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Canadian Businesses in China Survey **2014**

Asia Pacific
Foundation
of Canada

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Asie Pacifique
du Canada



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ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

The Asia Pacific Foundation of Canada (APF Canada) has been a leader in research and analysis on Canada's relations with Asia for thirty years. Our mission is to develop ideas for action by Canadian businesses, governments, and individuals to help them seize the vast opportunities unfolding in Asia. We do this by offering clear, specific, and actionable policy advice and leadership based on sound

research and analysis. APF Canada's current thematic priorities include trade and investment, energy and the environment, and international education. Engaged in research and convening, APF Canada has developed strong ties with policy-makers, business leaders, academics, and opinion makers in Canada and throughout the Asia Pacific region.

ABOUT THE CANADIAN BUSINESSES IN CHINA SURVEY

APF Canada has been conducting surveys of Canadian business activity with China every two years since 2010. The Canadian Businesses in China Survey provides valuable insight into the experiences and perceptions of Canadian firms actively engaged in this growing market. It highlights the challenges firms face, explores their plans for expansion, and identifies best practices for conducting business with China.

The survey was designed in consultation with key stakeholders. The Canada China Business Council (CCBC), the country's leading facilitator of Canada-China bilateral trade and investment, has been a key partner since 2010 and contributed invaluable feedback and assistance during survey planning and dissemination. This year's survey was also prepared

in close consultation with Industry Canada as part of a joint project examining the protection of intellectual property rights (IPR) among Canadian firms conducting business with China. In past surveys, IPR has stood out as a key concern among Canadian firms, and the 2014 survey included new questions to help identify the perceived costs of IPR infringement, sources of IPR risk, and best strategies for protecting IPR. The results provide new insight into managing IPR challenges in China and provide a basis for further policy discussions on how to support Canadian ventures in an increasingly critical market.

APF Canada is especially grateful to Air China (Canada) for generously providing a business class, round-trip ticket between Vancouver and Beijing as an incentive for participating in the survey.

METHODOLOGY

APF Canada conducted the online Canadian Businesses in China Survey from June 9 to June 30, 2014. Invitations to complete the survey were sent directly to firms by APF Canada and CCBC, with participants drawn from pre-existing databases of firms conducting business with China. Additionally, partners within the Government of Canada promoted the survey on social media. A total of 229 Canadian firms active in business with China or interested in expanding to China completed the survey.

Please note that this survey is not a representative sample of Canadian firms conducting business with China. Since most respondents were members of APF Canada and CCBC mailing lists, the sample reflects the geographic location and existing networks of these organizations.

KEY FINDINGS

1. Canadian firms are worried about economic slowdown and increasing competition in China.

China's economic slowdown has been widely reported in the media, and findings from the 2014 survey suggest Canadian firms are worried about this economic trend. Over two-fifths (43%) of respondents indicated that the increasing risk of economic slowdown has been one of the key changes in the business environment in China over the last year. The concern about an economic slowdown was greater among large enterprises (500+ employees) than small- and medium-sized enterprises (less than 500 employees). Over half (52%) of large enterprises indicated that the risk of an economic slowdown has

increased, while only 38% of small- and medium-sized enterprises (SMEs) shared this viewpoint.

Respondents also expressed concern about competition from other firms. Over two-fifths (42%) expressed concern that foreign (i.e. non-Chinese) competitors are getting stronger in China. A similar proportion (40%) perceived their Chinese competitors as getting stronger. Again, concerns in this area correlate with firm size. Only 34% of SMEs saw competition from foreign competitors getting stronger, compared to 53% of large enterprises.

2. Canadian firms are profitable and looking to expand their business with China.

Despite concerns about economic slowdown and increasing competition, most Canadian firms currently conducting business with China (i.e. operations in China, exporting to China, importing from China) reported that their ventures have been profitable recently. Over three-fifths (64%) of respondents indicated that their business with China has been either "profitable" or "very profitable" in the last business year. Of the rest, almost one-quarter (24%) reported breaking even on their business activities in China. Only 1% of respondents reported a "large loss."

The firms that have conducted business with China for the longest period of time are also those most likely to report profitability in their ventures. For firms that have been in China for more than 10 years, over four-fifths (81%) reported that their China business has been profitable. Among firms who have been doing business with China for 10 years or less, less

than half (48%) reported profitability. The data does not demonstrate if firms need time to reach profitability, or if unprofitable firms simply cease their business in China. However, it appears that firms with a long track record of business with China possess the market knowledge required to earn a profit.

Of those reporting profitable business with China, many are worried about their market position. Among those reporting profitability, 48% expressed concern about foreign competitors, while only 26% of non-profitable firms shared these concerns. Even with increasing competition, the vast majority (83%) of firms doing business with China plan to expand their China operations in the near future. Half of the firms (50%) report they are planning major expansions. Expansions are planned by both profitable and non-profitable firms, firms with a decade of China experience, as well as newer entrants.

3. Canadian firms rank the protection of intellectual property rights as a significant concern, though few have experienced recent violations.

The protection of intellectual property rights (IPR) continues to be a serious concern for Canadian businesses either doing business with China or contemplating expanding operations to China. Over

three-quarters (76%) of survey respondents indicated that IPR is important to their overall business, and protecting these rights remains a priority.

KEY FINDINGS

Intellectual property rules and practices ranked among the most prominent obstacles to doing business in China. Almost one-third (31%) of Canadian firms surveyed ranked IPR practices in China as a major obstacle to doing business (6 or 7 on a scale of 7). On a list of twenty barriers to doing business in China, IPR practices were ranked the fourth most significant in 2014. While this indicates IPR remains a serious issue for Canadian firms, the relative importance of this barrier has fallen since 2012. In that year, over half (51%) of respondents ranked “Intellectual property rules and practices in China” as the most important barrier to doing business in China.

Most Canadian firms doing business with China reported that they have not experienced any IPR violations in the last five years. Of the 149 respondents who answered a question about violations, almost three-quarters (72%) reported they have not experienced a violation recently. Only 11% reported an IPR violation. Reported violations tend to affect certain sectors, primarily manufacturing. Among firms involved in manufacturing, 28% reported an IPR

violation, compared to just 8% of firms not involved in manufacturing. In line with this finding, the most common complaint involved theft of industrial designs, a particular concern among manufacturing firms.

Canadian firms that experienced IPR violations view the infringements as a significant problem. Three-fifths of respondents (60%) that experienced infringement noted that it had either a “very serious impact” or a “somewhat serious impact” on their business. Intellectual property rights infringement had little effect on profitability however. Approximately three-fifths (63%) of the affected respondents reported that their firm incurred slight or no expenses associated with actions taken to address the infringement of its intellectual property rights. Only 17% reported that they incurred substantial expenses. Furthermore, there is no correlation between the IPR violations and a firm’s reported profitability. Nonetheless, the damage of IPR infringement may not take the form of expenses associated with seeking remediation.

4. Preferred strategies for addressing IPR issues vary by a firm’s experience in China and its size.

Intellectual property rights issues are a challenge for Canadian firms, but they seem to prefer to adopt a strategy of managing the risks rather than curbing their China ventures. For example, survey results show no relationship between reported IPR violations and a firm’s intention to expand its China business. While over one-fifth (22%) of respondents doing business with China saw IPR issues as an obstacle to expansion, the level of concern they expressed about IPR ranked well below other factors like regulatory (38%) and language/cultural barriers (31%).

Canadian firms have developed a diverse array of strategies to help them manage IPR issues in China. The most common strategies used were registering intellectual property (40%) and signing non-disclosure agreements and contracts (38%). However, firms most likely to refer to these strategies also tended to

have the least experience with China. Over half (52%) of respondents with 10 years or less experience doing business with China identified registering intellectual property as a preferred strategy, while 45% selected “nondisclosure agreements and contracts.” Among firms with more than ten years of experience, only 25% identified registering intellectual property as a preferred strategy while 29% selected “nondisclosure agreements and contracts.” The most experienced firms appear to remain skeptical about legal approaches to IPR protection.

Preferences for certain strategies vary by firm size. Two popular strategies for addressing IPR issues were employee training (selected by 21%), and limiting knowledge and avoiding documentation (19%). The latter strategy tended to be a favourite for SMEs with less than 500 employees. Over one-quarter (27%) of

KEY FINDINGS

SMEs identified limiting information and avoiding documentation as an intellectual property protection strategy, while only 7% of large enterprises selected this strategy. On the other hand, 34% of large enterprises identified “employee training” as a best

strategy, while only 13% of SMEs did so. The evidence strongly suggests that firm size shapes and constrains strategy choice, and that the best strategy is developed to match the structure and size of the individual firm.

5. Implications and conclusions.

Canadian firms face challenges in China, but also recognize significant economic opportunity. In that respect, they are not different from other foreign firms operating in China. The American Chamber of Commerce in Shanghai’s China Business Report 2013-2014 reported that 74% of their members said their China operations were profitable, a number somewhat comparable to results in this survey (64%). Like Canadian firms, American firms also identify China’s unclear and inconsistent regulatory environment as a key challenge to conducting business in China.

The 2014 survey sheds valuable new light on one problem all foreign firms in China share: intellectual property rights infringement and protection. Intellectual property rights continue to be a serious issue for firms conducting business with China, and infringement is often perceived as seriously affecting a firm’s successful operations. As the 2014 survey results show, however, firms are using effective strategies to protect their intellectual property. In particular, firms view legal mechanisms like registering intellectual

property and signing nondisclosure agreements and contracts as effective strategies. This suggests recent Chinese reforms in this area are beginning to take root and the risk of IPR violations can be partially mitigated if firms take precautionary actions.

Protected trademarks are not the only brand that matters in China though. Almost three-fifths (57%) of firms believe being branded as a “Canadian company” plays a “very major role” or “major role” in their business development in China. This collectively shared business identity binds Canadian firms together, and should be nurtured and developed in the China context.

Survey results showed that the size of a firm affects its perception of perceived obstacles and preferred strategies for addressing business challenges in China. To meet Canada’s goal of doubling the number of SMEs exporting to global markets, policy-makers may need to put into place facilitating mechanisms that take into account these differentials.

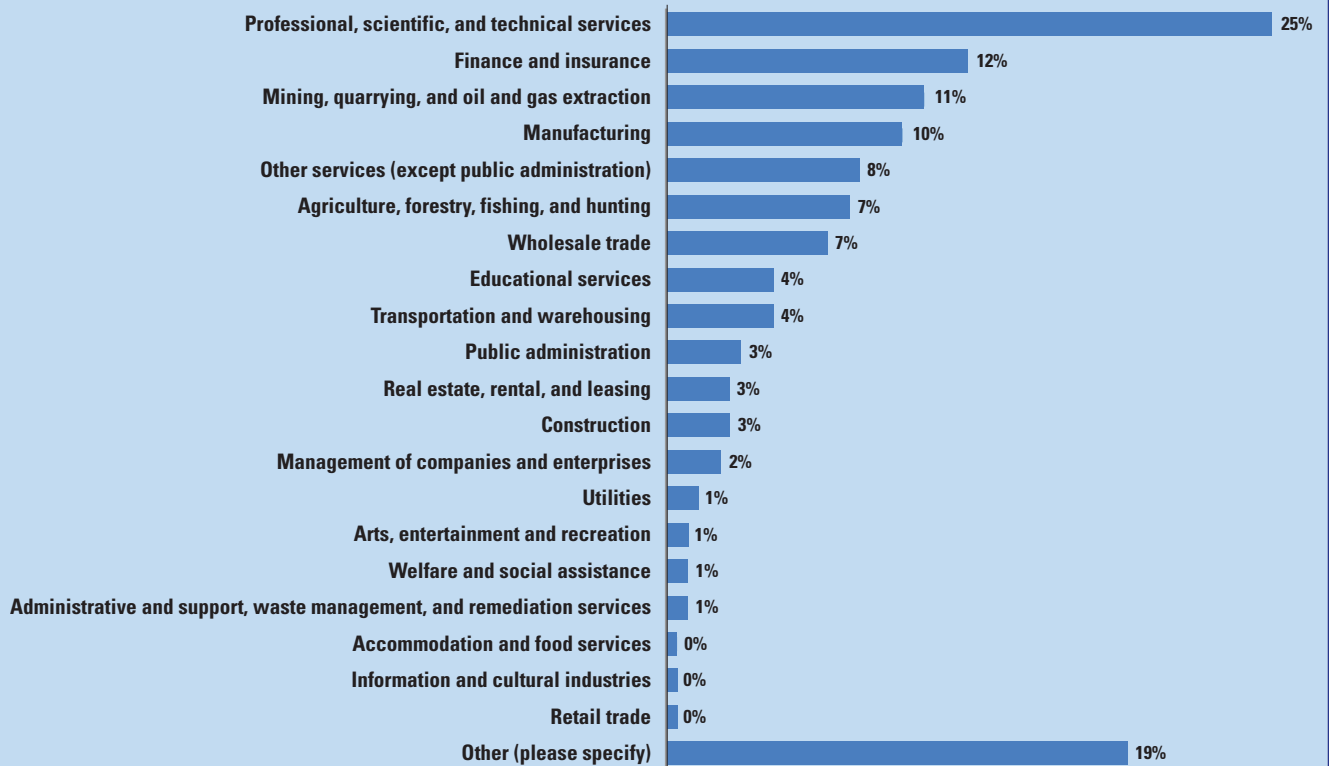
SECTION 1: RESPONDENT PROFILE

- Canada's economic relationship with China is spread out over a broad range of sectors, and this diversity is reflected in the profile of survey respondents. "Professional, scientific, and technical services" was the most common sector selected by one-quarter (25%) of respondents. Only 10% of respondents selected "Manufacturing," down from 20% in 2012. Respondents from the "Finance and insurance" sector rose from 3% to 12%. The 2014 survey results clearly reflect the concerns of the service sector more than in the 2012 survey. However, because the survey did not capture a representative sample, the data cannot be used to demonstrate that Canadian business in China is shifting to trade in services.
- Over one-third (37%) of respondents work in firms with 500 or more employees. Given that large enterprises and SMEs often face distinct business challenges, we highlight notable differences related to firm size throughout the report.
- Almost one-third (29%) of respondents have less than five years of experience conducting business with China, while one-fifth (20%) have more than 20 years of experience in China. This respondent profile is similar to the 2012 respondent profile, when 31% of respondents had less than five years of experience compared to 19% with more than 20 years.
- The majority of respondents have business activities in Beijing (64%) and Shanghai (58%); 40% are active in Hong Kong (Special Administrative Region); and 36% are active in Guangdong. Almost all respondents (93%) are active in at least one of these four regions.



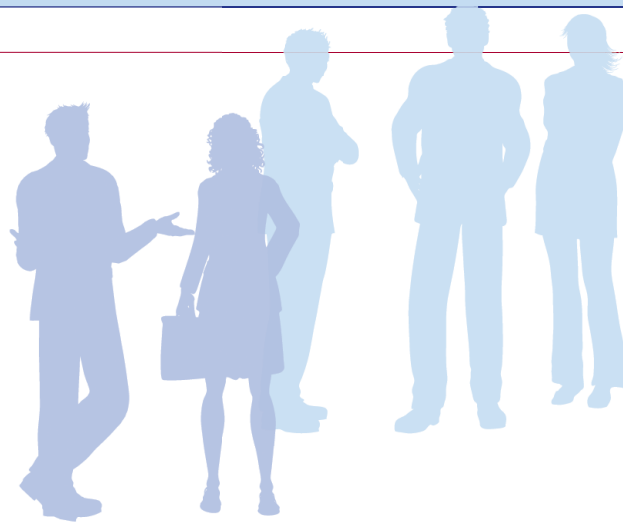
Professional, scientific, and technical services is the most common sector.

FIGURE 1.1 BUSINESS SECTOR



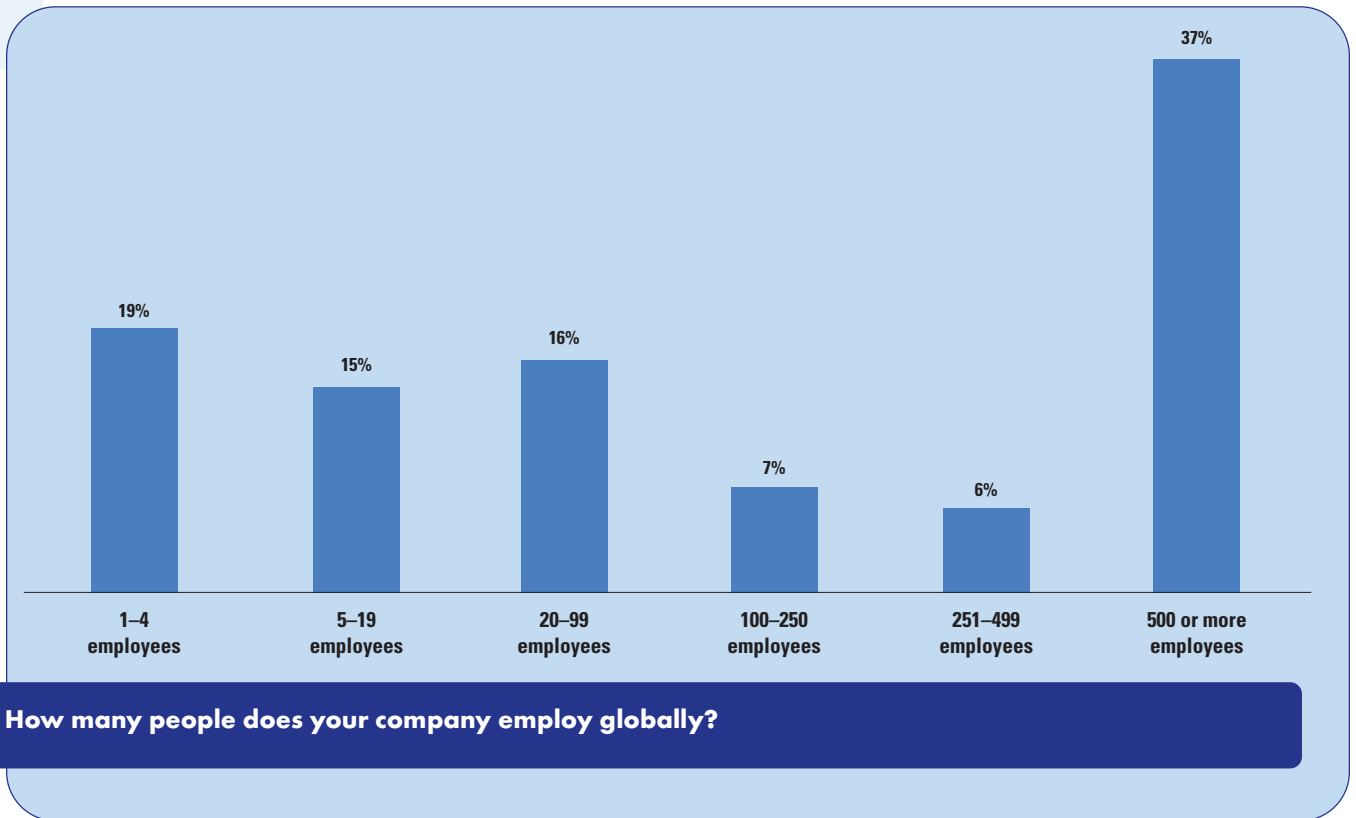
Q2. Which of the following best reflect your company's sector?

BASE: All respondents: 2014 (n = 228)



Most respondents are small- and medium-sized enterprises.

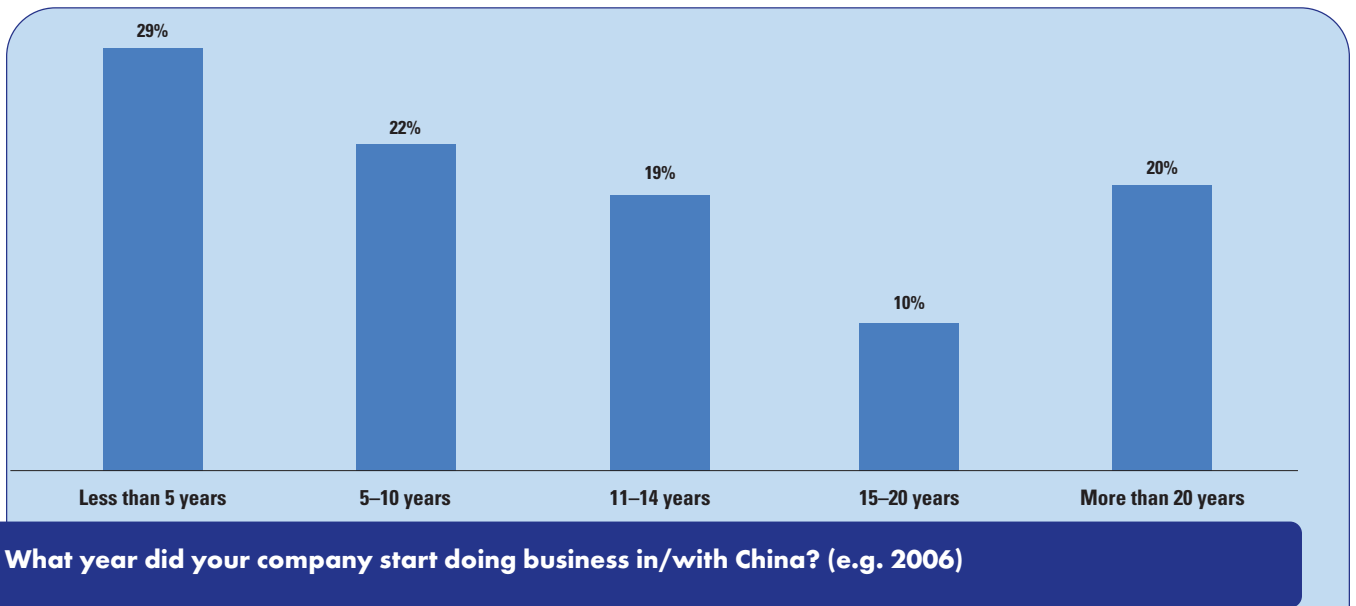
FIGURE 1.2 BUSINESS SIZE BY EMPLOYEES



BASE: All respondents: 2014 (n = 227)

The majority of firms started their China business in the last 10 years.

FIGURE 1.3 HISTORY OF BUSINESS RELATIONSHIPS



BASE: All respondents: 2014 (n = 138)

Beijing and Shanghai are the key centres of activity for most Canadian firms.

FIGURE 1.4 LOCATION OF CANADIAN BUSINESSES IN CHINA



Q9. In which location(s) of China are your company's major business activities taking place? Please select all that apply.

BASE: Firms active with China: 2014 (n = 148)

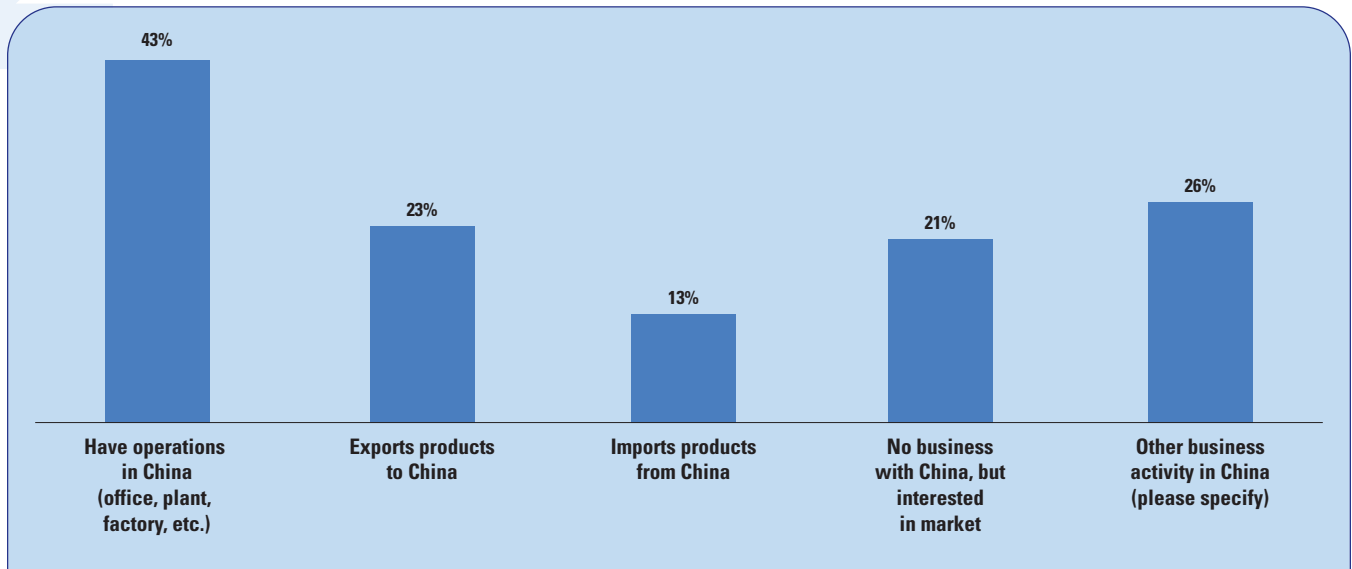
SECTION 2: OPERATIONS AND PROFITABILITY

- Results show that 43% of respondents have physical operations in China (e.g. office, plant, factory). Almost one-quarter (23%) export products to the Chinese market, and 13% import products from China.
- Almost one-third (29%) of respondents conducting business with China are wholly foreign-owned enterprises. Over one-quarter (26%) are joint ventures with a Chinese partner.
- Respondents active in China said that being a “Canadian Company” is an important aspect of their brand within China. Two-fifths (40%) of all respondents indicated that their Canadian branding plays a “major role” in the business development in China, while almost one fifth (17%) said it plays a “very major role.” The Canadian brand is perceived to be important for firms of different sizes and with different levels of experience dealing with China.
- Almost two-thirds (64%) of respondents reported that their company’s financial performance in China was profitable in the last business year. Only 11% indicated a financial loss. Firms with a long history of business with China were more likely to report a profit than firms recently starting their China business. Among firms with more than 10 years experience, 81% reported a profit, while only 48% of respondents with 10 years or less experience reported a profit.



Over two-fifths of respondents have physical operations in China.

FIGURE 2.1 CATEGORIES OF BUSINESS RELATIONSHIPS

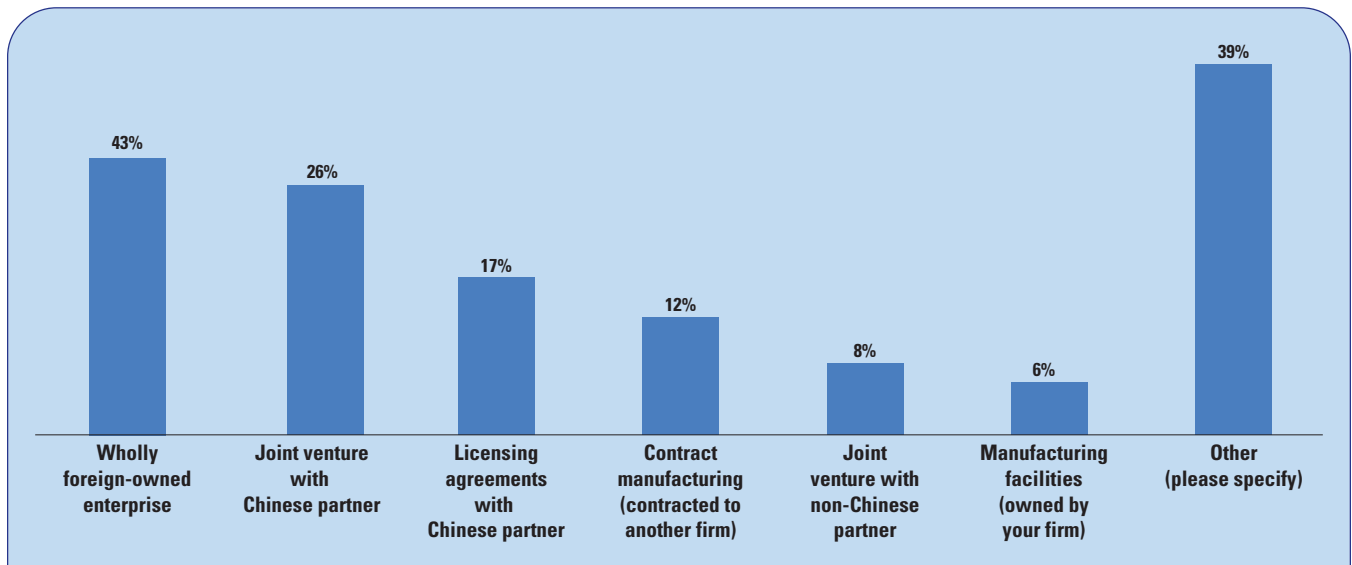


Q5. Which of the following describes your company's current business relations in the Chinese market? Please select all that apply.

BASE: All respondents: 2014 (n = 229)

Firms use a variety of methods to enter the Chinese market.

FIGURE 2.2 STRUCTURE OF CANADIAN BUSINESSES IN CHINA

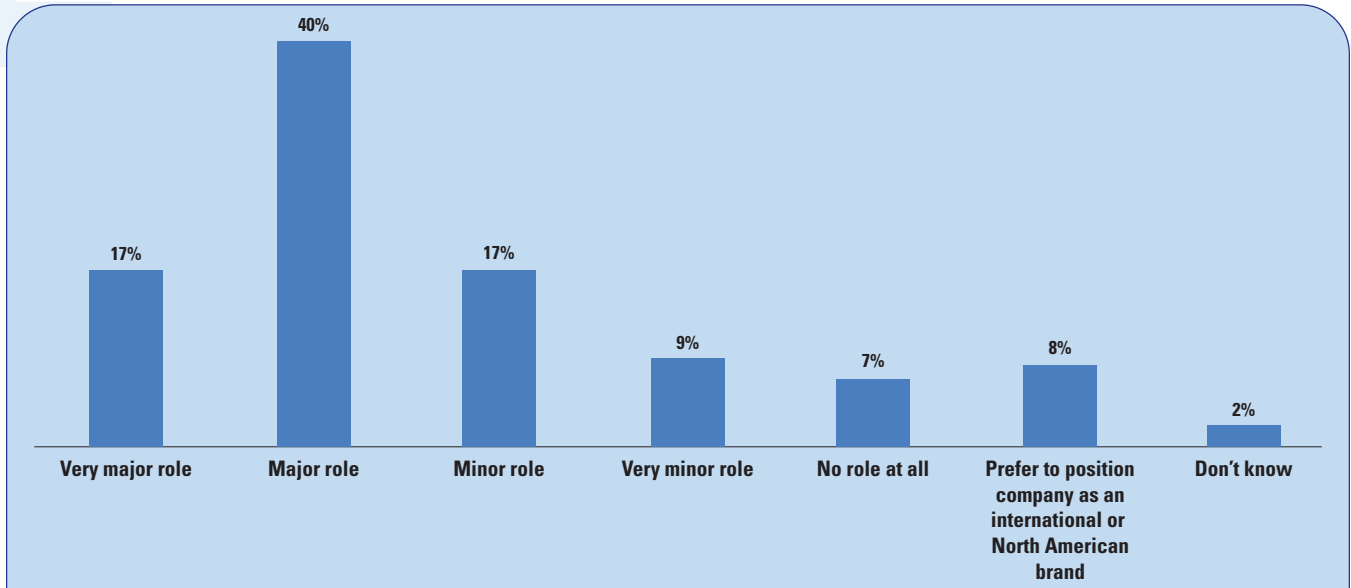


Q6. What describes the method(s) your company has used to set up its business in China? Please select all that apply.

BASE: Firms active with China: 2014 (n = 145)

A "Canadian Company" brand is important to firms.

FIGURE 2.3 "CANADIAN COMPANY" BRAND

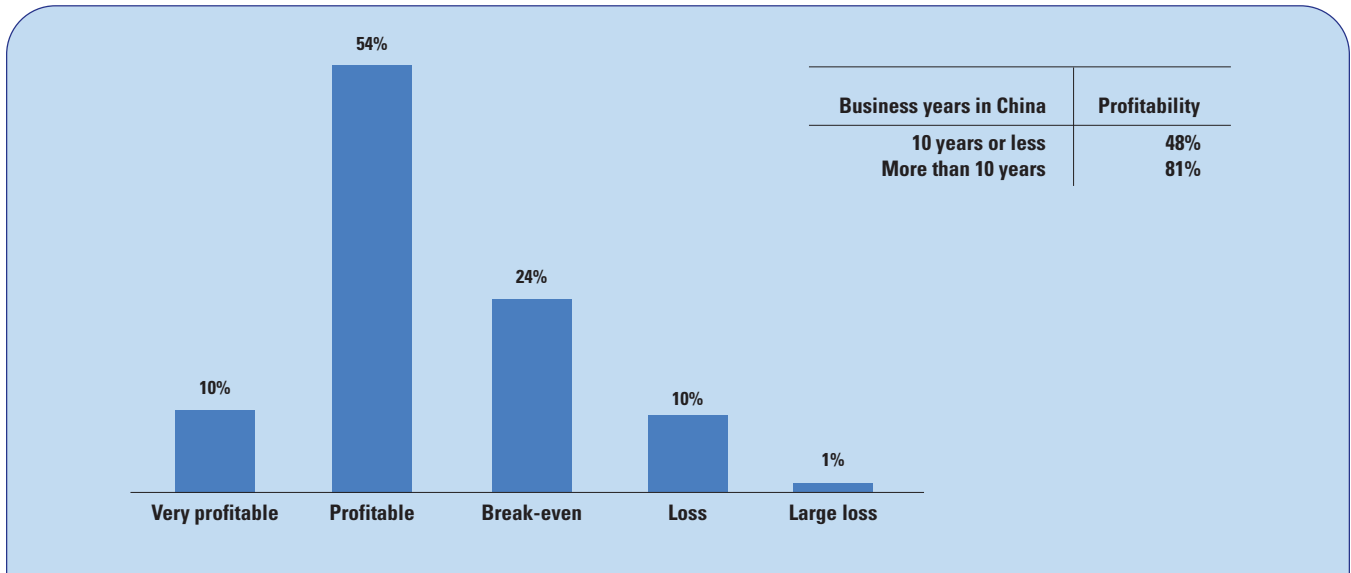


Q14. What role, if any, does the branding of being a "Canadian company" play in your business development in China?

BASE: Firms active with China: 2014 (n = 149)

A majority of firms reported a financial profit in their last business year.

FIGURE 2.4 PROFITABILITY IN CHINA



Q11. How would you characterize your company's financial performance in China in 2013 (or your most recent business year)?

BASE: Firms active with China: 2014 (n = 143)

SECTION 3: BUSINESS CHALLENGES AND RISK ENVIRONMENT

- When asked about the changing business risk environment in China, over two-fifths (43%) of respondents identified “greater risks of economic slow-down in China.” Political uncertainty caused by China’s leadership transition was selected by 27%. Almost two-fifths (37%) did not perceive any change in the business risk environment over the last year.
- Many firms are worried about increasing competition, but only 16% of respondents viewed this competition as unfair. Results showed that 43% are concerned about increasing competition from foreign firms, and 40% about increasing competition from Chinese firms. It is the most profitable businesses that are worried about foreign competition; 48% of profitable firms expressed concern about foreign competitors, while only 26% of unprofitable firms shared this concern. About one-fifth (16%) of firms expressed specific worries about unfair competition.
- “Inconsistent interpretation of regulations/laws in China” was the most significant perceived barrier to doing business in China, with 40% of firms rating it as a major challenge (6 or 7 on a scale of 7). Other major issues included weak dispute settlement mechanism (35%), lengthy and complicated certification (32%), and intellectual property rights and practices (31%). These four issues were also rated as the top four barriers in the 2012 survey.
- There are signs that firms are increasingly seeing restrictions on currency conversion as a significant barrier to doing business in China. Respondents viewing currency conversion as a major barrier increased from 22% to 28% between 2012 and 2014, making it the fifth most significant business barrier. While the small sample size limits how the data can be interpreted, the finding is noteworthy because the perceived significance of most other barriers fell between 2012 and 2014.

Firms are worried about an economic slowdown in China.

FIGURE 3.1 CHANGES IN BUSINESS RISK ENVIRONMENT



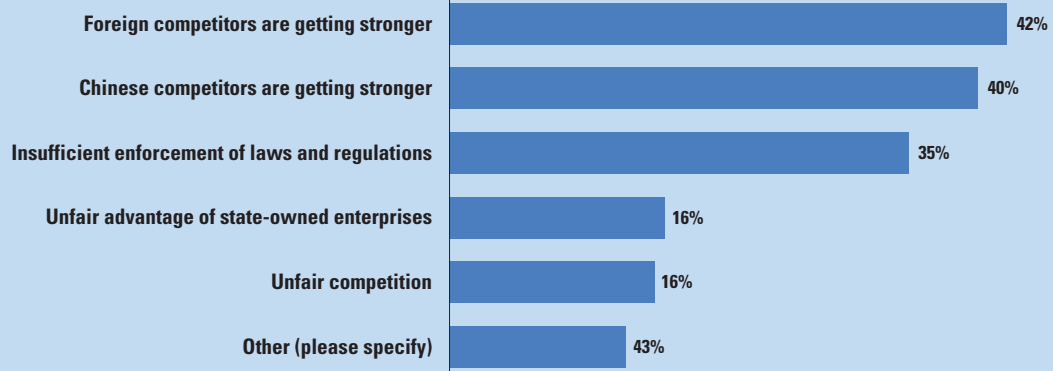
Firm size	Risk of slowdown
SME	38%
Large enterprise	52%

Q12. In what way, if any, do you feel the business risk environment has changed for Canadian businesses in China in the last year? Please select all that apply.

BASE: Firms active with China: 2014 (n = 150)

There is increasing concern about competition from foreign and Chinese competitors.

FIGURE 3.2 BUSINESS COMPETITION IN CHINA



Financial performance	Stronger foreign competition	Firm size	Risk of slowdown
Profitable	48%	SME	38%
Not profitable	26%	Large enterprise	52%

Q13. Which of the following, if any, are the main concerns your company has regarding competition in China?

BASE: Firms active with China: 2014 (n = 135)

Inconsistent interpretation of laws and regulations are perceived as the most significant obstacles to business.

TABLE 3.3 BARRIERS TO BUSINESS IN CHINA

Business obstacles in China	2014		2012	
	Mean	% rated as a major barrier (6 and 7)	Mean	% rated as a major barrier (6 and 7)
Inconsistent interpretation of regulations/laws in China	4.73	40%	4.77	45%
Weak dispute settlement mechanism (inefficient legal system)	4.46	35%	4.47	36%
Lengthy and complicated certification	4.46	32%	4.55	41%
Intellectual property rules and practices in China	4.33	31%	4.93	51%
Restrictions on currency conversion	4.28	28%	3.91	22%
Lack of access to Chinese government procurement contracts	3.76	26%	4.07	28%
Labour law and practices in China	3.63	18%	3.82	24%
Technical barriers to trade with China	3.60	16%	3.77	20%
Chinese customs procedures	3.60	20%	4.04	24%
Handing over encryption codes, technology in order to obtain requisite certification	3.48	25%	4.20	36%
Chinese tariffs and other border barriers	3.46	19%	4.26	38%
Limited access to financing in China	3.40	20%		
Limitations to market access due to national security concerns	3.35	18%	4.05	32%
China's sanitary/phytosanitary and health-related rules	3.28	13%	3.80	31%
Local content requirements in China	3.28	12%	3.38	16%
Restrictions on Canadian investment in China	3.18	20%	3.51	19%
Mobility of Canadian business travellers in China (e.g. visas, work permits)	3.05	13%	3.74	26%
Chinese labelling requirements	3.03	11%	3.17	13%
Any other obstacles	2.94	12%		
China's anti-dumping provisions	2.76	9%	3.11	8%

Q25 – Q28. To what degree are each of the following an obstacle to doing business in China? Please rate each one on a 7-point scale where "1" means you think it is only a minor barrier, and "7" means you think it is a major barrier.

BASE: Firms active with China: 2014 (n = 129)

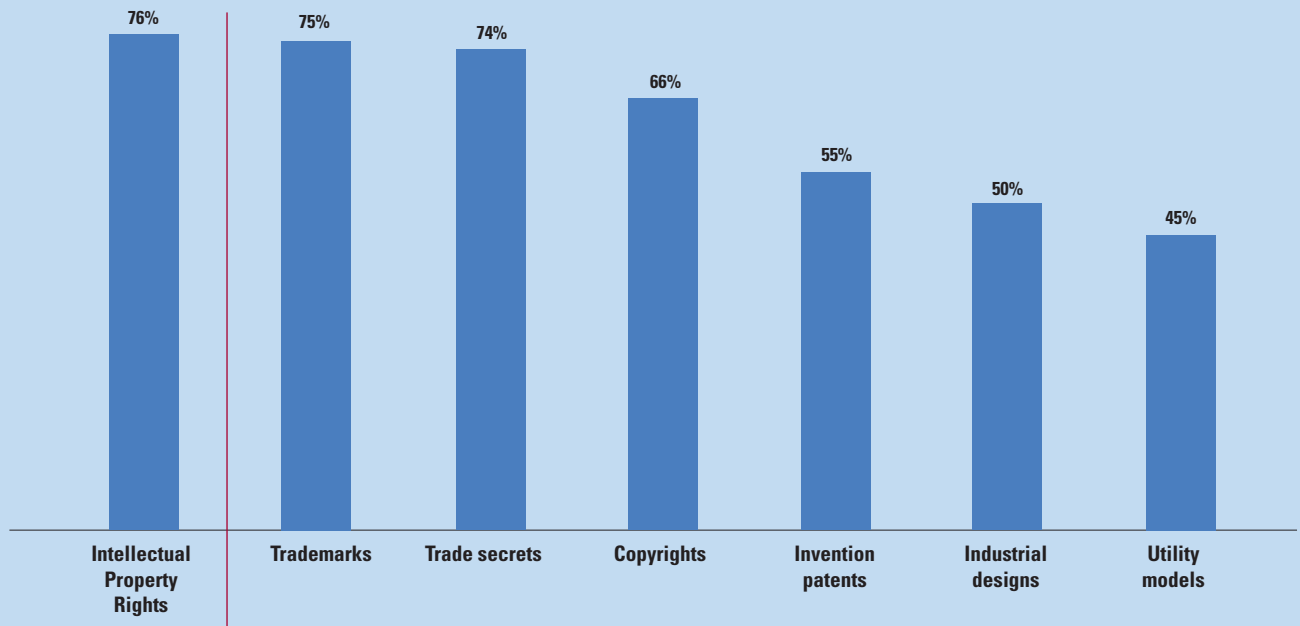
Respondents who answered "don't know" are excluded from these tables and from the means.

SECTION 4: IPR INFRINGEMENT AND PROTECTION

- Over three-quarters (76%) of respondents reported that the protection and enforcement of intellectual property rights is important to their overall business. The aspects of IPR most likely to be identified as important were “trademarks” (75%), “trade secrets” (74%), and “copyrights” (66%).
- Only 11% of respondents reported experiencing a violation of IPR in the last five years. The most common type of infringement was theft of industrial designs and the most common perpetrators were private, Chinese enterprises considered to be competitors. Firms involved in the manufacturing sector experienced the highest rates of IPR violation. Among manufacturing firms, one-third (28%) reported an IPR violation within the last five years, while only 8% of non-manufacturing firms reported a violation.
- Half (50%) of respondents reporting IPR issues indicated the impact of the infringement was either very serious (14%) or somewhat serious (36%). However, 40% report that they incurred no direct expenses, while 23% incurred slight expenses in seeking redress.
- The most common resources that respondents consulted when addressing IPR infringements were “Chinese law firms” (34%), followed by “other Canadian firms” (28%), and “Trade Commissioner Services” (28%).
- The most commonly mentioned strategies for addressing IPR issues were registering intellectual property (40%) and use of non-disclosure agreements (38%). However, there is a sharp divergence in opinion between firms that have recently started their China business and firms that have been conducting business with China for a decade or more. Among firms with 10 years or less experience, 52% indicated that registering intellectual property was an effective strategy while 45% recommended nondisclosure agreements. Among firms with more than 10 years experience, registering intellectual property and nondisclosure agreements were selected as effective strategies by just 25% and 29% of respondents respectively.
- Over one-quarter (27%) of SMEs indicated that limiting knowledge of sensitive intellectual property and avoiding documentation was an effective strategy for preventing infringements, while only 7% of large firms indicated this strategy was effective. Over one-third (34%) of large enterprises recommended employee training as a strategy, while only 13% of SMEs shared this evaluation.

Firms perceive that trademarks and trade secrets are the most important forms of intellectual property to their business.

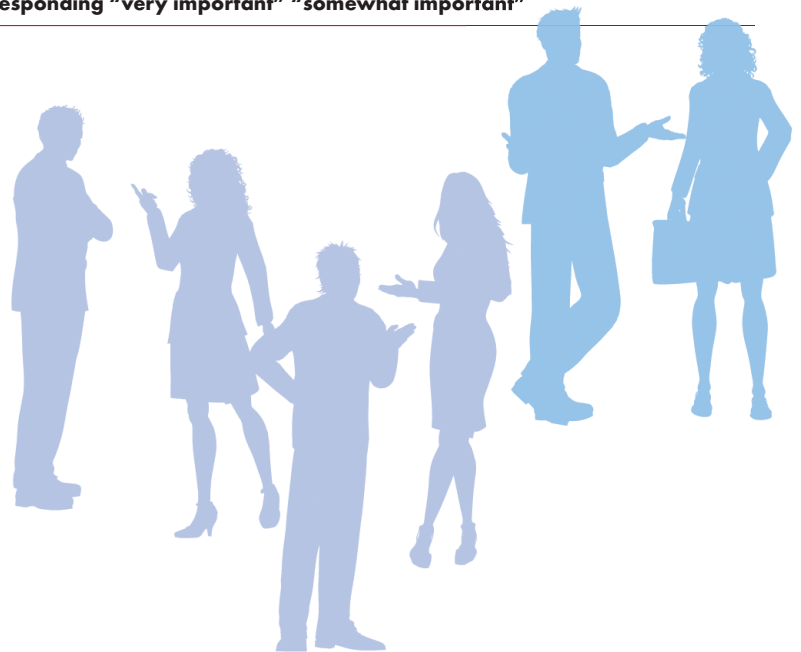
FIGURE 4.1 IMPORTANCE OF INTELLECTUAL PROPERTY PROTECTION AND ENFORCEMENT



Q15. To what degree is intellectual property rights protection and enforcement important or not important to your overall business?

Q16. To what degree is each of the following aspects of intellectual property important or not important to your business in China?

BASE: Firms active with China: 2014 (n = 151); % responding "very important" "somewhat important"



Most firms did not experience an IPR violation in the past five years.

FIGURE 4.2 FREQUENCY OF IPR VIOLATIONS

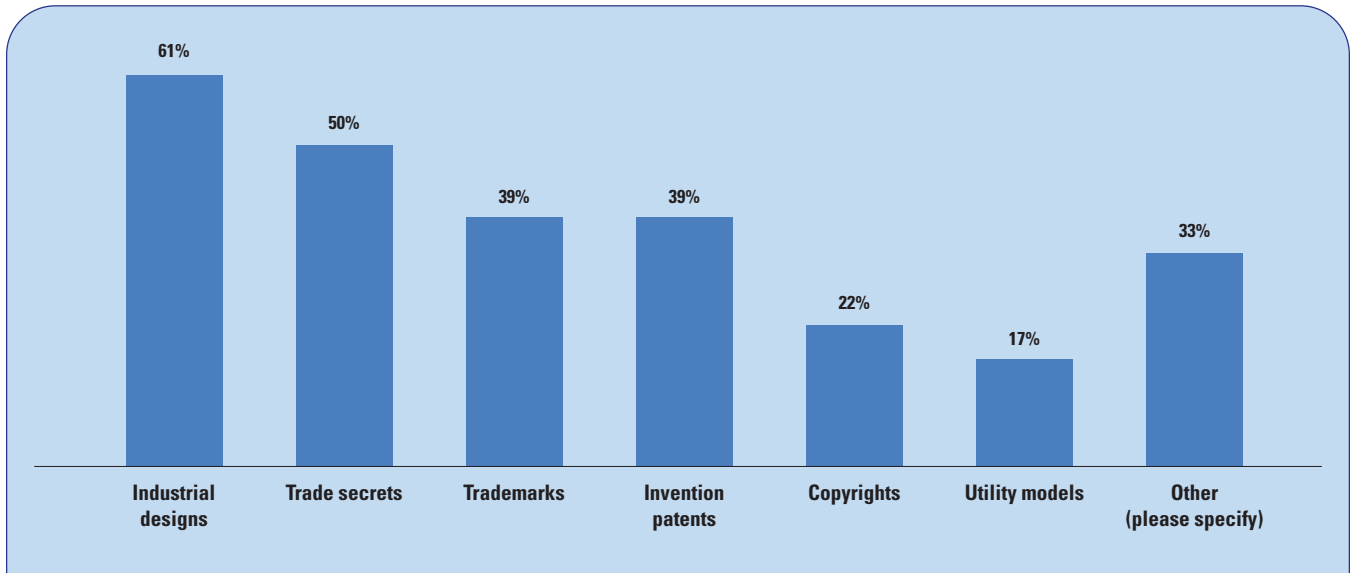


Q17. In the past five years, has your firm experienced any intellectual property rights violations attributable to Chinese entities or individuals?

BASE: Firms active with China: 2014 (n = 149)

Theft of industrial designs and trade secrets are the top types of IPR infringement.

FIGURE 4.3 TYPE OF IPR INFRINGEMENT

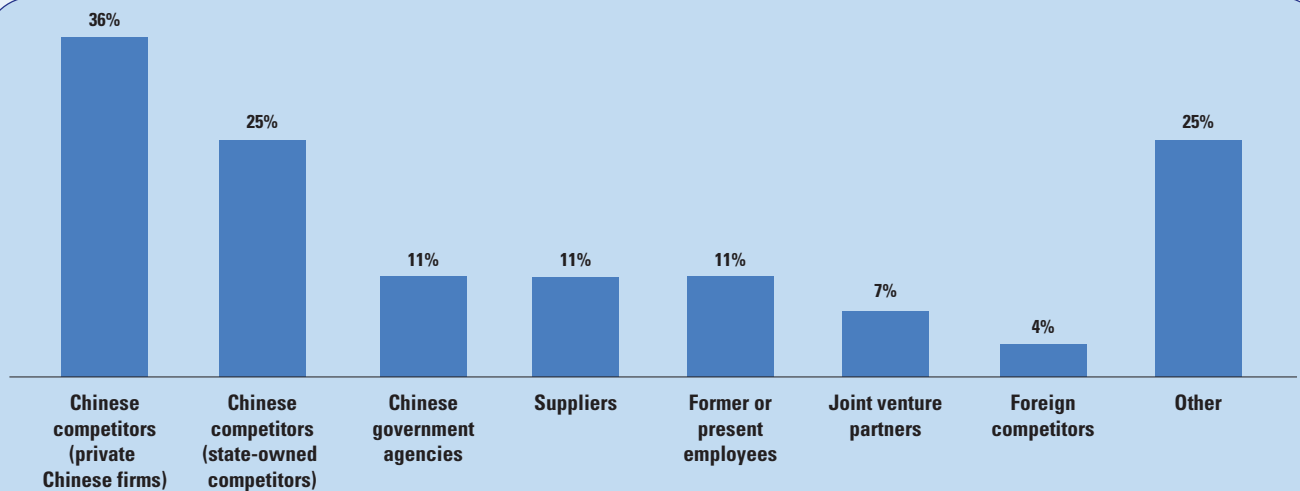


Q18. Which of the following types of intellectual property rights infringements, if any, did your firm encounter over the past five years in doing business in China? Please select all that apply.

BASE: Respondents reporting IPR violation: 2014 (n = 29); NOTE: Very small sample size. Interpret findings with caution.

Private Chinese competitors are the most prominent source of IPR infringement.

FIGURE 4.4 SOURCE OF IPR INFRINGEMENT

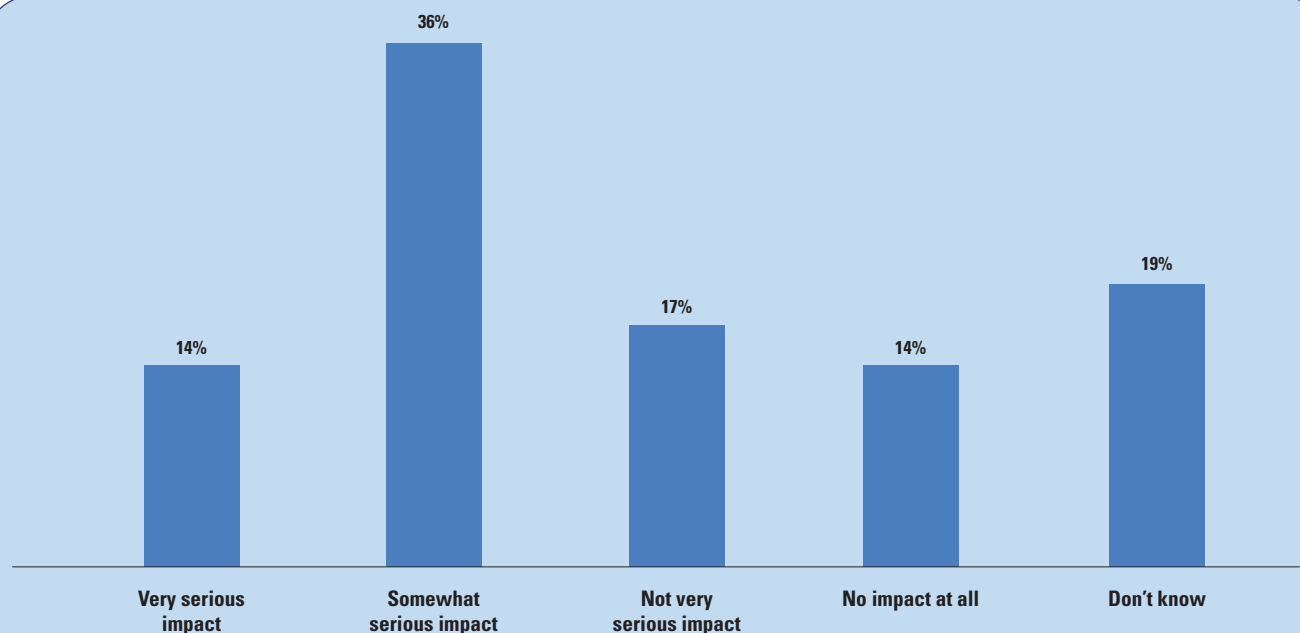


Q19. Who has been the source of the intellectual property rights infringement in China? Please select all that apply.

BASE: Respondents reporting IPR violation: 2014 (n = 28); **NOTE:** Very small sample size. Interpret findings with caution.

Most firms reporting an IPR infringement perceive it to have a serious impact on their business.

FIGURE 4.5 IMPACT OF IPR INFRINGEMENT

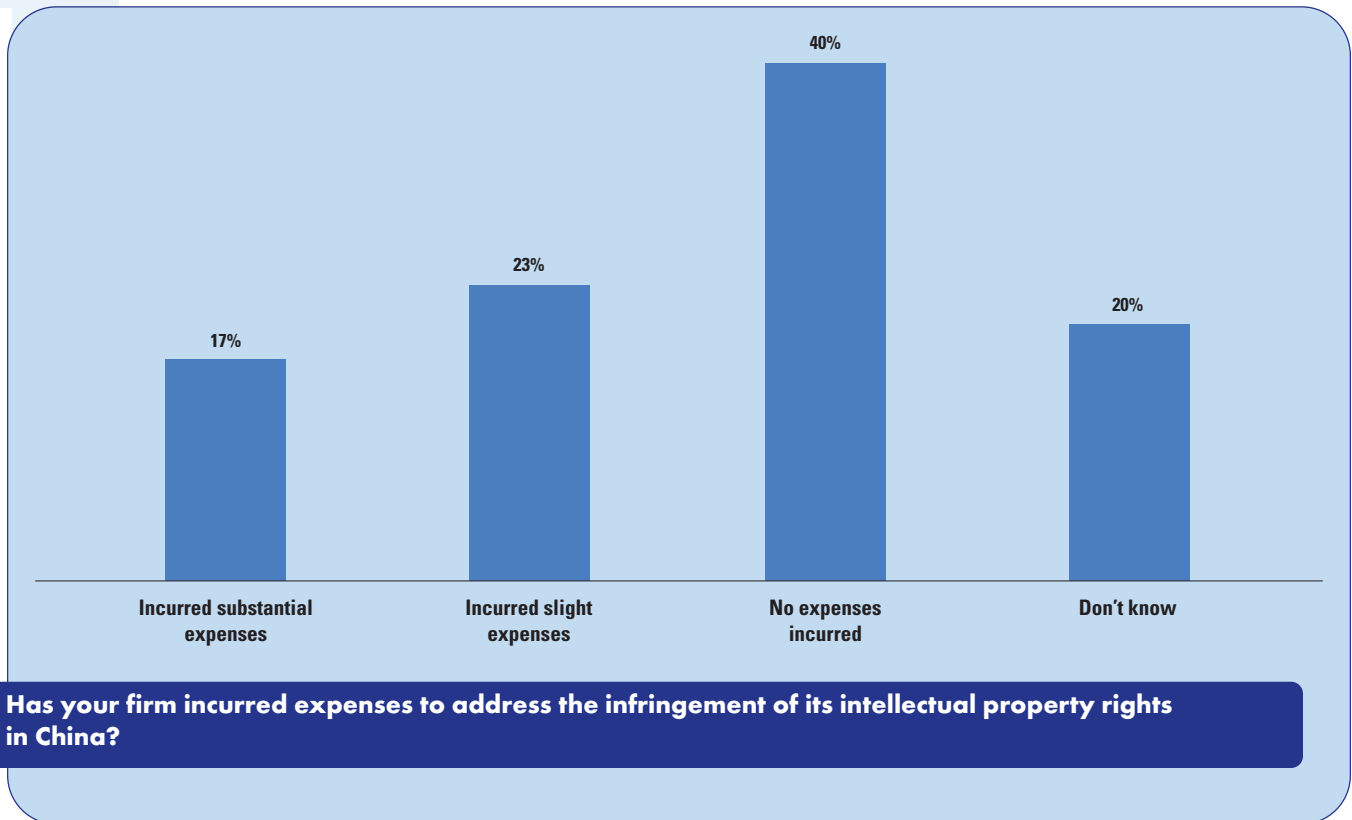


Q21. How much of an impact, if any, did intellectual property rights infringements in China have on your business?

BASE: Respondents reporting IPR violation: 2014 (n = 36); **NOTE:** Note: Very small sample size. Interpret findings with caution.

The direct expenses of addressing IPR infringements are perceived as slight or non-existent.

FIGURE 4.6 DIRECT EXPENSE OF IPR INFRINGEMENT

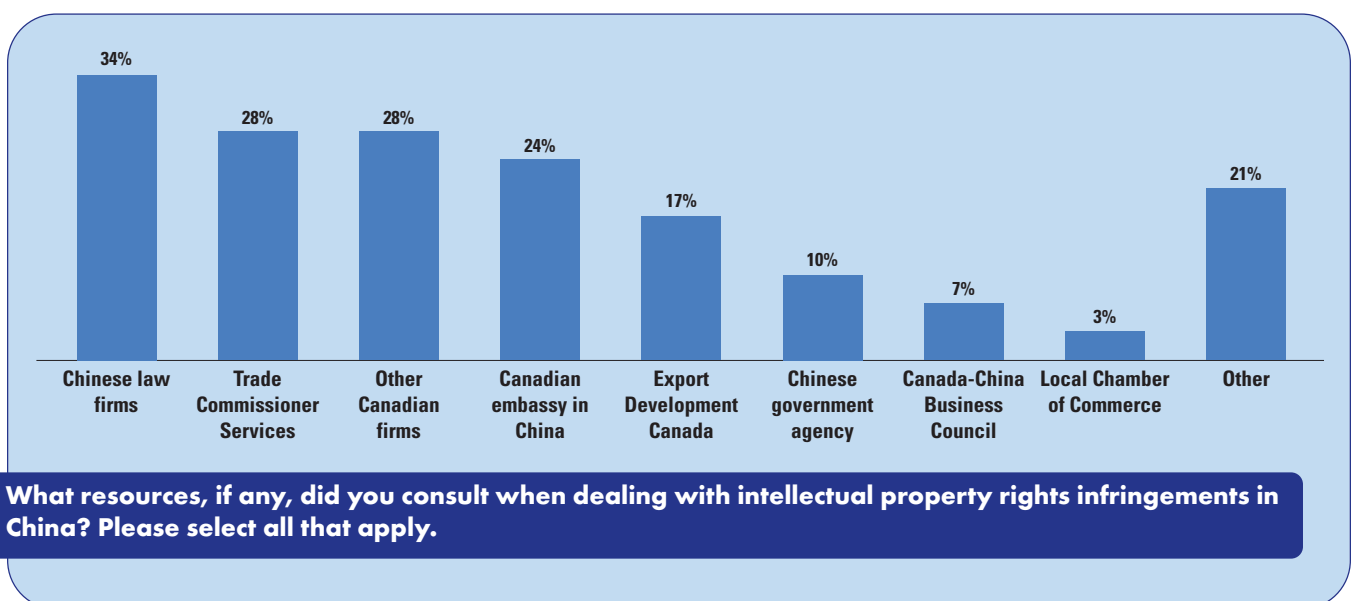


Q22. Has your firm incurred expenses to address the infringement of its intellectual property rights in China?

BASE: Respondents reporting IPR violation: 2014 (n = 35); **NOTE:** Very small sample size. Interpret findings with caution.

Firms dealing with IPR infringements were more likely to consult Chinese law firms and Canadian service providers.

FIGURE 4.7 RESOURCES FOR ADDRESSING IPR INFRINGEMENT

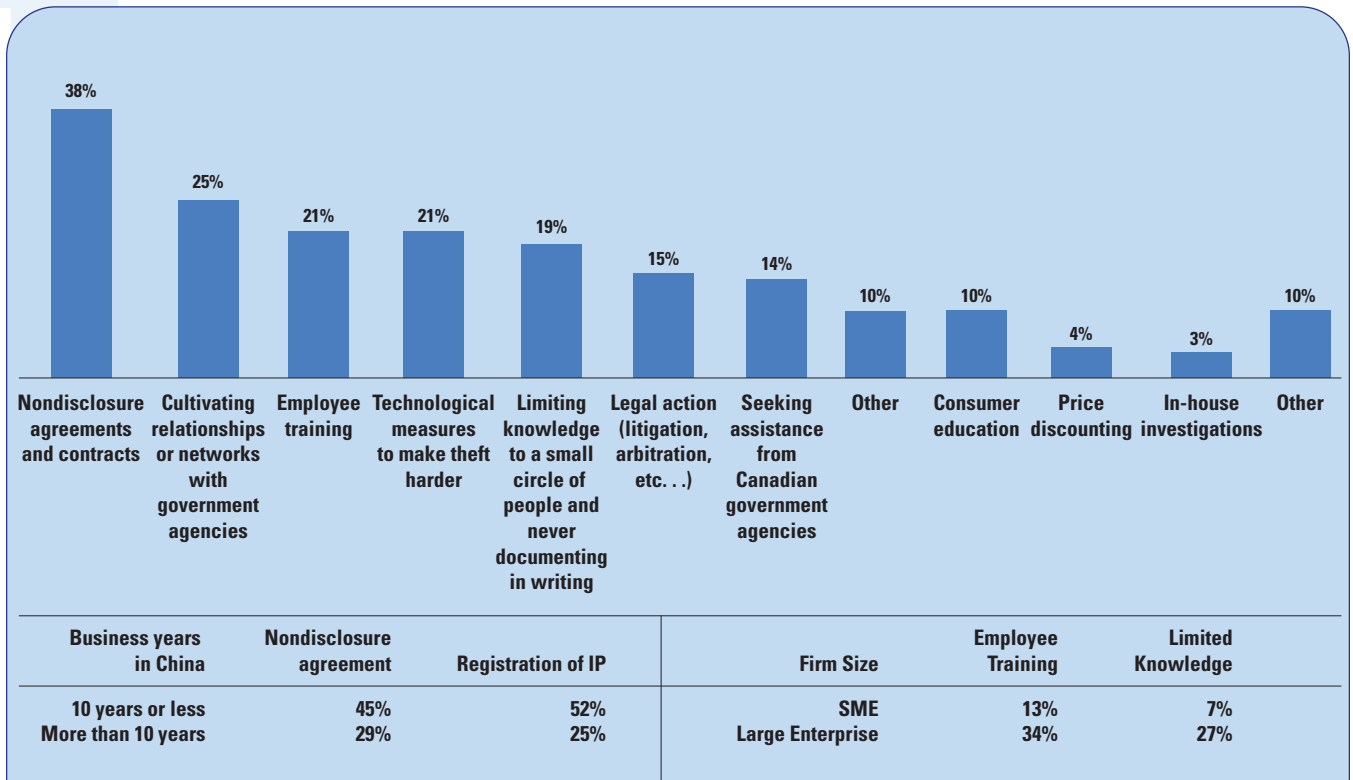


Q23. What resources, if any, did you consult when dealing with intellectual property rights infringements in China? Please select all that apply.

BASE: Respondents reporting IPR violation: 2014 (n = 29); **NOTE:** Very small sample size. Interpret findings with caution.

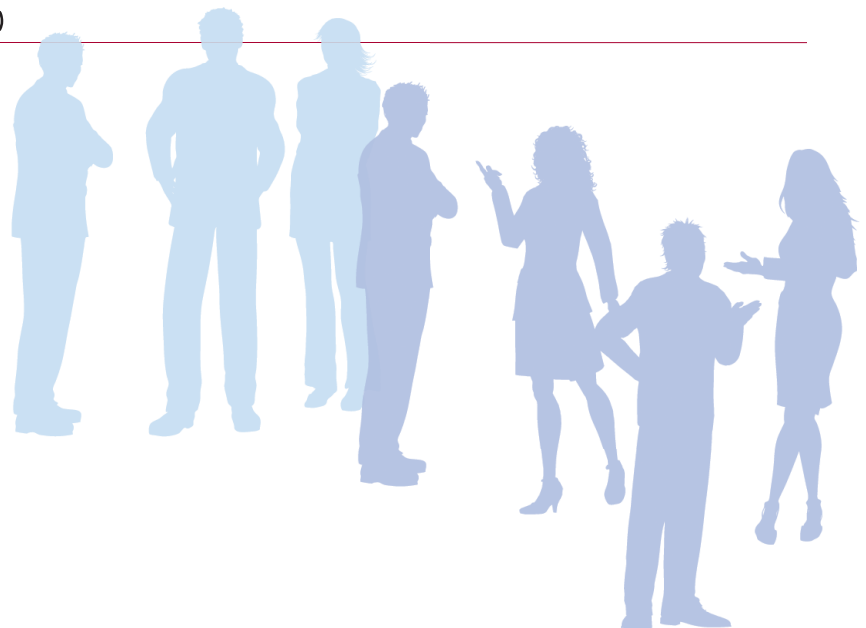
Registration of intellectual property and non-disclosure agreements are perceived as the best protection strategies.

FIGURE 4.8 STRATEGIES FOR ADDRESSING IPR INFRINGEMENT



Q5. In your firm's experience, which of the following strategies, if any, have been the most effective when addressing intellectual property rights in China? Please select all that apply.

BASE: Firms active with China: 2014 (n = 115)

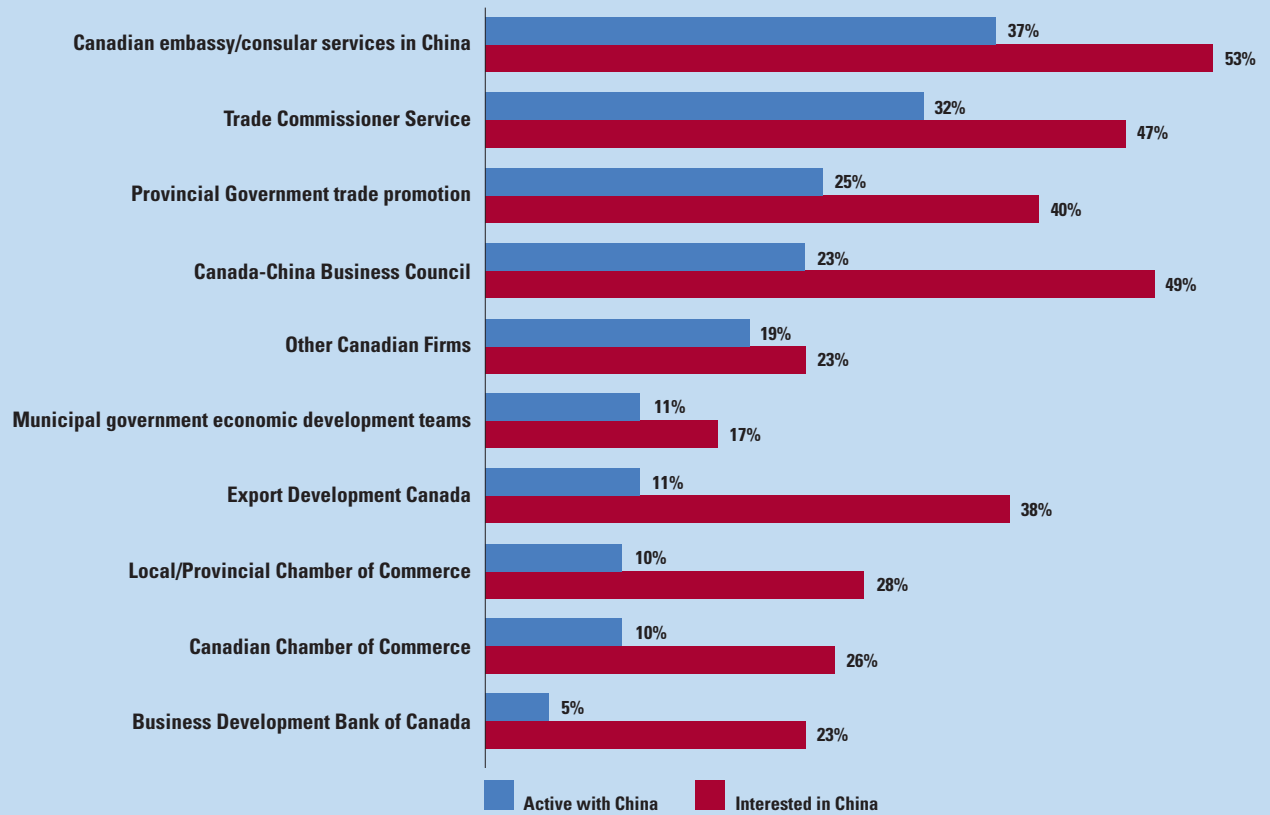


SECTION 5: EXPANSION PLANS AND RESOURCES

- Government of Canada services were the most common resources consulted for firms setting up their China business. Almost two-fifths (37%) consulted the Canadian embassy or consulate in China, and just under one-third (32%) consulted Trade Commissioner Services. One-quarter (25%) reported consulting a Canadian provincial government service.
- Almost half (49%) of firms interested but not active in China plan to consult the Canada-China Business Council.
- A significant majority (83%) of respondents from Canadian firms currently conducting business with China reported plans to expand their China ventures in the next five years, and half (50%) plan to expand substantially.
- Among firms currently conducting business with China and planning to expand, over one-third (36%) are seeking a joint venture partner. Similarly, (33%) of respondents plan to set up a representative office and hire local employees. Expansion plans are different for firms not yet involved in business with China but interested in doing so. Among this group, over two-fifths (41%) seek Chinese investment for their firm, but few (6%) seek a joint venture partner.
- “Regulatory barriers” was the most significant obstacle to expansion identified by respondents from firms already conducting business in China, with 38% of firms indicating these barriers are a problem. Language and cultural barriers were identified as an obstacle to expansion by almost one-third (31%) of respondents.
- For firms not engaged in business with China but interested in the market, almost half (47%) indicated their most significant obstacle was finding the right Chinese partner.

Embassy and consulate services are the most commonly used resources when setting up business activities in China.

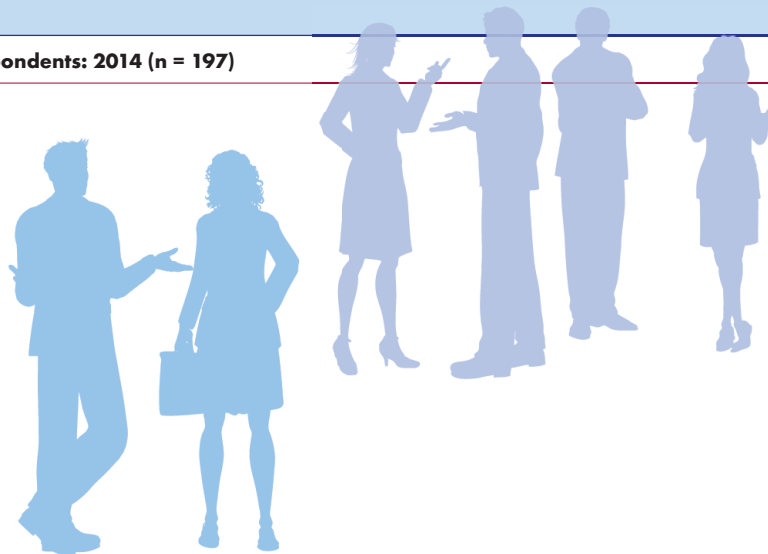
FIGURE 5.1 RESOURCES FOR CANADIAN BUSINESSES IN CHINA



Q8. Which of the following resources, if any, did your company rely on to enter the Chinese market?
Please select all that apply.

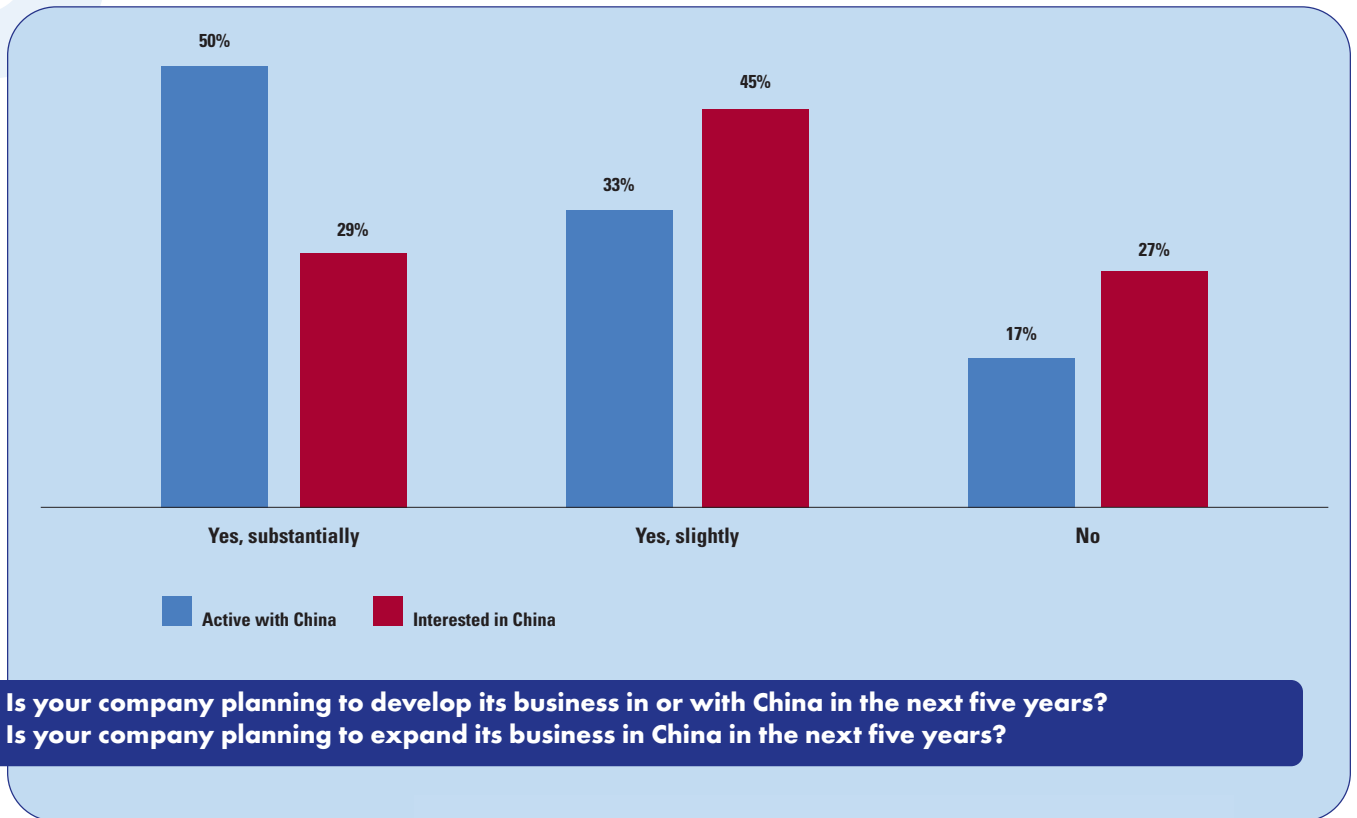
Q36. Which of the following resources, if any, would your company rely on to enter the Chinese market?
Please select all that apply.

BASE: All respondents: 2014 (n = 197)

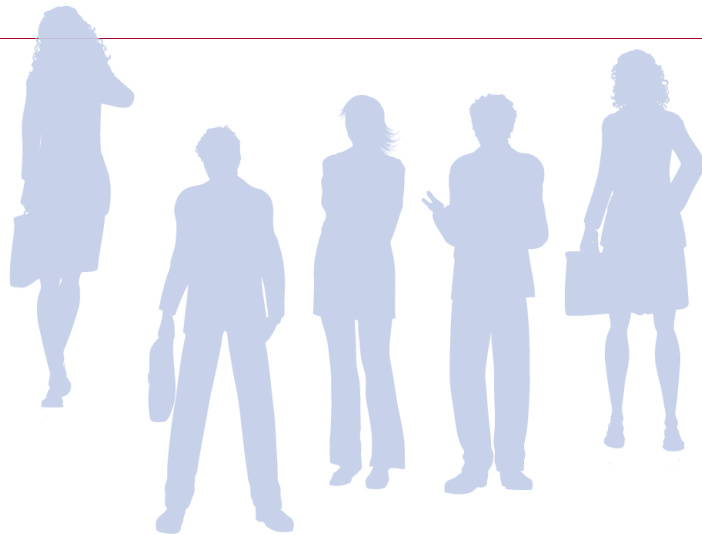


Canadian firms are looking to expand their China business.

FIGURE 5.2 EXTENT OF EXPANSION PLANS

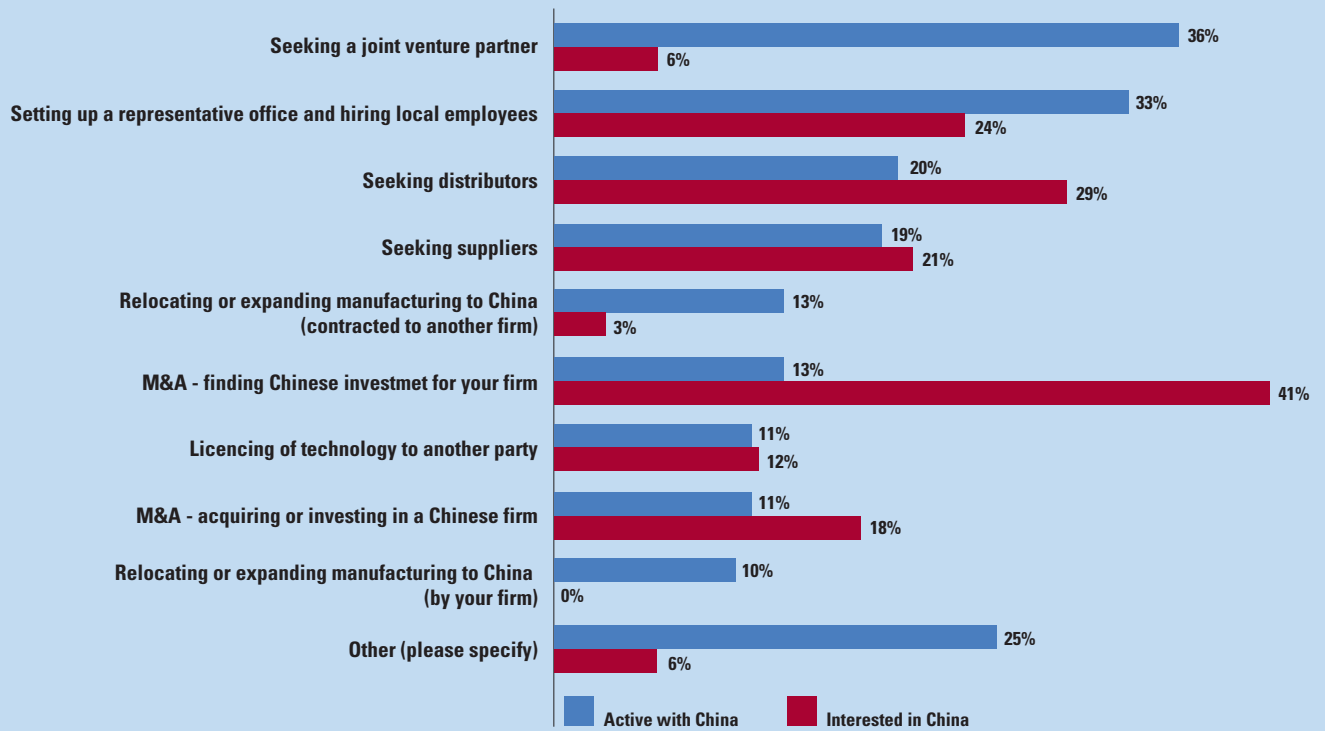


BASE: All respondents: 2014 (n = 184)



Firms doing business in China are seeking to expand through joint venture partnerships.

FIGURE 5.3 TYPE OF EXPANSION PLANS

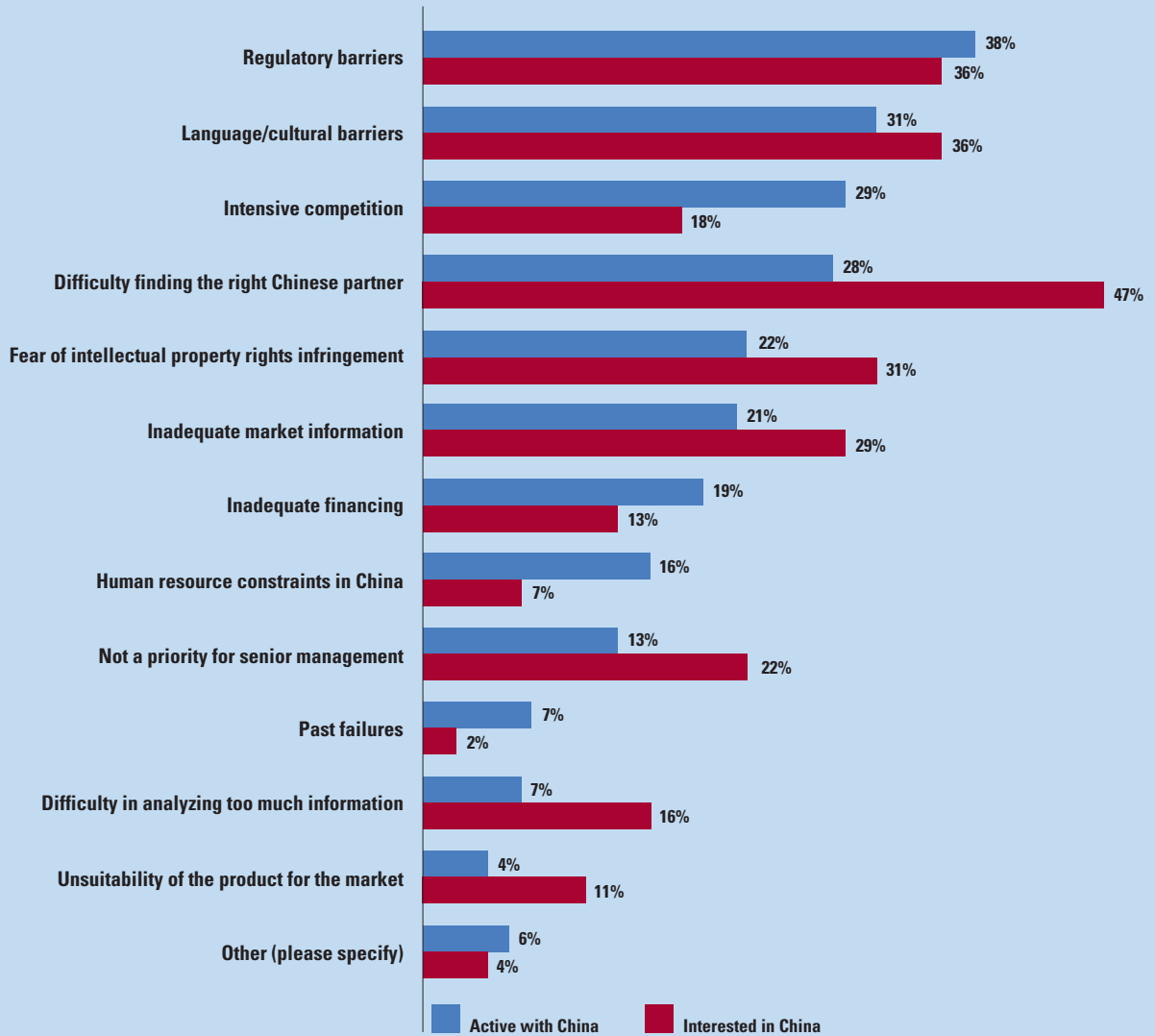


Q30. What type of business expansion in China is your firm planning? Please select all that apply.
Q33. How is your company planning to develop its business with China? Please select all that apply.

BASE: All respondents: 2014 (n = 140)

Regulatory and cultural barriers are key obstacles to expansion.

FIGURE 5.4 EXPANSION OBSTACLES



Q31. Which of the following, if any, are obstacles to the expansion of your business in China? Please select all that apply.

Q35. Which of the following, if any, are obstacles to developing your business in China? Please select all that apply.

BASE: All respondents: 2014 (n = 190)

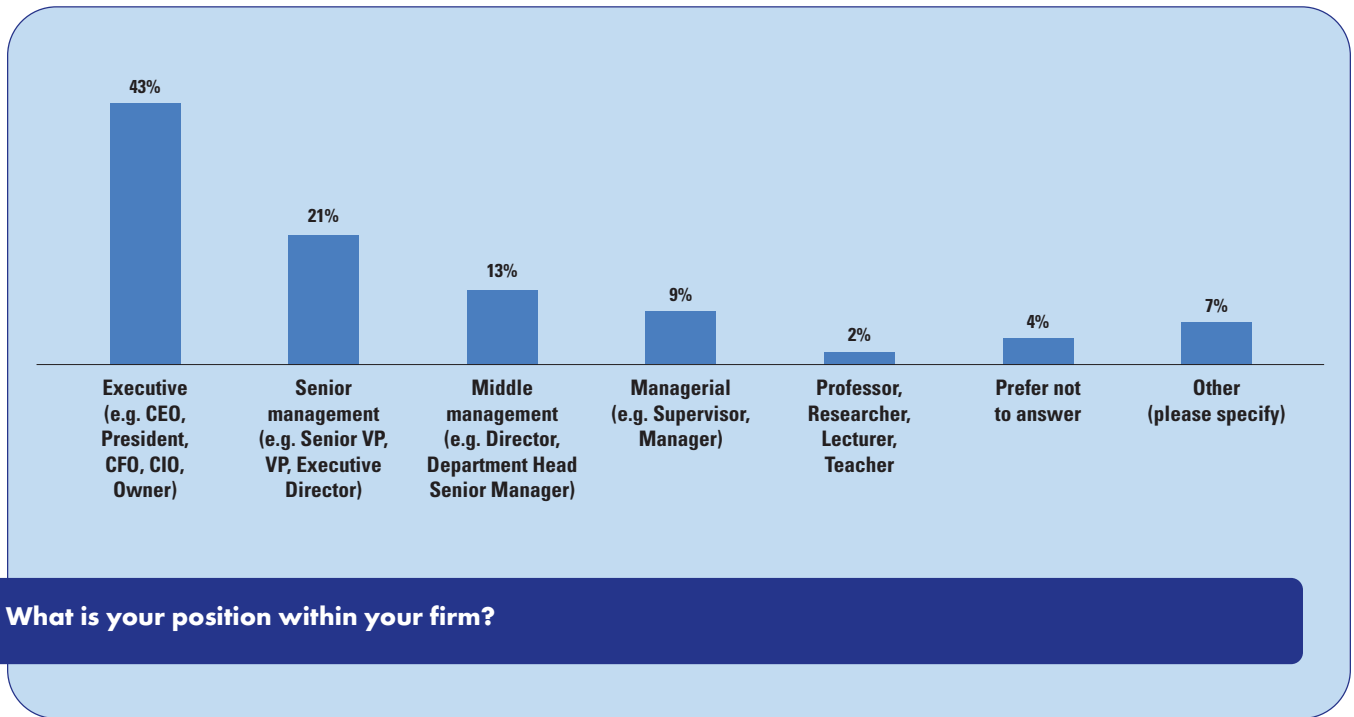
APPENDIX: EXTENDED RESPONDENT PROFILE

- A majority of respondents were either company executives (43%) or senior management (21%).
- Within Canada, the most common location of headquarters or parent companies were the provinces of British Columbia (44%) and Ontario (29%).
- 42% of survey respondents stated that their firm's global gross revenue was less than C\$10 million for the most recent business year, while 35% of respondents stated that it was above C\$250 million.



A majority of respondents are executives or senior level management.

FIGURE A.1 POSITION OF RESPONDENT

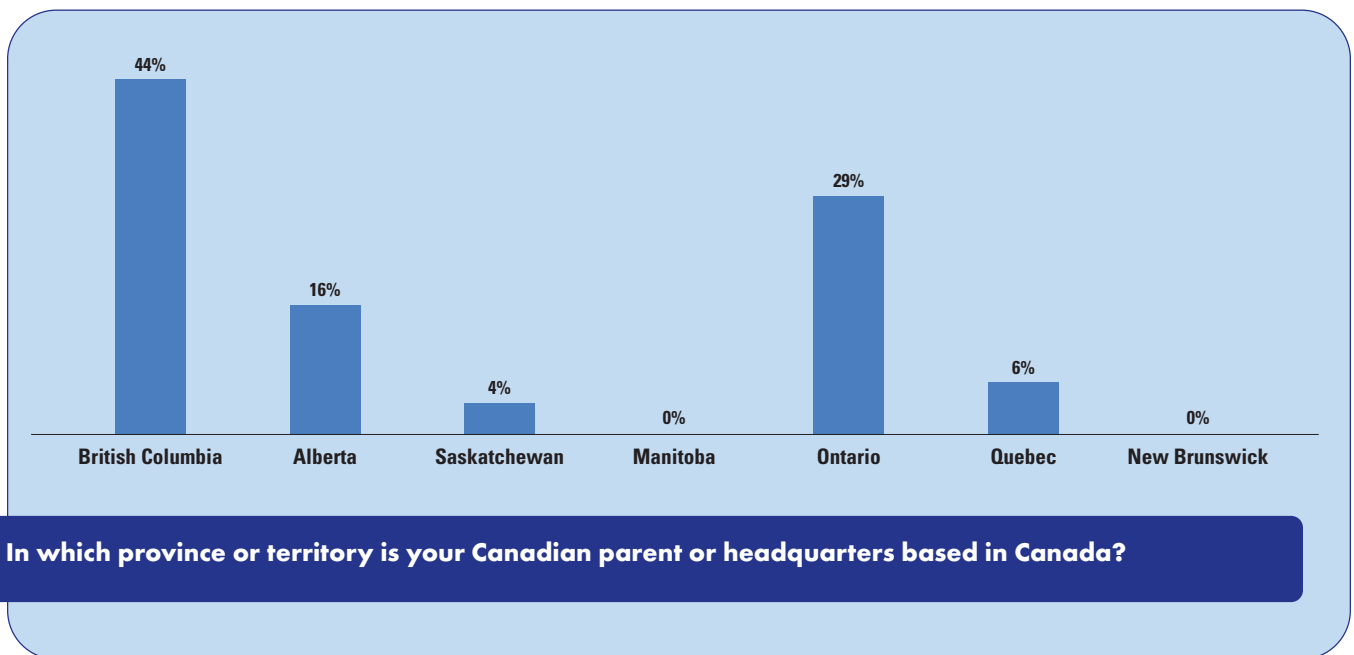


Q39. What is your position within your firm?

BASE: All respondents: 2014 (n = 182)

For survey respondents, British Columbia is the most common location for company headquarters.

FIGURE A.2 COMPANY HEADQUARTERS



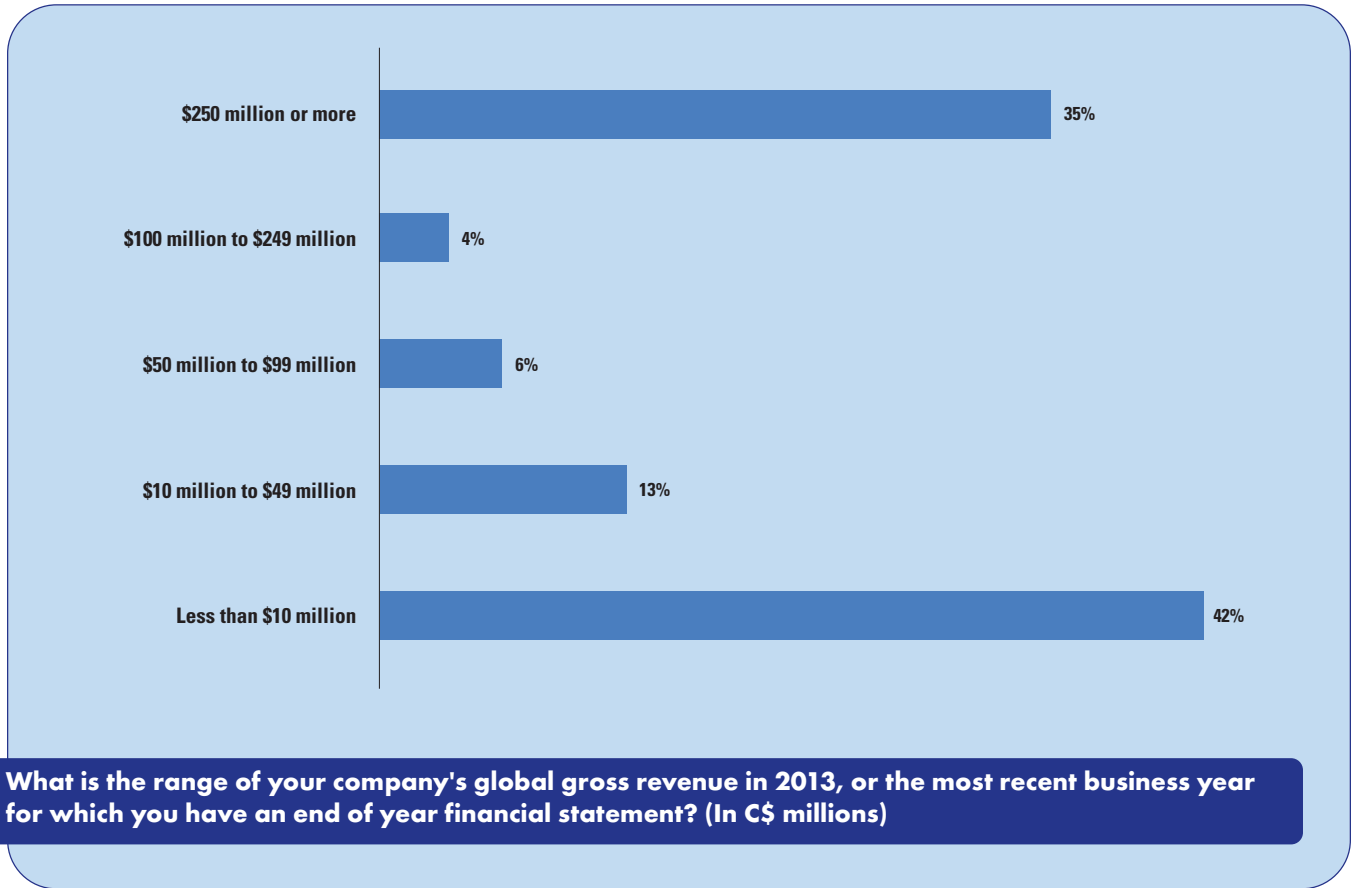
Q1. In which province or territory is your Canadian parent or headquarters based in Canada?

BASE: All respondents: 2014 (n = 225);

NOTE: provinces with values of 0% indicate that response was less than 0.5% but greater than 0.

A majority of firms have global gross revenues of less than C\$50 million.

FIGURE A.3 CATEGORIES OF BUSINESS RELATIONSHIPS



Q3. What is the range of your company's global gross revenue in 2013, or the most recent business year for which you have an end of year financial statement? (In C\$ millions)

BASE: All respondents: 2014 (n = 219)



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