

MAY 2016



ASIA PACIFIC
FOUNDATION
OF CANADA

FONDATION
ASIE PACIFIQUE
DU CANADA

BOOSTING BRITISH COLUMBIA'S EXPORTS TO ASIA

A SURVEY OF B.C. BUSINESSES





TABLE OF CONTENTS

About the Asia Pacific Foundation of Canada	4
The Asia Factor in British Columbia	5
Message from the B.C. Minister of International Trade and Minister Responsible for Asia Pacific Strategy and Multiculturalism	6
Message from the President	7
Survey of B.C. SME Exporters	8
1. Methodology	8
2. Key Findings	8
3. Description of Respondents	9
4. Motivation and Success	13
5. Skills and Capacities	15
6. Challenges of Doing Business in Asia	20
7. Facilitating Success	22



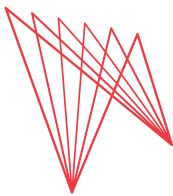
ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

APF Canada is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada.

A leader in research and analysis on Canada-Asia relations for over 30 years, APF Canada partners with government, business leaders, academics, and opinion makers in Canada and across the Asia Pacific region to offer clear, specific, and actionable policy advice.

Established by an Act of Parliament in 1984, APF Canada's thematic priorities include: promoting trade, investment, and innovation; mobilizing energy assets; building skills and competencies; and, understanding Asia now.

Visit APF Canada at www.asiapacific.ca

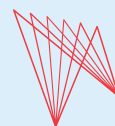


ASIA PACIFIC
FOUNDATION
OF CANADA

FONDATION
ASIE PACIFIQUE
DU CANADA

Acknowledgement

The *Boosting British Columbia's Exports to Asia: A Survey of B.C. Businesses* project was supported by the B.C. Ministry of International Trade. The views expressed in this report, and other project deliverables, do not necessarily reflect the views of the B.C. Government. The Asia Pacific Foundation of Canada (APF Canada) is responsible for the accuracy, reliability, and interpretation of the information contained herein.



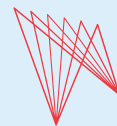
THE ASIA FACTOR IN BRITISH COLUMBIA

The Asia Factor in British Columbia's objective is to assist the province in increasing the number of B.C. SMEs exporting to Asia.

This project represents the B.C. side of The Asia Factor, a nationwide, multi-year project launched in 2014 by APF Canada that examines the interaction of each province and territory with Asia. The Asia Factor provides comprehensive resources, information and analysis on provincial level Canada-Asia relations. For additional statistics and information on Canada-Asia relations, visit www.TheAsiaFactor.ca.



THE ASIA FACTOR
LE FACTEUR ASIE



MESSAGE FROM THE B.C. MINISTER OF INTERNATIONAL TRADE AND MINISTER RESPONSIBLE FOR ASIA PACIFIC STRATEGY AND MULTICULTURALISM

I would like to thank the Asia Pacific Foundation of Canada for its work in conducting this survey of British Columbia businesses to explore the skills businesses need to be successful in Asia. The survey results will help shape B.C.'s trade and investment policy on Asian business literacy. The results also provide government with certainty on the export needs of B.C. businesses and how best to package services that will help small- to medium-sized enterprises (SMEs) build broader, stronger and more effective economic ties with growing markets in Asia.

This survey follows government's release in December 2015 of *Raising Our Game in Asia: the BC Jobs Plan Trade Strategy*, which identified a targeted and strategic approach to growing trade and investment with Asia. Increasing the number of B.C. companies that export to Asia is a key goal of the strategy.

British Columbia intends to meet that goal by building on our established relationships with Asia; utilizing our international trade and investment networks to connect export-ready B.C. businesses with new markets; and working with organizations such as the Asia Pacific Foundation to ensure B.C. SMEs have the cultural knowledge, business skills and confidence to successfully pursue opportunities in priority Asian markets.

I look forward to working with the Asia Pacific Foundation of Canada to engage and prepare B.C. exporters for exciting new opportunities to connect with Asia.

Honourable Teresa Wat



MESSAGE FROM THE PRESIDENT

British Columbia is often referred to as Canada's gateway to Asia, and Asia's gateway to Canada. And for good reason: B.C. is by far Canada's most Asia-engaged province, with its many rich connections to the countries, economies, and peoples in that region. But as the Government of British Columbia's recent *Raising Our Game in Asia* strategy document notes, the province cannot afford to stand still. Like other jurisdictions around the world, B.C. must sharpen its competitive edge to take advantage of the vast opportunities to boost exports to Asia's dynamic and rapidly-growing markets.

The Asia Pacific Foundation of Canada is pleased to contribute to this effort. This survey report sheds light on what many of the province's small- and medium-sized enterprises (SMEs) consider to be the biggest barriers to doing business in Asia, as well as the factors that they see as most important to success. The survey results point to the significance of authentic business-to-business connections with regional partners, and to the potential role played by employees who have a background in an Asian culture or market.

British Columbia's initiatives to raise its game in Asia align strongly with the Asia Pacific Foundation of Canada's own commitment to build Canada's Asia competence—that is, the knowledge, skills, and experiences one needs to be effective when engaging with Asian counterparts. Together, we expect our efforts to lead to a more vibrant and globally-engaged economy and people.

Stewart Beck

President and CEO
Asia Pacific Foundation of Canada

SURVEY OF B.C. SME EXPORTERS

METHODOLOGY

The Asia Pacific Foundation of Canada contracted Vision Critical to complete a survey of British Columbia businesses. Between October 8 and November 2, invitations to complete the survey were sent to Vision Critical's pre-existing business survey panel. Potential respondents were screened on a number of criteria, including location (only those headquartered in B.C. or with significant operations in the province), size (no sole proprietorships, no businesses over 500 employees), and knowledge of company operations (only those reporting familiarity with the company's export activities). The overall qualifying rate—those that qualified for the survey based on their answers to the screening questions—was 11.5%. A total of 146 B.C. companies completed the survey. Ninety-one reported exporting to Asia, and 55 reported exporting to non-Asian markets. The median completion time was eight minutes.

KEY FINDINGS

Only half use services to expand to Asia.

About half of all B.C. companies that are active in Asia report using some form of service—either from the private sector, public sector, or business groups—to help them with their expansion in the region. The most utilized services were those provided by the Federal Government (e.g.

Export Development Canada). The one that most clearly correlated with perceptions of success was involvement in an Asian-Canadian business association. The businesses that tend to use services are those who report having a plan to expand to the region. Many companies, however, do not report planning their entry into Asia; for instance, the most common reason provided for why a company began doing business in Asia was that they were approached by a customer, distributor, or joint venture partner.

Business-to-business (B2B) connections are viewed as key.

Above all else, businesses report they are interested in B2B connections with companies in Asia. Finding the right partner is considered the biggest barrier to business in Asia, and this barrier is viewed as particularly challenging by B.C. exporters not currently involved in the region. Business-to-business connections in-market is the type of service in which they report being most interested. Furthermore, the skill they value most is being able to maintain relationships, and the experience they value most is having built a network in the region. B.C. businesses want opportunities to meet partners in Asia, and want employees that will help them build relationships.

Country-level governance is viewed as a challenge.

After the challenge of finding the right partner, respondents see the barriers they

face as largely country-level factors out of their direct control: political risk, regulations, intellectual property rights (IPR) violations, etc. For B.C. businesses, IPR violations are particularly relevant, as Information and Communication Technology (ICT) constitutes the largest sector involved in Asia. The types of knowledge companies report valuing the most are an understanding of government ministries and officials, as well as knowledge of the legal and regulatory environment.

Employees with a background in Asia are a bridge to the region. Companies involved in Asia are more likely to have leaders with a background in the region. For instance, 27% of B.C. companies exporting to Asia have a manager or

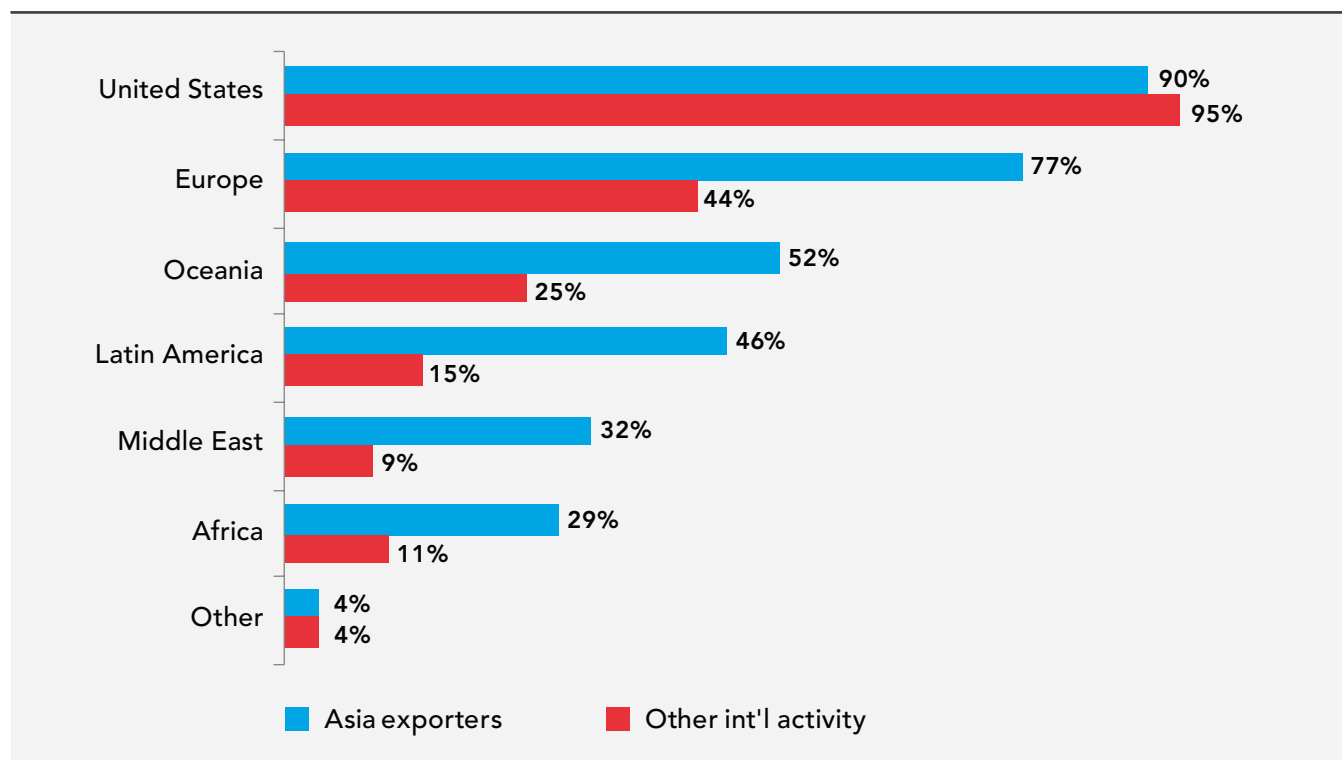
executive with parents raised in Asia; among B.C. exporters not involved in Asia, only 5% have a manager or executive with parents raised in the region. Even among businesses not currently involved in Asia, those with leadership having Asia knowledge or experience are much more likely to say they have considered doing business in the region. Those with knowledge of Asia and background in the region are an important asset for B.C., connecting the province to fast-growing markets.

DESCRIPTION OF RESPONDENTS

INTERNATIONAL MARKETS

Among B.C. companies that export products or services, a majority (62%) reported exporting to

Business activity in markets beyond Asia



Base: Asia exporters (n = 91); Other int'l exporters (n = 55)

Q. Exporters to Asia: In which markets beyond Asia does your company have involvement? Please consider any types of operations, not only export.

Q. Other int'l exporters: Do you have business with each of the following international economies? Please consider any type of business, not only exporting.

Asian markets. Exporters to Asia also tend to have more of a global presence than those who are not present in Asian markets. Beyond Asia, most (90%) are also involved—either exporting or importing - in the United States and in other areas of the world. A majority, for example, are also involved in Europe (77%) and Oceania (52%), likely Australia and New Zealand.

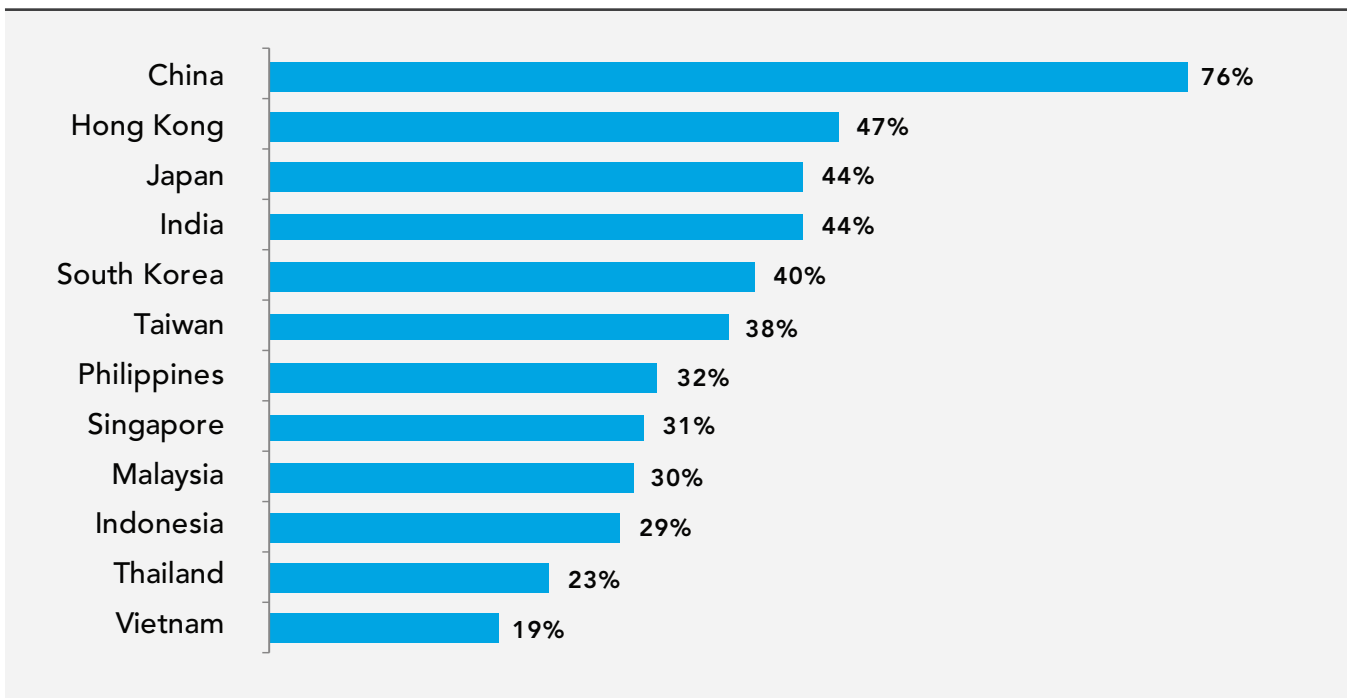
In contrast, those exporters not involved in Asia tend to be focused much more exclusively on the US market. Indeed, while a slightly higher percentage of non-Asia exporters are involved in the US (95% to 90%), for every other market mentioned, the percentage of non-Asia exporters

involved in that market was significantly lower than for Asia exporters.

ASIAN MARKETS

Exporters to Asia were asked to indicate the Asian markets in which they are active. More than one country could be selected. On a regional level, Northeast Asian markets attract the highest number of B.C. exporters. About three-fifths (76%) of B.C. exporters to Asia are involved in China. 47% reported being active in Hong Kong, and 44% in Japan. Approximately 95% of respondents reported activity in at least one Northeast Asian country.

Business activity in Asian markets



Base: (n = 91)

Q. Do you have business with each of the following Asian economies? Please consider any type of business, not only exporting.

Outside of Northeast Asia, India attracts the highest number of B.C. exporters, with 44% of respondents active in the country. Thirty-two per cent are active in the Philippines, making it

the most popular destination for B.C. exporters in Southeast Asia. Singapore is a close second, at 31%. Only 19% of B.C. exporters to Asia report being active in Vietnam, one of the 12 nations

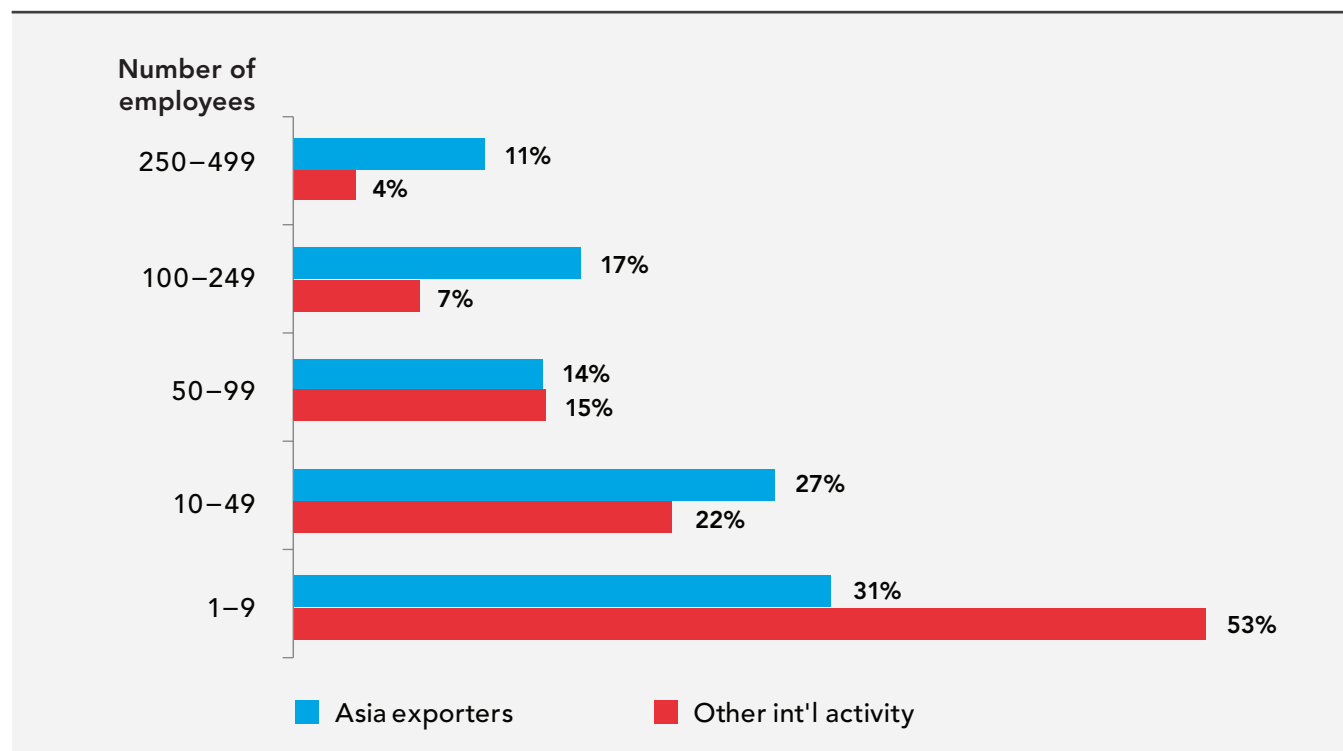
participating in the Trans-Pacific Partnership along with Canada. In total, 61% of B.C. exporters are active in at least one Southeast Asian market.

SIZE

Our survey focused on small- and medium-sized enterprises (SMEs) that export, defined as those companies with less than 500 employees. Most of the businesses who participated in our survey were relatively small. Approximately two-thirds (65%) had less than 50 employees altogether.

Even with an SME focus, we still found differences in size between those companies exporting to Asia and those exporting to non-Asian markets. There is a tendency for those businesses exporting to Asia to be a little larger. For instance, 28% of respondents exporting to Asia had over 100 employees. For those not exporting to Asia, only 11% had over 100 employees.

Company size of respondents



Base: Asia exporters (n = 91); Other int'l exporters (n = 55)

Q. How many people does your company employ in total (including other offices and other countries)?

SECTOR

In terms of sector, the largest percentage of companies exporting to Asia is in the field of ICT. Fourteen per cent of respondents exporting to Asia identified themselves in this sector, similar to the percentage of ICT firms among

other international exporters (15%). Among Asia exporters, the next-largest was manufacturing, at 13% of respondents. This was below the 20% of non-Asia exporters who identified their sector as manufacturing. Ten per cent of exporters to Asia

are from the professional, scientific and technical services sector; 13% of exporters to non-Asian destinations identified themselves in this sector.

Seven per cent of exporters selected educational services as their sector. Notably, all exporters in this sector are involved in Asia.

Business sector of respondents

	EXPORTERS TO ASIA	OTHER INT'L EXPORTERS
Information and communications technology	14%	15%
Manufacturing	13%	20%
Professional, scientific and technical services	10%	13%
Educational services	7%	0%
Arts, entertainment and recreation	5%	4%
Forestry	5%	4%
Transportation and warehousing	5%	2%
Wholesale trade	5%	11%
Management of companies and enterprises	3%	0%
Mining	3%	2%
Retail trade	3%	5%
Agrifoods (e.g. farming, fisheries, food processing)	2%	0%
Digital media (e.g. film, video games, animation)	2%	2%
Accommodation and food services	1%	4%
Clean technology	1%	2%
Construction	1%	4%
Energy (e.g. hydro, wind, solar)	1%	0%
Finance and insurance	1%	0%
Health care and social assistance	1%	0%
Life sciences	1%	0%
Oil and gas	1%	0%
Other services (except public administration)	1%	0%
Administrative and support, waste management and remediation services	0%	2%
Information and cultural industries	0%	2%
Public administration	0%	0%
Real estate and rental and leasing	0%	0%
Utilities	0%	2%
Other (please specify)	10%	9%

Base: Asia exporters (n = 91); Other int'l exporters (n = 55)
 Q. Which of the following best reflects your company's primary sector?

MOTIVATION AND SUCCESS

WHY EXPANSION TO ASIA?

Respondents were asked the reasons why they began exporting to Asia. They were provided with a list of possible responses, and could select from as many as were relevant to their own company’s experience.

Many companies report being ‘pulled’ into Asian markets. Almost two-fifths (38%) responded

that they initially entered Asia after being “approached by a new customer.” Furthermore, a total of 16% answered that they had been approached by a joint venture partner or distributor. Combined, almost half (47%) responded that they had been approached by a potential customer, approached by a distributor/joint venture partner, or selected both options. A little over one-third (37%) of companies said their entry into Asia was part of a plan to expand in developing markets.

Why the respondent's company started doing business in Asia

	% OF BC EXPORTERS TO ASIA
Approached by a new customer	38%
Knew of strong demand for product or service in the market	38%
Part of a plan to expand in growing markets	37%
Approached by a distributor or joint venture partner	16%
An employee had Asian market knowledge and/or connections	13%
Part of an effort to cut production costs	12%
Joined a government trade mission, and saw new opportunities	9%
Approached by a government trade official	8%
Outgrew domestic market	7%
Economic slowdown in other markets	7%
Other	2%

Base: (n = 91)

Q. To the best of your knowledge, why did your company start doing business in Asia?

In contrast to those ‘pulled’ in to Asia, other companies self-consciously ‘pursued’ market opportunities in Asia. For some, background knowledge of Asian markets played an important role in prompting entry into the region. A common explanation for why a company

expanded to Asia was that they “knew of strong demand for a product or service,” with 38% selecting this option. Thirteen per cent of companies said they expanded to Asia because they had an employee with knowledge of Asian markets and/or connections.

Few companies felt ‘pushed’ into the Asian market because they had nowhere else to grow. Just 7% said they entered Asia because they outgrew domestic markets. The same percentage of respondents said their expansion to Asia was influenced by an economic slowdown in their traditional markets. Twelve per cent said their expansion was linked to an effort to cut production costs.

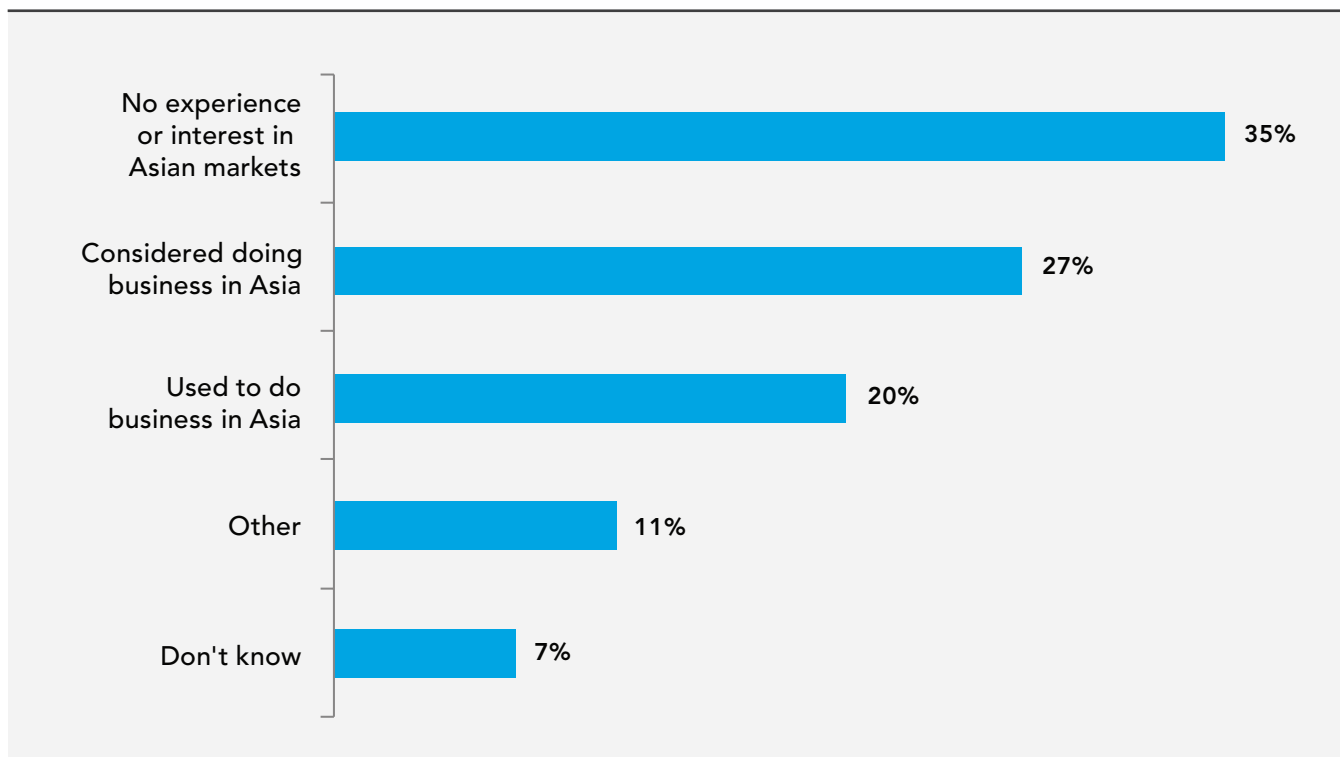
Companies only rarely said their initial entry into Asia was influenced by a ‘nudge’ from a branch of the government. 8% responded that they were approached by a government trade official. Nine per cent reported that their entry was tied to being part of a government trade mission. All

told, 12% reported that their expansion to Asia was assisted by a trade official, participation in a trade mission, or both.

WHY NOT EXPANSION?

For those international exporters not doing business in Asia, there are varying degrees of openness to expanding to Asia. About one third (35%) say they had no experience or interest in Asian markets. This is only a little higher than the 27% of non-Asia international exporters who say they have considered doing business in Asia. Notably, one-fifth (20%) of those international exporters not currently doing business in Asian markets used to do business in the region.

Interest and experience in Asia among companies not exporting to the region



Base: (n = 55)

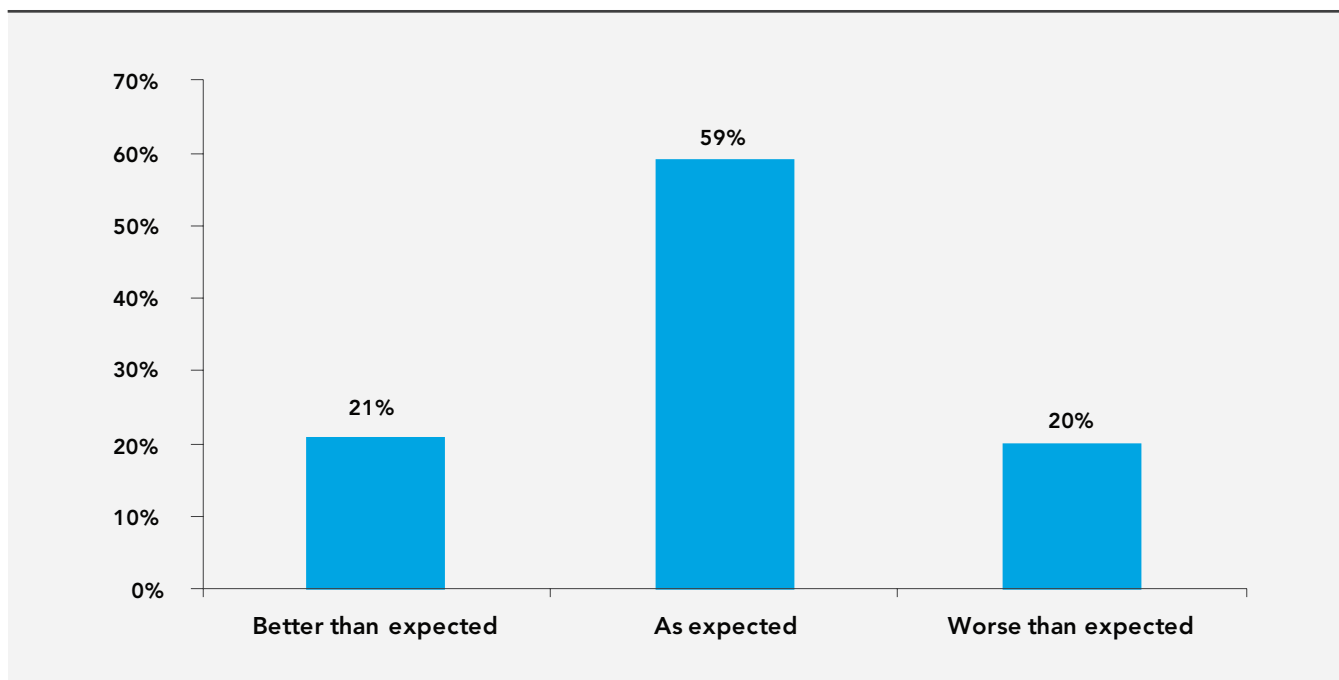
Q: Do you know if your company has ever done business in Asia in the past, or considered doing business in Asia?

HAS EXPANSION BEEN SUCCESSFUL?

Most B.C. exporters currently involved in Asia find that their business in the region is going about the way they anticipated. Three-fifths (59%) say business is going “as expected.” One fifth (20%) think their business is going worse than expected and an almost equal share of respondents (21%) think their business is going better than expected.

These evaluations of success are subjective, however, and could depend on how companies got their start in the region. For instance, one-third (34%) of companies that entered Asia because they were initially approached by a customer said that their performance has been better than expected. For those companies who did not report being approached by a customer, only 13% indicated their performance had been

Evaluation of the company's performance in Asian markets



Base: (n = 91)

Q: Overall, would you characterize your company's performance in Asian markets to date as better than expected, worse than expected, or as expected?

better than expected. It is possible that those who were approached by a customer have had more financial success, but it is also possible that they started their Asian venture with modest expectations.

SKILLS AND CAPACITIES

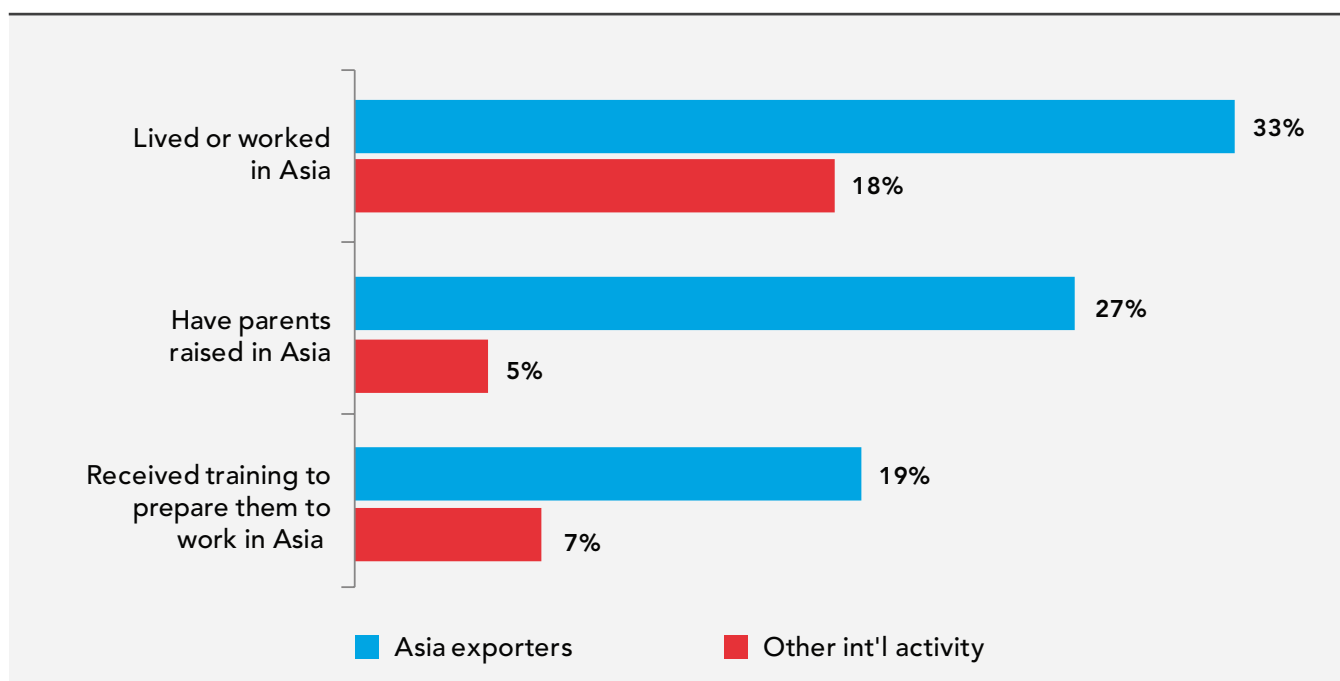
Companies involved in Asia have different team capacities to assist them in the region. As well, they place varying emphasis on how important certain skills, experiences, and knowledge are to conducting business in Asia. Below we summarize the results.

TEAM CAPACITIES

Expansion to Asia can be facilitated by a management team that has training and experience to operate in the region. Not surprisingly, those B.C. exporters involved in Asia tend to have a management team with more Asia-related training and experience than those exporting to other areas. It could be that the training and experience prepared them for expansion, though it may simply be that their company’s operations in Asia have provided the opportunities to gain new training and experience.

A third (33%) of exporters to Asia have on staff an executive or member of the management team who has lived or worked in Asia. Interestingly, almost one-fifth (18%) of exporters not involved in Asia also have a member of their management who has lived or worked in Asia. These particular international exporters are also more likely to have considered entering Asian markets. Among companies where the management has had no Asia experience, only 20% have considered entering Asian markets; among those where a manager does have Asian experience, 60% have considered entering Asian markets.

Training and Asia experience of management teams



Base: Asia exporters (n = 91); Other int'l exporters (n = 55)

Q: Have any of the executives or any members of the management team at your company lived or worked in Asia, received training to prepare them to work in Asia, or have parents that were raised in Asia?

We see a similar pattern in terms of training. One-fifth (19%) of exporters to Asia have a member of the management team who has received some form of training to prepare them

to work in Asia. Among other international exporters, only 7% have management who have received such training. All of these companies report they have considered entering Asian markets.

Companies exporting to Asia are also more likely to have a member of the management team with an Asian background. We did not specifically ask about ethnic heritage, though we did ask if any members of the management team “have parents raised in Asia.” Since ethnic identity is inherited, and most people raised in Asia are of an Asian ethnicity, this is a rough proxy for ethnic background.

Approximately one-quarter (27%) of companies currently exporting to Asia have a member of the management team of Asian background. This falls to 5% for international exporters not involved in Asia. It could be that Asian exporters are hiring Asian-background management once they have entered, though it is also possible that companies with Asian background managers are more likely to see opportunities in the region. In either case, the evidence does suggest that

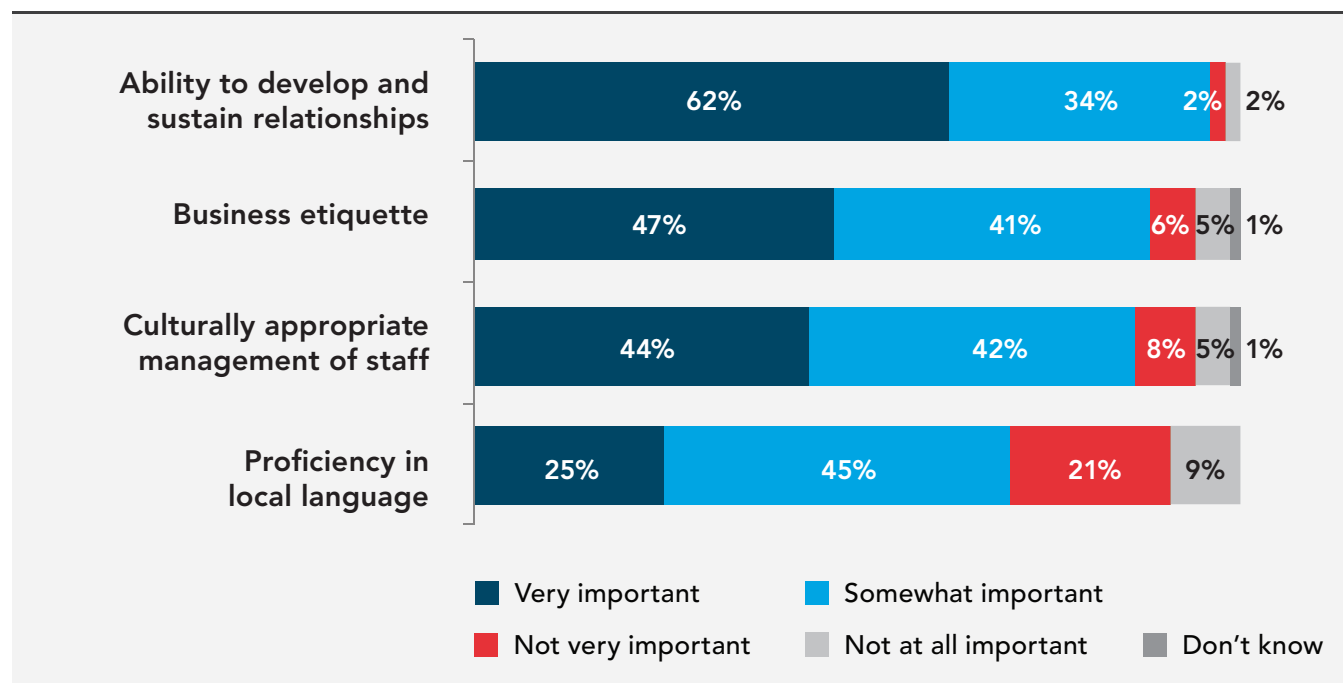
managers with an Asian background are serving as an important bridge connecting Canadian businesses to the region.

ASIAN COMPETENCIES

Respondents were asked which skills, experiences and knowledge were important for doing business in Asia. In terms of skills, the most important were those most associated with interpersonal relations. Almost all (96%) respondents identified the “ability to develop and sustain relationships” as important, with three-fifths (62%) saying this skill was very important.

The next-most important skill was business etiquette, which 88% identified as important and almost half (47%) identified as very important. This was followed by “culturally appropriate

The importance of different skills for doing business in Asia



Base: (n = 91)

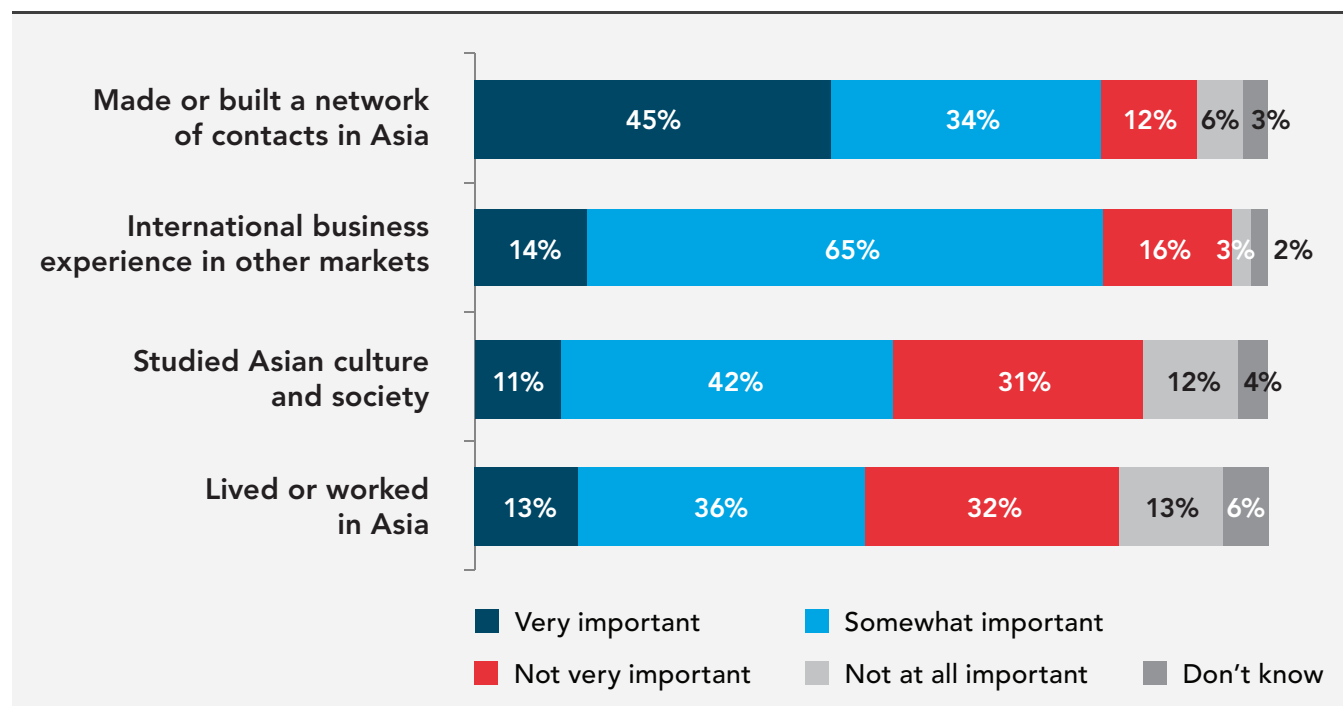
Q. How important are each of these skills for doing business in Asia?

management of staff,” viewed as important by 86% and very important by 44%. Proficiency in local language was viewed as important by 70%, but only one-quarter (25%) viewed language proficiency as very important.

Those respondents with the most experience in the region were also the most likely to underscore the importance of these skills. For instance, among those at a company with an executive or manager who lived or worked in Asia, 75%

said the ability to develop and sustain relationships is very important; to contrast, among those who have not lived or worked in Asia, just over half (54%) said it was very important. A similar pattern was found for all the skills mentioned, though the ordering of importance—relationships, etiquette, management, and language—remained consistent.

The importance of different experiences for doing business in Asia



Base: (n = 91)

Q. How important are each of these types of experiences for doing business in Asia?

The experience that respondents valued above the others was “having made or built a network of contacts in Asia.” Fully 79% felt this was important to doing business in Asia, including 45% who said it was very important. Next was “having had international business experience in other markets”; 79% saw this as important, with only 14% rating it as very important.

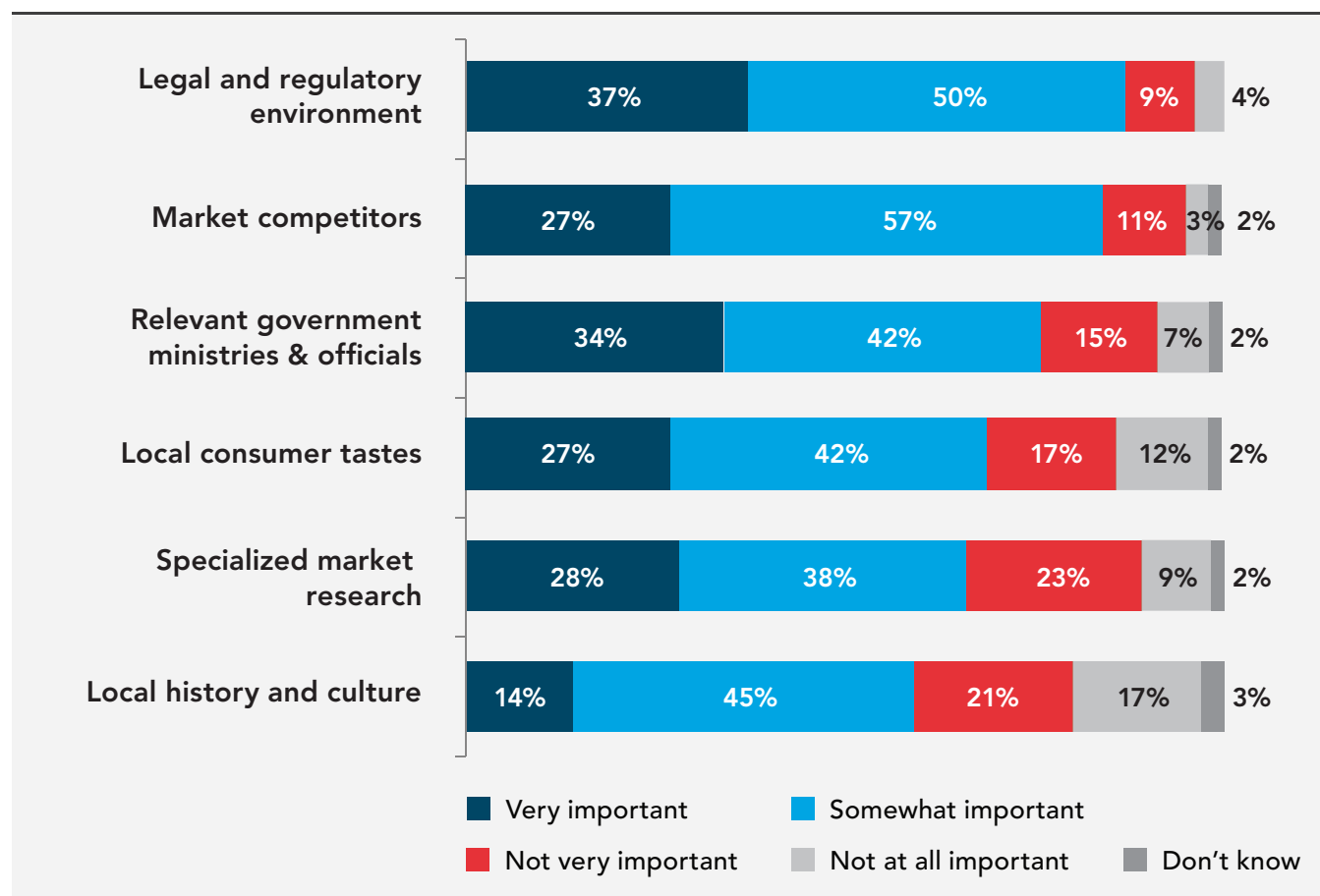
About half of respondents felt that “having lived or worked in Asia” and “having studied Asian culture and society” were important (49% and 53%, respectively).

In terms of the types of knowledge viewed as important, understanding of legal and regulatory environments topped the list. Eighty-seven per cent of respondents viewed legal and regulatory knowledge as important, with 37% responding that it was very important and 50% responding that it was somewhat important.

Knowledge of ministries and government officials was also ranked highly. Seventy-six per cent said this type of political knowledge was important, with 34% saying it was very important and 42% saying it was somewhat important.

In addition to knowledge of the legal and political system, respondents identified knowledge of Asian competitors and consumers as important. Approximately four-fifths (84%) of respondents said knowledge of market competitors was important, though only 27% of respondents replied that such knowledge was very important. Two-thirds (69%) rated consumer knowledge as important, with 27% saying such knowledge is very important. A similar breakdown was found for specialized market research, which 66% identified as important (very important: 28%; somewhat important: 38%).

The importance of different types of knowledge for doing business in Asia



Base: (n = 91)

Q. How important is each of the following types of knowledge for doing business in Asia?

Knowledge of local histories and cultures was thought to be less important than the other options, with three-fifths (59%) responding that such knowledge is important. Fourteen per cent identified such knowledge as very important, and 45% as somewhat important.

It is notable that respondents were more likely to value the skills that come from studying local histories and cultures, such as business etiquette and culturally appropriate management of staff, than they value generalized knowledge of Asian histories and cultures. Likewise, only modest

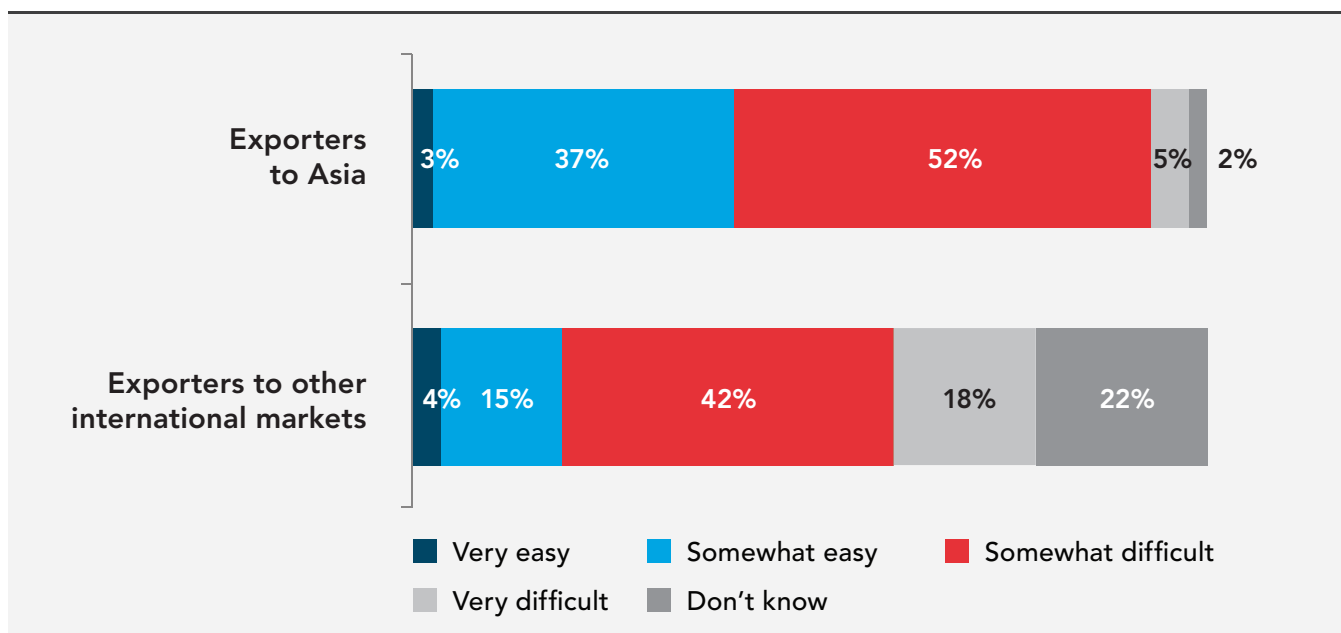
percentages said studying Asian cultures and societies is important. To some degree, this suggests that the respondents value cultural skills but do not make a direct connection to how these skills are acquired.

CHALLENGES OF DOING BUSINESS IN ASIA

DIFFICULTY OF DOING BUSINESS

B.C. companies currently exporting to Asia tend to view operating in the region as somewhat

How companies view the difficulty of doing business in Asia



Base: Asia exporters (n = 91); Other int'l exporters (n = 55)

Q. Exporters to Asia: Based on your personal knowledge and experience, would you say it is generally easy or difficult for you to do business in Asian countries?

Q. Other int'l exporters: Based on what you have read or heard, would you say it is generally easy or difficult to do business in Asian countries?

difficult. When asked how easy or difficult it is to do business in the region, over half (52%) said it was somewhat difficult. Only 5% responded that it was very difficult. Forty per cent thought that doing business in the region was either somewhat easy or very easy.

Among international exporters not involved in the region, only 19% view business in Asia as very easy or somewhat easy. About two-fifths (42%) view it as somewhat difficult, while 18% view business in Asia as very difficult.

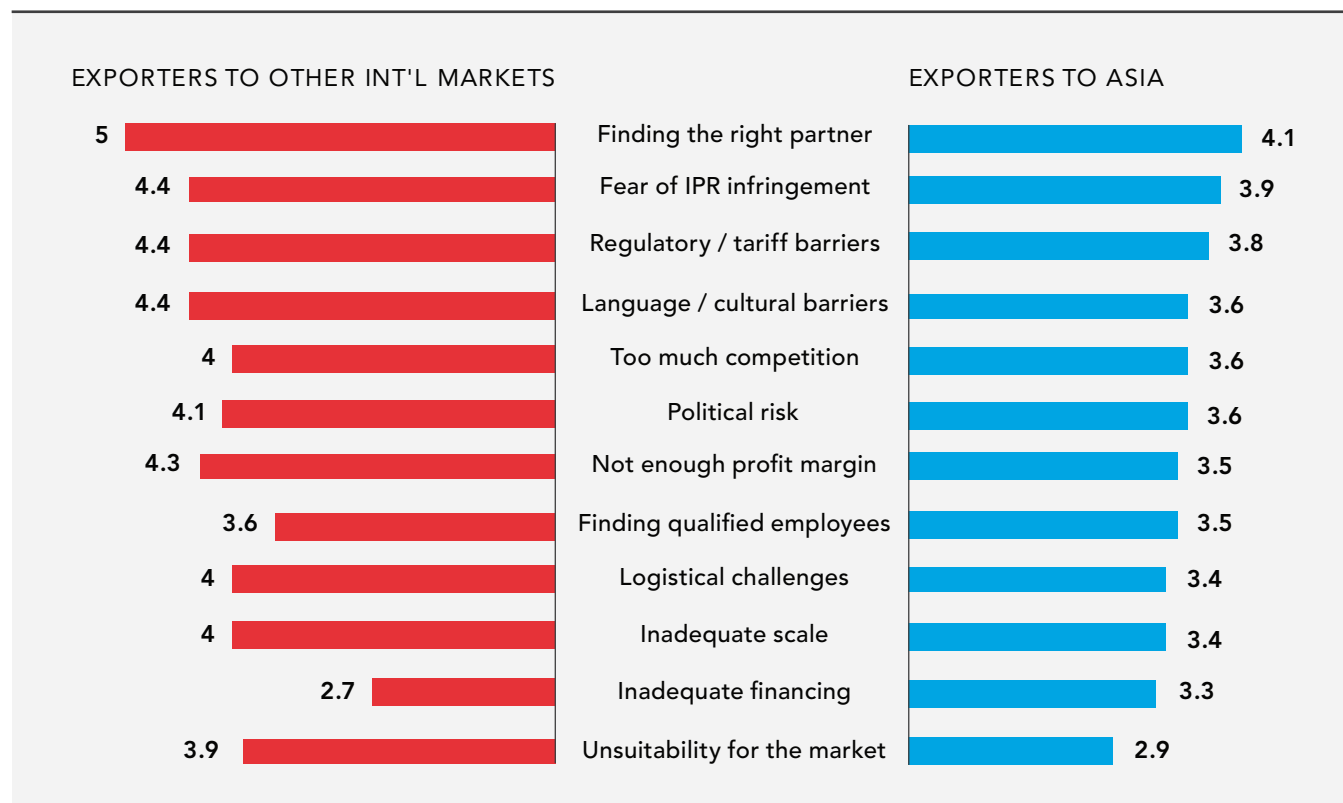
It is difficult to pin down experiences in each particular country because respondents were able to select more than one country in which they are active. Nonetheless, there is evidence that respondents doing business in Japan are likely to view conducting business in Asia as easy. Of those companies active in Japan, 50% said conducting business in Asia is either very easy or somewhat easy. Just one-third (33%) of companies not active in Japan held the same view. A similar result was found for Hong Kong, where 49% said it was easy and 33% said it was difficult.

BARRIERS TO DOING BUSINESS

Both current exporters to Asia and exporters to other international markets were asked to rate barriers to doing business in Asia on a 1 to 7 scale; 7 indicated the issue was a major barrier, 1 indicated it was not at all a barrier. Mean scores are presented below.

For both groups, the top barrier identified was finding the right partner in Asia. This emphasis on business relationships is consistent with previous findings, such as the importance respondents place on the ability to maintain relationships and build business networks.

The perceived barriers to business in Asia



Base: Asia exporters (n = 91); Other int'l exporters (n = 55)

Q. Exporters to Asia: To what degree do you think each of the following factors is a barrier to your company's ability to do business in Asia? Please rate each on a 7-point scale where 1 means it is not at all a barrier and 7 means you think it is a major barrier.

Q. Other int'l exporters: To what degree do you think each of the following factors would be a barrier to your company potentially doing business in Asia? Please rate each on a 7-point scale where 1 means it is not at all a barrier and 7 means you think it is a major barrier.

The next barriers are all broadly related to conditions within Asian markets over which companies have limited control. Fear of IPR infringement is identified as the second-most important barrier. It is notable as well that the highest proportion of respondents (13%) identified IPR infringement as a “major barrier” (7 out of 7). Some of this is driven by the ICT sector. For ICT companies, the average 1 to 7 barrier score for IPR was 5.1; for all other sectors, it was 3.9.

Lax IPR protection is a sub-set of concerns about the political and legal system. This concern also comes out in the high ranking placed on “regulatory and tariff barriers,” as well as “political risk.” Culture and language differences are also rated as a major barrier to business, particularly by those companies not active in Asia.

Competition and profits were considered moderate barriers. “Too much competition” was viewed as a modestly important barrier. There was a significant variation across sub-groups for the barrier “not enough profit margin to justify the effort.” Companies not active in the region viewed this as a significant barrier. This divergence was driven almost entirely by companies that had once been active in Asia, but are not anymore. Among this sub-set of respondents, the 1 to 7 barrier score for “not enough profit margin to justify the effort” was 5.6, compared to 3.9 for the rest of the respondents. This was the only barrier where the responses of those who had previously been involved in Asia diverged from the rest.

Companies ranked lower those barriers over which they had more direct control. This included finding qualified employees, logistical challenges, inadequate scale of operations, inadequate financing, and unsuitability of the product/service for the market.

Exporters to Asia ranked almost all options as less of a barrier than those not exporting to Asia. The one exception was the option “inadequate financing,” though this was viewed as a minor barrier overall. As compared to exporters to Asia, international exporters not active in Asia rated options higher on the 1 to 7 scale, with the median gap between the two groups being 0.6. The gap was largest for the options “finding the right partner” and “unsuitability for the market.” While both sets of exporters view finding the right partner as an important barrier, this factor is viewed as particularly important by those not currently involved in Asia.

FACILITATING SUCCESS

B.C. businesses used a variety of resources to assist them in their Asia operations. They also have some recommendations on what their priorities are in terms of support to assist them in their endeavours in Asia.

SERVICES UTILIZED

Respondents were asked which services, if any, their company relied on to enter Asian markets. Respondents were provided a list of possible services, and were able to select all those that applied to their experience.

The most frequently mentioned tended to be services provided by the Federal Government. Twenty per cent of B.C. exporters to Asia reported using the Canadian embassy, the most used resource mentioned. Fifteen per cent reported using Export Development Canada, and 12% the Trade Commissioner Service. In total, 31% of B.C. exporters reported relying on a Federal Government service to enter Asian markets.

The services used by businesses exporting to Asia

Canadian Embassy	20%
Export Development Canada	15%
Provincial Government trade promotion	14%
Canadian Federal Government Trade Commissioner Service	12%
Asian-Canadian Business Associations (e.g. Canada China Business Council)	10%
Other Canadian Firms (e.g. mentoring, coaching)	9%
Canadian Manufacturers and Exporters Association	7%
Canadian Chamber of Commerce	5%
Local/Provincial Chamber of Commerce	4%
Business Development Bank of Canada	4%
Municipal Government economic development teams	2%
Other (please specify)	2%
Don't know	8%
None of the above	48%

Base: (n = 91)

Q. Which of the following resources, if any, did your company rely on to enter Asian markets?

Provincial Government trade promotion was used by 14% of B.C. exporters to Asia. It is the only other government service mentioned by 10% or more of respondents.

One-quarter (26%) of respondents reported relying on some form of association or business-to-business group when entering Asian markets. Asian-Canadian business associations, such as the Canada China Business Council, were the most common business-to-business group mentioned, with 10% of respondents reporting they relied on such a group when entering Asia. Nine per cent indicated they received mentorship directly from other Canadian firms. The Canadian Manufacturers and Exporters Association was used by 7%, the Canadian

Chamber of Commerce by 5%, and a local Chamber branch by 4%.

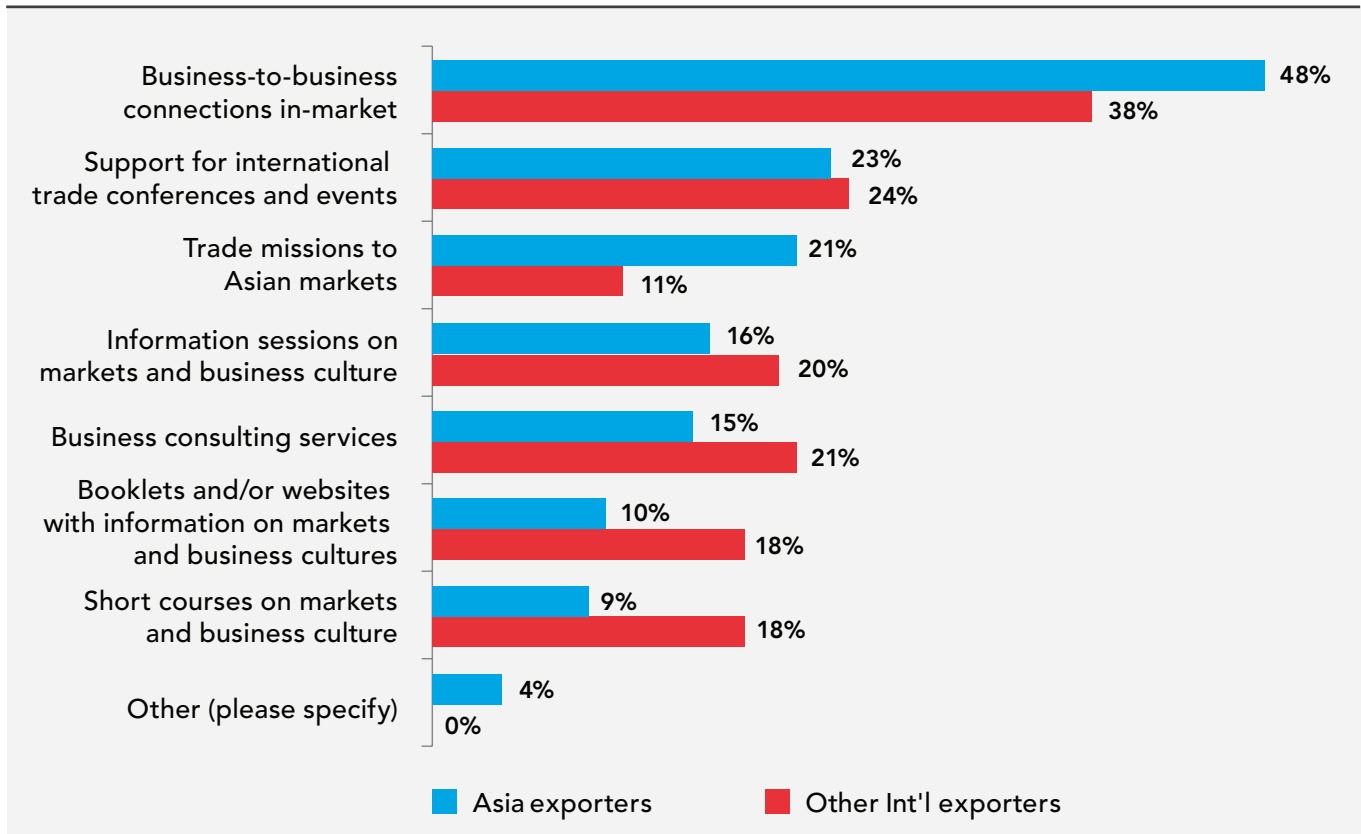
Notably, 48% of respondents replied “none of the above.” It is unclear if they do not think the services available are applicable to their company’s needs, or if they do not know which services exist. There is some evidence to suggest the latter possibility. For those companies that reported their expansion to Asia was part of a plan, only 26% reported using “none of the above” services. In contrast, among those companies that did not indicate that their expansion to Asia was part of a plan, 61% answered “none of the above.” Given that the use of services is correlated with the existence of a deliberate plan to enter Asia, it could be that these services are only known to those who put in extra research efforts.

Having noted this, the use or non-use of resources to enter Asian markets does not tend to correlate with subjective measures of success. The proportion of companies viewing their performance in Asia as “better than expected” is similar for those who relied on services and those who did not.

One specific exception to this was companies who relied on Asian-Canadian business associations. Forty-four per cent of companies that reported relying on Asian-Canadian business associations also reported “better than expected”

performance in Asian markets, compared to 18% among those who did not report using Canada-Asia business associations. While caution is warranted with such a modest number of companies surveyed, the same result was also found in a similar survey of non-B.C. exporters to Asia. This preliminary evidence could indicate the effectiveness of these business-to-business networks in helping companies enter new markets, or that successful companies gravitate toward participation in these associations. In either case, it underlines the value of these associations as business resources.

The services viewed as valuable to business in Asia



Base: Asia exporters (n = 91); Other int'l exporters (n = 55)

- Q. Exporters to Asia: Which, if any, government services or support programs listed below would be most valuable for your business in Asia?
- Q. Other int'l exporters: If you were to enter a new market in Asia, which of the following government services, if any, would be most valuable for your business?

VALUED SERVICES

Companies were asked “Which government services or support programs listed below would be most valuable for your business in Asia?” Respondents provided a clear preference for services that would facilitate the process of travelling to Asia and meeting clients in the markets. The most common answer, by a wide margin, was “business-to-business connections in-market.” Almost half (48%) of exporters to Asia said this would be valuable. Thirty-eight per cent of international exporters not involved in Asia also said such a service would be valuable.

The next-most common answer was “support for international trade conferences and events.” This option was selected by 23% of exporters to Asia and 24% of exporters to other international markets. Twenty-one per cent of those currently exporting to Asia said that “trade missions to Asian markets” would be valuable to their business in Asia. Only 11% of exporters to other international markets concurred.

International exporters not involved in Asia were slightly more likely to value various informational services than those already exporting to Asia. Sixteen per cent of B.C. exporters to Asia said “information sessions on markets and business culture” would be valuable to their business in Asia compared to 20% of international exporters not involved in the region who said these sessions would be of some value. Furthermore, whereas 18% of exporters not currently involved in Asia said both “booklets and/or websites with information on markets and business cultures” and “short courses on markets and business culture” would be valuable, the respective percentages for exporters currently involved in Asia were 10% and 9%, respectively. Fifteen per cent of Asia exporters said they would value business

consulting services, again less than the 21% of international exporters to other markets who answered the same.

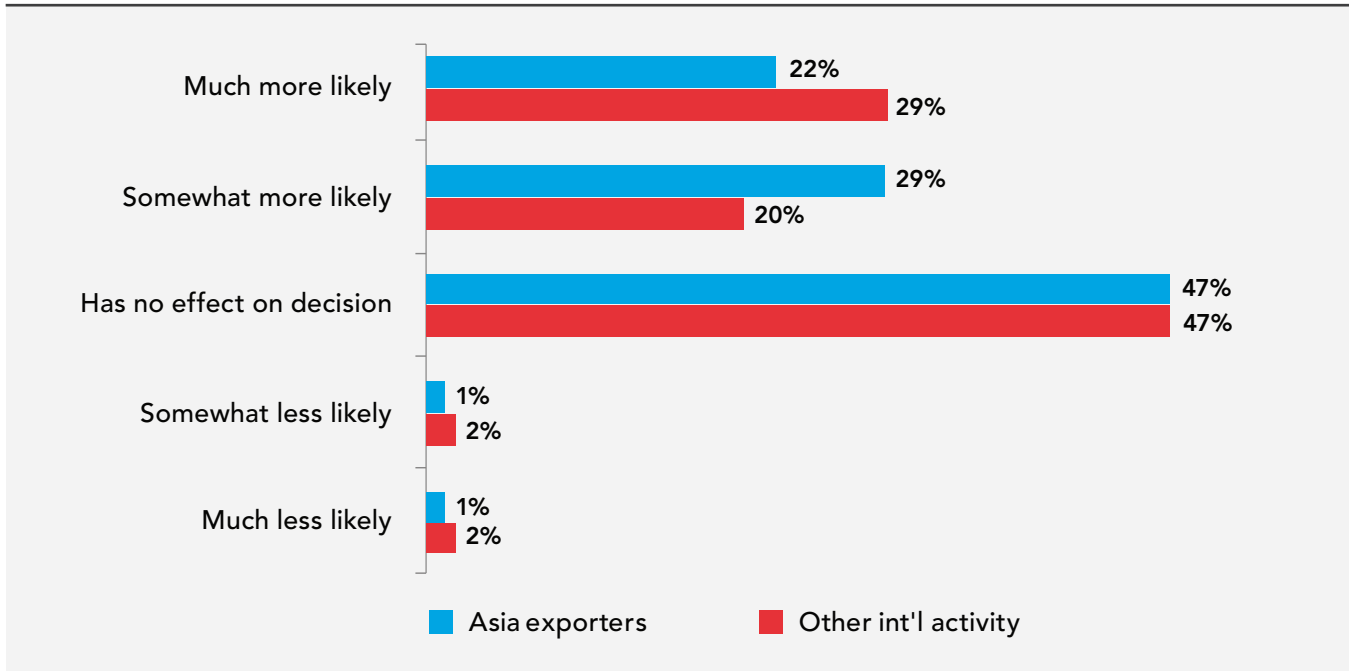
FREE TRADE AGREEMENTS

In terms of free trade agreements (FTAs), B.C. exporters are split between those who say such an agreement will have no effect on their business decisions and those who say an agreement will make it more likely for their company to pursue business in a particular market.

When asked about the effect of a free trade agreement between Canada and another country, 22% of exporters currently involved in Asia said it would make them “much more likely to pursue business in a country.” Twenty-nine per cent said it would make them “somewhat more likely to pursue business in a country.” Among exporters not active in Asia, 29% said an FTA would make them much more likely to pursue business in a country, and 20% said somewhat more likely. For both groups of respondents, 47% said an FTA with another country “has no effect on decision to pursue business in a country.”

When asked specifically about the new Canada-Korea Free Trade Agreement, fewer companies said it would affect their decision making. In total, 36% of exporters currently involved in Asia said the FTA would make them more likely to pursue business opportunities in South Korea, with 6% saying much more likely and 30% saying somewhat more likely. The corresponding findings for exporters to other international markets was 22% saying it would make them more likely, with 4% saying much more likely and 18% saying somewhat more likely. For both groups, a majority of respondents said the agreement would have no effect on their business decisions.

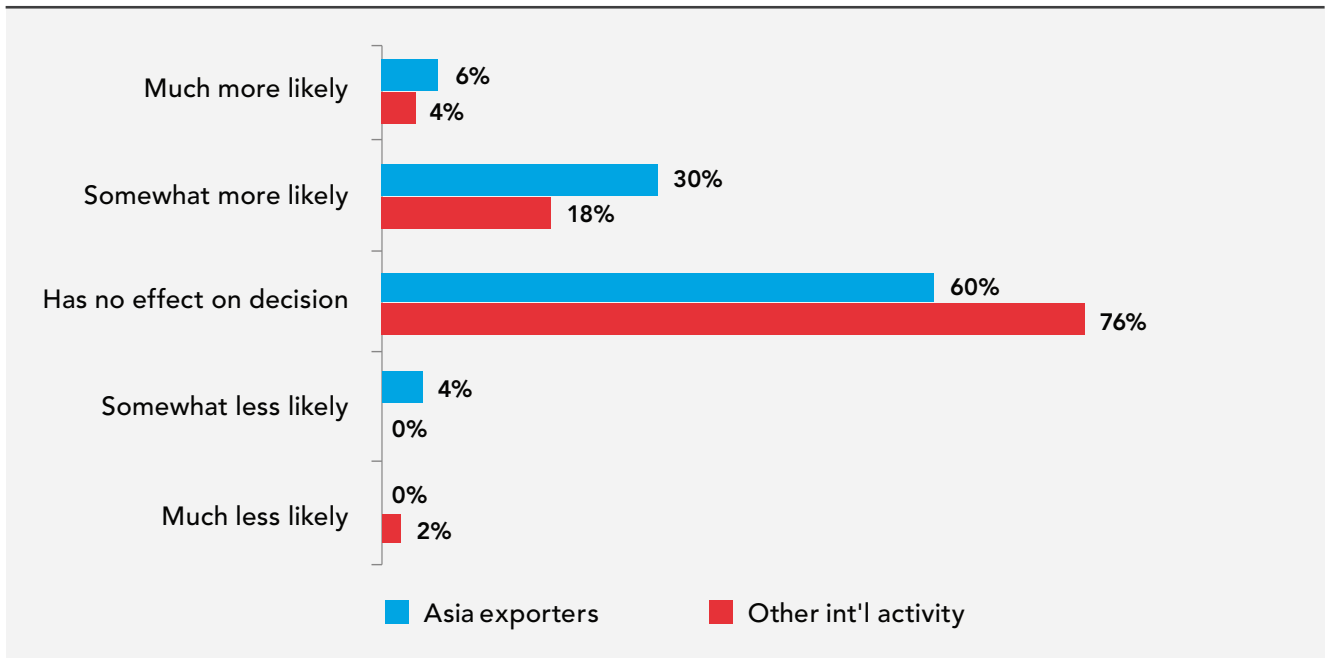
The effect of an FTA on business decisions



Base: Asian exporters (n = 91); Other int'l exporters (n = 55)

Q. Does the existence of a trade agreement between Canada and another country make your company... [to pursue business in a country]

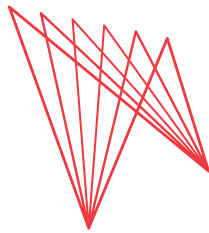
The effect of the Canada-South Korea trade agreement on business decisions



Base: Asia exporters (n = 91); Other int'l exporters (n = 55)

Q. Does the existence of a trade agreement between Canada and another country make your company... [to pursue business in South Korea]

PRESENTED BY:



ASIA PACIFIC
FOUNDATION
OF CANADA

FONDATION
ASIE PACIFIQUE
DU CANADA



THE ASIA FACTOR
LE FACTEUR ASIE



ASIA PACIFIC
FOUNDATION
OF CANADA

FONDATION
ASIE PACIFIQUE
DU CANADA



Asia Pacific Foundation of Canada
Fondation Asie Pacifique du Canada

900–675 West Hastings Street
Vancouver BC, Canada V6B 1N2

Tel. 604 684 5986
Fax. 604 681 1370

www.asiapacific.ca
