barriers can also be interpreted as opportunities for intermediaries to provide services which help SMEs to expand. Peng et al. (1998) stipulate that the greater the cultural distance and unfamiliarity, the more likely intermediaries are to be utilized. According to Ahn et al. (2011b), “a firm can directly reach foreign customers by incurring a fixed cost and variable trade cost” (Ahn et al., 2011b, p. 1). However, firms that use an intermediary typically incur a “one-time global fixed cost that provides indirect access to all markets which allows firms to save on market-specific bilateral fixed costs” (Ahn et al., 2011a, p.73). Utilizing the service of an intermediary allows the SME to access a target export market even if it is not productive and established enough to fortify its own global supply chain.

Chapter 4: Methodology

According to Bogdan & Biklen (1992), qualitative data are considered to be the "rough materials researchers collect from the world they are studying; they are the particulars that form the basis of analysis" (p. 106). In most cases, the analytical process is a constant element throughout data collection which determines and shapes future data collection (ibid). According to Pope et al. (2000) this allows the researcher to "refine questions, develop hypotheses and pursue emerging venues of inquiry in further depth" (ibid). Moreover, qualitative research allows for a deeper cross cultural understanding (ibid).

4.1- Validity

The goal of this applied research report will be to categorize Canada's eight intermediaries according to the services they offer in order to distinguish what roles they play in the expansion process of Canadian SMEs to China. The objective of this research will be to generate the first comprehensive cartography of Canada-China intermediaries in which Canadian SMEs can consult to aid in their expansion process to China. The focus of this paper is justified in both the academic and real-time business realms, as international business literature lacks on this subject of intermediaries in the Canada-China context. According to Ellis (2001), the roles and services offered by intermediaries are highly dependent on the cultural and institutional constructs in which they emerge. In other words, literature generated on intermediaries are therefore, country/relationship specific. Thus far, only one academic paper exists to classify public trade intermediaries in the Canada-China context (Bathelt and Li, 2015). The reality companies today are dealing with is not the absence of facilitating bodies but rather the issue that there are too many choices, with a lack of clarification of the services that each facilitator provides. Moreover, there is very little work and clarification of the differences between how these intermediaries can lower changeable costs (search costs, information costs etc.) and unchangeable costs (price to ship products to China) for Canadian SMEs expanding to China.

4.2- Why semi-structured interview?

The interview is one of the most profound sources of data in qualitative research (Merriam 1998, p.136). This method is identified by scholars as one of the most "widespread knowledge producing

practises across the human and social sciences” and can exist in structured (surveys) and semi structured forms (informal conversations) (Brinkmann, 2008. p 470). In its structured form, survey interviewing includes a list of standardized questions which are posed to obtain answers which can be quantified, whereas semi structured interviews are more relaxed and exploratory in nature. when conducting a semi-structured interview, the researcher delivers an interview guide based on the purpose of the report, but allows for respondents to answer spontaneously (ibid).

Scholars across a variety of fields of academia agree that the most useful interview format for conducting qualitative research is the semi-structured interview (Brinkmann, 2008). According to Zorn (n.d.), a semi-structured interview offers topics and questions to the interviewee which “elicit the interviewee’s ideas on the topic of interest” rather than “leading the interviewee toward preconceived choices” (p.1). By allowing the interviewee the freedom to express their own ideas and opinions on the subject matter, the semi-structured interview method provides both reliable and comparable data. In this light, the semi structured interview method is the most optimal choice for this study, as it will allow for the collection of key insights of the top officials which shape the actions and function of these institutions. It will allow for the roles of these intermediaries compared and contrasted and to create a foundation for future research on this subject. According to Bernard (1988), a semi-structured should be selected when a second or third interview with the interviewee is not possible (RJWF, 2008). As such, due to the location of my interviewees in Shanghai, this method has been selected.

An interview guide (Appendix 1) was developed to list questions and topics to be addressed in the interview. Seeing as these are the first and only interviews to be conducted with each respondent, an overview of the purpose, intended uses for the data and measures taken to protect anonymity and confidentiality was indicated. The interview guide involved a series of open-ended questions and probes to enable lengthy and descriptive answers from the respondent. This is to provide an opportunity for identifying new ways of seeing and understanding the research topic. Leading questions were avoided to eliminate bias. Each interview is recorded to maximize rapport with the respondent and then transcribed at a later date for analysis and identifications of insights and patterns in the data.

The interview was divided into four sections. Part one focuses on background questions on the respondent to demonstrate credibility of information and to develop a comfortable atmosphere. Part two focuses on the specific roles of the respondent’s institution in facilitating Canada-China

business relations (macro level) and in aiding the expansion of Canadian SMEs to China (micro level). The roles identified in this section will be recorded as the official responsibilities of the institution. Part three focuses on the institutional awareness and knowledge of the roles of other intermediaries in facilitating business between Canada and China on the macro and micro levels. The responses recorded in Part 2 and 3 will serve as the primary data and analysis to identify exactly how each intermediary is differentiated, in addition to any misunderstandings or knowledge gaps between each institution in regards to their roles. Part 4 is centralized on identifying foreign policy recommendations and obtaining real time knowledge on the future of Canada-China business relations.

4.3- Who will be interviewed?

One senior manager per institution was contacted for an interview in Shanghai. The primary purpose of the interview was to gather data on each institution from the first hand perspective of the senior manager to create a preliminary service profile. The second objective of the interview was to gather data on the external perceptions of the roles and services of the other institutions. Figure 16 provides an illustration of the individuals involved in the study and the institutions they belong to.

Institution	Respondent	Position
CCBC	Andre-Philippe Chenail	Montreal Chapter Director
CanCham	Helene LaRochelle	Executive Director
Ontario Office	Devin Brazier	International Program Officer
Alberta Office	Yvonna Zhou	Senior Commercial Officer
Quebec Office	Quebec Rep X; Past Qubec Rep Y	Councilor of International Affairs; previous Director of Quebec Office
BC Office	Ellen Xin	Director
Trade Commissioner Service	-	-
Export Development Canada	Denis L'Heureux	Chief representative-Greater China

4.4- Why structured survey?

According to Bernard (2000), semi-structured interviews are typically preceded by an

additional information gathering method to allow researchers to “develop a robust understanding of the topic of interest necessary for developing relevant and meaningful semi-structured questions” (n.p). For this reason, a semi-structured survey (Appendix 2) was also sent for completion along with the interview guide to the respondent, 2 weeks before the scheduled interview date. The main topics, dimensions and categories of the questions in the survey are defined beforehand, with the aim to identify if the predefined characteristics discovered in the literature review exist empirically and can be applied to the population under study. Although most responses are limited to what exists within the questionnaire, the respondent is given an option to detail additional information at the end of each 4 sections. The data gathered from these surveys is intended to provide additional guidance or add extra dimensions to the semi structured interviews.

The survey is divided into 4 sections. Part 1 collects data which identifies the respondent and the institution they are employed by. Part 2 asks the respondent to identify the exact roles their institution plays in the facilitation of Canada-China business relations, and provides the respondent with the opportunity to identify any roles that are not listed in the survey. Part 3 focuses on the differentiation between all intermediaries included in the survey, and requires the respondent to identify the unique roles of each institution. Part 4 features a combination of open and closed ended questions about the future of Canada-China business relations. Once all respondents have completed the survey, a weighted average index will be created for Part 3 to identify the roles of each intermediary and will be compared to what roles the respondents identified in Part 2. Based on this comparison, an official list of roles will be compiled and analyzed.

4.5- Research Design: Mixed Methods

In order to address the research question, a multiple case analysis was selected. Individual cases were created for Export Development Canada (Shanghai Office); Canada China Business Council (Shanghai); Canadian Chamber of Commerce (Shanghai); Canadian Consulate/Trade Commission (Shanghai); and the Canadian Province Trade Offices- Ontario, British Columbia, Alberta, Quebec (Shanghai); Given the exploratory nature of this research, using multiple case studies will facilitate the gathering of key qualitative information in order to create the cartography. Considering the lack of literature addressing the specific ways in which these intermediaries facilitate trade relations and aid in the expansion process of Canadian SMEs, the use of empirical considerations

will prove useful in order to produce hypotheses to answer the research question.

One week prior to each exchange, a survey and an interview guide was sent to the interviewee in order to provide information on the present research project, as well as on the types of questions to be discussed. This is to ensure the respondent felt familiar with the subject matter. In order to generate useful data, the survey is broken down into 4 main sections: General background on the interviewee, the roles of the institution in facilitating Canada-China business relations; the roles of other Canada-China intermediaries; and the future of Canada-China relations as a whole. This survey serves to familiarize the interviewee with the nature of the interview and generate useful data on the complementary and differentiated roles of these intermediaries. In order to facilitate the interview process, the guide starts with a factual content discussion on the background of the interviewee and Canada-China relations and then expands to questions which are industry and institution specific. The final section of the guide touches upon the core of the research paper: the specific ways in which each intermediary facilitates business relations between Canada and China. In an effort to generate sufficient content and unbiased opinions, the questions are formulated in an open-ended fashion without suggesting a specific answer.

Since the goal of these interviews is to objectively explore and assess how these intermediaries facilitate business relations between Canada and China, it is important to ensure that the interviewee is not influenced by the the interviewer. A survey was sent to each interviewee to act as a precursor to the final interview, and to generate helpful quantitative data to form codes for the interviews and identify each intermediary's roles based on the weighted average of the other respondents' selections. Once the interview was conducted, the codes generated from the surveys were utilized to code (MAXQDA) the interview transcripts to identify new concepts and/or confirm knowledge previously found during the literature review.

4.6: Data Collection and Analysis

As indicated in the previous section, an interview was successfully arranged on Feb 1, 2017 with Andre Philippe Chenail (93:52 minutes total) in the CCBC Montreal Chapter Office, on February 16, 2017 with Past Quebec Office Rep Y (69:18 minutes total) at a Shanghai office; on February 20, 2017 with Denis L'Heureux (37:25 minutes total) at the Canadian Consulate in Shanghai, on February 21, 2017 with Helene LaRochelle (45:19 minutes total) at the Canadian Chamber of Commerce in Shanghai; on February 22 with Winston Chan and Yvonna Zhou (41:57 minutes

total) at the Canadian Consulate in Shanghai, on February 22, 2017 with Ellen Xin (47 minutes total) at the British Columbia Trade and Investment Office; on March 22, 2017 with Quebec Office Rep X (40 minutes total) at the Quebec Trade Office in Montreal, and on March 22, 2017 with David Brazier (37 minutes total) via telephone conference. Each individual was provided an interview guide and structured survey (45 minutes) to complete, before the scheduled interview date. Each interviewee signed a confidentiality agreement to certify their participation in the study (Appendix 2). Each exchange was conducted at a location chosen by the interviewee in order to maximize comfort with the exercise. Each exchange roughly followed the structure of the original interview guide (Appendix 1). Following these interviews, the conversations with each individual were transcribed and the transcripts produced were used as the qualitative data source within this research paper (Appendix 3). Once the transcripts were finished, the documents were imported into the computer-assisted qualitative data analysis software MAXQDA. Using this software, the documents were reviewed and coded for each important theme and sub-theme identified. Proceeding the interview, the respondents were also asked to complete the structured survey (Appendix 2) results from this survey were utilized to calculate the service profiles of each intermediary.

Chapter 5: Analysis

The purpose of this report is to investigate the role of intermediaries in helping Canadian SMEs to enter the Chinese market. Many managers have raised the concern that it has become excessively difficult to differentiate between various intermediaries and that this negates their ability to take advantage of opportunities in China.

As mentioned in the previous chapter, the focus of this report is on the services provided by eight intermediaries: The Canada China Business Council (Shanghai), The Canadian Chamber of Commerce (Shanghai), Export Development Canada (Shanghai), The Trade Commissioner Service (Shanghai), The British Columbia Trade and Investment Office (Shanghai), The Alberta Trade Office (Shanghai), the Shanghai Quebec Office, and the Ontario International Marketing Center of Shanghai. The Export Manufacturers of Canada and Asia Pacific Foundation of Canada were excluded from this study as all respondents denied their relevance in the Shanghai ecosystem.

I asked each respondent to select the Transaction Creation (TC) and Physical Fulfillment (PF) services which their own institution provided and those provided by the other seven intermediaries. As is shown in the table below, a distinction was made between eight TC and seven PF services.

Transaction Creation	Physical-Fulfillment
International Market Research	Export documentation
Product research and design	Provision of cost, insurance and freight quotes
Development of marketing strategies and plans	Export packaging and marking
Advertising and promotion	Warehousing
Selection of foreign distributors	Quality control of exported goods
Training of distributors' staff	Financing and credit of export transactions
After sales services	Freight Forwarding
Negotiation of collaborative agreements on behalf of suppliers	

I used internet searches of the various organizations' website to validate whether they indeed provided these services. I will in a first step provide a discussion of the services provided by each intermediary separately. In a second step, I will use correlation diagrams to identify the degree of differentiation between the various intermediaries.

5.1: Service Portfolio of the Intermediaries

The Quebec Office: Shanghai Chapter

Inaugurated in 1999, the Quebec Office of Shanghai has a mission to promote Quebec in and to coordinate institutional, economic, technological, educational and cultural relations with China. The Shanghai office covers 16 provinces, including Anhui, Chongqing, Fujian, Guangdong, Guangxi, Guizhou, Hainan, Hong Kong, Hubei, Jiangsu, Macao, Shanghai, Sichuan, Tibet, Yunnan and Zhejiang. This office aims to help Quebec companies to develop, consolidate and diversify within foreign markets. More specifically, the Quebec office in Shanghai assists companies in preparing for export, as the main goal of their services is to "reduce the time, costs and risks associated with exporting" (MESI, 2017) thus contributing job creation and the overall GDP of Quebec.

Membership

According to Export Quebec representative X, the office helps on average, 300 Quebec companies per year. A majority of the companies are SMEs based in the construction, Cleantech, Healthcare technology, E-commerce, Fashion and Agri-food, as they are all sectors that are profitable to Quebec. To access the QO services, SMEs must be a part of the Canadian business community and in some way contribute to the economic prosperity of Canada (TCS 2015). They also must demonstrate potential for internationalization. According to the QTO, SMEs can demonstrate their participation in Canada's business community by "maintaining established offices, a subsidiary, a plant, a research and development establishment or a joint venture in Canada" (ibid). SMEs can demonstrate their capacity for internationalization by having already committed resources (human and financial) to researching and developing their business plan for the target market. Lastly, SMEs must be able to demonstrate that their operation can either: "increase the exports of Canadian-made products or services" or stimulate "technology transfer, new job creation, increased research and development activity or increased production in Canada" (ibid).

Services

The information presented in this section will be drawn from a combination of resources: email correspondences with Genevieve Rolland -Director of Economic Services at the Québec Office in Shanghai; Export Quebec Representative X and Previous Quebec Rep Y. Below the transaction creating and physical fulfillment services of the Quebec Office in Shanghai are presented:

1) The Provision of specialized Market Information: For SMEs considering expansion, the Quebec office will provide specialized information, recommendations and a list of references based on the culture and business practices within the target market, and whether it is suited to both the personal preferences of the client and how the SME operates as a whole. The QO will also evaluate the level of competition and key competitors within the target market, in addition to the legislation policies and whether there are considerable political and legal risks involved in expansion. Moreover, a full analysis is conducted on the risks and barriers to various delivery and transportation modes and intellectual property protection. Lastly, the office will provide information on future trade delegations and offer decision making assistance in regards to the firm's participation in these fairs. If the SME decides to continue with foreign expansion after reviewing the market information, the QO will conduct an analysis of the potential entry modes for the firm. This includes an evaluation of the competitive advantage the firm will hold relative to the local competition in regards to customers (target clients and market segments), local promotional activity, and local prices. This information is collected to form the recommendation for the firm's market entry. This service is classified as Transaction Creating as the organization is providing access to "deep knowledge" in which the SME would not otherwise have access to

2) Network Linkages and Penetration: If the firm decides on its entry strategy, the QO will utilize its network to help the firm make important connections. Usually, the first connection that is made is with an active and experienced Quebec company in the target market in which the firm can acquire specific knowledge from. The QTO will provide an assessment of potential clients and partners to validate their financial stability, trustworthiness and if they would be a right fit for the firm. This is confirmed by Export Quebec Rep X: "we have access to organizations that can provide reports on the security of various distributors or partners... we will make the research and pay for it so it's a free service for the SMEs. And we can give them

the report and analyze with them how safe the partner looks financially.” If a potential partner or client is selected, the QO offers to solicit business meetings on behalf of the company to validate the buyer and potential partnership with the firm which helps the firm to overcome uncertainties in the expansion process. This service is classified as Transaction creating- as the QO actively introduces and creates partnerships between individuals in the market who would otherwise not have met.

3) Government Validation: Although the QO cannot negotiate on behalf of the firm, they are able to support the company through the presence of a commercial attaché, CAI or senior official, chief or ambassador during business meetings and also provide tips on negotiating with the potential client or partner. This is especially helpful in political economies such as China, where government presence is the ultimate validation for a business's credibility. This is confirmed by Quebec Office Rep X, “Political figures in China is really important so the fact that we officialized that link with our authorities and their authorities, when we go to China with SMEs it’s a lot easier to open doors [for SMEs].” This service is classified as transaction-creating as the transaction would most likely not take place- or take much longer- without the presence of a government official.

4) Programme Exportation (PEX): The Quebec Bureau also offers a program which offers financial assistance to Quebec SMEs to help them expand abroad. This program grants the successful applicant up to \$100,000 to aid in the fixed costs of expansion and overall, reduces the financial risk of the operation. According to Quebec Office Representative X “the program is made for that- to lower the risks as well we can really help them make decision- at the end it’s always their decision and we are just there to help them make a better decision about how they want to expand.” This service is classified as Physical Fulfillment as it directly provides financing to the firm to lower the costs of expansion.

Quebec Bureau Service Profile

Transaction Creation	Physical-Fulfillment
International Market Research: 0.53	Export documentation:0.89
Product research and design: 1.19	Provision of cost, insurance and freight quotes:0
Development of marketing strategies and plans: 1.48	Export packaging and marking:0
Advertising and promotion: 0.96	Warehousing:0
Selection of foreign distributors: 1.14	Quality control of exported goods: 1.6
Training of distributors’ staff:0	Financing and credit of export transactions:0
After sales services: 0	Freight Forwarding:0
Negotiation of collaborative agreements on behalf of suppliers: 0	

Findings: In the chart above, the services of the Quebec Office are presented. In regards to transaction creating services, the Quebec Office provides international market research, product research and design, advertising and promotion services and aids in the selection of foreign distributors. In relation to Physical Fulfillment services, the Quebec Office offers export documentation and quality control of exported goods. These results corroborate most of the information gathered online and during interviews. However, some results seem a bit surprising. Nowhere in the interview was it mentioned that export documentation or quality control was a main service of the Quebec Office. Furthermore, the Office scored unusually low in regards to advertising and promotion and international market research. Quebec Office Rep X posits that there are three segments of services “we can help them by promoting activities with them; meetings- we can prepare them and advise them on their strategy and tell them who they need to talk to and we also have a financial program, it’s called Programme Exportation, so we can help them with the expenses.” The unusually low score can be either interpreted as a misunderstanding of the true services in which the Quebec Bureau offers to Canadian SMEs.

Export Development Canada

Export Development Canada (EDC) was established in 1944 following WWII to help stimulate the economy, create jobs and help Canadian exporters (CNSC 2014). Currently, EDC has 17 regional offices across Canada and 12 offices in foreign markets, including China. EDC is a crown corporation which provides financing, insurance, bonding, export solutions and market information on overseas opportunities for Canadian companies, and operates under a corporate plan which is approved annually by the Federal Government of Canada. EDC is recognized as Canada's official export credit agency and operates like a commercial institution (EDC 2017). Although the EDC represents federal-level export assistance, it acts independently from the government and is self-sustained financially from interest on loans and premiums on insurance products (ibid). In 2011, EDC facilitated a protocol which established a collaboration with the Business Development Bank of Canada to further the interests of Canadian business domestically and abroad (ibid). EDC is governed by a Board of Directors composed of several private sector representatives, which are appointed by the Government of Canada. In parliament, they are represented by the Minister for International Trade.

To date, the EDC has "facilitated more than \$1.3 trillion in exports and FDI by Canadian companies" (ibid). The EDC plays a leading role in SME exports and helps Canadian companies to think globally to compete in international markets: "In 2014 we helped more than 7,400 Canadian companies do business in 187 countries. The majority of these companies were small business, and more than 30 per cent of this business was conducted in fast-growing emerging markets" (ibid). The importance of EDC and its performance domestically and abroad is unrivalled, as Canada's reliance on exports makes up 1 in 3 jobs (ibid). Moreover, the utilization of the EDC's products and services has helped to generate "\$63.9 billion of Canada's GDP, contributed more than 4 cents for every dollar earned and helped sustain 525,400 jobs" (ibid). EDC follows a strict partnership model and only conducts business with other private financial institutions in collaboration with the Government of Canada. With this partnership model, EDC allows the private sector partner to dictate the terms and share the risk of the partnership, which encourages the "private sectors to move into new areas" thus allowing EDC to "move to new frontiers and create new trade for Canada" (ibid).

Client Base

Export Development Canada works with both Canadian and Chinese companies (L'Heureux 2017). Currently, EDC is engaged with roughly 8000 companies, 80% of which are SMEs and 20% MNEs (ibid).

Services

EDC has been present in China since 1979, and is responsible for the support of over 300 Canadian contracts, with over \$8 billion in Canadian goods and services (EDC 2017). EDC offers four main business solutions for their clients expansion goals. According to Denis L'Hereux, EDC's principle role is to provide financing through loans to both Canadian and Chinese companies; providing different types of insurance services to help companies grow their exports and their footprint.”

1)Match Making services with Trade Commission to find the right partner: EDC recognizes that the success of Canada abroad is contingent on the ability of Canadian companies to make connections with international buyers (EDC 2017). EDC provides matchmaking services with the Canadian Trade Commission specifically geared towards connecting Canadian SMEs with the right partner. This networking is enhanced through equity investments and as EDC leverages its “financial relationships with foreign buyers and encourages them to procure from Canadian companies” (EDC 2017). This is confirmed by EDC Chief Representative Denis L'Heureux “financing is at the core of what we do. But by the nature of what we do we have our own connections.... So what we do is we will give a loan to a Chinese company under the understanding that they will work with us to increase the procurement of capital.” This is categorized as a Transaction creating service, as it aids SMEs in finding the right business partner to begin the expansion process.

2)Export Financing Services: EDC provides guarantees to financial institutions to encourage them to extend financing to prospective SMEs through their Export Guarantee Program (EGP). Moreover, EDC provides financing options to SMEs through “Direct lending against international assets” to enable easier expansion (EDC 2017). If the SME demonstrates that their expansion has economic benefits to Canada, EDC provides a Structured Project Finance Program” to help raise the funds needed for the endeavour. Denis L'Heureux confirms this saying, “we’re trying to open

doors for Canadian companies by using our financing... it makes a huge difference because we are providing them with the money to make the expansion possible.” These financing services are categorized as a physically fulfillment service, as it allows for the provision of cost of expansion for SMEs.

3)Export Insurance: EDC offers an array of insurance options to help SMEs manage the risks of international trade. They offer Trade Credit Insurance to guarantee payment; Contract Freight Insurance to protect “a single contract against financial and political risks” and Political Risk Insurance which protects the firm’s assets against “uncontrollable political events” (ibid). This is confirmed by Denis L’Heureux, “our principle role is to provide financing through loans to both Canadian and Chinese companies; providing different types of insurance services as well... to help companies grow their exports and their footprint.” Export insurance is classified as a Physical fulfillment service, as the EDC is directly offering insurance to protect SMEs from the risks of expansion.

4)Bonding and Guarantees: EDC issues bonds through its Account Performance Security Guarantee so that the firm does not suffer financially. EDC also offers a Performance Security Insurance to protect the firm against bad decisions and Surety Bond Insurance to help the firm receive surety bonds more easily (Ibid). Lastly, EDC offers a Foreign Exchange Facility Guarantee which enables the firm to “buy foreign exchange contracts without having to post collateral.” In relation to Balabanis (2005) these services would be categorized under Physical Fulfillment services as it aids SMEs in the provision of cost to mitigate the lack of finance and resources due to their size.

Based on these findings, The EDC can be classified as a predominantly Physical Fulfillment intermediary. Below, the EDC service profile is established from the structured survey data to corroborate these findings.

Export Development Canada Service Profile

Transaction Creation	Physical-Fulfillment
International Market Research: 9.43	Export documentation: 1.78
Product research and design: 0	Provision of cost, insurance and freight quotes: 4.8
Development of marketing strategies and plans: 0.60	Export packaging and marking:0
Advertising and promotion: 0	Warehousing: 2.67
Selection of foreign distributors:0.57	Quality control of exported goods:0
Training of distributors' staff: 0	Financing and credit of export transactions:7
After sales services: 0	Freight Forwarding : 0
Negotiation of collaborative agreements on behalf of suppliers: 0	

Findings: According to the service profile derived from the semi-structured survey, it appears that Export Development Canada provides primarily Physical Fulfillment services such as export documentation, provision of cost, insurance and freight quotes; warehousing and the financing and credit of export transactions. The Transaction creating services provided by EDC are the selection of foreign distributors, development of marketing strategies and international market research. Most of this information can be corroborated by the information collected by data on the internet and within the interview, however warehousing, advertising and promotion and international market research were never mentioned. In fact, respondent Denis L'Heureux classified the principle role of the EDC as “financing through loans to both Canadian and Chinese companies; providing different types of insurance services” which either indicates a giant misunderstanding of a core competency of the EDC or the failure of the EDC to communicate its services on its company platform.

The Canadian Chamber of Commerce-Shanghai Chapter

The Canadian Chamber of Commerce in Shanghai (CCC) is a private, member driven, non-profit organization which focuses on the needs of the Canadian business and community in eastern mainland China. The CCC's mandate is to “inform and promote Canadian interests in Eastern China” and “foster connections within the Canadian business community” (CanCham Asia, 2017). Originally named the Canadian Business Forum (CBF) the CCC was founded in 1996 with the support of the Consulate General of Canada in Shanghai and several locally based Canadian companies and entrepreneurs in mainland China. In 2001 the CBF joined forces with the Canada China Business Council (CCBC) and was renamed the CCBC Shanghai Chapter. The Shanghai Chapter set out to serve the Canadian business community while maintaining its identity as a nonprofit organization (LaRochelle, 2017). In June 18, 2008, a vote was made in favour of separation from the CCBC, and the CBF was inaugurated as the Canadian Chamber of Commerce. Since then, the CCC has developed its member base substantially, which consists of Canada-China joint ventures and wholly owned Canadian companies (LaRochelle 2017). The Chamber is led by a board of directors, 11 of which are Canadian business officials living and working in China and are elected to the board. The policies and activities suggested by this board is overseen by the ex officio director which must be a Senior Trade Commissioner from the Canadian Consulate and approved by the Consulate General of Canada in Shanghai. With this direct connection to the Canadian consulate, the CCC acts as a vital connection between Canadian businesses and federal government.

Membership

According to executive director, Helene LaRochelle, the CCC has over 600 active members. 63% of members are corporate, and within this percentage 46% are Canadian SMEs (LaRochelle, 2017).

Services

The Canadian Chamber of Commerce in Shanghai is recognized for its extensive network and efforts to create, sustain and grow the Canadian community (business and civilian) in Shanghai (LaRochelle, 2017). Executive Director, Helene LaRochelle, posits that the sole purpose of the Chamber is to connect people, “we don't have a consultant or government role, but what we do is

introduce people to the right people and provide [them] with information.” The Chamber utilizes its network to fulfill 5 main purposes:

1)The promotion and development of trade, business and investment between Canada and China. Helene LaRoche asserts that CanCham contributes by introducing firms to “a partner, distributor or buyer.” For example, in food distribution, LaRoche confirms that the Chamber can introduce firms to a fully vetted point of sale and/ actual distributor. Moreover, LaRoche draws on the Chamber’s primary access to the Chinese market, which allows them to arrange trade delegations, “Last November the Prime Minister came and he was accompanied by 150 companies and we organized a B2B for them. We invited 250 potential Chinese investors and this year again we are seeing more delegations.”

2)The provision of an interactive forum in which the Canadian business community can identify and discuss issues, trends and opportunities in China. Helene LaRoche confirms that “finding the right partner” and “cultural misunderstandings are a huge struggle” for Canadian company. She asserts that “99% of the SMEs that contact us want to be introduced to ... “a partner or a distributor, or a buyer/importer. But people are mainly looking for that introduction, it’s so hard to find the right Chinese partner when you just come here fresh off the boat.” The Chamber provides numerous activities and events in which the Canadian business community to come together and address these sorts of issues.

3)Representation and promotion of the views expressed by the Canadian business community in China in relation to bilateral trade, business and investment. LaRoche maintains that CanCham is the only Canadian organization in China to maintain and develop the Canada brand as “it’s not really anyone’s mission.” In particular she draws on her experience with one of her members, Canada Beef, who have “expressed their concerns about the branding of Canada- and thought even Canada Beef which is a very highly regarded product also feels like there is some branding missing, imagine for the smaller companies, they definitely will struggle.” To mitigate these issues, the Chamber will by organize events such as the “largest Canada Day in China... as a platform to promote the Canada brand” by promoting and serving a variety of Canadian products to show that “Canada is more than just Maple Syrup.” Another recent example

was the Inauguration of the Air Canada Direct flight from Montreal to Shanghai held on February 17, 2017. Over 300 Canadian and Chinese political and business professionals were in attendance and served a 4 course meal which were all Canadian products (one of which was Canadian Beef).

4)**The development of the Canadian relationship** with local Chinese government and business organizations on matters of mutual interest. LaRochelle says that the Chamber has begun to “reach out to other Chinese organizations” over the years, especially local Chinese Chambers of Commerce and have “very good relationship with the local Chinese government.”

5)**The maintenance and development of relations with independent Chinese business associations and organizations.** Currently, the Honorary Chairman of the Chamber is the Consul General of Canada. LaRochelle posits that although the Chamber is independent, it works a lot with the Canadian government, “the consulate is our member, and the province of Quebec office is a member” in addition to Export Development Canada and the Alberta, Ontario and British Columbia offices. Although the CCBC is not a member, they partner with the Chamber for high-level political events.

At this point, it is clear that the Canadian Chamber of Commerce in Shanghai offers purely transaction-creating services to its members by providing information, advertising and promoting the Canadian brand (and products) and connecting its members to the right people. This list of services fulfil 3/8 of Balabanis’ (2005) classifications of a transaction creating intermediary (International Market Research, Selection of Foreign Distributors and Advertising and promotion). Below, results from the structured survey are presented to confirm the core competencies of the Canadian Chamber of Commerce.

CanCham Service Profile

Transaction Creation	Physical-Fulfillment
International Market Research: 0	Export documentation: 0
Product research and design:0	Provision of cost, insurance and freight quotes: 1.6

Development of marketing strategies and plans: 0.29	Export packaging and marking:4
Advertising and promotion: 1.28	Warehousing: 2.67
Selection of foreign distributors: 0.59	Quality control of exported goods:0
Training of distributors' staff:0	Financing and credit of export transactions:0
After sales services:0	Freight Forwarding: 4
Negotiation of collaborative agreements on behalf of suppliers:0	

Findings: According to the survey results, the Canadian Chamber of Commerce offers a mixture of Transaction-Creation and Physical Fulfillment services. In comparison to the information documented from internet sources and the interview data, this service profile proves to be the most surprising. According to the current executive director, Helene LaRochelle, the primary goal of the Chamber is “the Canadian business community but also the Canadian community as a whole here in China.” When questioned about SMEs in particular, she said the Chamber serves a main function to “connect people... and provide information” because “the reason a lot of SMEs are coming to China and not as successful as they could be is because there is a lack of information and there is a misunderstanding of the market and the cultural differences of doing businesses here, so we work to provide the information which is necessary.” In this case, the fact that the Chamber scored zero on international market research indicates a confusion in the actual roles of the Chamber. Moreover, nowhere is it mentioned both in the interview and online, that the Chamber provides services such as warehousing, export packaging and marking, and freight forwarding services. It is clear that the true roles of the Chamber are confused in the Shanghai ecosystem. This will be further analysed in Section 6B.

Canada China Business Council

The Canada China Business Council (CCBC) is a private, member-based organization founded in 1978, which serves a fundamental role in the facilitation and promotion of trade and investment between China and Canada. As a trusted source of intelligence on Canada-China relations, the primary mission of the CCBC is to involve and facilitate the success of Canadian businesses in the emerging business opportunities in China and facilitate a constructive dialogue on the various issues affecting Canada-China relations. According to the Government of Canada (2015), “the CCBC has served its Canadian and Chinese members, playing a key role in the expansion of trade and investment between Canada and China for over twenty-five years.” The CCBC provides crucial information in trade policy and regulations between both countries and fosters face-to-face discussions between Chinese and Canadian stakeholders in order to increase trade and access to markets between the two countries. The CCBC is headquartered in Toronto and has offices in Vancouver, Calgary, Montreal, Beijing and Shanghai. The main functions of the CCBC include the promotion of bilateral business, trade and investments between China and Canada, the organization and facilitation of transnational networking opportunities, and acting as the face of the Canadian business community “on issues affecting Canada-China business, trade and investment” CCBC (2017). The CCBC is also the de facto Canadian Chamber of Commerce in Beijing exporting, “the Canada Brand to China” (ibid). The CCBC works to offer the necessary knowledge and connections to help Chinese and Canadian companies flourish in the the other’s business environment successfully. Perhaps one of the most important resource for the CCBC and its members is its carefully selected Board of Directors. The 2015-2016 CCBC Board of Directors contains a roster of individuals with impressive business experience in China and personal and business networks, which extend to Canada and China’s most senior government and business officials.

Membership

The CCBC boasts an impressive membership base which represents a dynamic range of sectors including manufacturing, construction, mining, transportation, financial services, ICT and education (Laurier Dubeau 2016). According to APC, the CCBC has a total of 350 members. 15%-18% are Chinese and 80%-82% are Canadian members. Of this amount 75% are Canadian SMEs

(APC, 2017), Chapter Director APC identifies attracting Canadian SME membership as a “prime target” of the CCBC this year.

Services

The Canada China Business Council is defined by Montreal Chapter Director Andre Philippe Chenail as the most prominent leaders in the facilitation of trade and business between Canada and China. According to the organization website, the services are crafted to extend the member firm’s reach in China, and overcome the risks and barriers to conducting business in a foreign country (CCBC 2016). These services are classified under 3 phases. Chapter Director Andre-Philippe Chenail terms them as “pre-market entry, market entry, and post-market entry.” Within the 3 phase process are 5 stages in which the CCBC offers specific resources to its clients:

1. **Stage One (Pre-Market Entry)** is focused on evaluating the business environment in China and determining the fit of the client’s value chain, impacts on current client base and potential entry modes. The services provided at this stage are market scans, China e-commerce assessment, mapping of the competition, and locating up to 5 potential suppliers for the service or product.
2. **Stage Two (Pre-Market Entry)** of the process focuses on building the client’s China/Canada strategy. Here the CCBC will assist the client in exploring potential markets, team training, and partner background checks, which include “legally-searchable background and internet scans on a company to provide data” to aid clients in their choice (CCBC 2016). The CCBC also provides a “Polish My Pitch” service, to ensure the accurate interpretation of the client’s business goals and thus overcome potential language and culture differences in this process (ibid).
3. **Stage Three (Market Entry)**, which is when the client will move to the incubation center, where the CCBC will help the client to accelerate its presence in the chosen market by providing office space for the client’s team in the Beijing or Shanghai branches until they are approved by the government (ibid). At this stage, the CCBC utilizes its clout to maximize local knowledge of the client’s presence, provides the client with a background on the local government officials operating in their target market and introduces the client to said key business individuals (ibid).

4. **Stage 4** focuses on long term expansion and networking capabilities for the client and focuses on building networks integral to the supply chain, accessing funding, overcoming social, cultural and political challenges and and developing a loyal and substantial consumer base.
5. **Stage 5** aids the client in finding potential investors for their service or product.

On a macro level, the CCBC also facilitates business and trade missions to and from China, arranges meetings between senior government officials from both countries and organizes the Annual General Meeting and Policy Conference (AGM). The AGM is considered the most prolific annual event in Canada-China Relations. Chapter Director APC describes it as the “key moment in the bilateral relationship” and the most pivotal “field of action” for CCBC members. The focus is on providing a “platform at which [stakeholders] meet” and “making the deal happen.” APF even goes so far as saying attendance at the AGM is key requirement for a member’s success in China and for the overall relationship between Canada and China. Indeed, the AGM is an indispensable platform for the formulation and establishment of business deals and partnerships: *“The AGM is not just another meal, not just another evening where you are being wined and dined- you’re being brought into a bilateral banquet where the two governments meet. And that’s giving face to your partner right?...He’s there, you’re there, and after that banquet and the Prime Minister has spoken; the Mayor of Shanghai has spoken and then deals are being signed. This is undeniably the best platform that there is.”*

Overall, it is clear that the Canada China Business council offers purely transaction-creating services to its members by providing: business insight, intelligence, network opportunities and business incubation centers. The services of the CCBC are classified by: Business insight, Business intelligence, Network facilitation and Business Facilitation. These services fulfil 6/8 of Balabanis’ (2005) classifications of a transaction creating intermediary- international market research, provision of product research and design, development of marketing strategies and plans, advertising and promotion, training of staff, and selection of distributors.. Below, results from the structured survey are presented to confirm the core competencies of the CCBC.

CCBC Service Profile

Transaction Creation	Physical-Fulfillment
International Market Research: 0.53	Export documentation: 0.44
Product research and design: 0	Provision of cost, insurance and freight quotes: 1.6
Development of marketing strategies and plans: 0.89	Export packaging and marking: 4
Advertising and promotion: 1.28	Warehousing: 2.67
Selection of foreign distributors: 1.14	Quality control of exported goods: 0
Training of distributors' staff: 0	Financing and credit of export transactions: 0
After sales services: 0	Freight Forwarding: 4
Negotiation of collaborative agreements on behalf of suppliers: 0	

Findings: According to the survey findings, the Canada China Business Council offers a mixture of Transaction Creation and Physical Fulfillment services. Transaction creation services include international market research, the development of marketing strategies and plans, advertising and promotion and the selection of foreign distributors. Considering the amount of importance in which Chapter Director Andre-Philippe Chenail placed on the benefits the CCBC offers in regards to business strategy development, the score is particularly low. This indicates both a misunderstanding of a primary service of the CCBC and perhaps, a lack of efficient marketing of services on part of the CCBC. In regards to Physical Fulfillment Services, the respondents indicated the CCBC's offerings in export documentation, the provision of cost, insurance and freight quotes, export packaging and marking, warehousing and freight forwarding. Information regarding warehousing or freight forwarding services were never mentioned in the interview, nor are they mentioned in the CCBC's suite of services, which again indicates a misunderstanding of services either within the organization or between entities in the Shanghai ecosystem.

British Columbia Trade and Investment Office

The British Columbia Trade and Investment office (BCTIO) is located in Shanghai, China and represents the forefront of trade and investment promotion and economic development of British Columbia with the Eastern China region (BCTIO, 2017). The BCTIO works to help Canadian companies and Chinese companies solidify linkages and access to resources, skills and business opportunities in both Canada and China. Specifically, the BCTIO helps BC companies to connect with Chinese investors and companies specifically in the natural resources sectors, including “coal and forestry, LNG, clean technology, agrifoods, film and new media, international education, transportation and ICT” (Ellen Xin 2017). Relationships within these sectors are further strengthened via annual industry-specific trade missions and virtual trade missions to China (BCTIO, 2017). The BCTIO was opened in 2007 in the heart of Shanghai to develop its extensive network across Eastern China, including Shanghai, Jiangsu, Zhejiang, Henan and Hubei (ibid). To attract Chinese investment, the BCTIO leverages its strategic location and close proximity to the Asia-Pacific region, and promotes British Columbia’s low corporate taxes and operating costs, stable working conditions and highly skilled and educated multicultural labour force (ibid).

Membership

According to Ellen Xin (2017), the office serves around 100 Canadian companies per year, most of which are SMEs.

Services

According to the organization director, Ellen Xin, the office plays an important strategic role in bilateral trade and investment by offering various services including up-to-date “business climate information, strategic support, start-up assistance, site tours and supplier introductions” (Ellen Xin 2017). These services are explored in detail below.

1) Network Facilitation: The BCITO offers its extensive network access to Chinese industry, government and community influencers. Within this network is a unifying database- The B.C Business Network- which profiles all British Columbia products and services to international buyers. The BCITO also organizes and executes trade missions, events, and seminars to introduce British Columbia SMEs to potential Chinese partners, suppliers, investors or buyers. According to Ellen Xin, the BCITO organized 3 different different road shows in 3 different major second tier

cities (Hangzhou, Nanjing, and Ningbo) last year to “help BC companies to come into the market... and help people on the Chinese side know that they can look for us to get more information on BC companies.” These trade shows are fully funded by the BCTIO, which take responsibility for building booths and exhibits for BC companies. In relation to the literature, these services qualify as a transaction creating, as SMEs are provided a first hand opportunity to establish connections in the foreign market and find a business partner.

2)Provision of international market intelligence: The BCTIO offers all firms detailed, accurate and cutting edge sector specific market intelligence and trade leads. This office has a geographic sector team based in Vancouver, which companies approach in the first step of expansion (Xin 2017). At the Vancouver office a screening is completed to determine the commitment of the firm to expand to China and also to determine “if their strategy is suitable for the China market” (Xin 217). Information is also provided to the firm about the general market climate in China and available resources In Canada and on the ground. According to Xin, the office also does “shortlisting and then provide[s] the information to the BC companies. This service is classified as a transaction creating service as it provides SMEs with the information that they would otherwise not have access to, for their expansion strategy.

3)Strategic advice, development and in-market support services: As described by Ellen Xin, the BCITO also provides “people that work on the ground in the market who can give [SMEs] valuable advice and insights on how to do business in China.” If the firm is committed to expansion, the BCTIO offers extensive services in market strategy development to analyze whether a firm’s product or services are a fit for China and how to implement operations. The BCTIO will utilize its extensive network to contact potential buyers or sellers for the firm. These services are classified as transaction creating, as they provide connections that would otherwise be inaccessible to SMEs.

From online data sources, coupled with the responses of Ellen Xin, the Alberta Trade Office would be classified as a purely transaction creating intermediary. Below a profile is calculated for the services offered by the British Columbia Investment and Trade Office based on the responses of senior managers of other Canada-China Intermediaries.

Service Profile

Transaction Creation	Physical-Fulfillment
International Market Research: 0.80	Export documentation: 0.89
Product research and design:0	Provision of cost, insurance and freight quotes:0
Development of marketing strategies and plans: 1.19	Export packaging and marking:0
Advertising and promotion: 0.96	Warehousing:0
Selection of foreign distributors: 1.14	Quality control of exported goods: 1.6
Training of distributors' staff: 0	Financing and credit of export transactions:0
After sales services:0	Freight Forwarding: 0
Negotiation of collaborative agreements on behalf of suppliers:0	

Findings: According to the survey results, the British Columbia Trade and Investment Office offers primarily transaction creating services including market research, advertising and promotion, selection of foreign distributors and services in developing marketing strategies and plans. In regards to physical fulfillment services, the BCTIO offers services in export documentation and quality control of export goods. Overall, this profile generally fits the information found on the internet and within the interview.

Alberta Shanghai Office

The province of Alberta currently has three offices in China. The first Alberta-China office was established in 1999 and located in Beijing in an effort to preserve the agriculture trading agreement with Heilongjiang province (Winston Kan 2017). The Alberta Trade Office employs 16 people overall- 10 located in Beijing, 3 in Shanghai and 3 in Guangzhou. The Alberta Shanghai Office (ASO) was established in 2010, and is located in the Consulate of Canada in Shanghai. The main objectives of the ASO is to promote trade and investment opportunities between Alberta and China by creating a “viable business environment for both large and small enterprises and actively seek[ing] cooperation with governments and business entities to maximize Alberta’s opportunities” (ASO 2017). Specifically, the Alberta Shanghai Office works to identify opportunities, provide crucial market information and establish important relationships for Alberta businesses in Shanghai. The office also works to attract and assist Shanghai--based companies in identifying investment and partnership opportunities in Alberta.

Membership

According to Winston Kan and Yvonna Zhou, the Alberta Office works with a wide range of Canadian companies, 80% of which are SMEs in the agriculture, environmental, technology and oil and gas sectors.

Services

The Alberta Trade Office offers services to Canadian and Chinese companies. These services are categorized below:

1.Provision of Market Information: The ASO offers firms information about China’s market economy and climate in related sectors (ASO, 2017). This is classified as a transaction creating service, as the ASO is providing deep market knowledge to Canadian SMEs which will directly influence their decision to expand.

2.Consultation Services: The ASO offers consultation services in regards to local Chinese business practices, language and culture (ibid). These services are classified as transaction creating

as deep knowledge is diffused and transferred to the SME to aid them in product customization and general cultural barriers.

3.Networking Assistance: The ASO offers exclusive access to its network and identifies potential business partners to Albertan firms. Yvonna Zhou defines connecting Albertan companies to Chinese business partners as one of the most important roles of the ASO, either to “to help them expand into China or finding potential investors in China...we just had our biggest mission ever in our province's history last November. About 80 companies and more than 100 delegates to visit China from Alberta and Shanghai was one of the stops...and we invited potential business partners or potential investors to the seminar, with several business matching programs for them.” This service is classified as transaction creating as it lowers the search costs of expansion by providing an interactive platform for business partnerships to be created.

4.Financial Subsidies: The Alberta Shanghai Office offers the Alberta Expansion program. According to Winston Kan, this program is meant for “subsidizing exporters on their fact finding trip... where they can come on a mission with some subsidies and help them to reduce the cost of exporting to the market.” This service is classified as physical fulfillment, as it directly provides financing to lower the fixed costs of expansion for Canadian SMEs.

According to the information above, the Alberta Shanghai Office would be classified as a transaction creating intermediary. Below, the official service profile is generated to corroborate this information.

Service Profile

Transaction Creation	Physical-Fulfillment
International Market Research: 0.53	Export documentation:0.89
Product research and design: 0	Provision of cost, insurance and freight quotes:0
Development of marketing strategies and plans: 1.19	Export packaging and marking:0
Advertising and promotion:0.96	Warehousing:0

Selection of foreign distributors: 1.14	Quality control of exported goods: 1.6
Training of distributors' staff:0	Financing and credit of export transactions: 0
After sales services:0	Freight Forwarding :0
Negotiation of collaborative agreements on behalf of suppliers:0	

Findings: According to the survey results, the Alberta Shanghai Office offers primarily transaction creating services including market research, advertising and promotion, selection of foreign distributors and services in developing marketing strategies and plans. In regards to physical fulfillment services, the ASO offers services in export documentation and quality control of export goods. Overall, this profile generally fits the information found on the internet and within the interview.

Ontario International Marketing Center

In 2002, the government of Ontario opened its first International Marketing center (OIMC) located within the Canadian Consulate in Shanghai in order to promote Ontario's strengths, provide opportunities to Ontario businesses in China and attract investment into Ontario. This is achieved by connecting Ontario businesses to Chinese contacts to encourage the establishment of business contracts and partnerships, building relationships with Chinese government officials on behalf of Ontario companies and representing Ontario's interests to Chinese investors and decision makers in support of Ontario's economic objectives. The OIMC in Shanghai has an Ontario based senior official and a single locally engaged staff to offer on the ground help to "better compete for investment and to better promote Ontario goods, services and technologies abroad" and allow Ontario to "build and strengthen our connections and partnerships within those markets" (Brazier 2017).

Membership/Client Base

According to Devin Brazier, the majority of the firms the OIMC works with are SMEs, with a focus on those looking to expand to China. This is because, "MNEs generally don't require that help with entering these markets whereas a smaller company would more likely have a need for our services as they do not have the capacity to engage with the market or understand what the opportunities and risks are."

Services

Very little information was found on the internet in pertinence to the OICM's service offerings. Moreover, the interview originally scheduled with the on-site Shanghai Branch representative was unexpectedly cancelled. Therefore, the limitation in the presentation of services below are acknowledged.

1)Proliferation of Market Information: Devin Brazier posits the OIMC provides specialized market information on sector specific trends to Ontario SMEs to aid them in market and entry mode selection. This is because the OIMC can "tap into the Federal government resources" to leverage intelligence relevant to Ontario's most profitable sectors. This lowers the psychic distance and knowledge gaps SMEs experience in the beginning stages of internationalization.

2)Facilitation of Connections and Network Penetration: Devin Brazier describes the OIMC as a “link between us in Ontario and the opportunities based in the market” which would be otherwise inaccessible to Ontario SMEs. The OIMC will also organize trade delegations and sector specific missions to China to directly introduce Ontarian SMEs to other companies in the market.

OIMC Service Profile

Transaction Creation	Physical-Fulfillment
International Market Research : 0.53	Export documentation:0.89
Product research and design: 0	Provision of cost, insurance and freight quotes: 0
Development of marketing strategies and plans: 1.19	Export packaging and marking: 0
Advertising and promotion: 0.96	Warehousing:0
Selection of foreign distributors: 0.85	Quality control of exported goods: 1.6
Training of distributors’ staff: 0	Financing and credit of export transactions: 0
After sales services: 0	Freight Forwarding: 0
Negotiation of collaborative agreements on behalf of suppliers: 0	

Findings: The findings displayed for the Ontario International Marketing Center of Shanghai has many limitations, as an interview with the senior trade representative was not conducted. Moreover, there was little to know internet resources or information on the function of this office in Shanghai. However, for the sake of the wholesomeness of the data, it will still be included in the research. Overall, the OIMC is classified primarily as a transaction creating entity, offering services in market research, the development of marketing strategies of SMEs, and the selection of foreign distributors. In regards to physical fulfillment the OIMC plays an important role in export documentation and quality control of exported goods.

The Canadian Trade Commission

**Limitation: Due to legal limitations of the Trade Commission, I was unable to schedule an interview in Shanghai or in Montreal. The information collected is entirely based on findings from the internet and the opinions of the other respondents.*

The Canadian Trade Commissioner Service is defined as a vast global network of individuals located across the world to advance Canada's global commerce (TCS 2017). These individuals work under the government of Canada to identify sector-specific trade opportunities and obstacles for Canadian companies on a global scale. Trade commissioners are specifically responsible for identifying and providing market intelligence, linking foreign market contacts to Canadian companies, troubleshooting on-the-ground issues and planning events and trade missions (ibid). Practical advice is also delivered in an effort to help Canadian companies make "better, more timely and cost effective decisions" and choose the best internationalization strategy.

The Canadian Trade Commission in Shanghai employs 20 representatives and is located within the Consulate General of Canada and focuses on 9 main sectors in China: Aerospace, Agriculture, Food and Beverages, Automotive, Cleantech, Education, ICT, Infrastructure, Life Sciences and Transportation. This office is one of 5 offices on China, with other locations in Chongqing, Guangzhou, Hong Kong and Beijing. All five offices provide region-specific expertise and provide a network which heavily stresses "a unified approach to Canada-China relations" to leverage and strengthen Canada and China's mutual interests (Government of Canada, 2017). A heavy emphasis is placed on "people and partnerships", which is defined by the Canadian government as "helping to introduce everything Canada has to offer as a destination or education and travel, and as a place to live, work and prosper" and "joining with our Chinese counterparts to expand trade and investment.... sharing the best practices of good governance, health and protection to make the world safer and more secure" (ibid).

Client Base

The Trade Commissioner Service aids numerous Canadian companies per year in their expansion and/or investment efforts to China. Rough estimate is unknown.

Services

According to the Government of Canada (2016), the Trade Commissioner Service (TCS) offers 15 points of service in China with over 100 trade commissioners. The business services offered to Canadian firms by the TCS are categorized below:

1)Provision of Market Research: The TCS works to improve firm level export strategy by generating and reviewing key market information. To do this, the TCS provides an interactive webpage which provides information regarding exports, imports and controlled products. This database also allows the user to receive “notices to importers and exporters, access export and import control systems, and consult key resources such as printable forms, guides and handbooks.” International market research is categorized by Balabanis (2005) as a transaction creating service, and allows the SME access to previously unknown information in order to craft an expansion strategy. It also qualifies as a physical fulfillment service as the TCS provide up-to-date export documentation. Moreover, the TCS will conduct international market research and collect market and industry information on behalf of the SME to determine if it can compete in the target market. This allows the SME to develop a comprehensive understanding of the relevant opportunities in their target market which saves time and money.

2)Advertising and Promotion: The TCS strives to promote Canadian products in China to build Canada’s reputation both on a micro (firm) and macro level. This is classified as a Transaction Creating service as it maximizes the visibility and klout of Canadian companies in the target market, which is especially important in China.

3)Consultation and Development of Market Strategy: The TCS strives to ensure Canadian firm access to Chinese markets and have an export strategy suitable for the local environment. Trade Commissioners are responsible for providing “on-the-ground intelligence and practical advice on the market” to help SMEs make cost-effective decisions (GOC 2016). The TCS strives to help SMEs to “successfully navigate the complexities of the market,... tackle a market access issues, pursue a joint-ventures or strategic alliances, participate in global value chains, or seek technology and R&D partnerships” (ibid). Furthermore, the TCS will provide specific information on the barriers and regulations associated with the target market to lower search costs and determine “the

level of opportunity” and “appropriate approaches to the market” to “gauge the amount of effort and resources required.” This service falls under transaction creation as the TCS is providing deep knowledge and advice that would be otherwise inaccessible to the SME.

4)Network and Connection Facilitation: Finding the right business partner in China is frustrating and time consuming, and is identified as a top barrier in expansion for Canadian SMEs. The TCS provides SMEs with access to it’s extensive government and business contacts in China, and actively builds relationships within the market. This is considered one of the most important aspects of the TCS as it provides, “privileged access to foreign governments, key business leaders and decision-makers because we are part of Canada’s embassies and consulates” and “potential customers, distributors, sources of finance or investment, technology partners and intermediaries” (TCS 2016). With these contacts SMEs are able to make informed decisions in regards to their partnering and market entry. This service is classified as transaction creating, as the TCS is actively fostering business relationships for SMEs that they would not otherwise have.

When reviewing the above services, it can be assumed that the Trade Commissioner Service is a predominantly Transaction-Creating intermediary. Below, this is corroborated with the survey data and an official service profile is generated.

Service Profile

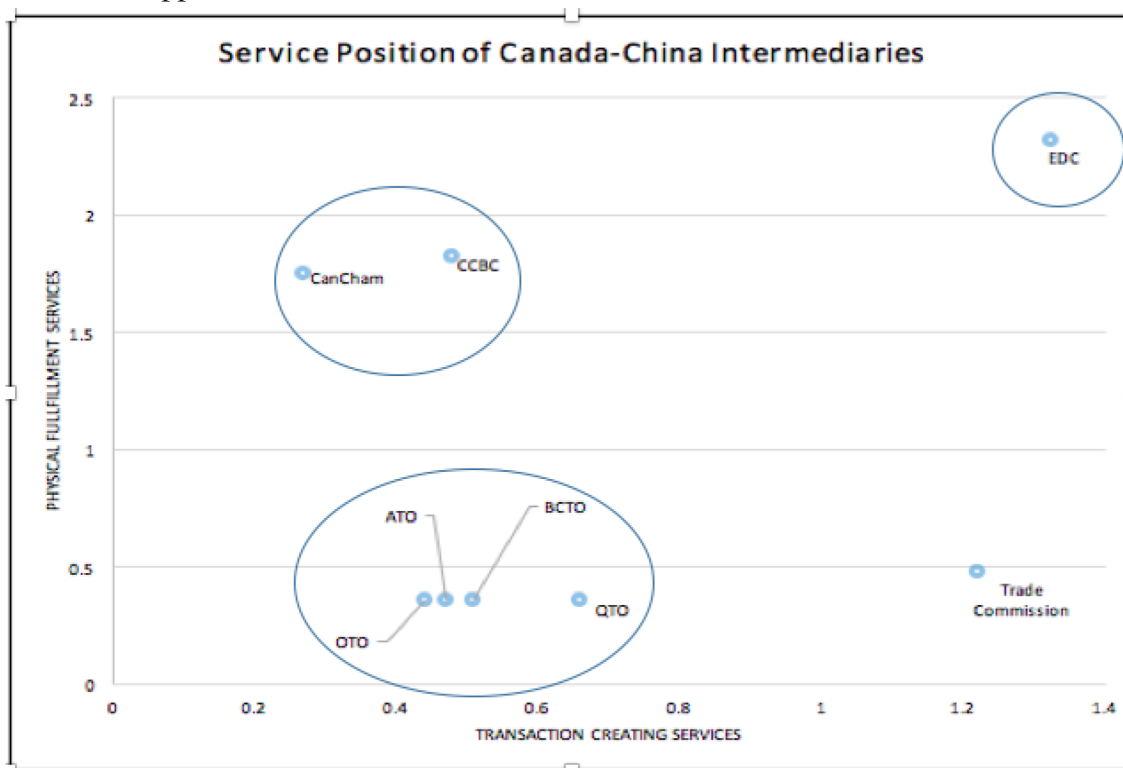
Transaction Creation	Physical-Fulfillment
International Market Research: 1.87	Export documentation: 1.78
Product research and design:0	Provision of cost, insurance and freight quotes: 0
Development of marketing strategies and plans: 1.19	Export packaging and marking: 0
Advertising and promotion: 1.28	Warehousing: 0
Selection of foreign distributors: 1.4	Quality control of exported goods: 1.6
Training of distributors’ staff: 0	Financing and credit of export transactions:0
After sales services:0	Freight Forwarding: 0

Negotiation of collaborative agreements on behalf of suppliers: 4	
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Findings: The results from the structured survey indicate that the Trade Commissioner Service of Canada in Shanghai is a primarily Transaction Creating entity, offering services in international market research, development of marketing strategies and plans, advertising and promotion and the negotiation of agreements. The physical fulfillment services offered include export documentation and quality control of exported goods. The only misnomer in these results is the score of 0 in promotion and advertising. For example, in the agriculture and food subsection of the Trade Commissioner Service, an entire page is dedicated to the “Canada Brand” and provides firms with tools to “leverage Canada’s positive image and differentiate products in the marketplace” (CAFTA, 2015). These tools include access to Canada Brand graphics to “help your Canadian products stand out from the competition, build recognition and lead to increased demand and sales;” Access to Canada domestic content statements as “consumers are more likely to buy food and beverages clearly labelled as Canadian;” access to official Canada brand statement messaging and a photo library which provides, “high-quality photographs for industry to use in marketing and promotional materials” (ibid). The fact that this crucial transaction creating service was not identified by any respondents indicates a lack of understanding and knowledge of all services provided by the TCS.

5.2: Comparative Analysis

In this section, I investigate how the various Canadian intermediaries differentiate themselves in their effort to help Canadian companies internationalize to China. As displayed in the previous section, in all eight cases, offices clearly offer services that reduce barriers to internationalization for Canadian SMEs. Despite these results, the true test lies in the ability of these offices to differentiate their services and provide utmost transparency to SMEs. These intermediaries are positioned in the graph below according to their service profiles relative to each other. Coordinates were produced by calculating the average of each intermediary's total score in transaction creation services and the average of the sum of the total score in physical fulfillment services. Transaction-creating services are placed on the x-axis, while physical fulfillment services are on the y-axis. Please refer to Appendix 6 for detailed calculations.

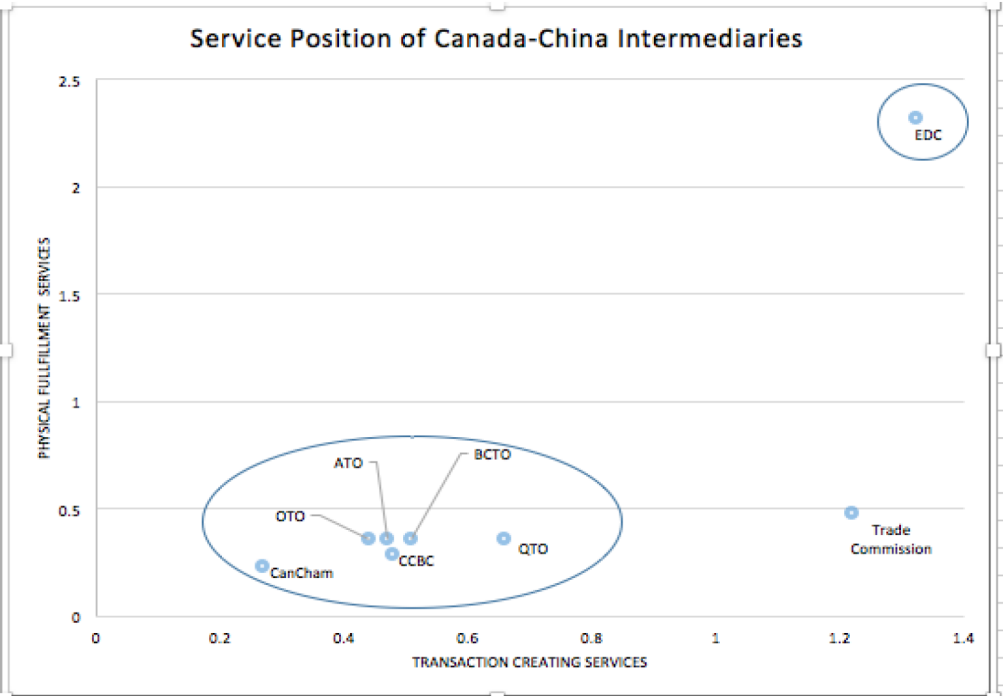


The graph above is a visual illustration of each Canada-China intermediary's position in regards to the services it provides. The results show that these intermediaries can be separated into three different clusters. For this reason, analysis will be conducted in three sections: Cluster 1 (The Government Offices), Cluster 2 (CCBC vs CanCham), and Cluster 3 (Crown Corporation EDC). I will argue that the confusion of services can be related to the sub-optimal differentiation within

these identified clusters, explaining why the CCBC, Chamber of Commerce, and the provincial offices are located in such close proximity on the map. I will then suggest, based on the interviews conducted by each representative, which services each entity should base its differentiation strategy upon.

5.2.1- Cluster 1: The Canadian Chamber of Commerce and The Canada China Business Council

Based on the graph above, the CCBC and CanCham are labeled as mixed service intermediaries: They provide both transaction-creating services and physical fulfillment services. Their close proximity to one another also signifies sub-optimal differentiation from one another, an indication which was overwhelmingly confirmed by the interview respondents. Quebec Office Representative X reports: “I don’t know; in my opinion they offer the same thing. I think they are two associations which are really in competition with each other.... I think that they are doing the same thing in my head. I think they offer quite the same service and they really have a difficulty to differentiate themselves.” Moreover, Export Development Canada Representative Denis L’Heureux notes, “Here in Shanghai we have the CanCham which is a bit separate, so CanCham and CCBC there is an overlap there in some areas so that is challenging as well.” Further, a lack of differentiation between the organizations can be observed in the service profile results from the semi-structured survey. Nearly half of the respondents chose services that both CCBC and CanCham do not perform. In fact, both organizations should have scored 0 in service 1, service 2, and service 3. With this in mind, the new position of these two entities is reflected below:



This relocation on the map was authenticated by Chapter Director Andre-Philip Chenail, and by a past CanCham executive, with both individuals confirming that their respective organizations do not offer these services. This relocation further confirms the problem of sub-optimal differentiation and the confusion SMEs endure when trying to approach the right organization for their unique needs. For the remainder of this analysis, I will utilize interview data with representatives of both organizations in relation to services offered. I will cross-check and support these definitions with the opinions of the other eight respondents. These two organizations can be classified as primarily transaction-creating intermediaries and differentiated based on the companies they serve, their scope, and the networks they possess.

Firstly, the CCBC and Canadian Chamber of Commerce can be differentiated based on the companies they serve. The CCBC focuses on providing services to large multinational enterprises, while CanCham focuses on serving Canadian SMEs. This is supported by BCTIO Director Ellen Xin: “The CCBC was set up earlier than CCC, so it was set up to help out giant Canadian companies to bring them to the China market to start China business development.” Executive Director of CanCham corroborates this fact: “in 1996 the Chamber separated itself from the CCBC, because at that time it was focusing mostly on the large Canadian enterprises, which was the majority of the Canadian presence at that time. But actually people from the SME side felt very left out. So that’s how the Chamber started- to represent the SMEs. Now we have overlapping members such as Manulife. But I think our main difference is that we still have a very large focus on SMEs.” In this light, CanCham would be considered a more suitable organization for Canadian SMEs as its services are specifically targeted to their needs.

Since the CCBC and CanCham can be differentiated by their membership base targets, this also means they can be differentiated based on the networks and connections they facilitate. This is revealed in the scope and scale of their operations and events. Firstly, CCBC will serve both Canadian and Chinese companies, while CanCham focuses strictly on Canadian businesses operating in Shanghai. In this way, CanCham can be defined as a localized Chamber of Commerce that provides a platform for Canadian companies to create connections with local Chinese businessmen and investors. CCBC Chamber Director Andre-Philippe Chenail posits, “they have a very social oriented mission and objectives. They do cocktails, they do PR mixers- yes, you can go to CanCham as a member and say you are looking for business facilitation and investors.” Alberta Trade Representative Yvonna Zhou adds, “CanCham is the kind of organization who

served the Canadian companies, so they have a great database of Canadian companies,” while BC Office Director Ellen Xin posits, “CanCham organizes the local Canadian community – they organize the charity ball, they organize Christmas parties.” In comparison, the CCBC has multiple locations across Canada (Toronto, Montreal, Vancouver, and Calgary) and China (Beijing and Shanghai) (CCBC, 2017). The CCBC also can be described as a facilitator through events, however on a much larger scale: “CCBC does events all across China, when we can we hold luncheons for example last May for the Mayor of Toronto, and we were able to fill the room with 150 people. CanCham doesn’t do that” (Chenail 2017). Moreover, the CCBC is known for organizing the most important annual event in Canada-China bilateral relations – The Annual General Meeting, which is described by Andre-Philippe Chenail as the “the key moment in the bilateral relationship” between Canada and China because of “so many stakeholders involved.” The AGM chiefly focuses on providing the platform through which Canadian corporations form partnerships with Chinese businessmen and investors: “The AGM is not just another meal, not just another evening where you are being wined and dined- you’re being brought into a bilateral banquet where the two governments meet. And that’s giving face to your partner . . . this is undeniably the best platform that there is...If you want to be successful in China, you need somehow, to attend the AGM. For example, if you are distributing Maple Syrup, maybe not but maybe yes, but if you are doing a multibillion dollar deal then yes.” The scope of the CCBC encapsulates the totality of the Canada-China bilateral relationship and focuses on facilitating events on a nation-wide macro level, whereas CanCham focuses on the Canadian business community in Shanghai and fostering events on the local level.

The above differentiation between the CCBC and Canadian Chamber of Commerce is useful for Canadian SMEs considering expansion to China. Knowing the service orientation for each entity will help firms choose memberships best suited to their needs. Those SMEs with 400-500 employees and substantial profits in search for China-wide partners and opportunities would most likely benefit more from the services of the CCBC, whereas smaller SMEs specifically targeting the Shanghai market would benefit more from the localized facilitation and information services of CanCham. Clearly, the most significant service both entities provide is their comprehensive Canada-China events through which they offer opportunity for direct buyer-seller interaction and negotiation as well as the diffusion of information on new trends within the Canada-China relationship. For smaller SMEs with less resources, CanCham’s events are more

suitable, whereas larger SMEs with large profits can take their business to the next level by attending CCBC events.

5.2.2-Cluster 2: The Provinces

Based on their locations on the graph above, the provincial offices can be classified as primarily transaction-creating entities. Further, the provincial offices are located in close proximity to each another, indicating a general sub-optimal differentiation between the services they offer. When asked to differentiate their offices from each other, Ontario, British Columbia, and Alberta representatives all indicated the same services: primarily to leverage their province's core competencies to attract inward FDI from Chinese investors. They also acknowledged that their services inform SMEs from their respective provinces of opportunities available in China and how to expand through the provision of market information, network facilitation, and business strategy advisory services. That being said, importantly, the Quebec Office's position on the map is located a small distance from the other three offices, indicating that the Quebec Office has found some success in differentiating itself. According to Quebec Bureau Rep X, this is a top priority for the future, "we are working on it actually and we have a project to see how we can increase it." When asked how the Quebec Office can be differentiated from other provincial offices, Past Quebec Office of Shanghai Y notes that "the other provinces are mostly working 70% of their time is investment attraction to Canada. So they have the boat hat- FDI into the market here and into Canada" while the Quebec Office does not focus on investment attraction. Instead, the office in Shanghai purely focuses on providing economic analysis and organizing personalized trade missions and trade fairs for various sectors of excellence for Quebec companies conducting business in China. Currently, this effort to differentiate has produced mixed opinions from officials in the Shanghai ecosystem: "In QC it's confusing – they have Export Quebec and Expansion Quebec and they have different and separate roles" (L'Heureux 2017). A past director of economic services for the Quebec Office of Shanghai confirms this conundrum: "In my opinion it's a mistake because it's all politics and level and everything and sometimes trade and investment is really close together. So, it's quite different from the other provinces because of that." Moreover, the provinces can be differentiated based on the level of connections they have developed and maintained in China. According to Denis L'Heureux, "So, some of them have better connections in some areas — Quebec is well-connected on the entertainment side, so it's ideally for SMEs you want to

connect with both and they both have areas of connections.” When asked about the total connections possessed by each province, L’Heureux described Quebec as having the best level of connections, as it is “better established and dynamic,” stating also that “BC is doing a pretty good job, then Ontario is kind of average then Alberta is getting better.”

The interview data for the provincial offices indicates a distinct miscommunication between federal and provincial initiatives, which is further compounded by fierce competition for investment between provinces. This creates a distortion of the true offerings of each office. Chief Representative of Export Development Canada Denis L’Heureux confirms this issue first-hand: “One of the challenges is that there are so many services and the nature of our federation with the provinces and the government and the different organizations it is confusing to people. And I don’t know if we are ever going to be able to fix that.” In this case, the provinces’ different agendas create distort their true service offerings to Canadian SMEs. CCBC Chapter Director Andre-Philippe Chenail describes: “there’s so much and everyone’s trying to grab a piece of the pie, but something we lack and something I’ve been hearing over the past 5 years is that we do not have an integrated strategy for business in China.” The Managing Director of the Alberta Office in Shanghai further confirms the issue of differentiation and competition between the provinces: “there are so many similar government organizations doing the same thing, always pitching to Chinese investors about doing business with their respective country, states and provinces.... So, forget about competing with our other G7 peers-we’re competing amongst provinces-right?” For this reason, Winston Kan confirms that Alberta needs a differentiation strategy, in terms of servicing, in order to maximize inward investment to Alberta, but also to give Canadian SMEs confidence that the Alberta office can provide the exact needed tools and services.

Although the Trade Commissioner service is clearly differentiated by its position on the map, evidence suggests that its role in comparison to the provincial offices needs to be clarified to Canadian SMEs. The relationship between the TCS and Quebec Office exemplifies this conundrum and is confirmed by Quebec Bureau Rep X, who identifies confusing trends among SMEs in regards to the service offerings of the TCS and the Quebec Office: “I think that they offer a bit of the same thing but the way they offer is sometimes different. I think a problem is that the information is not being shared properly between Canada and QC, because on the Canadian side they will ask Quebec only if they have to - I think there is a little bit of a competition which makes it not the best for Canadian companies.” Quebec Bureau Rep X posits that this lack of transparency

is a problem, citing the case of a Quebec SME working with the Canadian embassy: the “Canadian embassy will not want to give us that information because they think they will lose that client over us.” This is problematic because the Quebec Office has specialized information and contacts that allows them to customize their services (in French) to the needs of Quebec companies. In addition, the TCS does not offer their services in French, deterring French-speaking entrepreneurs from accessing the resources they need.

By giving the Quebec Office only the “partial information that they want to give,” the TCS erodes the ability of SMEs to access the best resources available to aid their expansion to China. What’s more is that this lack of transparency is also found in the actions of the Quebec Office. This is confirmed by Quebec Bureau Rep X: “I would say we do the same thing on the other side.” The fragmentation of interests and agendas between provinces and the TCS results in both a lack of transparency and diffusion of information, affecting the ability of these entities to serve Canadian SMEs on the ground and promote their services to SMEs considering expansion to China. In the end, as Quebec Bureau Rep X says, “It’s the fact that we serve the same client but we have different tools and we try to promote our tools to the same client.” This serves a clear case for increased differentiation and definition of exact services between the TCS and the provincial offices. The firm should not need to labour over choosing between the service offerings of the offices and the TCS. What should be clear is what each entity offers and how those offerings clearly fit the needs of SME based on provincial origins, sector, and strategy. Here, I propose a reevaluation of the governance structure between the TCS and the provinces in that the TCE should instead serve as a strict support function to each provincial office in the provision of market intelligence, the leveraging of networks, etc., rather than acting as a separate entity with its own resources and network linkages.

Not only does this lack of differentiation and competition confuse Canadian SMEs about services offered but it fragments and distorts Canada’s identity to Chinese officials: “2015 is the best example, where the Mayor of Shanghai himself received requests for four meetings with Canadian stakeholders in a 36-hour span. Four. Do you think the mayor of Shanghai has time to meet with his Canadian friends? First of all, there are 120 countries asking for meetings, then he has his own business dealing with 20 million people there. And four Canadian stakeholders ask for a private, diplomatic level bilateral meeting? . . . What do you think happened in Shanghai city hall? Confusion. Confusion. Confusion” (Andre Philip Chenail, 2017). Canada needs to have a

transparent China strategy that is reflected and unified on the Federal and Provincial levels in order to help Canadian SMEs expand to China.

5.2.3-Differentiation Success: Export Development Canada

Despite the lack of differentiation analyzed in the above two clusters, the position of the EDC and the TCS indicates that they have differentiated their services successfully among the government officials within the Shanghai ecosystem. All respondents were able to clearly identify these two organizations in both the semi-structured interview and the structured survey. That said, the TCS is not considered as successful in this differentiation for the reasons mentioned in the provincial analysis section and is thus excluded in the Provincial Offices Cluster. On the other hand, the differentiation of EDC's service offering is confirmed and clearly differentiated by its position at the top right hand corner of the graph and does not warrant further analysis. Clearly, the EDC plays a physical fulfillment role in the internationalization process of SMEs and physically enables the process financially. It is suggested that the EDC be contacted after an SME has validated the suitability for its product in the market and has an idea of the funds it will require for expansion.

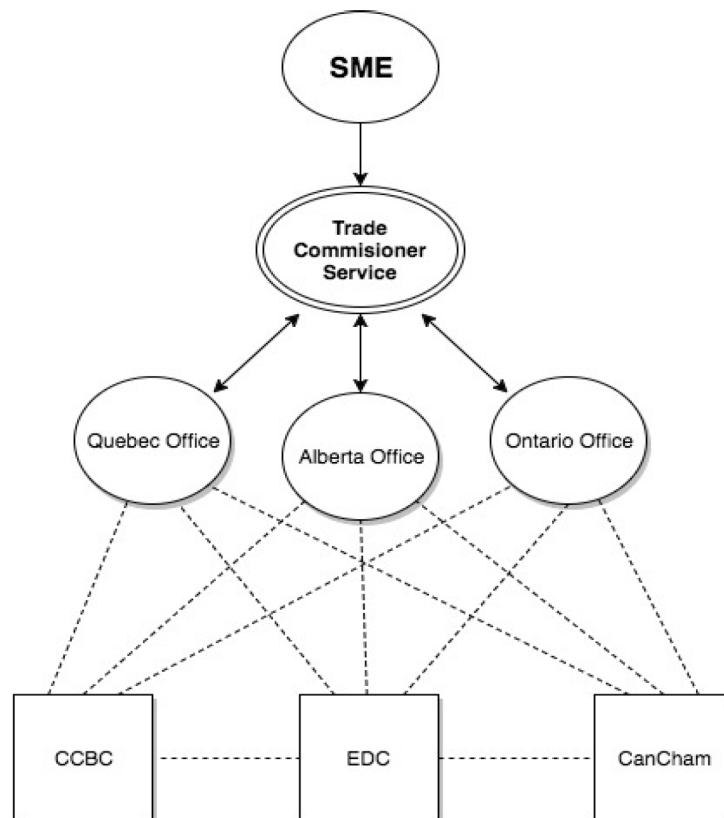
5.3-Possible Solutions

According to Lorenzen and Mudambi (2014), the type of network structure a cluster operates under is a key determinant for how knowledge and resources are shared (p. 509). Within these networks, the central actors or gatekeepers will have the most privileged access to the "knowledge and capital flowing through social relations," enabling them to govern interactions within the cluster and control the flow of resources altogether (p. 509). This means that the central actors have the ability to maximize the performance potential of the cluster as whole. The dynamic between the provinces and Trade Commission Service can be described as a centralized network structure, wherein the Trade Commission Service acts as the gatekeeper to information and knowledge flows. However, according to Lorenzen and Mudambi (2014), if central actors do not have incentives to collaborate, they will turn their resources (i.e., prioritized knowledge and connections) into private goods (p. 509). In fact, the authors posit that there are numerous empirical studies confirming tendencies of central actors to "appropriate and withhold resources such as knowledge" (p. 509). This explains the tendency for the TCS and provinces alike to withhold information from one another, affecting their ability to differentiate and truly serve the needs of Canadian SMEs. In an era of globalization,

knowledge intermediation can be considered the most important service offered to SMEs considering expansion, creating “otherwise unobtainable value” as the “search costs required to discover [profitable knowledge combinations] are too high”(Hakanson et al. 1995). The job of all of the government bodies should be to provide the best possible knowledge and resources to SMEs considering expansion.

In this case, I propose a transformation of the network structure between these entities to a more decentralized structure that can be attained through a re-designation of services and responsibilities within the cluster (Figure 16). The Trade Commissioner Service still acts as the gatekeeper and first point of contact and information gathering for SMEs. Once the product and business model’s suitability for the Chinese market has been determined, the Trade Commissioner should then be mandated to collaborate with the province in which the SME is indigenous to leverage the right contacts and develop the right China strategy. This way, in the case that a province new to the China ecosystem (e.g., the Alberta Trade Office) will not suffer because of its relative lack of linkages compared to peers that have been operating in Shanghai for a longer period of time.

Figure 16: Suggested network structure of interaction between Canada-China Intermediaries in Shanghai; Own Adaptation (2017)



In the diagram above, the bi-directional arrows represent centralized pipelines of connectivity between the offices and the Trade Commissioner Service (cluster gatekeeper). This is to indicate the equal flow of resources between both intermediaries in the service of an SME. Moreover, the dotted lines between the provinces and EDC, CCBC and CanCham represent decentralized pipelines. This is because these three bodies are private and despite their common goal, have their own agendas. In this way, these three private bodies can remain autonomous and harness their competitive advantage to provide useful resources and knowledge to the government intermediary bodies. The need for some sort of arrangement is confirmed by Denis L'Heureux, who posits that the solution for differentiation will come from, "us and other various organizations who are offering services to make sure we connect regularly so that when an exporter chooses an entry, that he can be or she can be redirected to the right organization depending on what they need." Going forward, the agenda of all eight intermediaries should be focused on finding ways to provide clarity to SMEs and facilitating the execution of services in the most effective manner.

5.4-Additional Information to Consider: Canada's Entrepreneurial Culture

The lack of utilization of government intermediary services documented by Sui and Tapp (2015) serves as the motivation to differentiate the services Canada-China intermediaries provide to Canadian SMEs. That said, the interview process revealed significant additional trends, including the severe lack of entrepreneurial culture and ambition present across all territories and provinces. For Canada to become competitive in the global marketplace, its entrepreneurs must adopt a more globalized mindset, as Andre-Philippe Chenail confirms: "Our culture here is easy-export oriented. We're just not hardcore entrepreneurs . . . if you look at our society and the economy, it's always been an easy export economy- the Americans always came here to buy everything, so why would we do anything more? It's very difficult for Canadian entrepreneurs to understand that if they want success in China, they will need to be there systematically 2 weeks every 6-8 weeks." This confirmed by Executive Director Helene LaRoche: "traditionally, I don't think Canadians have really been risk takers in going abroad – we've been quite comfortable in North America." Quebec Office Rep X says, "I think that they think they can do business without going- so we really try to convince them that they have to go and the money you have to invest to make it happen, you have to invest." Simply put, Canadians are not risk-takers and are comfortable relying on the easy export cycle with the United States, meaning that Canadians are either not aware of the opportunities

available to them or they are choosing to stay in their comfort zone. This is further illustrated by the availability of the CCBC's Business Incubation Centers, designed to provide physical space to Canadian companies setting up their operations on the ground in China: "the incubation center was put together with what Canadian entrepreneurs want- which is low-cost, Launchpad which is flexible. Yet we only have 2 out of 6 desks filled in Shanghai. The EDC said they would promote it and they did, but no one answered our call. Where are our Canadians? It's \$1000 per month – the stacks of business cards I have in China, if you ask me for something I will give it to you, whatever the sector. But they're not there."

According to Lee et al. (2010), exporting requires SMEs to adopt a global mindset, as it gives them, "the ability to understand the effect of global scenarios and trends, foreign markets and institutions, and global industry trends" (p.335). With the rampant pace of globalization, this international orientation is crucial for SMEs to have as it equips them with the ability to identify opportunities and threats to their growth (ibid). Kyvik (2011) posits that having a global mindset drives SMEs to operate internationally, as it helps SMEs to "reshape reshape their perceptions about psychic distance and export barriers" (ibid). What's more, is the government can work to offer services and promote exports to incentivize the adoption of a global mindset. In the context of Justin Trudeau's pledge to double trade with China by 2025 and establish a free trade agreement, Canadian SMEs, must be made aware of the opportunities in China so that they can readjust their mindset and develop a China strategy. This is confirmed by Winston Kan: "going forward yes the government would like to double trade . . . it relies on the companies to actually take the fall and go. If they don't do it, we can wish 1000 times, but it's not going to work. So, we have to somehow educate and encourage those that can be successful in China to go. But, at the same time, we've got to tell those that might not have a future and be up front and tell them." Canadian firms need a China strategy, regardless of whether they choose to engage with China or remain in Canada, because a free trade agreement opens the markets to both economies. Without a China strategy, Canadian companies will be unprepared to deal with the influx of Chinese products and services newly available in the Canadian market. Winston Kan says, "I would encourage companies to think broadly and have the strategy whether they come or not. It's more about how you are going to survive with potentially an FTA. Maybe you make pies here and you don't export them to China, but what if China starts to export pies to North America. Take a look at the Japanese and Koreans before them, they killed a lot of industries. So, what are you going to do to prevent that one day?"

If Trudeau is serious about striking an FTA with China, support must be given to SMEs, particularly with regards to educating them on the opportunities available in China and how to leverage their strengths to remain competitive in the age of globalization. This can be achieved by furiously promoting the services of the Canada-China intermediaries who are key for the expansion of Canadian SMEs to China.

Chapter 6: Concluding Remarks on Findings

For firms to successfully enter a foreign market, they need to have a sufficiently large advantage so as to compete against local firms that know more about their environment. The ability of Canadian SMEs entering the Chinese market to successfully do so depends on whether they possess necessary resources, including information and connections necessary to expand. Unfortunately, SMEs often lack sufficient resources and incur significant costs when trying to expand abroad. For this reason, intermediaries exist to lower such costs. Ultimately ignored in intermediary literature is the ability of government to function as an intermediary and aid in the expansion process of its indigenous SMEs. In fact, government can play a significant role in linking SMEs to appropriate contacts in a foreign country, thus diminishing the firms' outsider liability while lowering other fixed expansion costs. Despite the benefits of government intermediary services, Sui and Tapp (2015) indicate that only 5% of Canadian SMEs actually utilize them in their expansion efforts. In the Chinese market, where the barriers to trade and expansion are astronomically high, this is concerning.

In the case of Canada-China relations, eight government-related intermediaries work to aid the expansion process of Canadian SMEs to China. I argue that because of their sub-optimal differentiation, their services are not utilized vigorously by Canadian SMEs. By utilizing the semi-structured interview method, I gathered comprehensive data on the services of each intermediary and how these are perceived by the other Canadian entities in the Shanghai business ecosystem. These respondents were also asked in a structured survey to identify the exact services of each intermediary. Service profiles were calculated and plotted on a graph to reveal the type of intermediary each organization was (i.e., transaction-creating or physical fulfillment) and were then analyzed by a cross-comparison of the responses in the interview data. Solutions were provided as to how the organizations can further differentiate themselves and their service offerings. Suggestions were made for relationship and information management within the main cluster. Overall, a majority of respondents acknowledged that the visibility of their services was poor and that differentiation is needed going forward, especially with Trudeau's announcement to double trade between Canada and China by 2025.

6.1-Limitations and Recommendations for Future Research

As exploratory research, this paper offers new interesting insights regarding how the eight Canada-China intermediaries can differentiate their service offerings and how Canadian SMEs can utilize

these services to penetrate the Chinese market. There are four major limitations to this study. First, only intermediaries in Shanghai in the Canada China context were analyzed, by no means fully capturing the services and level of differentiation of these intermediaries on a China-wide scale. All intermediaries should eventually be analyzed in the Canada-China context to truly understand the level of differentiation between the organizations. The second limitation of this study is reflected in my inability to interview Trade Commissioner of Shanghai and Ontario Representative in Shanghai, Philip Wong because of last minute illness. For this reason, I was not able to exactly capture these two services in the context of the Shanghai business ecosystem. I recommend that these perspectives be analyzed in future research. Another limitation of this study relates to its general classifications of transaction-creating and physical fulfillment services. Future research should include the networking services provided by intermediaries as an official transaction-creating service. This research also recommends that the literature be further analyzed to understand how government can leverage and develop networks within the business community to ease the internationalization process of its indigenous SMEs. Lastly, this research did not acknowledge the Canadian SME perspective. In order to gain a more accurate view of the effective service offerings of these eight intermediaries, SMEs, both in Canada and on the ground on China, must be included in future research

6.2-Contribution to the Literature

Despite these limitations, the use of this cross-case analysis offers a direct view of the functions of the eight Canada-China intermediaries and how their services can aid in the internationalization process of Canadian SMEs to China. Although these research results are modest, they do constitute a further source of information to the overall literature on this topic, as there is only one other academic paper in the context of intermediaries in the Canada-China Context. Importantly, however, this paper is unique in that its research focuses how these eight intermediaries can increase trade with Canada's second largest trading partner via the differentiation of their service offerings. It also provides the first visualization of these organizations in the Shanghai business ecosystem and the first classification of services. Lastly, this paper provides valuable insight into current expansion trends for Canadian SMEs and benchmarks the current future of Canada China relations.

Appendices

Appendix 1: Interview Guide for Senior Managers

Date: _____ Location: _____ Duration: _____
First Name: _____ Last Name: _____
Organization: _____ Position: _____

Introduction

The purpose of this report is to analyze how Canada-China business intermediaries develop and provide crucial roles which aid in the internationalization of Canadian SME's to China and develop the Canada-China relationship (business and political) as a whole.

I am interested in your own point of view, how you perceive the current Canada-China relationship and how your institution and others, help Canadian SMEs successfully expand to China and generate profits in Chinese markets. The end goal of this dissertation will be to create a comprehensive cartography of Canada's most prolific intermediaries. In this light, the main objective of this exchange will be to gather information on the history of your organization, the evolution of its functions over time, the type of clients it serves, the services it provides, its strengths and weaknesses, and its overall role in the facilitation of Sino-Canadian relations.

Part 1: Interviewee Background

- 1) Can you please tell me about yourself?
 - a) Education
 - b) Experience with Canada and China Relations?
 - c) Your current role and time employed by the current organization?

Part 2: Organization Background

- 1) What has been the evolution of the involvement of your organization in Canada-China business and political relations in the last 10 years?
- 2) If applicable: Who are your members?
 - a) How many are there?
 - b) What is the ratio between Canadian SMEs and MNEs?
 - c) Majority in a particular industry?
- 3) What are the current roles of your organization?
 - a) Have they evolved over time?
 - b) If so, how have they evolved?

- 4) Can you please describe in detail the fundamental roles which your organization plays in the expansion process of Canadian SMEs to China?
 - a) How does your organization help Canadian SMEs deal with fixed costs of expansion?
 - b) How does your organization help Canadian SMEs with overcome uncertainties in expansion?
- 5) Can you name any public or private Canadian organizations that offer similar services to your organization?
 - a) How are they similar/ different?
- 6) How would you rate the visibility of your organization's roles and services to Canadian companies?
 - a) Why do you think these visibility issues exist?
 - b) What can be done to curb these issues?
- 7) How would you describe the role of your organization in Canada-China business relations 10 years from now?
 - a) Do you think these roles and services will change substantially?
 - b) Problems that will be faced?
 - c) Problems that will disappear?

Part 3: SMEs in China

- 1) In your opinion, what makes China a valuable destination for Canadian SME expansion?
 - a) Have new opportunities emerged for Canadian SMEs?
 - b) Trends in motivation for expansion to China?
 - c) Trends in target industry?
 - d) Trends in target location?
- 2) How would you describe the level of difficulty of doing business in China for Canadian Companies?
- 3) What are some common mistakes Canadian SMEs make when expanding to China?
- 4) What are the barriers and difficulties do you see the most from your members?
 - a) What is the strategy or role your institution plays to help these companies with these barriers?
 - b) Trends in major concerns Canadian SMEs have when coming to China?
- 5) How does your institution's services impact the chances of success for a Canadian SME in Chinese markets?

- a) How do your services help Canadian SMEs to seize the benefits of growth in Chinese markets?
- b) How do your services lower the amount of risk Canadian SMEs must take in the expansion process?

Part 4: Differentiation between institutions

1. Please name all of the Canadian institutions you are aware of in China that play a fundamental role/offer services to Canadian SMEs in their expansion process to China.
2. Can you please describe for me what role and what type of services each institution offers?
3. Have you seen a decline in the importance of any institution in the last 10 years?
4. Do you see the importance of any of these institutions changing dramatically in the next 10 years?
5. Can you please describe for me how your institution can be differentiated from each of these organizations.
6. What are the most commonly used resources by SMEs when setting up business operations in China?
 - a. Is there a particular organization that a majority of Canadian companies consult the most?

Part 5: Canada-China Relationship Forecast and Policy Recommendations

- 1) How would you describe the current state of Canada-China Relations?
 - a) Strengths and weaknesses?
 - b) How will it evolve over time?
 - c) Any surprising trends?
 - d) Any threats?
- 2) What kind of future do you picture for this relationship?
 - a) How do you feel about the FTA with China?
 - b) What advantages and disadvantages will this bring to Canadian SMEs?
- 3) What do you think is Canada's greatest strength in its relationship with China?
 - a) Any others?

- 4) Given the emerging literature on the benefits of increased and diversified trade, how do you think Canada can encourage exports from its SMEs?
 - a) How can the Canadian government make firms aware of existing government assistance programs?
 - b) How can the Canadian government customize these programs to the needs to Canadian SMEs expanding to China?

Appendix 2: Structured Survey Results

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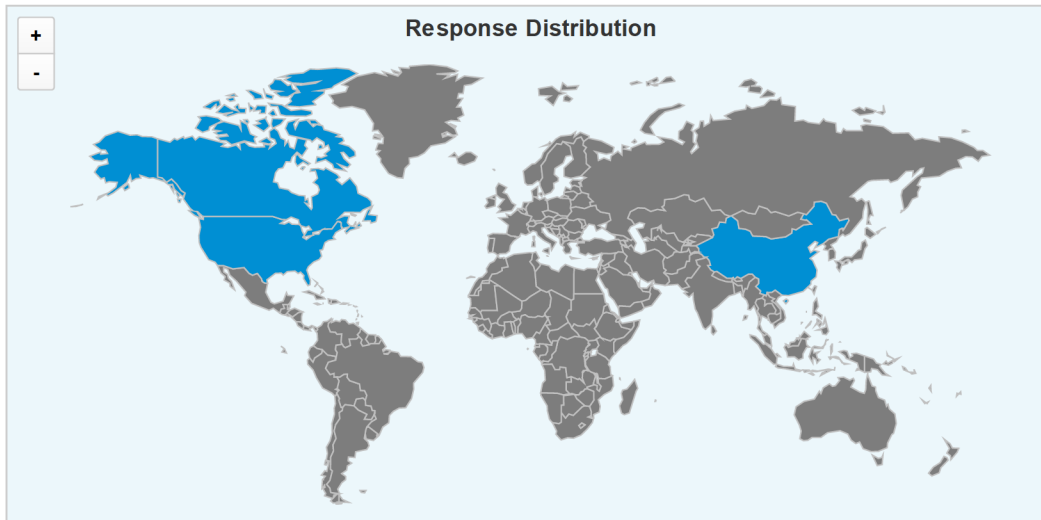
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Figure 9: Crucial facilitators for Canadian firms in the Canada-China business community; Bathelt and Li (2015)

Name of facilitator	Location	Primary funding base	Usual time of involvement	Primary knowledge provided	Primary role	Activities organized
Canadian Embassy/consulates http://www.canadainternational.gc.ca/china-chine/offices-bureaux	Embassy in Beijing; consulates in Shanghai, Guangzhou, Chongqing, and Hong Kong	Publicly funded	The entire investment period, particularly before investment decisions are made and when trouble arises in the process	General information about location; market inquiries; reference to private facilitators for special knowledge	Representing Canada's interests in China; providing public support to Canadian firms in China	Delegations and trade missions
Trade representative offices of Canadian provinces in China for example, http://www.albertacanada.com/china	Alberta (Beijing, Shanghai, Hong Kong); Quebec (Beijing, Shanghai, Hong Kong); British Columbia (Beijing, Shanghai, Guangzhou, Hong Kong); Ontario (Shanghai, Beijing, Chongqing)	Publicly funded	The entire investment period, particularly before investment decisions are made	General information about location; market inquiries; reference to private facilitators for special knowledge	Promoting trade; supporting provincial firms' expansion in China; attracting Chinese investments; provincial branding	Delegations and trade missions
Export Development Canada http://www.edc.ca	Headquartered in Ottawa since 1944; offices throughout Canada; representations in Shanghai and Beijing	State-owned enterprise	Early stages of engagement in China	Financial services (e.g., credit, insurance)	Promoting trade by providing insurance and financial services to Canadian exporters and investors and their international buyers (focus on small-business solutions)	Business seminars; trade missions
Canada China Business Council http://www.ccbc.com	Headquartered in Toronto; established in 1978; offices in Vancouver, Montreal, Calgary, Beijing, and Shanghai	Funded by membership	Before and after investment decisions have been made	Contacts for investments and business operations	Promoting bilateral business, trade, and investments between China and Canada; providing transnational networking opportunities	Business roundtables; general meetings; industrial conferences; lobby work
Canadian Chamber of Commerce in China http://www.cancham.asia	Shanghai and Hong Kong	Funded by membership	After presence in China has been established	Contacts for business operations	Providing a platform for developing business contacts in eastern and southern China	Delegations and trade missions; community events; business seminars
Canadian Manufacturers & Exporters http://www.cme-mec.ca	Headquartered in Ottawa; offices in Toronto and Calgary	Funded by membership	During early stages of engagement in China	Export-related knowledge	Political engagement; organization of delegations	Delegations and trade missions; lobby work
Asia Pacific Foundation of Canada http://www.asiapacific.ca	Headquartered in Vancouver; office in Toronto	Funded by government and private sector	Less directly involved in investments	Policy recommendations	Bridging connections with Asia in business, government, and academia	Research seminars; public conferences

Structured Survey: Canada-China Intermediaries

VIEWED 👁️ 25	STARTED 🕒 21	COMPLETED 🚩 10	COMPLETION RATE ✅ 47.62%	DROP OUTS ➡️ 11	TIME TO COMPLETE 🕒 8 mins
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Countries	Responses
CA	57.14%
US	14.29%
HK	14.29%
CN	14.29%
Total	100.00%

1) Please write your name

1) Please write your name

03/30/2017	22206738	Devin Brazier
03/22/2017	22034116	Guillaume Mussely-Bédard
03/05/2017	21669671	Genevieve Rolland
02/27/2017	21594986	Ellen Xin
02/27/2017	21594721	Yvonna Zou
02/26/2017	21574690	Helene Larochelle
02/26/2017	21574694	Denis L'Heureux
02/19/2017	21456283	André-Philippe Chenail
02/14/2017	21401342	Mathieu Cormier
02/06/2017	21107865	Wei

2) Please identify the organization you work for

2) Please identify the organization you work for

03/30/2017	22206738	Ontario Ministry of International Trade
03/22/2017	22034116	Ministère de l'Économie, Sciences et Innovation
03/05/2017	21669671	Quebec Office in Shanghai
02/27/2017	21594986	BC Trade and Investment office, Shanghai
02/27/2017	21594721	Government of Alberta
02/26/2017	21574690	The Canadian Chamber of Commerce in Shanghai
02/26/2017	21574694	Export Development Canada
02/19/2017	21456283	Canada-China Business Council
02/14/2017	21401342	Saimen (previously Bureau du Quebec in Shanghai BQS)
02/06/2017	21107865	Provincial Trade Office

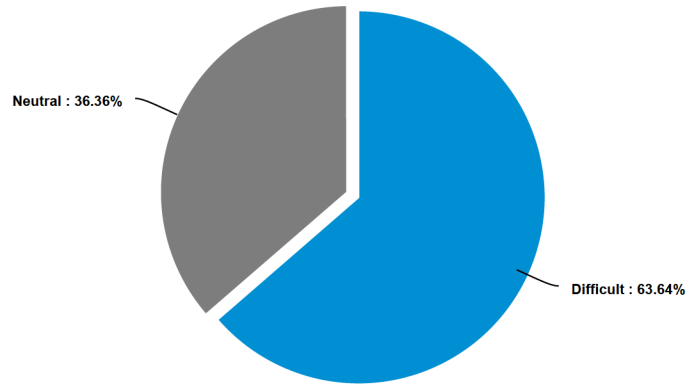
3) Please identify your position at this organization

3) Please identify your position at this organization

03/30/2017	22206738	International Program Officer
03/22/2017	22034116	Conseiller en affaires internationales
03/05/2017	21669671	Director for economic affairs

02/27/2017	21594986	Director
02/27/2017	21594721	Senior Commercial Officer
02/26/2017	21574690	Executive Director
02/26/2017	21574694	Chief Representative - Greater China
02/19/2017	21456283	Quebec Chapter Director
02/14/2017	21401342	Vice president (previously Director, vice consul at BQS)
02/06/2017	21107865	Coordinator

4) How would you describe the level of difficulty of doing business in China for Canadian Companies?



Answer	Count	Percent	20%	40%	60%	80%	100%
Extremely difficult	0	0%					
Difficult	7	63.64%	[Blue bar representing 63.64%]				
Neutral	4	36.36%	[Grey bar representing 36.36%]				
Moderate	0	0%					
Little to no difficulty	0	0%					
Total	11	100 %					

5) Please rank the main motivations for Canadian SMEs to expand to China (1 being most significant and 6 least significant)

	Average Rank	1	2	3	4	5	6
Low cost production	3.7	[Bar chart showing distribution]					
Generation of sales in foreign markets	1.3	[Bar chart showing distribution]					
Proximity to suppliers	3.1	[Bar chart showing distribution]					
Low cost imports	4.9	[Bar chart showing distribution]					
Attract investment	2.7	[Bar chart showing distribution]					
R&D	5.3	[Bar chart showing distribution]					

	1	2	3	4	5	6
Low cost production	0	2	3	2	2	1
Generation of sales in foreign markets	8	1	1	0	0	0
Proximity to suppliers	0	5	1	3	0	1
Low cost imports	0	0	1	1	6	2
Attract investment	2	2	3	3	0	0
R&D	0	0	1	1	2	6

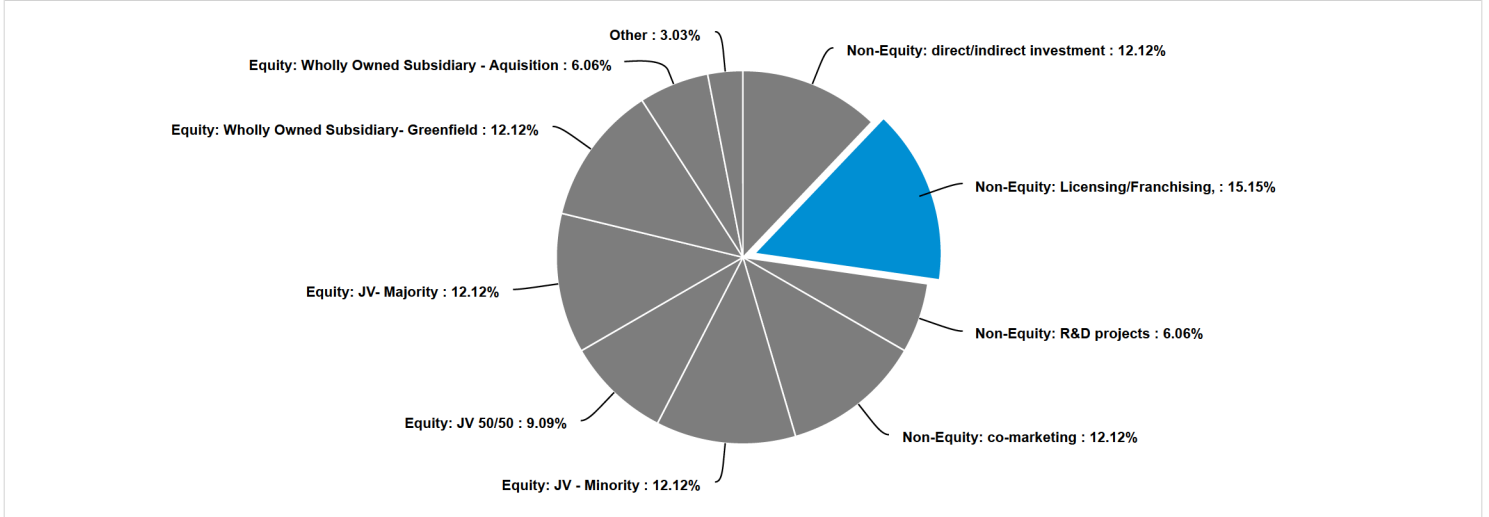
6) Please select and rank the main industries which a majority of Canadian companies SMEs that expand to China (1 being most significant and 6 least significant).

	Average Rank	1	2	3	4	5	6	7	8	
Manufacturing	2.5	[Bar chart showing distribution]								
Transportation, distribution and communications	4.3	[Bar chart showing distribution]								

Engineering	4.2	
Primary industries	5.1	
Financial and business services	3.6	
Software and technology	3.7	
Utility	7.11	
Other	5.22	

Data Table																			
Manufacturing				3	30%	3	30%	1	10%	2	20%	1	10%	0	0%	0	0%	0	0%
Transportation, distribution and communications				0	0%	1	10%	2	20%	1	10%	5	50%	1	10%	0	0%	0	0%
Engineering				1	10%	1	10%	3	30%	0	0%	2	20%	2	20%	0	0%	1	11.11%
Primary industries				1	10%	2	20%	0	0%	1	10%	1	10%	0	0%	3	33.33%	2	22.22%
Financial and business services				0	0%	1	10%	4	40%	4	40%	0	0%	1	10%	0	0%	0	0%
Software and technology				3	30%	1	10%	0	0%	2	20%	1	10%	2	20%	1	11.11%	0	0%
Utility				0	0%	0	0%	0	0%	0	0%	0	0%	2	20%	4	44.44%	3	33.33%
Other				2	20%	1	10%	0	0%	0	0%	0	0%	2	20%	1	11.11%	3	33.33%

7) Please select the most common entry mode(s) chosen by Canadian SMEs expanding into China.



Answer	Count	Percent	20%	40%	60%	80%	100%
Non-Equity: direct/indirect investment	4	12.12%					
Non-Equity: Licensing/Franchising,	5	15.15%					
Non-Equity: Turnkey projects	0	0%					
Non-Equity: R&D projects	2	6.06%					
Non-Equity: co-marketing	4	12.12%					
Equity: JV - Minority	4	12.12%					
Equity: JV 50/50	3	9.09%					
Equity: JV- Majority	4	12.12%					
Equity: Wholly Owned Subsidiary- Greenfield	4	12.12%					
Equity: Wholly Owned Subsidiary - Acquisition	2	6.06%					
Other	1	3.03%					
Total	33	100 %					

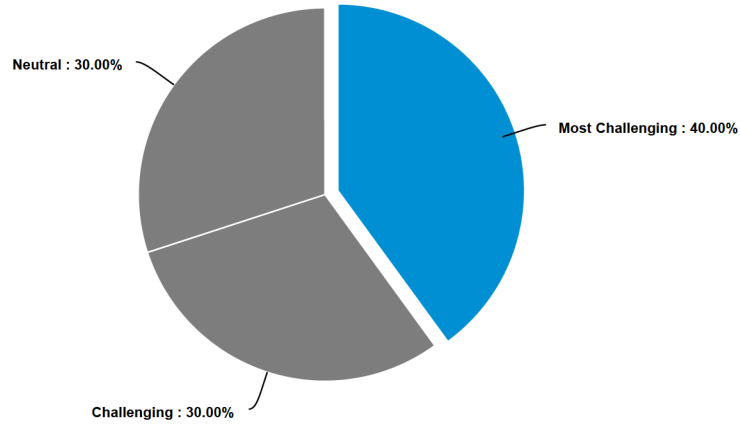
8) Please rank the following business constraints Canadian SMEs experience in their expansion to China

Question	Count	Score	Most Challenging	Challenging	Neutral	Somewhat Challenging	Least Challenging	N/A
Regulatory Barriers (ex. tariffs, labor and law practices, insufficient legal system etc)	10	1.9						
Language and Cultural Barriers	10	2.3						
Competition/Market Saturation	10	2.4						
Lack of Contracts/Network	10	2.4						

Fear of IPR infringement	9	2.67	
Inadequate financing	10	2.3	
HR constraints in China	10	2.7	
Difficulty analyzing too much information	10	3.2	
Uncertainty of suitability of product for the market	10	3.3	
Distance to Customers	10	3	

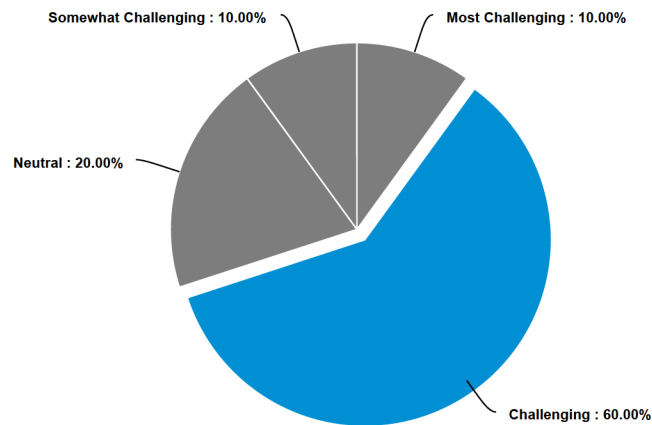
Average 2.62

Regulatory Barriers (ex. tariffs, labor and law practices, insufficient legal system etc)



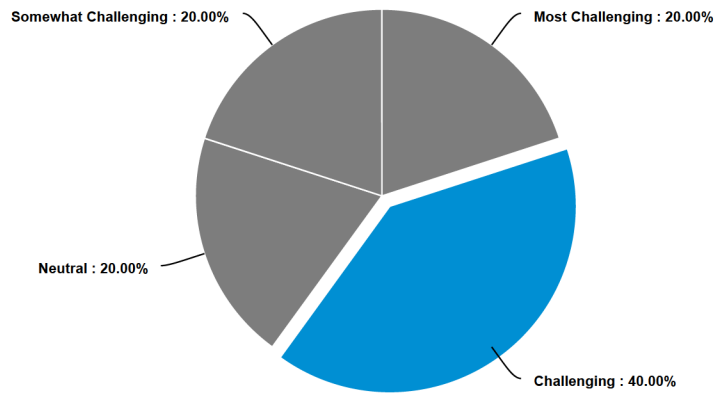
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	4	40%					
Challenging	3	30%					
Neutral	3	30%					
Somewhat Challenging	0	0%					
Least Challenging	0	0%					
N/A	0	0%					
Total	10	100 %					

Language and Cultural Barriers



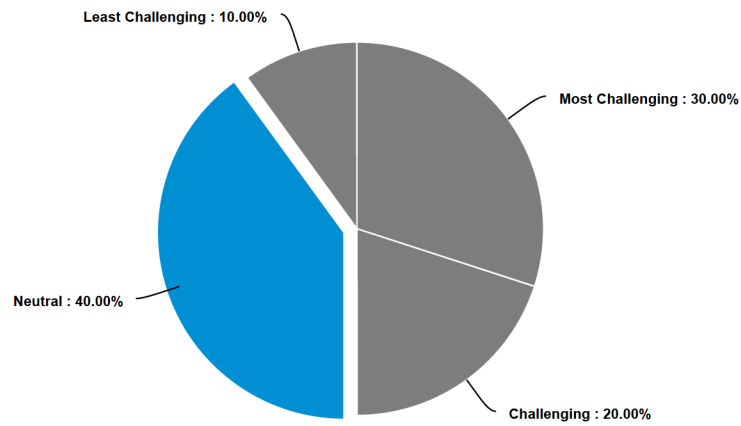
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	1	10%					
Challenging	6	60%					
Neutral	2	20%					
Somewhat Challenging	1	10%					
Least Challenging	0	0%					
N/A	0	0%					
Total	10	100 %					

Competition/Market Saturation



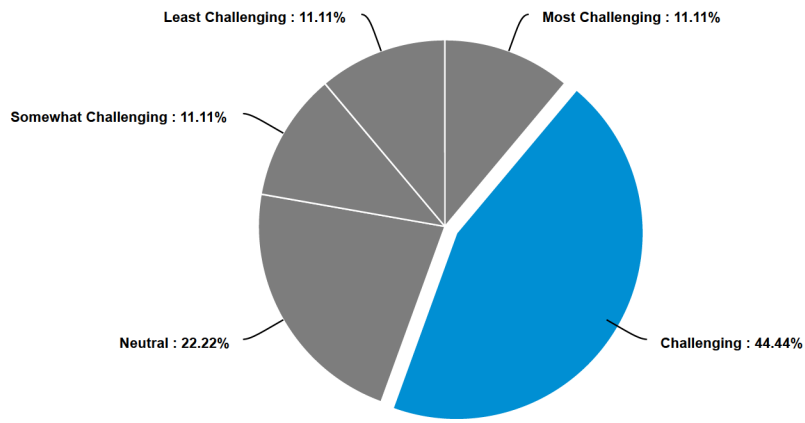
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	2	20%	██████████				
Challenging	4	40%	██████████	██████████			
Neutral	2	20%	██████████				
Somewhat Challenging	2	20%	██████████				
Least Challenging	0	0%					
N/A	0	0%					
Total	10	100 %					

Lack of Contracts/Network



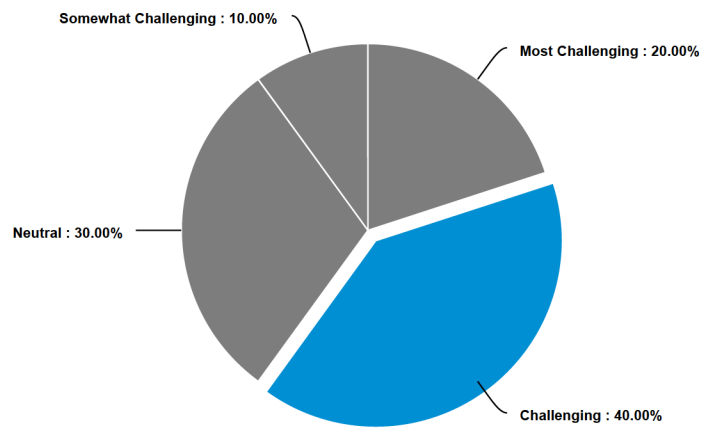
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	3	30%	██████████				
Challenging	2	20%	██████████				
Neutral	4	40%	██████████	██████████			
Somewhat Challenging	0	0%					
Least Challenging	1	10%	██████████				
N/A	0	0%					
Total	10	100 %					

Fear of IPR infringement



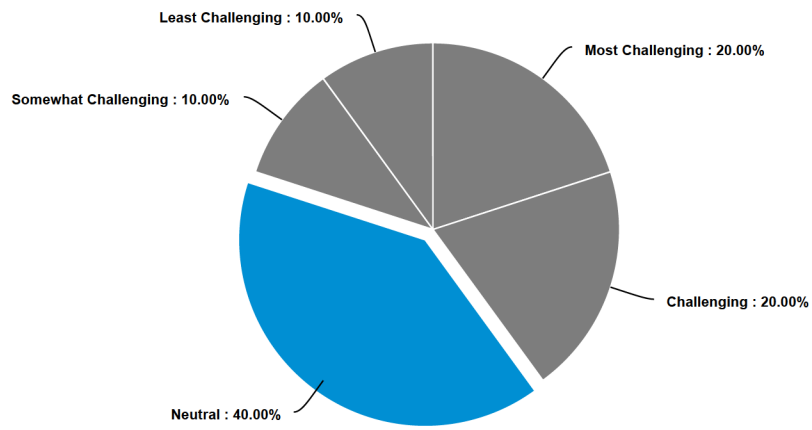
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	1	11.11%	[Progress bar]				
Challenging	4	44.44%	[Progress bar]				
Neutral	2	22.22%	[Progress bar]				
Somewhat Challenging	1	11.11%	[Progress bar]				
Least Challenging	1	11.11%	[Progress bar]				
N/A	0	0%	[Progress bar]				
Total	9	100 %					

Inadequate financing



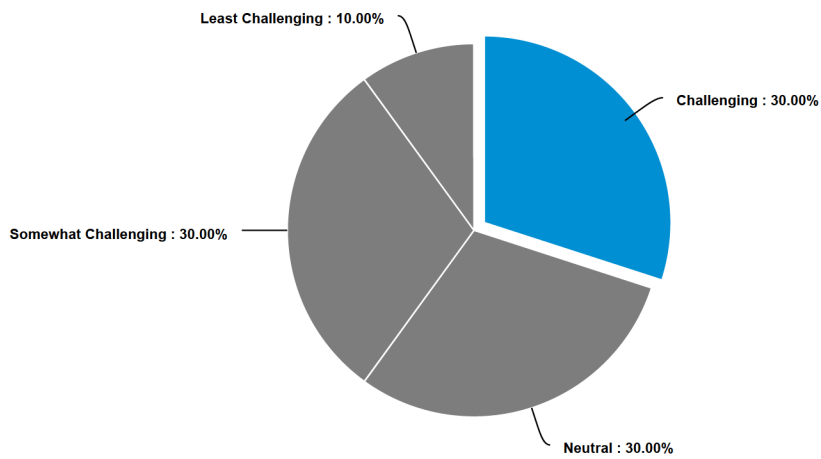
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	2	20%	[Progress bar]				
Challenging	4	40%	[Progress bar]				
Neutral	3	30%	[Progress bar]				
Somewhat Challenging	1	10%	[Progress bar]				
Least Challenging	0	0%	[Progress bar]				
N/A	0	0%	[Progress bar]				
Total	10	100 %					

HR constraints in China



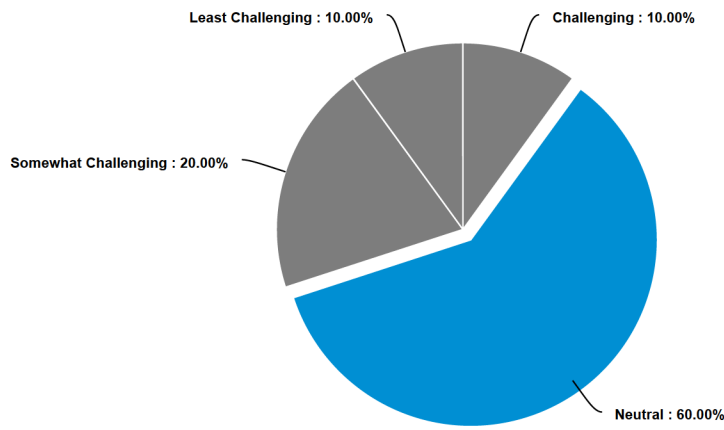
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	2	20%	<div style="width: 20%;"></div>				
Challenging	2	20%	<div style="width: 20%;"></div>				
Neutral	4	40%	<div style="width: 40%;"></div>				
Somewhat Challenging	1	10%	<div style="width: 10%;"></div>				
Least Challenging	1	10%	<div style="width: 10%;"></div>				
N/A	0	0%	<div style="width: 0%;"></div>				
Total	10	100 %					

Difficulty analyzing too much information



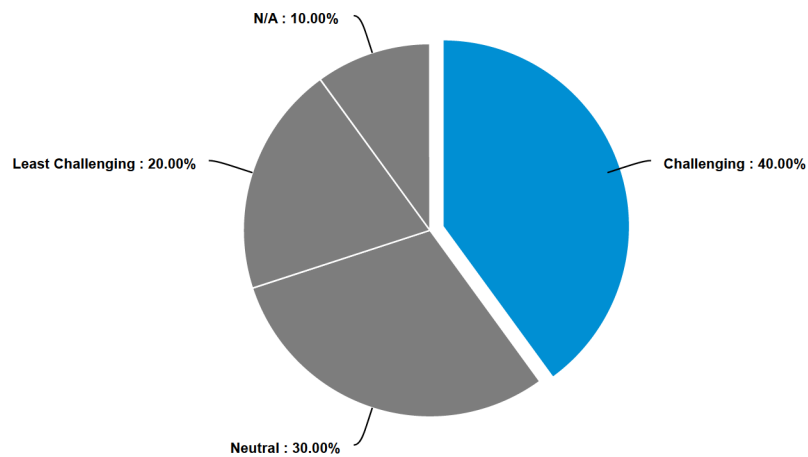
Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	0	0%	<div style="width: 0%;"></div>				
Challenging	3	30%	<div style="width: 30%;"></div>				
Neutral	3	30%	<div style="width: 30%;"></div>				
Somewhat Challenging	3	30%	<div style="width: 30%;"></div>				
Least Challenging	1	10%	<div style="width: 10%;"></div>				
N/A	0	0%	<div style="width: 0%;"></div>				
Total	10	100 %					

Uncertainty of suitability of product for the market



Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	0	0%					
Challenging	1	10%	█				
Neutral	6	60%	██████████				
Somewhat Challenging	2	20%	██████				
Least Challenging	1	10%	█				
N/A	0	0%					
Total	10	100 %					

Distance to Customers



Answer	Count	Percent	20%	40%	60%	80%	100%
Most Challenging	0	0%					
Challenging	4	40%		██████████			
Neutral	3	30%	██████				
Somewhat Challenging	0	0%					
Least Challenging	2	20%	██████				
N/A	1	10%	█				
Total	10	100 %					

9) Please list any other additional or prevalent barriers not listed in this survey:

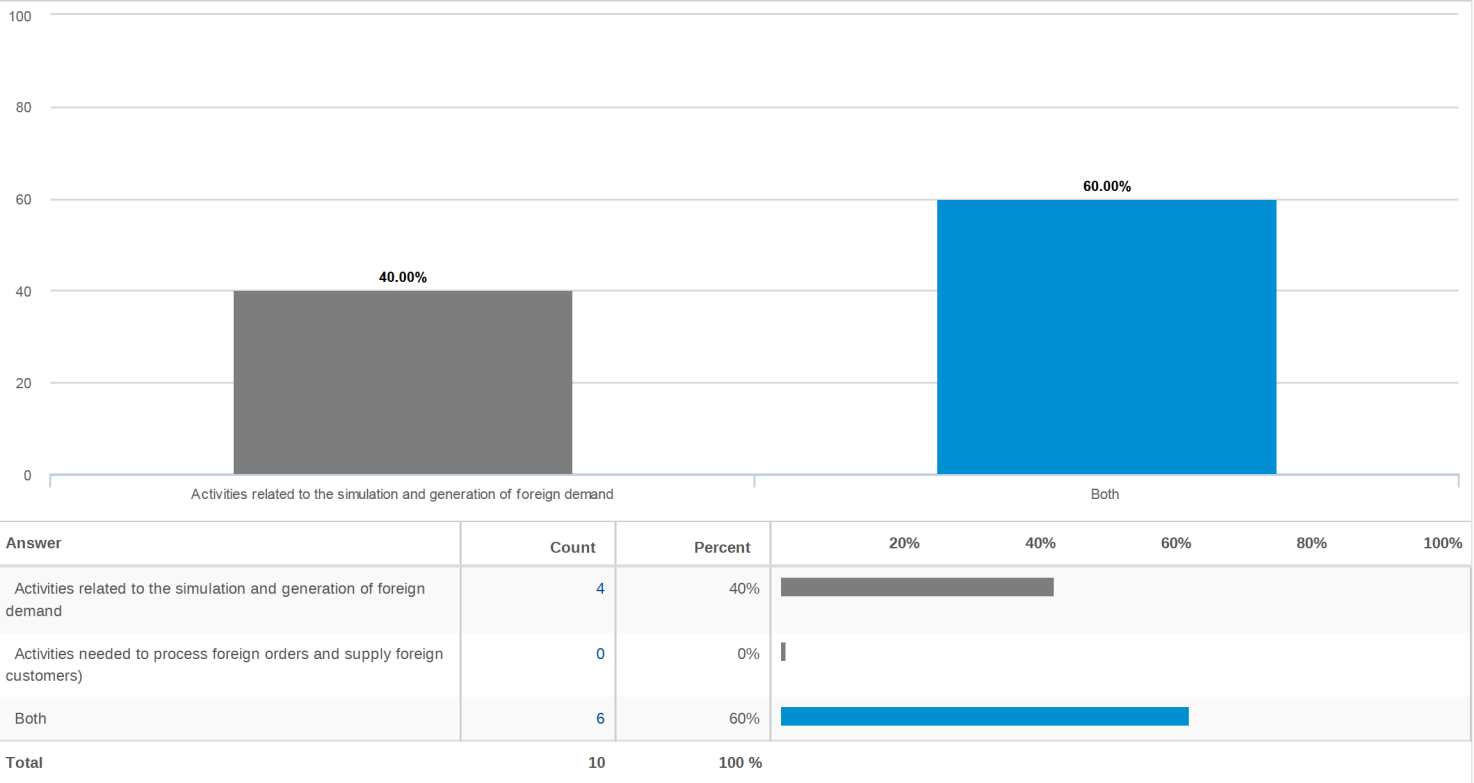
9) Please list any other additional or prevalent barriers not listed in this survey:

03/30/2017	22206738	
03/22/2017	22034116	
03/05/2017	21669671	Production capacity
02/27/2017	21594986	
02/27/2017	21594721	
02/26/2017	21574690	

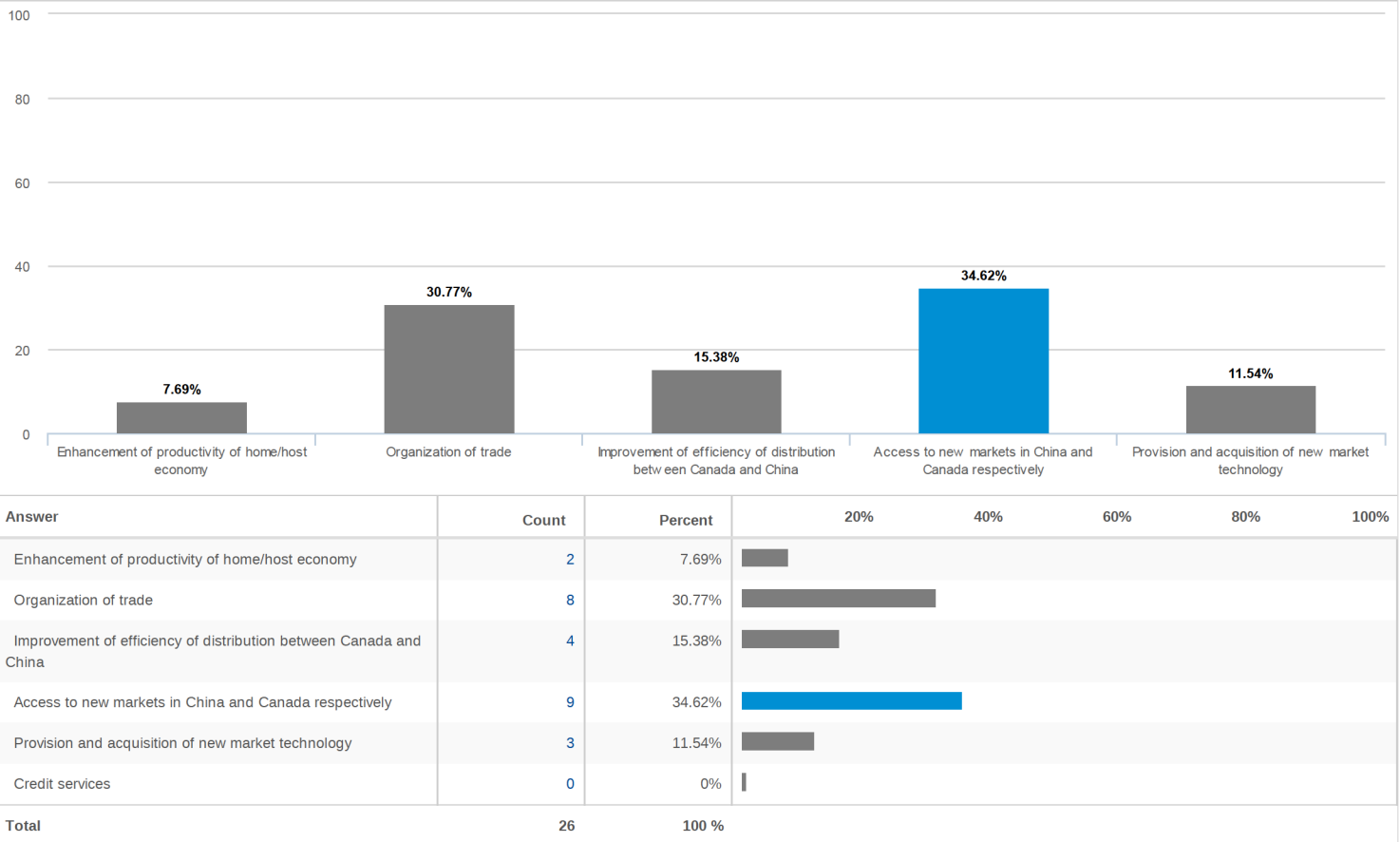
02/26/2017	21574694	
02/19/2017	21456283	
02/14/2017	21401342	Commitment from high management to move in China
02/06/2017	21107865	



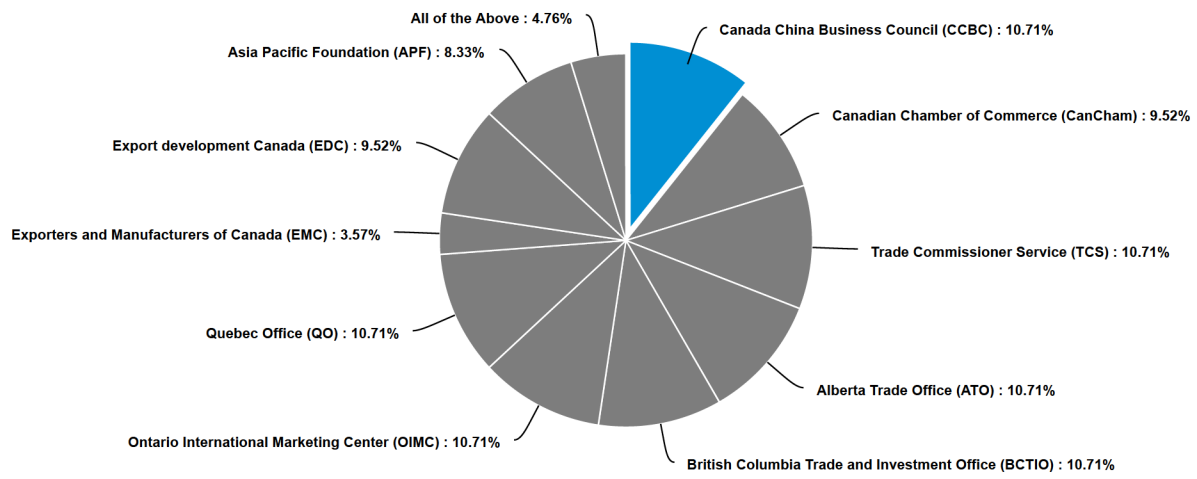
10) Please select the category that best describes the services you offer to Canadian SMEs



11) Please select the benefits you believe are derived from your organization's services



12) From the list below, please select the organizations that you are aware of in China

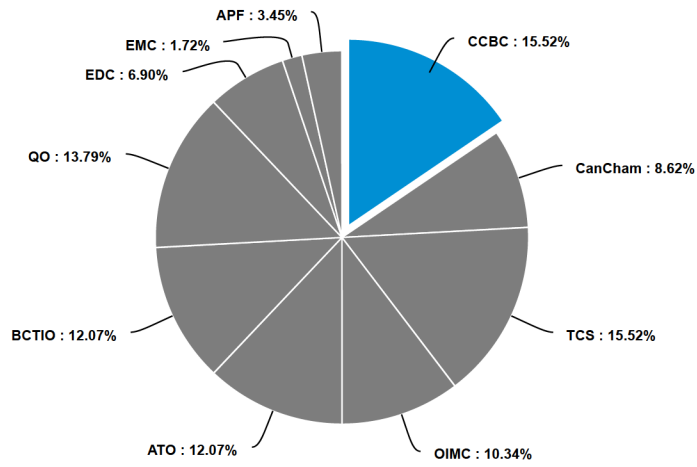


Answer	Count	Percent	20%	40%	60%	80%	100%
Canada China Business Council (CCBC)	9	10.71%	<div style="width: 10.71%;"></div>				
Canadian Chamber of Commerce (CanCham)	8	9.52%	<div style="width: 9.52%;"></div>				
Trade Commissioner Service (TCS)	9	10.71%	<div style="width: 10.71%;"></div>				
Alberta Trade Office (ATO)	9	10.71%	<div style="width: 10.71%;"></div>				
British Columbia Trade and Investment Office (BCTIO)	9	10.71%	<div style="width: 10.71%;"></div>				
Ontario International Marketing Center (OIMC)	9	10.71%	<div style="width: 10.71%;"></div>				
Quebec Office (QO)	9	10.71%	<div style="width: 10.71%;"></div>				
Exporters and Manufacturers of Canada (EMC)	3	3.57%	<div style="width: 3.57%;"></div>				
Export development Canada (EDC)	8	9.52%	<div style="width: 9.52%;"></div>				
Asia Pacific Foundation (APF)	7	8.33%	<div style="width: 8.33%;"></div>				
All of the Above	4	4.76%	<div style="width: 4.76%;"></div>				
Total	84	100 %					

13) Please select the roles of each intermediary:

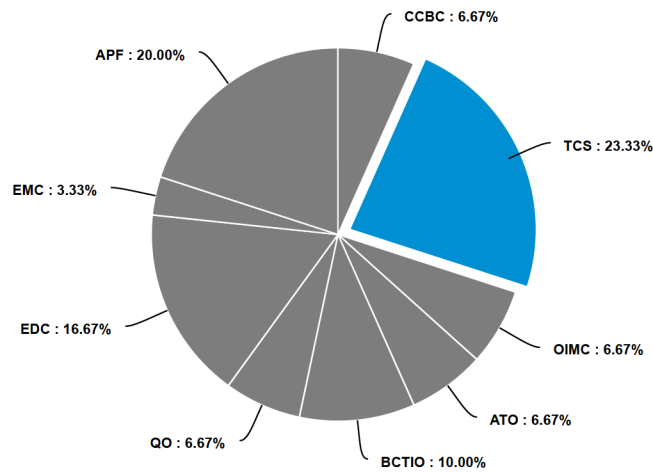
Question	Count	Score	CCBC	CanCham	TCS	OIMC	ATO	BCTIO	QO	EDC	EMC	APF
Network Creation and communication facilitation	58	4.55	<div style="width: 4.55%;"></div>									
International market research	30	6.07	<div style="width: 6.07%;"></div>									
Product research and design	2	9	<div style="width: 9%;"></div>									
Development of marketing strategies and plans	27	4.74	<div style="width: 4.74%;"></div>									
Advertising and promotion	25	4	<div style="width: 4%;"></div>									
Selection of foreign distributors	28	4.39	<div style="width: 4.39%;"></div>									
Training of distributors' staff	0	0	<div style="width: 0%;"></div>									
After sales services	0	0	<div style="width: 0%;"></div>									
Negotiation of collaborative agreements on behalf of suppliers	2	4.5	<div style="width: 4.5%;"></div>									
Export documentation	18	5.33	<div style="width: 5.33%;"></div>									
Provision of cost, insurance and freight quotes	5	5.4	<div style="width: 5.4%;"></div>									
Export packaging and marking	3	4	<div style="width: 4%;"></div>									
Warehousing	3	3.67	<div style="width: 3.67%;"></div>									
Freight forwarding	2	1.5	<div style="width: 1.5%;"></div>									
Quality control of exported goods	5	5	<div style="width: 5%;"></div>									
Financing and credit of export transactions	7	8	<div style="width: 8%;"></div>									
Average		4.38										

Network Creation and communication facilitation



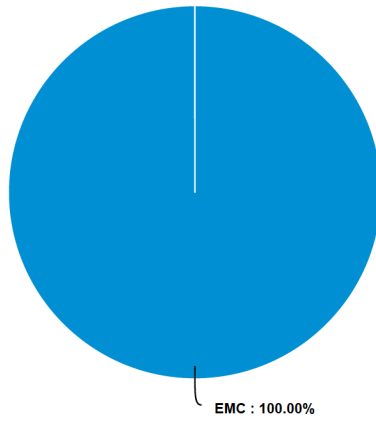
Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	9	15.52%					
CanCham	5	8.62%					
TCS	9	15.52%					
OIMC	6	10.34%					
ATO	7	12.07%					
BCTIO	7	12.07%					
QO	8	13.79%					
EDC	4	6.90%					
EMC	1	1.72%					
APF	2	3.45%					
Total	58	100 %					

International market research



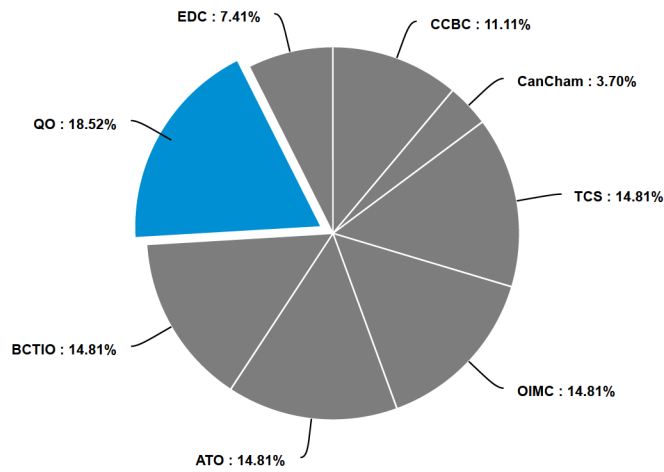
Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	2	6.67%					
CanCham	0	0%					
TCS	7	23.33%					
OIMC	2	6.67%					
ATO	2	6.67%					
BCTIO	3	10%					
QO	2	6.67%					
EDC	5	16.67%					
EMC	1	3.33%					
APF	6	20%					
Total	30	100 %					

Product research and design



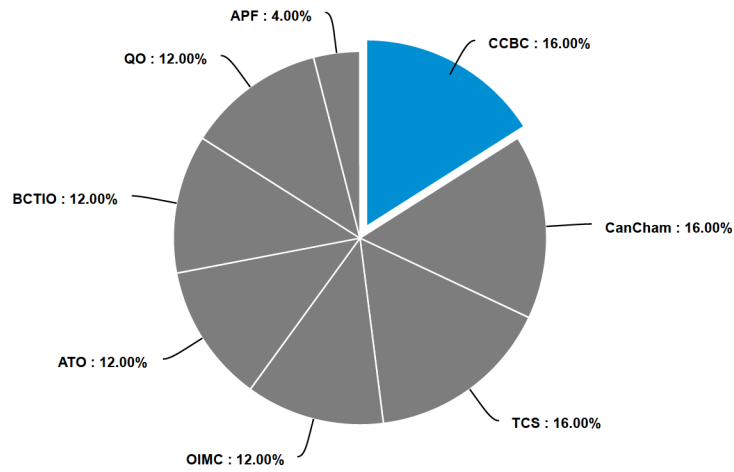
Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	0	0%					
CanCham	0	0%					
TCS	0	0%					
OIMC	0	0%					
ATO	0	0%					
BCTIO	0	0%					
QO	0	0%					
EDC	0	0%					
EMC	2	100%					
APF	0	0%					
Total	2	100 %					

Development of marketing strategies and plans



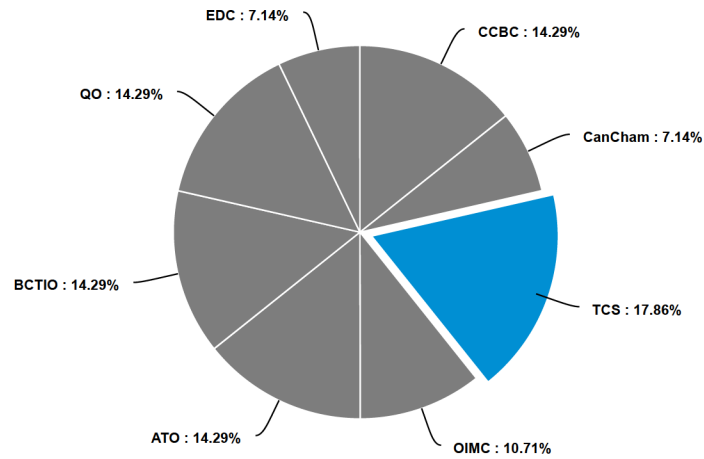
Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	3	11.11%					
CanCham	1	3.7%					
TCS	4	14.81%					
OIMC	4	14.81%					
ATO	4	14.81%					
BCTIO	4	14.81%					
QO	5	18.52%					
EDC	2	7.41%					
EMC	0	0%					
APF	0	0%					
Total	27	100 %					

Advertising and promotion



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	4	16%	<div style="width: 16%;"></div>				
CanCham	4	16%	<div style="width: 16%;"></div>				
TCS	4	16%	<div style="width: 16%;"></div>				
OIMC	3	12%	<div style="width: 12%;"></div>				
ATO	3	12%	<div style="width: 12%;"></div>				
BCTIO	3	12%	<div style="width: 12%;"></div>				
QO	3	12%	<div style="width: 12%;"></div>				
EDC	0	0%	<div style="width: 0%;"></div>				
EMC	0	0%	<div style="width: 0%;"></div>				
APF	1	4%	<div style="width: 4%;"></div>				
Total	25	100 %					

Selection of foreign distributors



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	4	14.29%	<div style="width: 14.29%;"></div>				
CanCham	2	7.14%	<div style="width: 7.14%;"></div>				
TCS	5	17.86%	<div style="width: 17.86%;"></div>				
OIMC	3	10.71%	<div style="width: 10.71%;"></div>				
ATO	4	14.29%	<div style="width: 14.29%;"></div>				
BCTIO	4	14.29%	<div style="width: 14.29%;"></div>				
QO	4	14.29%	<div style="width: 14.29%;"></div>				
EDC	2	7.14%	<div style="width: 7.14%;"></div>				
EMC	0	0%	<div style="width: 0%;"></div>				
APF	0	0%	<div style="width: 0%;"></div>				
Total	28	100 %					

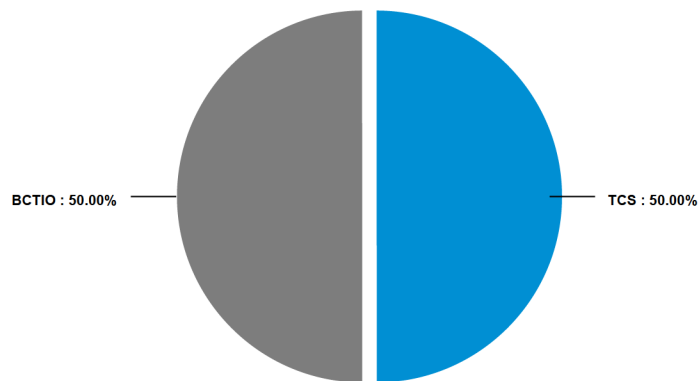
Training of distributors' staff

Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	0	0%					
CanCham	0	0%					
TCS	0	0%					
OIMC	0	0%					
ATO	0	0%					
BCTIO	0	0%					
QO	0	0%					
EDC	0	0%					
EMC	0	0%					
APF	0	0%					
Total	0	0%					

After sales services

Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	0	0%					
CanCham	0	0%					
TCS	0	0%					
OIMC	0	0%					
ATO	0	0%					
BCTIO	0	0%					
QO	0	0%					
EDC	0	0%					
EMC	0	0%					
APF	0	0%					
Total	0	0%					

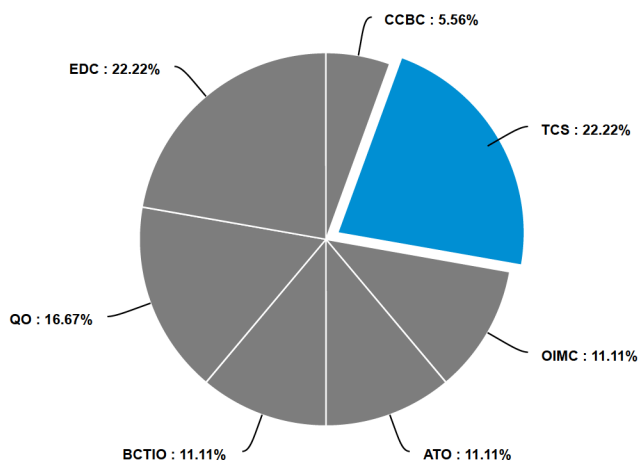
Negotiation of collaborative agreements on behalf of suppliers



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	0	0%					
CanCham	0	0%					
TCS	1	50%		██████████			
OIMC	0	0%					
ATO	0	0%					
BCTIO	1	50%			██████████		
QO	0	0%					
EDC	0	0%					
EMC	0	0%					
APF	0	0%					

Total 2 100 %

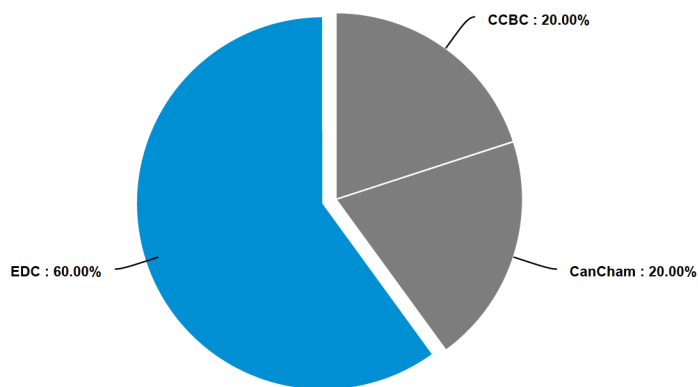
Export documentation



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	1	5.56%					
CanCham	0	0%					
TCS	4	22.22%					
OIMC	2	11.11%					
ATO	2	11.11%					
BCTIO	2	11.11%					
QO	3	16.67%					
EDC	4	22.22%					
EMC	0	0%					
APF	0	0%					

Total 18 100 %

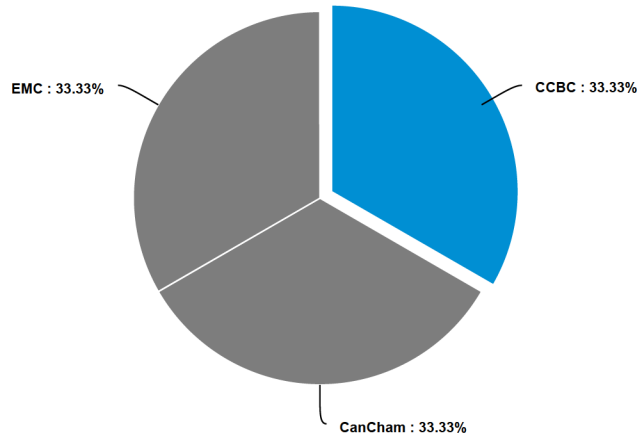
Provision of cost, insurance and freight quotes



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	1	20%					
CanCham	1	20%					
TCS	0	0%					
OIMC	0	0%					
ATO	0	0%					
BCTIO	0	0%					
QO	0	0%					
EDC	3	60%					
EMC	0	0%					
APF	0	0%					

Total 5 100 %

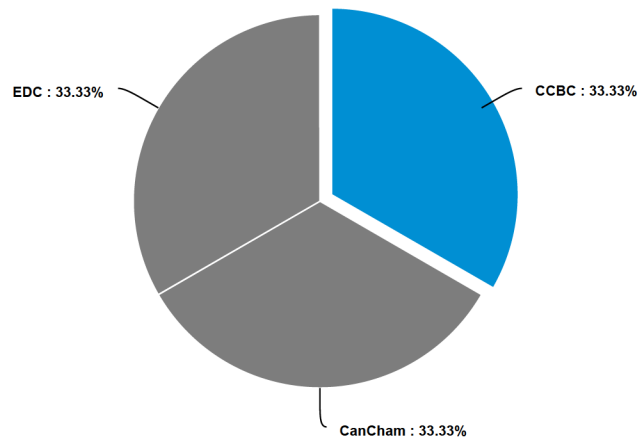
Export packaging and marking



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	1	33.33%	<div style="width: 33.33%;"></div>				
CanCham	1	33.33%	<div style="width: 33.33%;"></div>				
TCS	0	0%	<div style="width: 0%;"></div>				
OIMC	0	0%	<div style="width: 0%;"></div>				
ATO	0	0%	<div style="width: 0%;"></div>				
BCTIO	0	0%	<div style="width: 0%;"></div>				
QO	0	0%	<div style="width: 0%;"></div>				
EDC	0	0%	<div style="width: 0%;"></div>				
EMC	1	33.33%	<div style="width: 33.33%;"></div>				
APF	0	0%	<div style="width: 0%;"></div>				

Total 3 100 %

Warehousing

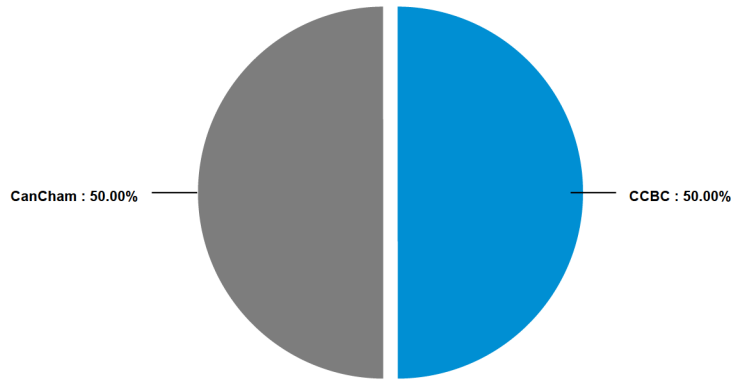


Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	1	33.33%	<div style="width: 33.33%;"></div>				
CanCham	1	33.33%	<div style="width: 33.33%;"></div>				
TCS	0	0%	<div style="width: 0%;"></div>				
OIMC	0	0%	<div style="width: 0%;"></div>				
ATO	0	0%	<div style="width: 0%;"></div>				
BCTIO	0	0%	<div style="width: 0%;"></div>				
QO	0	0%	<div style="width: 0%;"></div>				
EDC	1	33.33%	<div style="width: 33.33%;"></div>				
EMC	0	0%	<div style="width: 0%;"></div>				

APF	0	0%	
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Total	3	100 %	
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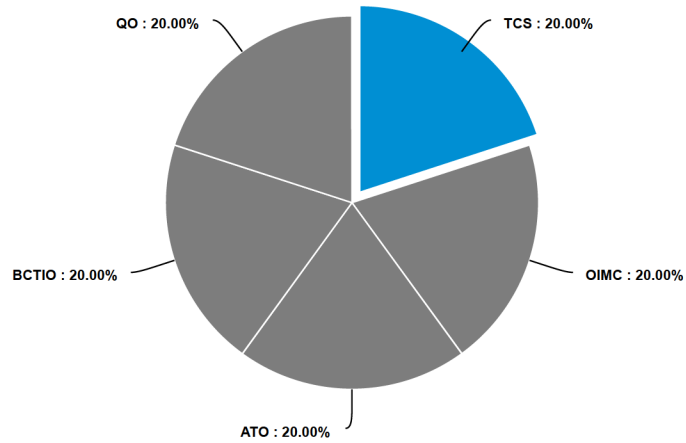
Freight forwarding



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	1	50%					
CanCham	1	50%					
TCS	0	0%					
OIMC	0	0%					
ATO	0	0%					
BCTIO	0	0%					
QO	0	0%					
EDC	0	0%					
EMC	0	0%					
APF	0	0%					

Total	2	100 %	
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Quality control of exported goods

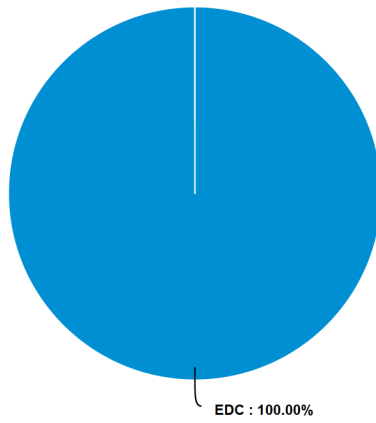


Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	0	0%					
CanCham	0	0%					
TCS	1	20%					
OIMC	1	20%					
ATO	1	20%					
BCTIO	1	20%					
QO	1	20%					
EDC	0	0%					
EMC	0	0%					

APF	0	0%
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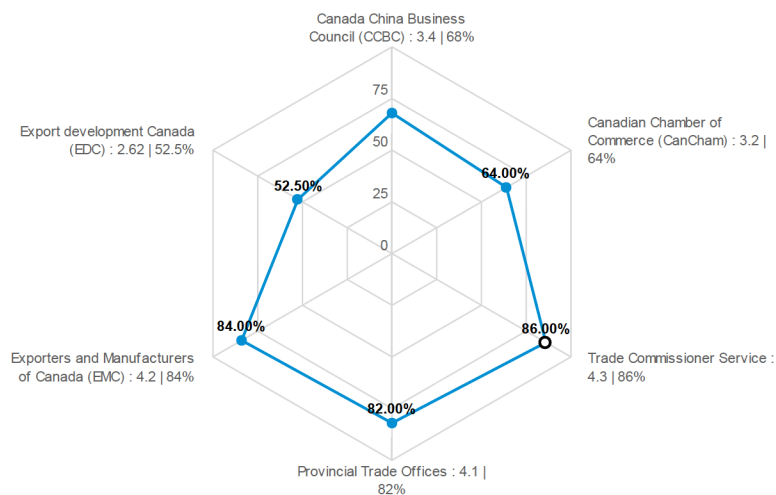
Total	5	100 %
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Financing and credit of export transactions



Answer	Count	Percent	20%	40%	60%	80%	100%
CCBC	0	0%					
CanCham	0	0%					
TCS	0	0%					
OIMC	0	0%					
ATO	0	0%					
BCTIO	0	0%					
QO	0	0%					
EDC	7	100%	<div style="width: 100%; height: 10px; background-color: blue;"></div>				
EMC	0	0%					
APF	0	0%					
Total	7	100 %					

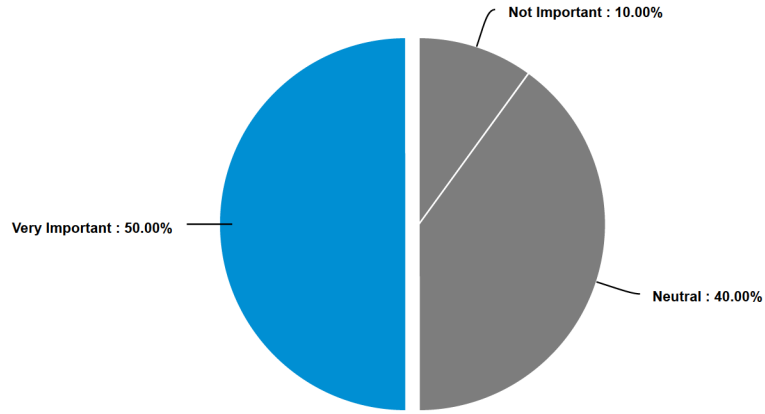
14) Please rank these organizations in regards to their importance in the expansion process of Canadian SMEs to China



Question	Count	Score	Least Important	Not Important	Neutral	Very Important	Most Important
Canada China Business Council (CCBC)	10	3.4	<div style="width: 68%; height: 10px; background-color: gray;"></div>				
Canadian Chamber of Commerce (CanCham)	10	3.2	<div style="width: 64%; height: 10px; background-color: gray;"></div>				
Trade Commissioner Service	10	4.3	<div style="width: 86%; height: 10px; background-color: blue;"></div>				
Provincial Trade Offices	10	4.1	<div style="width: 82%; height: 10px; background-color: gray;"></div>				
Exporters and Manufacturers of Canada (EMC)	10	4.2	<div style="width: 84%; height: 10px; background-color: gray;"></div>				
Export development Canada (EDC)	8	2.62	<div style="width: 52.5%; height: 10px; background-color: gray;"></div>				

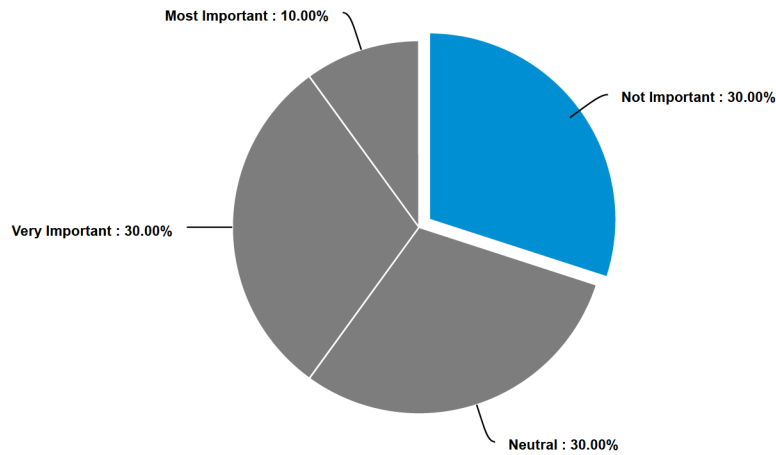
Average 3.64

Canada China Business Council (CCBC)



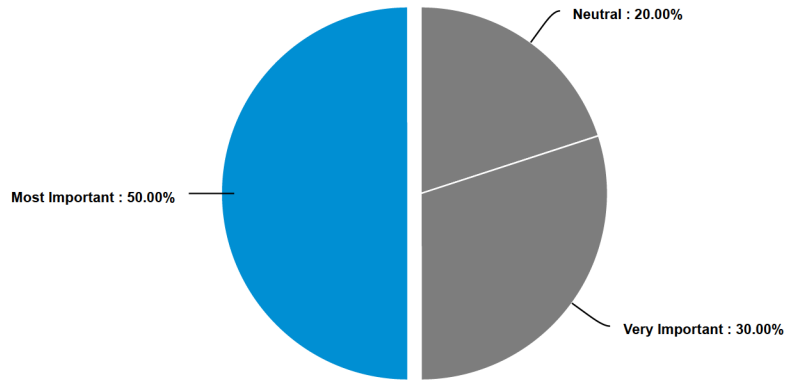
Answer	Count	Percent	20%	40%	60%	80%	100%
Least Important	0	0%					
Not Important	1	10%	■				
Neutral	4	40%	■	■			
Very Important	5	50%	■	■	■		
Most Important	0	0%					
Total	10	100 %					

Canadian Chamber of Commerce (CanCham)



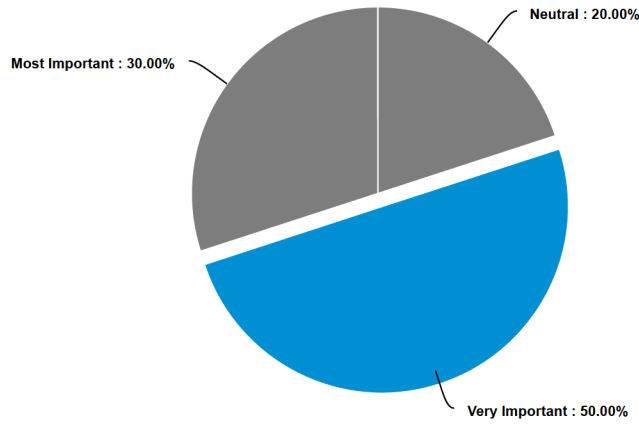
Answer	Count	Percent	20%	40%	60%	80%	100%
Least Important	0	0%					
Not Important	3	30%	■	■			
Neutral	3	30%	■	■			
Very Important	3	30%	■	■			
Most Important	1	10%	■				
Total	10	100 %					

Trade Commissioner Service



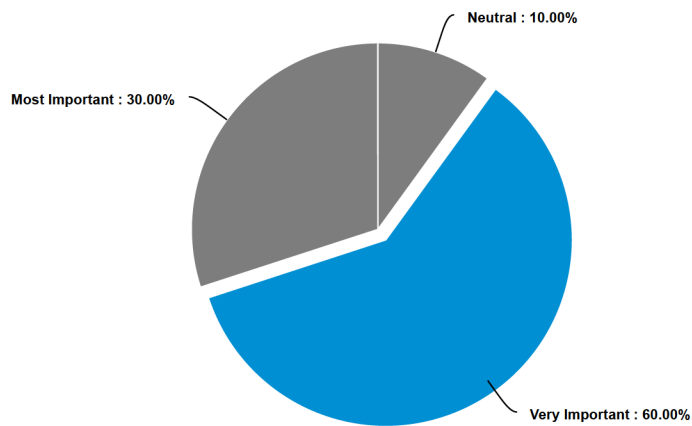
Answer	Count	Percent	20%	40%	60%	80%	100%
Least Important	0	0%					
Not Important	0	0%					
Neutral	2	20%	██████████				
Very Important	3	30%	██████████	██████████			
Most Important	5	50%	██████████	██████████	██████████	██████████	██████████
Total	10	100 %					

Provincial Trade Offices



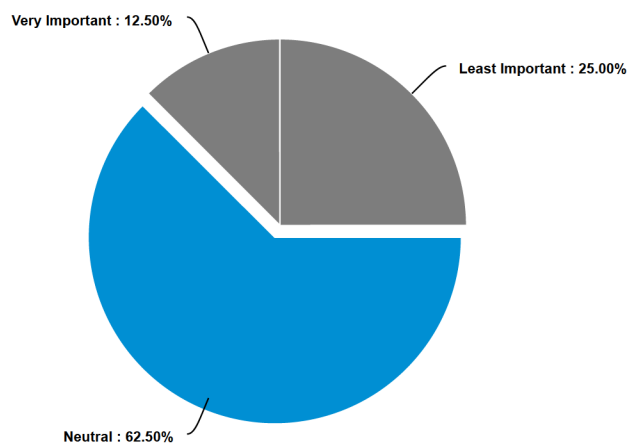
Answer	Count	Percent	20%	40%	60%	80%	100%
Least Important	0	0%					
Not Important	0	0%					
Neutral	2	20%	██████████				
Very Important	5	50%	██████████	██████████	██████████	██████████	██████████
Most Important	3	30%	██████████	██████████			
Total	10	100 %					

Exporters and Manufacturers of Canada (EMC)



Answer	Count	Percent	20%	40%	60%	80%	100%
Least Important	0	0%					
Not Important	0	0%					
Neutral	1	10%					
Very Important	6	60%					
Most Important	3	30%					
Total	10	100 %					

Export development Canada (EDC)



Answer	Count	Percent	20%	40%	60%	80%	100%
Least Important	2	25%					
Not Important	0	0%					
Neutral	5	62.5%					
Very Important	1	12.5%					
Most Important	0	0%					
Total	8	100 %					

15) Please select a step-by-step process in which a Canadian SME should contact when considering expansion to China (1 being most significant and 6 least significant).

	Average Rank	1	2	3	4	5	6	7
Canada China Business Council (CCBC)	4.0							
Canadian Chamber of Commerce (CanCham)	4.0							
Trade Commissioner Service	2.78							
Provincial Trade Offices	2.33							
Exporters and Manufacturers of Canada (EMC)	5.33							
Export development Canada (EDC)	3.33							
Asia Pacific Foundation (APF)	6.12							

Data Table																	
Canada China Business Council (CCBC)				1	11.11%	0	0%	2	22.22%	3	33.33%	1	11.11%	2	22.22%	0	0%
Canadian Chamber of Commerce (CanCham)				1	11.11%	0	0%	1	11.11%	3	33.33%	4	44.44%	0	0%	0	0%
Trade Commissioner Service				4	44.44%	2	22.22%	0	0%	0	0%	2	22.22%	0	0%	1	12.5%
Provincial Trade Offices				2	22.22%	4	44.44%	1	11.11%	2	22.22%	0	0%	0	0%	0	0%
Exporters and Manufacturers of Canada (EMC)				0	0%	1	11.11%	1	11.11%	0	0%	0	0%	6	66.67%	1	12.5%
Export development Canada (EDC)				0	0%	2	22.22%	4	44.44%	1	11.11%	2	22.22%	0	0%	0	0%
Asia Pacific Foundation (APF)				1	11.11%	0	0%	0	0%	0	0%	0	0%	1	11.11%	6	75%

16) Please record any additional comments or trends that were not addressed in this survey:

16) Please record any additional comments or trends that were not addressed in this survey:

03/30/2017	22206738	Note that this is a head office perspective based on communications with offices and partners. Other sources would provide a more informed market-specific perspective.
03/22/2017	22034116	
03/05/2017	21669671	
02/27/2017	21594986	
02/27/2017	21594721	
02/26/2017	21574690	
02/26/2017	21574694	
02/19/2017	21456283	6) Some of the most general sectors, potentially listed as "1" in question 6. IE: "Agri-Food", "Education" and "Culture", etc. 13) "International Market Research": I refrain from checking CCBC as I read this as a full-fledged market research, which sits much above market intelligence 2-3 pager which we provide based on member needs.
02/14/2017	21401342	All these actors are important for pre-entry to China market, but it will be done at the same time as getting key information from other companies, services companies, and potential partners or Chinese clients.
02/06/2017	21107865	

