CANADA-ASIA ENERGY TECHNOLOGY AND SERVICES FORUM

FINDINGS REPORT



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Asia Pacific Foundation of Canada

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TABLE OF CONTENTS

Figures

Tables

THE FORUM

In order to address some of the challenges that Canadian small and medium enterprises (SMEs) in the energy technology and services sector face in accessing opportunities in Asia, MacEwan University School of Business, in association with the Asia Pacific Foundation of Canada (APF Canada), hosted the Canada–Asia Energy Technology and Services Forum on April 29, 2014. Held at the City Centre Campus of MacEwan University, Edmonton, the forum brought together Canada and Asia-based energy leaders from industry, government, and academia for a discussion on how small and medium sized Canadian companies can:

- Develop Asian markets for their energy technology and services; and
- Manage the risks associated with entering and operating in Asian markets.

The forum focused on India and China as markets for energy technology and services, but also included broader discussion of opportunities in other Asian markets.

FORUM RATIONALE

The forum defined the energy technology and services industry (henceforward referred to as the energy services industry) as the group of service and technology industries that support the exploration, extraction, movement and environmental sustainability of crude oil and natural gas.[1] This industry is expected to grow at an annual compound rate of 9.8% between 2011 and 2016, representing a 59.3% total growth from US$372 billion to US$594 billion.

North America is the dominant geographic location for the sale of energy technology and services, with 80% of the current market. However, the Asia Pacific, currently at 8% of the global market, is expected to grow in importance for a number of reasons. First, primary energy demand in non-OECD (Organisation for Economic Co-operation and Development) Asia is expected to increase by 50% between 2011 and 2030, with the majority of this increased consumption being met by fossil fuels.[2] In order to meet their energy needs, Asian countries are developing their energy infrastructures and are seeking necessary technologies to maximize domestic extraction. Furthermore, countries are sourcing solutions to mitigate the environmental impact of fossil fuel extraction and use.

These developments present many market opportunities for Canadian energy services companies. These are opportunities that Canadian companies need to seize. Future economic growth in Canada will depend in part on being able to engage in international trade higher up the value chain than merely exporting natural resources. SMEs dominate Canada's domestic business landscape, including the energy services industry, but often struggle to enter other markets, particularly those in Asia.

1 MarketLine, "Global Energy Equipment & Services," (London, UK: MarketResearch.com), 2012, p. 6.

[2] International Energy Agency, World Energy Outlook, Paris, p. 69

In addition to increasing the customer base, greater connection with Asia can help Canadian energy services companies to overcome domestic innovation bottlenecks that are caused by competition for both limited manufacturing infrastructure and skilled labour in Canada. Many Asian countries are an excellent source of both skilled labour and manufacturing capacity.

FORUM STRUCTURE

The forum panel sessions allowed the moderator and the panellists to engage in a structured but free-flowing conversation. The panellists were chosen so that there would be an appropriate mix of country experts, energy services industry experts, policy makers, and business leaders. The panel of experts gathered for several hours the day before the forum to map out their panel discussions.

The first panel looked at opportunities for Canadian SMEs in the energy services industry in Asia; the second panel examined the risks associated with entering these markets; the final session focused on providing practical advice for Canadian SMEs that are seeking to enter Asian markets. The audience consisted of academics, current and prospective exporters of energy technology and services to Asia, as well as representatives from trade organizations and government ministries. See Appendix B for the forum agenda and Appendix C for speaker biographies.

EXECUTIVE SUMMARY OF THE REPORT

This report synthesizes the findings and insights from the forum (Figure 1 summarizes the structure of the report). The primary insights are:

- Although the U.S. market is recovering and easily accessible, Canadian SMEs in the energy services sector should consider entering the Asian market in order to:
    - Participate in a rapidly growing market.
    - Take advantage of untapped opportunity.
    - Reduce exposure to the "boom and bust" of the North American energy services industry.
    - Collaborate to create the next generation of technology.
    - Access Asian capital to develop Canadian energy resources.
    - Access Asian manufacturing capacity.
- Canadian companies are more likely to find their value proposition in Asia by offering superior products and services, rather than competing on price.
- Some Canadian companies have already had success exporting energy services to Asia or working with Asian companies to reach foreign markets. These success stories need to be more widely publicized.
- Executives and entrepreneurs in Canadian energy services firms need to be acutely aware that China and India are distant markets from Canada across several measures and that these distances can create uncertainty for SMEs entering Asian markets. These distances are[3]:
    - **Cultural**: North American and Asian business cultures place different levels of importance on personal relationships in business; and, different operational practices can make transfer of knowledge difficult.
    - **Administrative & Political**: Different regulatory and legal institutions can make enforcing contracts and protecting IP challenging.
    - **Geographic**: Inadequate transportation infrastructure and large in-country differences can make it difficult to coordinate and control activities from a Canadian home base.
    - **Economic & Financial**: The business models of firms [state-owned enterprises (SOEs) in particular] in Asian economies often increase the time and costs of completing transactions.

[3] Pankaj Ghemawat, "Distance still matters: The hard reality of global expansion," *Harvard Business Review 79*, 8 (September 2001): 137–47.

- The Five Ps model (as initiated by Peter Sutherland, the former High Commissioner of Canada to India) provides a framework that firms can adopt in order to guide their entry into Asian markets: preparation, presence, partnering, pricing, and patience.
    - **Prepare:** Firms need do their homework to understand the foreign market and develop a strong value proposition.
    - **Presence**: Many firms will need to open an office in these markets in order to establish a visible market presence.
    - **Partnering:** Presence can be strengthened by partnering with local stakeholders in the region. Both non-profit and private organizations are able to offer market entry support to SMEs.
    - **Pricing:** Competitive pricing is particularly important for survival in Asia given that the region is highly competitive with both local energy service providers and the Big Four operating there.
    - **Patience:** Developing business relationships and doing business in Asia is time consuming. Firms, therefore, need to be patient in order to see their efforts in these markets lead to results.

Based on the insights gained from the forum, this report provides several recommendations for how Canadian government, NGOs and other stakeholders can assist Canadian energy services SMEs in realizing their potential in Asian markets. The recommendations can be found on pages 32 and 33 of this report.

DEFINING THE SPACE

The energy services industry[4] is one of the fastest growing sectors of the Canadian economy. From 2011 to 2012, the industry grew 12% in Alberta, where much of the Canadian activity in the sector is concentrated.[5] Of the approximately 9,000 energy services firms in the province, the vast majority are SMEs. Together they employ approximately 127,000 Albertans and generate more than US$27 billion in revenue. Government statistics estimate that in 2012 these firms generated US$3.5 billion in revenue from the export of energy services, which is a 4% increase from 2011.[6]

While the majority of energy services firms are located in Alberta, there is a significant amount of energy services activity throughout the rest of Canada. For example, in 2009, 30% of sales into new oil sands development came from Canadian firms located outside of Alberta.[7]

On the global level, the energy services industry is highly fragmented. Currently, there are four dominant players (The Big Four) in the global industry that have a combined market share of only 17% (Schlumberger Limited, 7.6%; Baker Hughes, Inc., 3.8%; Halliburton Company, 3.8%; and Weatherford International, 2.0%). Thus, nearly 83% of the industry is made up of relatively small or regional players.

DEFINING THE SMEs IN THE ENERGY SERVICES SECTOR

Defining what makes a firm a “small or medium enterprise” in the energy services sector is not straightforward. Rather than relying on revenue or number of employees as a determinant, we have decided to pursue a definition based on capabilities needed for entering and operating in specific international markets. In terms of internationalization, it makes sense to classify a firm as small if it lacks internal resources to do business in a target country.

For example, based on discussions with our panellists, Table 1 illustrates the approximate number of people that a Canadian company in the energy services industry would require to enter specific markets.

4 Because energy services companies participate in upstream, midstream, and, to a lesser degree, downstream activities in the oil and gas sector, the energy services industry is best conceptualized as the group of service and technology industries that supports the exploration, extraction, and movement of crude oil and natural gas. Some of the technology and services included in this industry are drilling and platform equipment, including its sale, service, and operation; mobile buildings, housing, and other construction related services; and equipment, services, and support for pipelines or other midstream activities. We are not including goods and services related to electrical power generation (MarketLine, “Global Energy Equipment & Services,” London, UK, 2012, p. 6.)
5 Government of Alberta, “Business in Alberta: Alberta Industries: Oil and Gas: About the Industry,” (Edmonton, AB: Government of Alberta), June 2014. Retrieved from http://albertacanada.com/business/industries/og-about-the-industry.aspx
6 Ibid.
7 Canada Manufacturers and Exporters, “Oil Sands Manufacturing,” (Ottawa, Canada: Author), 2013, p.14.

Table 1. Company capabilities needed to enter specific markets

To operate	
in Alberta:	min 4
in the U.S.:	min 15
in Europe:	min 50
in Japan or Korea:	min 200
in China:	min 1500

So we see that a Canadian firm would likely require at least 200 employees in order to enter the Japanese or Korean market. If a Canadian firm plans to enter one of these markets and has less than 200 employees, it would be considered an SME. The argument here is that entering Asian markets for energy services requires a considerable set of internal resources. Even fairly large Canadian firms may not have these skills. Thus, it makes sense to think of almost all Canadian firms in the energy services sector as SMEs.

Based on this definition, we expect that when SMEs enter distant international markets, they will require the support of external stakeholders who can provide the resources required to pursue such opportunities. To date, energy services SMEs have not seen many of these stakeholders as crucial partners. This was explained well by Mark Salkeld, one of our industry leaders.

> *If you want to sell a product to a guy you've worked with for twenty years, and he'll deploy that product in an [oil] well that's fifty miles north of the city, who are the last people that you're likely to go and see? It's probably the government, academia, and business associations. The reality is, however, if you're going to Asia or you're going to some brand new part of the world, these are the first people you should go see. There's a wealth of knowledge embedded in government whose job nationally and provincially is to help further these opportunities. Academia has wonderful resources in this province and in this institution. There are also industry associations that instead of being your last call should be your first. Getting connected to these organizations is definitely a necessary part of your preparation.*
>
> (*Mark Salkeld, Petroleum Services Association of Canada*)

OPPORTUNITIES IN ASIA

Not every firm will have the opportunity or need to expand into Asia. However, as many of our panellists argue, for those who have the right value proposition, the opportunities for business development in China and India are substantial and significantly different from the opportunities in the North American market. In general, firms can create value for the consumer either by competing on price or by providing superior products and services not available within these markets. In Asia, Canadian SMEs will more likely find their value proposition by offering superior products and services than by competing on price.

The following examples highlight a few Canadian SMEs in the energy services industry that have been successful in Asia. These six firms offer a sample of the businesses and relationships that Canadian firms have developed in the region.

- Calgary-based Enersul is an energy equipment firm that has been working with large Korean and other multinational enterprises (MNEs) to supply energy service equipment worldwide. Recently, Enersul was awarded a contract by Hyundai Engineering to supply the Attock Refinery Limited Project in Pakistan with equipment for sulphur forming. Enersul will be providing a custom forming unit tailored to the client's unique needs on an expedited delivery time schedule.

- Calgary-based Q'Max has completed through its subsidiary over 75 oil wells using different types of mud systems. They are spread over the eight oil producing states of India, most of which were logistically very challenging. Clients include three top national oil companies: ONGC, OIL, and GAIL, as well many other MNEs and Indian companies.

- Montreal-based ProSep Inc. is a process solutions provider that designs, develops, manufactures, and commercializes technologies to separate oil, water, and gas. In 2013, the company was awarded a C$3.5 million contract to supply a water treatment package that was installed in an onshore natural gas processing plant in Asia.

- Calgary-based Questor Technology Inc., which specializes in providing environmental solutions to the oil and gas industry, announced that it received a US$6.6 million contract from China Petrochemical International Co. Ltd. (SINOPEC). The contract is for well-testing incinerators for SINOPEC's Puguang Gas Field project. The incinerators will be manufactured in Canada and delivered later this year.

- Edmonton-based Thermo Design Engineering Ltd. has significant repeat sales and international presence in the oil and gas sector in Asia. They are active in China, India, Indonesia, and Bangladesh.

- Edmonton-based McCoy Global Inc. has a significant international presence in the drilling equipment industry. They have recently opened a subsidiary office in Singapore to support their sales and services throughout Asia.

Asian markets do not just represent more of the same—they offer prospects that are not available in our home market. We have identified six opportunity dimensions for Canadian energy services sector SMEs, which are described below (see Figure 2).

Figure 1. Opportunity Dimensions for Canadian SMEs

SIZE OF THE PRIZE

- Increasing energy demand in most Asian countries
- Large undeveloped energy reserves throughout Asia
  e.g. In just one province in China SINOPEC is planning to drill 500 shale gas wells in 2014

FIRST MOVE ADVANTAGE

- Largely unmet demand for energy services in many Asian markets

HEDGING THROUGH DIVERSIFICATION

- Geographic diversification into Asia can provide a buffer to North American boom and bust cycles and winter intensive Alberta production cycles
- Alternative international market to the United States

COLLABORATING TO CREATE NEXT GENERATION OF TECHNOLOGY

- Opportunity to combine Canadian energy technology with Asian capital, market opportunity, and research capacity

SIZE OF THE PRIZE

- Opportunity to attract capital investment into Canada
- Opportunity to partner with Asian companies to enter Asian markets

SIZE OF THE PRIZE

- A way to overcome Alberta's strained manufacturing and human resources
- Access to world class manufacturing capacity

SIZE OF THE PRIZE

The opportunity for energy service firms in Asia is directly related to the size of these markets and their growth potential over the next several years. China and India have a combined population of nearly three billion. More importantly, these emerging economies are developing rapidly and a new middle class is emerging.

The main ingredient needed to support the aspirations of the growing middle class is energy. Members of the middle class in India and China are demanding more cars, buildings, consumer goods, and the infrastructure to support urbanization. As a result, both China and India place importance on securing domestic sources of energy. Even though Asian markets may not offer the same profit margins as the most developed economies, the volume demand can well make up for the lower margins. The substantial, and largely unconventional, energy reserves in Asia have not been developed and will require the participation of a large energy services industry. These economies do not have the capacity to undertake all aspects of upstream energy generation activities by themselves. This presents a substantial market opportunity for Canadian energy technology and services firms.

Look at the size of the prize—the increased demand for oil and natural gas that the Chinese economy is going to need as they shift toward a more balanced economy with a much greater middle class. As an example, in just one province in China SINOPEC is planning to drill 500 shale gas wells in 2014. They don't have the capacity to undertake this task by themselves, so there's a tremendous market opportunity for Canadian technology and services.

(Mike Dawson, Dawson Energy Advisors)

FIRST MOVER ADVANTAGE

The fact that much of the energy services sector in Asia is untapped provides Canadian SMEs with an opportunity to gain first mover advantage. If a firm can identify the right need and get the right product to market in China and India, meeting the demand may be a more substantial problem than finding it. That said, Canadian SMEs in the energy services industry should be mindful of the competition. The Big Four firms which have the resources and knowledge to out-compete small foreign firms are quickly moving into the Chinese and Indian markets and becoming established. Thus, the biggest opportunity exists for SMEs that have innovative solutions that are not being offered by the larger firms.

Where I think the opportunities lie, from an SME perspective, is with niche products that are not competitively offered by one of the Big Four [Schlumberger, Baker Hughes, Halliburton, and Weatherford International]. I think there are some tremendous opportunities both with smaller Chinese companies and with the state-owned oil companies because of the growth potential in the region.

(Mike Dawson, Dawson Energy Advisors)

HEDGING THROUGH DIVERSIFICATION

Canadian SMEs who diversify geographically have a significant advantage over those who do not. The Alberta energy sector is a "boom and bust" industry. While it is hard to see an approaching bust during a boom, there will eventually be a negative movement in the North American energy market that will lead to temporary decreased investment, as Alberta's experience in the 1980s illustrates. These "boom and bust cycles" exist because we are involved in a free market that allows market sentiment to drive investment.

Investing in Asia can help offset the cycles of the Canadian industries—we're open to global economics and, we're seasonal. We just can't get away from stopping. At the very least, we boom in the winter and we slow down during break up in the summer. So, a number of our member companies have had *success operating in other areas of the world, where it's consistent year round, giving them a nice steady revenue stream that helps offset the Canadian cycle.*

(Mark Salkeld, Petroleum Services Association of Canada)

The seasonal nature of the Canadian energy services industry provides an opportunity for managers to turn toward countries that operate year round and are developing their energy resources with much more government involvement, which means they are not as susceptible to market sentiment. Operating in fundamentally different markets than North America, therefore, offers a significant mitigation to the boom and bust nature of the Alberta energy industry.

And so with that, Canada needs more customers. It is Economics 101 to not have our eggs in one basket. Without a doubt, we've got a great relationship with the U.S., but we need more markets just to balance things out.

(Mark Salkeld, Petroleum Services Association of Canada)

COLLABORATING TO CREATE THE NEXT GENERATION OF TECHNOLOGY

Canadian SMEs have advanced energy services technologies that can help develop oil and gas fields in Asia. Examples include 3D, 4D, micro-seismicity, and holographic imaging. In many respects Alberta's SMEs are far ahead of the rest of the world in drilling technologies. China and other Asian countries need these technologies and are working to develop them.

Our member companies have theatres set-up in their offices where their customers can use 3D and holographic imaging and their engineers can virtually walk through their formations in downtown Calgary and help design their wells. So, we're at the leading edge, but China is also doing it—and there's an opportunity to bring those technologies together.

(Mark Salkeld, Petroleum Services Association of Canada)

The opportunity then is to collaborate with Asian partners who are hoping to develop similar products and figure out ways to bring them to market together. Many Asian firms have the advantage of being very well capitalized, bringing significant financial resources to the table.

It's not a one-way street—it's a two-way conversation. It's not only what we've got for them, but it's increasingly going to be what they've got for us and how we partner to have a sustainable energy world. So, I would say that they are having a rate of development that is two, three, four, sometimes six times

> *what it is here depending on which part of the energy value chain you're in. Also, considerable capital is available in China, and that is very, very important.*
>
> *(Nicholas Parker, Global Acceleration Partners)*

There are opportunities for innovative Canadian energy services SMEs with proven technologies to combine those technologies with Asian capital, market opportunity, and research capacity. Through such partnerships, Canadian SMEs may be able to turn important local solutions into globally demanded products.

ACCESSING CAPITAL

Canada cannot develop its natural resources alone based on its present economic situation. We do not have the market and the capital to tap our full potential. Partnering with well-capitalized Asian partners opens up opportunities to exploit the innovative technologies that are being developed for local use on a more global scale. Mr. Parker (Global Acceleration Partners) painted a vivid and ambitious vision of successful partnering.

> *I think there's an opportunity to have a major partnership with China, where we have a base here and a base there, and we work toward dominating a space together. And the centre of this is going to be in Calgary and the equivalent in China—not Houston, not Aberdeen, or elsewhere. We've got to create the enduring bridges of cooperation. They'd be our investment vehicles and you take the immigrant money [from Chinese immigrating to Canada] that's coming in here, and build a global industry. The thing that I would say is to be careful because your China operation could actually become way more valuable and way bigger than what you're doing here. And if you're looking to monetize the value being created, you may end up going public on the Hong Kong stock exchange rather than in Toronto. So, get ready for that and think of that scale. This is possible!*
>
> *(Nicholas Parker, Global Acceleration Partners)*

ACCESSING ASIAN MANUFACTURING CAPACITY

A natural limitation to operating in a booming energy region is the strain on resources available in supporting industries, such as manufacturing. Canadian energy services companies can identify parts of their value chain that they do not need to produce in-house or onshore. Asian firms, particularly Chinese firms, have a wealth of capacity in manufacturing that Canadian firms can take advantage of in order to reduce their overall cost structures and improve their product offerings.

I think you might be there to buy something. A differentiating factor for an energy service company operating here is to acquire something that differentiates itself—often as a cost differentiation. Certainly, the steel mills in China can do things at a substantially lower cost using the most modern technology in the world. So that's a differentiating factor if you are trying to acquire something there that you can use here.

(John Zahary, Asia Advisory Council)

Including China in the value chain can create cost efficiencies and reduce human resource strains that hamper growth in the booming Canadian energy sector. Developing relationships with Chinese suppliers can also be a good entry point into the Chinese market.

RISK, UNCERTAINTY, AND DISTANCE OF ASIAN MARKETS

Our second panel explored the risks that Canadian energy services SMEs face when entering Asian markets such as China and India. The panel felt that it was crucial to understand the subtle differences between risk and uncertainty. In fact, the panellists argued that the economic risks of doing business in China or India are perhaps no higher than they are here in Canada. In discussing risks, the panellists made clear that it is the uncertainties in these new markets, especially when SMEs enter unprepared, that can cause failure.

A risk is something to which a value or probability can be assigned. We may not know what is going to happen in a given situation, but we do know the “universe” of possible outcomes. Thus, we are able to make well-informed investment decisions that weigh potential upsides against potential downsides. An uncertainty—on the other hand—is a complete unknown. We do not know what will happen and we cannot even assign a probability because we do not know the possible outcomes.

Therefore, because uncertainties make it difficult to assess the pros and cons of a venture, uncertainty is perhaps a greater issue than risk for businesses looking to invest in China and India. For example, given the lack of predictable government institutions, it may be difficult for Canadian SMEs to assess the potential downsides associated with government regulation in either India or China.

The question becomes how to manage uncertainty in Asian markets. There is no one underlying level of uncertainty in Asia. In the case of China, the level of uncertainty may be lower in the large cities, such as Beijing, Shanghai, and some coastal cities than in the interior where the oil and gas sector is prevalent. This higher level of uncertainty is partially due to the fact that governments in these interior regions often do not have the governance practices of the more internationally oriented centres. In some cases, it may be preferable for a Canadian SME to establish operations in well developed areas, and then, based on its experience there, develop operations in the more remote areas.

> *In certain areas you can really manage your risks, but uncertainties are very difficult to manage, especially in particular areas of China. The local government tends to change regulations without notice—that’s uncertainty. It especially hurts SMEs. We have a number of clients who operate in remote areas and in those areas even the government officials wouldn’t know what the actual law or policy is; they can virtually change the rules of the game overnight. So the next day, our clients could go down and find they wouldn’t get a certain permit.*
>
> *(Wei Qian, New Tigers Consulting)*

The panellists addressed the question of whether the level of uncertainty is higher in Asia than it is in North America. It is in many respects, because regulatory institutions and governance structures tend to be considerably weaker in Asia than in North America. However, many uncertainties exist in North America that do not exist in parts of Asia. As mentioned, the Canadian energy services sector is at the mercy of the global economy. In China, and to some extent in India, the government takes a more active role in the economy. Therefore, the energy services industries in these countries are often less exposed to the ups and downs of the market than in North America. In addition, regulatory bodies in North America, due to their complexity, can create an uncertainty of their own.

> *So let's say that you are a Chinese company coming to Canada, and let's say hypothetically you want to build a pipeline to Prince Rupert or Texas. Talk about uncertainty! When CNPC and Shell worked in a consortium to build a pipeline from China, it took them—from approval, to design, to fundraising, to the start of construction—two and a half years. They had a 2,000 km pipeline in two years. More importantly, however, let's say you're a Canadian company facing uncertainty in North Dakota or Montana. It can be difficult to manage. But what if you're the same company facing the same level of uncertainty in distant China? Which one would you prefer? Of course, you would take North Dakota. So yes, absolutely—it's a real deterrent.*
>
> *(Robert Y. M. Kwauk, Blakes (Beijing))*

Mr. Kwauk's point is that, when uncertainty is compounded with distance, uncertainty becomes even more difficult for firms to manage and thus becomes a greater obstacle to overcome. Distance is physical (geographic), but it is also cultural, administrative, and economic (see Figure 3). The following sections look at how these distances can affect Canadian SMEs entering the Asian market and provide some suggestions for how to manage these uncertainties.

While the world may seem to becoming much more global, the reality is that "distance still matters." Beyond geographic distance, Pankaj Ghemawat argued that as firms entered unfamiliar markets they would encounter cultural differences, administrative (governance) differences, and economic differences. This CAGE model provides an excellent framework for understanding the different dimensions of distance.[8]

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[8] Pankaj Ghemawat, "Distance still matters: The hard reality of global expansion," *Harvard Business Review 79*, 8 (September 2001)

Figure 2. CAGE Distances for Canadian Energy Services SMEs Entering Asian Markets

CULTURAL

- Importance of personal relationships
- The need to interpret meaning and not just words
- The need for trusted bicultural and bilingual employees

ADMINISTRATIVE & POLITICAL

- Absence of political and historical ties between Canada and Asia (with some exceptions for India)
- Weaker political and regulatory institutions in Asia
- Different legal structures than in Canada
- Higher levels of corruption and graft in Asia
- Difficulty in defending IP in a foreign country

GEOGRAPHIC

- Greater physical distance than to U.S. market
- Less developed transportation infrastructure in Asia
- A need to have an office in Asian markets
- Different topography and geology
- Large in country differences within China and India

ECONOMIC & FINANCIAL

- State-owned enterprises operate on vastly different models than Canadian SMEs
- Accounts receivable can take longer
- Cost of servicing capital can be much higher in Asia

CULTURAL DISTANCE

According to the CAGE model, "a country's cultural attributes determine how people interact with one another and with companies and institutions. Differences in religious beliefs, race, social norms, and language are all capable of creating distance between two countries."[9] The panellists provide several insights into how cultural differences between Canada and China or India can impact Canadian energy services SMEs operating in Asia. The first is the importance of relationships as a prerequisite for doing business in China and India. To do business, even on a limited scale, SMEs will need to invest significant time and energy into building relationships with their Asian customers and partners. This stems from a fundamental difference between North America and many Asian countries in business philosophy.

[9] ibid, p. 3.

If you've grown up in an Anglo-Saxon-based economy, you think of transactions leading to relationships; let's just do something together, and then we'll build a relationship. Whereas in the rest of the world, pretty much, including China and Asia, it's the other way around: the relationship leads to the transaction.

(Nicholas Parker, Global Acceleration Partners)

Another insight from the panel is that culture often colours the meaning of a message. Thus, when meeting clients at a trade show or negotiating a deal in a boardroom, it is imperative to not just hear what people are saying but to understand it from their cultural perspective. An illustrative story was shared by Mr. Kwauk to drive this message home.

I'm more concerned about the cultural misfit at the negotiation table. During technology exchange, for example, I see Canadian companies time and time again—and some very sophisticated companies—after a visit to their Chinese counterparts, they come home and say, "They [the Chinese] love our technology. They need us, and they think it's just the best thing since sliced bread." But that is not necessarily true. The Chinese may say that, but that may not be what they mean.

Let me give you an analogy—if you go to my mother's house for dinner and you say, "Mrs. Kwauk, fabulous dinner! The best meal I have ever had. This chicken is just out of this world." My Mom would say, "No, come on! This is just garbage. We eat this every day at home." But, the western style is that if you go to Mrs. Carter's family to have dinner and say, "Mrs. Carter, this is a fantastic dinner!" Mrs. Carter talks about it and would say, "Thank you. Why yes, I got the recipe from my Mom."

Technology quite often happens like that too. When you go and see a Chinese company, the Chinese company will say, "Don't look at our stuff; we have garbage. Let's see what you have." And then it doesn't matter how lacking in innovation or how mediocre it might be, they will praise it. You've travelled 4,000… 5,000 miles; you did the automobile, train, taxi thing. They're not going to look at your technology and go, "Blah." They'll say that they are totally interested. "Oh, Mrs. Carter, you have so much to teach us. How did you learn that?" So quite often, you see that enthusiasm and you get that miscommunication. Then, you start to spend big money on preparing to sell them your technology. That is how cultural misunderstanding can really hurt you.

(Robert Y. M. Kwauk, Blakes (Beijing))

Language is a significant barrier that makes doing business in Asia very difficult, perhaps to a lesser degree in India where English is widely spoken in business. Several panellists stressed the need to have trusted employees who are bicultural and bilingual, as well as competent in the industry. Firms must take great care to ensure proper, accurate, and long-term solutions are developed to overcome language barriers.

ADMINISTRATIVE AND POLITICAL DISTANCE

Canada and Asian countries generally have radically different legal and political structures. An absence of shared colonial ties is often the greatest cause of administrative distance between countries. Administrative and political distance also occurs when countries are outside of shared monetary or political associations, such as NAFTA or the EU. In countries with weak legal and regulatory institutions, business transactions can be less certain, less transparent, and more susceptible to corruption and graft. If a business operator is used to working in a different political system, these challenges can be difficult to manage.

Canada and China are very distant administratively and politically, while Canada and India are closer in many regards due to a shared Commonwealth history. The weak political and regulatory institutions in both China and India are a cause of uncertainty for foreign SMEs entering these markets. While Canadian firms may face regulatory delays or inefficiencies with government agencies in North America, these delays are often less to do with institutional weakness and more to do with perceived stringencies. The opposite is often the case in China and India.

> *Thus, right from the start, the main risk is transparency. You go to the government and you meet one official today and they give you one answer; you go the next day and they give you another one. These days, there are enough knowledgeable people and firms to manage these risks in the large developed cities, such as Shanghai, Beijing, and other coastal cities. However, the energy services industry is not on the coast—it is in the "West World". Government officials are not as well informed about their own departments as they should be and government institutions are not at international standards. In addition, the officials rarely have any understanding of dealing with foreigners.*
>
> *(Wei Qian, New Tigers Consulting)*

Legal structures, processes, and expected roles of the courts are different in China and Canada. In addition, because China and Canada do not have strong legal and political ties through regional associations, contract law is much more difficult to enforce between the two countries. From a legal perspective then, China and Canada are much more distant than Canada and the U.S. As our panellists pointed out, this does not mean that it is impossible to enforce contracts or to pursue remedies through the courts. However, it does mean that this is the least desirable method of ensuring that contracts are properly fulfilled. While the Indian courts may be more similar in structure to Canadian courts, the backlog of cases in India is so great that the courts are an ineffective way to enforce contracts.

The panellists recommended that Canadian SMEs prepare for this distance by structuring contracts in a way that makes getting paid more predictable. For example, a firm should insist on a structured and secured payment plan. They also stressed the need to focus on using relationships and negotiation as the main vehicle for enforcing contracts.

> *China and Canada do not have any judicial assistance nor is there any reciprocity established. That means that it would be virtually impossible to serve any kind of document or to enforce any kind of Canadian judgment in China and vice versa. Having said that, China and Canada are both treaty signatories to the UN Convention [on the Recognition and Enforcement of Foreign Arbitral Awards], which means that arbitration orders are enforceable between them, so we do see a lot of that going on. Most Chinese like to see international arbitration within China and for larger transactions they like to go to Stockholm or London, but these tend to be very big transactions. Just imagine the cost. Singapore and Hong Kong are very popular places to settle disputes.*
>
> *Having said that, typically a lot of Canadian companies in China are SMEs and they're pitched against the SOEs, so when we prepare a contract we spend a lot of time on dispute resolution clauses where we choose the court or arbitration. Not unlike in Canada, when you go to court and sue someone, more often than not the case is settled out of court before you spend any time in court itself.*
>
> *(Robert Y. M. Kwauk, Blakes (Beijing))*

The uncertainty created by weak institutions or lack of transparency in India and China is going to persist. However, our panellists argued that the solution is to find ways to work in these environments. If you believe in the economic argument for your value proposition, then study the market and find a way to structure the deal to lower exposure. As Mr. Pathak argued, waiting is not always an option:

> *I always say, there is going to continue to be this particular regulatory uncertainty, but the economic certainty of India nobody can question. The same as you can't question the economic certainty of China. You may have political uncertainty and regulatory uncertainty. So as a business, you say, wait twenty years until the rules clean up, but we may have very little to compete with by the time they get so streamlined. Someone will have beaten us to it.*
>
> *(Prashant Pathak, ReichmannHauer Capital Partners)*

Corruption: One of the ways that administrative and political distance manifests itself when Canadian firms are dealing with regulatory institutions in China and India is the pressure to participate in graft and corruption of government officials as a way of facilitating business. This is a real problem for Canadian firms that are obliged by Canadian law not to participate in such illegal behaviour. The panellists suggested approaches to managing corruption:

If you are specifically talking about graft and corruption, let me take the issue head on. I worked for Schlumberger, which has been operating in India for decades and not participating in these types of activities. So how can you do this?

One, you have to have flexibility of time. If you are unwilling to participate in corruption, then it may take you longer to become established....I would say if you are a foreign company and you can afford to take time to develop this market in two or three or four years, that's what you should do instead.

Two, if your justification for your business is somewhat flimsy, or you want to try and truncate the time, you will yield to those pressures. So, you must ensure that you have a solid value proposition that works for the Indian market.

Three, the bureaucratic nature. India is very bureaucratic and you will go through many processes. Having said that, it is a fascinating governance structure: you have elected officials and then you have a very strong bureaucracy that is based on the British civil service, no different than ours. However, the amount of flexibility they have in that system is very high. You just have to find a way to unlock that flexibility. For example, everything would have to be publicly registered in an RFP, but if you have a brilliant Canadian technology and you tell, let's say, the minister of energy services, "We want to do a pilot in two locations for you for free to demonstrate the technology in an Indian environment," chances are you may be fast tracked to do that. So you really have to work with them, within the Indian government's framework.

(Prashant Pathak, ReichmannHauer Capital Partners)

IP Protection: A major concern for Canadian SMEs entering Asian markets is that many Asian countries do not have legal and normative frameworks in place to protect intellectual property (IP). Panellists addressed the concern that IP will be stolen while doing business in Asia. The main take-away was that there are risks to IP in Asian countries, but that these risks exist everywhere. What makes IP protection more challenging in China and India is that the remedies are less accessible to foreign firms. However, the Chinese and Indians are increasingly becoming leaders in innovation and are developing an appreciation for the protection of IP.

IP is always the first subject that comes up, and rightfully so. The good news is I think the situation is changing radically. It's changing in several ways. One, it's an attitudinal shift, a cultural shift, if one might call it that. Second, in 2012, the Chinese developed what they called the IP courts, stacked with judges with good experience around the world. The situation is definitely not perfect, but most of us would be surprised to know that there were more domestic IP lawsuits in China in 2012 than there were in the United States. So the situation is changing. And partly it's because the Chinese are generating their own IP. Third, as they come out in the world, they're aware that this is now a problem. So I think it's still a major issue, but I think it's not a deal-breaker. There's a lot of experience in law firms here in Canada and elsewhere, and others have case studies and tangible experience on how you can structure and manage it.

(Nicholas Parker, Global Acceleration Partners)

GEOGRAPHIC DISTANCE

According to the CAGE model, "in general, the farther you are from a country, the harder it will be to conduct business in that country. But geographic distance is not simply a matter of how far away the country is in miles or kilometers. Other attributes that must be considered include: the physical size of the country, average within-country distances to borders, access to waterways and the ocean, and topography. Man-made geographic attributes also must be taken into account—most notably, a country's transportation and communications infrastructures."[10]

Canada is not only physically close to the U.S., but our transportation networks, particularly those for the transportation of energy, are also very well connected. In fact, most of the infrastructure for energy transportation, from power to oil and gas, has been developed to run north–south. Thus, when thinking about geographic distance from Canada to Asia, the comparative distance seems immense.

The other primary challenge is proximity to your client. How do you serve your clients' needs when you're based in Canada, and your market is in China? A critical component is to consider how much effort you need in order to establish a relationship there.

(Mike Dawson, Dawson Energy Advisors Ltd)

It is quite possible to serve American clients from an office in Edmonton or Toronto. However, this may not be the case with China and India because of the distance to those markets. Thus, it is often necessary to establish an office with staff in these markets very early on in business development. This can add significant costs to start-up. However, not having the proper staffing in place can make doing business impossible. Given that institutions tend to be weaker and business practices tend to be much different in Asia, Canadian SMEs may need to dedicate more managerial time to clients in Asian markets than to clients in closer markets such as United States.

[10] Ghemawat, p. 7.

Basically you're going to China or India and that's not cheap, at all. A single representative office set up in Beijing or Shanghai can easily be $200,000 a year for just a chief representative and an assistant.

You have to be present in China because you cannot manage things from here. There's a 14-hour difference from here to China, whereas China is only one time zone. Even with technology, you can't expect to be paid on time. No way, you have to have somebody in China where you can constantly call the client's office and chase them for the money. Without an office in China, you will never get paid.

(Wei Qian, New Tigers Consulting)

The Chinese and Indian geographies are vastly different than those in northern Canada, or even the US, where Canadian energy services SMEs generally operate. The transportation infrastructure is also relatively undeveloped compared to infrastructure in North America. This means that Canadian firms operating in Asia must develop a strategy for getting equipment and employees to the field without the same level of physical infrastructure as is available back home. Beyond fabricated infrastructure, the natural physical geography can also be unlike anything a Canadian firm has had to face.

So one of the fundamental differences that I saw—and it doesn't apply just to China—is that in Canada we've developed a culture of "get in, get it done, and get out" because of our environment. We're in the North, so when it freezes up, we have to have all the logistics in place to get in there, get the wells drilled, get them tied in, and then get out before everything thaws out. However, this type of speed may not be an important value proposition in China.

(Mark Salkeld, Petroleum Services Association of Canada)

It is also important to remember that neither China nor India is geographically homogeneous. These are huge countries with vast regional differences in physical geography as well as transportation and social infrastructure. What applies to the major cosmopolitan centres of Shanghai or Mumbai may not be at all relevant in other regions. Firms in the energy services industry, unfortunately, do not always have the luxury of confining themselves to the most developed urban centres. They have to go where the oil and gas are located. This adds an important level of geographic distance to the equation.

So that's a very important thing—to recognize that China itself is really not a one-size-fits-all place. Culturally it is incredibly diverse, particularly between the north and the south and east and west. So being sensitive to that, and the different ways of doing business within the country, is very important.

(Nicholas Parker, Global Acceleration Partners)

ECONOMIC AND FINANCIAL DISTANCE

Levels of economic development in Canada and many Asian countries are converging. However, major economic structural differences will certainly persist even as the development gaps narrow. The most important factor for Canadian energy services sector SMEs to understand is that the Chinese energy industry is dominated by state-owned enterprises. These SOEs tend to be extremely large organizations that are indirectly, and even directly, controlled by the government. The panellists addressed what it is like to do business with such large enterprises.

> *I guess it's really dangerous to generalize because China is so large. Some SOEs are very sophisticated. They have ex-Goldman Sachs or Morgan Stanley guys working for them on the international negotiating team. Others, in the same sector, might still be operating in that old sort of socialist soviet mentality and environment. You have to be flexible and you have to be on guard. But having said that, I think these are stable enterprises, and so they tend to be slower. They tend to have more layers of decision-making, but at the same time, once they decide to do something, they get it done. After all they are the flag carrier so to speak, so there is usually more at stake in terms of reputation that they have to uphold as well, so in some ways their credit is much better.*
>
> *(Robert Y. M. Kwauk, Blakes (Beijing))*

One of the major difficulties that Canadian SMEs face when trying to do business with SOEs is that it takes substantial patience and commitment to the market. Because these firms are so large, it is often difficult to figure out who is the appropriate decision-maker and it often takes several trips to meet the right players. Then, one needs to wait patiently until a decision is made. For Canadian SMEs, there are advantages to trying to find partners or clients that are of similar size and operate on similar economic precepts.

> *A critical component is to recognize whether you are trying to do your business with state-owned oil companies like Petro-China, SINOPEC, or Yen-Chang or are you trying to work with some of the smaller independent companies. That has a huge impact in terms of your approach. How do you get to meet the right people? CNPC has 1.5 million employees. How many meetings do you have to go through in China—of travelling from Canada to Beijing—to meet the actual decision-maker?*
>
> *(Mike Dawson, Dawson Energy Advisors)*

Beyond the economic structural differences that SMEs experience when dealing with SOEs, there are also related financial differences. For very large firms, payment processes can be very slow and the attitude towards accounts payable can be quite different than attitudes to which Canadian firms are accustomed. As these SOEs are capitalized based on how they operate, they have very little appreciation for the needs of smaller firms that depend on timely accounts receivable for survival. SMEs should be quite mindful of this when developing the economics of their business plans. An appropriate budget line should be set aside for the cost of borrowing due to delayed payment.

> *Quite often for SOEs, there is a stringent internal process to go through and an external process needs to be followed closely for foreign currency regulators. Sometimes an easy account that's not very big can actually take a long time to go through. Another potential challenge in the energy service industry, when you help them do something, is what happens if the work is just not successful. You tried to find something that couldn't be found; tried to fix something that couldn't be fixed. Even when the contract is clearly not success-based, it makes it more difficult to collect because the person on the client side has to go through the process; they have to show the results in order for that paper to go through the system. So you've got to be persistent in order to get paid.*
>
> *(Robert Y. M. Kwauk, Blakes (Beijing))*

GOING INTERNATIONAL: THE FIVE Ps

Speakers from all panels had insights on steps that firms can take for successful market entry. Canada's former High Commissioner to India, Peter Sutherland, introduced us to his informal framework of the Four Ps. By adding a fifth P, "partnering," to preparation, presence, pricing, and patience, we frame the advice provided by our panellists into these five categories. The 5 Ps offer insight into how firms can overcome many of the challenges that are created when attempting to enter and do business in countries that have significant CAGE distances.

Figure 3. The Five Ps of Market Entry into Asia

PREPARATION

- SMEs have to be very well prepared. to enter Asian markets. Your company must understand:
  - Your company's value proposition
  - What you want to achieve in Asia
  - The fundamentals of the market you are trying to enter

PRESENCE

- Asia is too far away to do business remotely. You must create a physical presence.
- In Asia, it is important to demonstrate a commitment to the market and the project through the development of relationships.
- Weaker institutions in Asia often make dispute settlement difficult through formal channels. Personal negotiations are often required.

PARTNERING

- It is difficult for Canadian SMEs to go it alone in Asia .
- Potential partners for Canadian SMEs seeking to enter Asian markets include:
  - Canadian SMEs with proven track records in Asia
  - Large multi-national enterprises (MNEs) that have a sustained need for your niche product or service
  - Established Asian SMEs that can add your product or services to their platforms
  - Large Asian firms that can provide access to the market.

PRICING

- Foreign firm cannot compete in Asia on price alone.
- A company aiming to enter Asian markets must have a strong value proposition.
- A company must be able to rethink its value chain to take advantage of low cost Asian production (or your domestic competitors will).

PATIENCE

- Success in Asia takes time.
- Have access to enough capital to sustain long-term presence.
- Nothing in China or India will happen overnight, but when it does, it can happen quickly.

PREPARATION

A common theme from the forum was that a firm should never enter the Indian or Chinese market without substantial preparation. While it might be possible for an SME to fumble its way into the U.S. market, the costs and risks due to the CAGE distances that a firm will incur when entering an Asian market will make failure nearly certain for firms that do not put the time and resources into preparation.

Several of the panellists expressed frustration with firms that simply show up in Asia on a trade mission or with a few loose appointments and hope to do business. One of our industry leaders, John Zahary, stressed the importance of understanding how a product or service will align with the needs of the target market and what exactly one hopes to achieve in these markets.

> *As I say, don't turn up in the middle of a city that's the population of Canada and say you're ready to do business, if you're not clear in your own mind what you're prepared to do there—what you would like to do there. Don't watch CNN and just get on a plane. The opportunity is there, but you have to do some work.*
>
> *(John Zahary, Asia Advisory Council)*

The panellists stressed that preparation begins at home by each firm looking at its value proposition and how that value proposition can translate to Asia. The first question that a firm should ask is: what product or services does our firm have that we can exploit in Asia? That is, what does our firm do that is unique and competitive enough to justify entering into a distant market? Who in the market do we need to meet in order to sell that product or service? The panellists stressed the need for SMEs to have a clear picture of what they intend to do and achieve in target Asian markets. Depending on the purpose a firm has for entering the market and its core competencies, SMEs can figure out how they will fit into the Asian market.

> *Another consideration is to really understand where your product and service is positioned in the supply chain and, as you do your homework in that region, to see how that supply chain is structured, so that you can look for opportunities where there might be complementary products or services.*
>
> *(Lori Schmidt, Productivity Alberta)*

The panellists also stressed that exporting a product or service may be the most straightforward opportunity, but it is not the only opportunity. Firms may be looking to:

- export products
- import people or services to Canada, either by:
  - hiring foreign workers and having them come to Canada, or
  - making use of foreign production capacity
- import foreign capital
- set up shop to provide services in Asian markets.

SMEs in the Canadian energy services industry have access to many affordable services to help them prepare for market entry. Appendix A lists some of these support organizations. Some like Export Development Canada (EDC) provide training and development and financial support, while others, like the Canada China Business Council and the Canada-India Business Council, provide on-the-ground support. Government and non-governmental organizations, as well as industry associations, can play a major supporting role in getting SMEs prepared to enter Asian markets.

> *I think the greatest missing thing is awareness and knowledge. I think that's actually one thing we need to broadly define here. We need to do a better job at making sure our companies are aware of the opportunities that exist, and that's critical knowledge. Whether that means the companies have to do their own research, or the government, academia, or industry associations have to do it for them, we need to make sure that they are aware of the opportunity; they are aware of the knowledge; and they are aware of the resources that are prepared to help get them there.*
>
> *(John Zahary, Asia Advisory Council)*

Without preparation and long-term considerations, the sequence through the Five Ps will not proceed, or at least will not proceed with the most appropriate outcome. As mentioned, North American business deals lead to long-term relationships, while in Asia relationships lead to business deals. While it may take a long time and extensive preparation, developing relationships can open doors in the highly bureaucratic governments of China and India. Mr. Sutherland argued at the forum that preparation is about "doing your homework to see what it is that businesses in that region are lacking that you can supply competitively."

PRESENCE

As discussed above, gaining physical presence is important when doing business in Asia. All other distances aside, the geographic distance to Asian markets makes it impractical to do business from Canada. This means establishing an office and putting boots on the ground.

> *There are cultural differences that you have to become familiar with, and the only way you can do that is by going there yourself. You also have to go to actually meet the person—or the company—who is going to represent you. The most important effort you're going to make is choosing the right partner. There are ways you can get support and help in identifying that person, but you have to really get to know that person because they are going to represent you as you develop your business. You have to go there because even though you're going to be there regularly—which is important—you're not going to be there all the time.*

> *Somebody mentioned in an earlier panel that relationships are more important than contracts. I think that's true. You get a contract in India, and the last thing you want to do is enforce that contract in the courts because even if you recognize how*

the court system works, it takes a very long time. The backlog is something like 800,000 cases, so to get a case settled there is beyond my lifetime, so you want to avoid that.

The way you avoid that is by establishing a relationship with the person you are doing business with so problems don't arise and they can be solved on a personal basis.

(Peter Sutherland, Canada-India Business Council)

An interesting example of how presence for Canadian energy services SMEs could be established in selected Asian markets was presented by Nicholas Parker. He argued that in some energy services subsectors, such as clean technology, Canadian government and non-governmental organizations could assist SMEs in creating partnerships with Asian companies and municipalities in order to develop and demonstrate Canadian technologies in Asia. As Mr. Parker argued:

I think there is an opportunity to bring a big partner, a technology provider, and maybe a university or a community organization to demonstrate and take technology developed by firms in Canada to Asia. I think that is something that we should do and I know we've been collaborating with the EDC on various things but I think we could amp that up and create the partnership with the Chinese, or the Indians, or anybody. Where we say, "Look, we've got a technology provider, we need a demand side partner in China, and we need a municipality or a chief region that is willing to be the test bed for the application of the technology there." I think that it would be very well received; I think it would be a huge feather in Canada's cap, it would be innovative, and it would be a sign-post of how we can marry self-interest with the broader global challenge of sustainability.

(Nicholas Parker, Global Acceleration Partners)

By developing and demonstrating technologies in Asia, Canadian companies can ensure that their products meet consumer needs and can build contacts with potential buyers relatively early in the development process.

PARTNERING

The ability to find a reliable partner in a target market can have a large impact on the share of the market a firm can capture. Whether trying to develop an agent relationship, licensee, or a full joint venture partnership, careful thought needs to be given to the development of partnerships. SMEs in Canada's energy services industry have specialties that are harnessed by Canada's innovative institutions, which are generally not well connected to Asia. Therefore, SMEs wishing to enter the Indian or Chinese market will often need to find an appropriate Chinese or Indian partner that can provide the local market intelligence and access. Ms. Schmidt's statement at the forum best describes this situation.

We're not really the mass producer, but we've always been very entrepreneurial and have lots of niche opportunities, so there's a real shift in SME thinking to look at how we can take these niche opportunities elsewhere. The best way to do that when you are a small fish in a big pond is to look at who we can partner with so that we can build value together and bring value to a new market opportunity.

(Lori Schmidt, Productivity Alberta)

Mr. Dawson also recognizes that partnering is key and he explained his past success partnering with a Chinese company.

I think the critical learning that we've had is that it is extremely difficult to go it alone. We needed to find a Chinese partner. It makes it so much easier, not only in terms of some of the barriers that we've found already, but from a credibility perspective. For example, when we applied for a contract, we were asked about our previous experience in China in unconventional gas. Well, nobody's done anything in China in unconventional gas. But there was a perception that you had to have in your resumé previous activity in China in business development and actual contract work. By having a Chinese partner, you circumvent that difficult question. And we just actually signed an MOU with a Chinese company, and the credibility it brings is already paying dividends.

(Mike Dawson, Dawson Energy Advisors)

The partnering organization will most likely have ties to the government due to the centralized nature (through state ownership and involvement) of the oil and gas industries in many Asian countries. These ties will make the industry somewhat easier to navigate. Ms. Kutulakos noted that partnerships with very large companies can be difficult for Canadian SMEs to build, but that they can be very valuable.

I can talk about two challenges that I see. One is that, for most Canadian companies, there is just a difference in size and scale between you and the companies that you'll be doing business with. That is a challenge, but what it means is that partnerships are necessary. Although Albertans don't like joint ventures, this is one where it can work to your advantage. Whether it be that or even capital coming in from China that helps you to grow and expand, there are well capitalized partners that can help.

The other thing is that China is a market where, if you can identify an open window, it is a lot easier for you to do business.

(Sarah Kutulakos, Canada-China Business Council)

Several of the panellists also indicated that one does not always have to find an Asian partner in order to enter an Asian market. There are opportunities to find partnerships with one of the Big Four energy services firms operating in Asia. If an SME has goods or services that are in demand in Asia and not being offered by one of the larger firms, developing a contract relationship with that firm can be a relatively easier and safer way to enter into the Asian market.

PRICING

Pricing of a product or service has an effect on almost every aspect of the business, especially revenue, which in turn affects margins. As Mr. Sutherland pointed out, pricing is important to persuade the buyer to contract with the energy services provider. SMEs need to price their services competitively, but must offer value added beyond price. Mr. Sutherland's statement at the forum explains his insights in more detail.

> *The third P is pricing. First of all, it's not a question of pricing. If you're really only selling on price, you've got a problem, because chances are in India someone is going to undercut you. If they don't undercut you today, they'll re-engineer your product and undercut you tomorrow. So you have to have something that is a little more than just price. You've got to have something innovative. Something that is creative. Something that they don't have, that they want from you, and you've got to keep it that way. You've got to keep a little bit ahead of where they are, so that they need you. Then if you've done that, you've got to price it right. So you're pricing it so they can afford it. Even if they want what you've got, if you don't price it competitively, they will go to somebody else. If you're not quite as good as somebody else, the price may make that difference, so be competitive and well-priced.*
>
> *(Peter Sutherland, Canada-India Business Council)*

Pricing must also be based on foreign exchange risk, competitors' pricing, market fluctuations, forecasts, and any other risks or factors that may arise. It is important to price any foreseeable risks and mitigate any losses through pricing.

Ultimately, pricing is determined by the market, but continuous innovation that pulls buyers to purchase the energy services can provide companies with more control over their pricing strategies.

PATIENCE

Relationships are prerequisites for doing business in China and India, but they also take time to form—which requires patience. As Mr. Sutherland pointed out, *Even if you do all the four Ps right, it's not going to happen overnight. It takes a long time. I've talked to people who spent 20 years working on doing business in India and in year three or four they got a little frustrated, but they persevered, fortunately. In year five and six, they got a little more frustrated, but by year 12 they started to get payback, and in year 20 they're making a lot of money in India. But it took that long a gestation period to be successful.*

(Peter Sutherland, Canada-India Business Council)

Patience is also required when doing business with large Chinese and Indian firms because, as noted, it can take several meetings over several trips just to meet the right decision-makers. Even when an SME is well prepared and has an excellent value proposition, management must be willing to put in the time to break into the market. Nothing in China or India will happen overnight, but when it does, it can happen quickly.

RECOMMENDATIONS FOR FUTURE STEPS

An overarching conclusion from the forum is that, while there are opportunities in China and India for Canadian energy services SMEs, these companies are less likely to achieve success without substantial government and non-government support. As such, we can draw several actionable recommendations for how SMEs, industry associations, academic institutions, and government can help Canadian SMEs realize their potential in Asian markets.

SMEs

Success in Asia requires SMEs to commit to all of the Five Ps (preparation, presence, partnering, pricing, and patience). SMEs need to ensure that they have assessed the risks and opportunities associated with entering Asian markets and have confirmed that they have a strong value proposition. Before entering any Asian market, companies must ensure that they have:

- The foundational tools and training to engage in business with Asian partners.
- The necessary long-term financial resources and the managerial fortitude to commit for the long-term.
- The ability to find partners to provide market access and necessary financial resources.

INDUSTRY AND TRADE ASSOCIATIONS

Many SMEs do not have the financial and personnel resources to maximize their value propositions and opportunities in Asia. Industry associations that focus specifically on the energy services industry and country-specific trade promotion organizations, like the Canada China Business Council, should consider what services they can offer to help their members to identify market opportunities in Asia. Some options include:

- Conducting market intelligence on opportunities in Asian markets for energy services firms.
- Conducting trade missions and other market development activities in Asia that raise the profile and brand of the Canadian energy services industry.
- Providing educational seminars on managing market entry, as well as case studies and success stories of Canadian energy technology SMEs operating in Asia.
- Continuing to liaise with Canada's federal and provincial governments so that government-provided trade facilitation mechanisms meet the needs of members.
- Enhancing promotion of existing on-the-ground services, such as low-rent office space and translation services, to Canadian energy services companies that are considering expanding into Asia.

- Enhancing opportunities for SME owners and managers to network with other companies that are experienced in target Asian markets.

Organizations with industry specific knowledge may benefit from pairing with organizations with strong country knowledge in order to deliver services.

UNIVERSITIES AND THINK TANKS

The knowledge and experience required for an SME to enter an Asian market is considerable. Universities are ideally situated to provide training and development opportunities to SMEs. Universities should consider:

- Developing case studies to identify and promote best practices for entry into Asian markets. These studies can promote success stories and be used to train managers in Canadian energy services SMEs that are planning to internationalize.
- Creating and managing sophisticated datasets that can be used to help policy makers and SMEs better understand best practices for the internationalization of energy services SMEs.
- Developing and delivering publically accessible teaching modules, workshops and competency building activities for SMEs that are planning to enter Asian markets.
- Developing studies that help policy makers and SMEs to better understand the political environments and energy polices in target Asian markets. .

GOVERNMENT

At the forum, The Honourable Cal Dallas, Alberta's Minister of International and Intergovernmental Relations, announced the first meeting of the Small Medium Enterprise Export Council, which will provide advice to the Minister on how to expand access to foreign markets for Alberta SMEs. Municipal, provincial, and federal governments have crucial roles to play in helping SMEs in their jurisdictions to internationalize.

Governments can continue to provide the following services and functions, amongst others:

- Funding high quality trade facilitation services in Canada and target markets.
- Providing funding, where appropriate, for universities and other non-governmental agencies to create training programs and materials on foreign market entry for SME managers.
- Expanding access to Asian markets for Canadian energy services SMEs through trade agreements.
- Undertaking trade missions to Asia and other trade promotion activities that develop the brand of Canadian or province-specific energy products and services.
- Assisting energy technology providers in establishing partnerships with Asian companies

and municipalities to develop and demonstrate Canadian technologies in Asia. Through this process, Canadian SMEs can develop products that meet the needs of Asian markets and create connections with potential buyers early in the development cycle.

- Considering greater in-kind and financial support for SMEs to defray the substantial costs of entering Asian markets.

APPENDIX A: SUPPORT ORGANIZATIONS

The forum brought together partners from all over Canada who are dedicated to the proposition that, armed with the correct intelligence and tools, Canadian SMEs entering into the Indian and Chinese energy services industry can realize significant returns on their efforts and investments. The following lists (in alphabetical order) many of these supporting organizations.

Alberta Chambers of Commerce

URL: www.abchamber.ca

Overview: Representing 23,000 businesses within its federation, the ACC ensures that its members' business interests are improved through the development and advocacy of policy to the provincial and federal governments. The ACC coordinates its activities with local chambers of commerce to ensure the least intrusive tax and regulatory policy.

Classification: Provincial chamber of commerce

Alberta Innovates—Technology Futures

URL: www.albertatechfutures.ca/

Overview: Alberta Innovates is a globally competitive research and innovation centre. Within this centre, government, industry, and research organizations interact to develop solutions to global issues and use them to diversify Alberta's economy. Alberta Innovates operates within a system integrated with the goals and strategies of the federal and provincial governments. Primary sectors of research include health, energy, and technology.

Classification: Semi-governmental research and development organization

Alberta's Industrial Heartland

URL: www.industrialheartland.com

Overview: The Alberta Industrial Heartland is a non-profit association of municipalities dedicated to sustainable eco-industrial development. Their membership includes the City of Fort Saskatchewan, Lamont County, Strathcona County, Sturgeon County, and the City of Edmonton. Their associate membership includes the towns of Bruderheim, Gibbons, and Redwater. The leading goal of this association is to ensure the region is ready for development in infrastructure, services, and land zoning with a commitment to sustainable, cooperative growth.

Classification: Non-profit association of municipalities with goal of promoting sustainable development

Asia Pacific Foundation of Canada

URL: www.asiapacific.ca

Overview: 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. Its mission is to develop ideas for action by Canadian businesses, governments, and individuals to help them seize the vast opportunities unfolding in Asia. They 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.

Classification: Non-profit think-tank

Business Development Bank of Canada (BDC)

URL: www.bdc.ca

Overview: BDC has the goal of promoting entrepreneurship in Canada by providing highly tailored financing, venture capital, and consulting services. It acts as a complementary lender to bridge gaps between services offered to your firm from commercial financial institutions. BDC has a focus on small to medium enterprises in industries such as manufacturing, export, innovation, and knowledge. Particular attention is paid to start-ups, innovators, fast growth companies, and exporters.

Classification: Crown corporation

Calgary Economic Development

URL: www.calgaryeconomicdevelopment.com/

Overview: Calgary Economic Development works with business, government, and community to position Calgary as a choice location for business investment and trade expansion. The organization works as a conduit, connector, and catalyst to foster cooperation between business, government, and community in the development of projects and initiatives to benefit Calgary's economic well-being. The organization also functions as a free information database.

Classification: Privately funded non-profit corporation

Canada Business Network

URL: www.canadabusiness.ca

Overview: Canada Business Network is a Government of Canada department dedicated to providing the resources needed for businesses to prosper, such as a wide range of information on government services, programs, and regulations. It provides assistance to entrepreneurs through a network of service centres across Canada.

Classification: Inter-governmental business facilitation department

Canada China Business Council (CCBC)

URL: www.ccbc.com

Overview: CCBC is a Canadian facilitator of bilateral trade and investment between Canada and China. Members include some of the largest and best known Canadian and Chinese firms, small to medium enterprises, entrepreneurs, and non-profits. A wide range of industries is represented within membership including financial and legal services, manufacturing, construction, transportation, mining and energy, information and communications technology, and education. Head office located in Toronto with other offices and staff located in Vancouver, Montreal, Calgary, Beijing, and Shanghai. Operates a branch chapter in Beijing offering networking opportunities at a local level.

Classification: Non-profit think-tank with paid elements

Canada–India Business Council

URL: www.canada-indiabusiness.ca

Overview: The Canada-India Business Council is a non-profit, business association dedicated to expanding trade and investment between Canada and India. Members include most large Canadian companies doing business in India, Indian companies operating in Canada, and a growing number of SMEs. Headquartered in Toronto, C-IBC has a chapter in Vancouver, office in Montreal, and representation in Calgary. In India, it partners with the Indo-Canadian Business Chamber to provide on-the-ground support to member companies.

Classification: Non-profit, bilateral business association

Canadian Association of Importers and Exporters (I.E.Canada)

URL: www.iecanada.com

Overview: National non-profit organization committed to providing services to develop and enhance international trade activity and profitability of importers and exporters. The vision of I.E.Canada is to educate, represent, and advocate on behalf of importers and exporters and act as a leading voice for Canadian trade in both foreign and domestic markets.

Classification: Non-profit manufacturers' association with political advocacy

Canadian Association of Petroleum Producers (CAPP)

URL: www.capp.ca

Overview: Representing companies that produce 90% of Canada's natural and crude oil, CAPP's mission is to advocate and enable economic competitiveness and safe, environmentally sound and socially responsible performance in Canada's energy industry. In addition, the association works to improve market access, growth, and producer benefit to maximize economic, environmental, and social well-being.

Classification: Membership-based organization for petroleum producers

Canadian Chamber of Commerce

URL: www.chamber.ca

Overview: Canada's largest business association. The Canadian Chamber of Commerce functions as the connection between business and the federal government. Its political advocacy ensures Canadian businesses are represented in policy and legislation.

Classification: National chamber of commerce

Canadian Commercial Corporation (CCC)

URL: www.ccc.ca

Overview: CCC is a crown corporation of the Government of Canada acting as an international contracting and procurement agency. CCC has a mandate to assist in the development of trade between Canada and other nations and to assist persons in Canada to both obtain and sell goods and commodities from Canada and foreign markets. The corporation connects government buyers through negotiation and execution of government-to-government contracts. It provides the benefits of government-to-government contracting, avoiding international tendering processes, and has 60 years' experience in transportation and energy, among other industries. CCC has deep experience in public–private partnerships to facilitate trade. Working as a contractor with the CCC guarantees the full backing of the Government of Canada.

Classification: Crown corporation

Canadian Heavy Oil Association (CHOA)

URL: www.choa.ab.ca

Overview: CHOA is a multi-discipline, volunteer-based, non-profit association focused on heavy oil and oilsands projects and developments. The organization grew around the sharing of information and technical knowledge about heavy oil in an informal networking environment. CHOA hosts regular technical and conference events for members on topics relating to the all-encompassing business of heavy oil, from extraction to market. The coordination of programs by CHOA has resulted in the development of several important industry resources such as the *Heavy Oil and Oilsands Guidebook*.

Classification: Membership-based non-profit heavy oil association

Canadian International Freight Forwarders Association (CIFFA)

URL: www.ciffa.com

Overview: CIFFA represents Canadian freight forwarders and has the goal of providing the industry with quality, professional services for businesses and their clients. The original goal was to create a cohesive organization for those involved in the business of foreign freight forwarding. CIFFA cooperates with transporters in every mode, negotiating rates with transport providers, comparing costs, and designing logistics infrastructure based on its findings. Infrastructure moves forward with the intention of providing the best combination of cost, speed, and reliability of transport.

Classification: Membership-based transport logistics association

Canadian Manufacturers and Exporters (CME)

URL: www.cme-mec.ca

Overview: CME is a membership group representing Canada's leading manufacturing and exporting businesses. The mandate of the group is to represent the needs of businesses in all sectors of manufacturing and exporting and to promote them in international and domestic markets. CME and its partnerships network represent more than 100,000 businesses coast to coast. Membership gives access to cost benefits across multiple business segments due to the organization's leverage.

Classification: Trade and industry association with political advocacy

Canadian Trade Commissioner Service (TCS)

URL: www.tradecommissioner.gc.ca

Overview: A part of Foreign Affairs, Trade and Development Canada, the Canadian TCS helps Canadian companies and organizations succeed globally. The service's goal to promote Canadian trade globally is accomplished through 160 offices worldwide providing on-the-ground intelligence, qualified contracts, partnership opportunities, and advice on foreign markets. The TCS can also assist foreign firms with investment decisions and opportunities in Canada. It guarantees contact within five days of an inquiry.

Classification: Governmental trade facilitation and promotion service

The Conference Board of Canada

URL: www.conferenceboard.ca

Overview: The Conference Board of Canada is an independent non-profit research organization that provides research materials on economic trends, public policy, and organizational performance. The board is associated with, but independent from, the Conference Board of New York, which serves nearly 2,000 companies in 60 nations, with offices in China. The organization is funded via charges for services rendered.

Classification: Independent, non-profit think-tank with paid elements

Edmonton Economic Development Corporation

URL: http://igniteedmonton.com/

Overview: Wholly owned by the City of Edmonton, the Edmonton Economic Development Corporation is tasked with leading and strategizing economic initiatives to foster economic growth in northern Alberta. The corporation aims to support industry growth and diversification, stimulate entrepreneurship and innovation, market the city, manage the Shaw Conference Centre, boost tourism, and develop the Edmonton Research Park. The three priorities of EDC are Innovation Edmonton, Destination Edmonton, and Brand Edmonton with associated initiatives aimed at enhancing these priorities.

Classification: Municipal and regional development corporation

Export Development Canada (EDC)

URL: www.edc.ca/

Overview: EDC is an export credit agency operating at arm's-length from the government. Purpose is to aid Canadian companies in responding to international business opportunities via providing insurance, financial, and both foreign and domestic investment services. Much of the business is done through partnership with other financial institutions and through collaboration with the Canadian government. Preference is partnership with the private sector with EDC taking a supportive role.

Classification: Crown corporation

Foreign Affairs, Trade and Development Canada

URL: www.tradecommissioner.gc.ca

Overview: The mandate of Foreign Affairs, Trade and Development Canada is, among other things, to strengthen rules-based trading arrangements and expand free and fair market access at bilateral, regional, and global levels. The department works with a wide range of partners inside and outside the government to achieve increased economic opportunity for Canadians at home and abroad. It also works to leverage Canada's support and resources to achieve sustainable international development. It maintains over 150 offices worldwide including Asia–Pacific.

Classification: Governmental organization

Government of Alberta, Canada

URL: www.albertacanada.com

Overview: The Government of Alberta has comprehensive resources available to businesses seeking opportunities both foreign and domestic. Services relating to international trade include export planning, market research, export financing, trade agreement information, export regulations, and international logistics. Furthermore, resources exist pertaining to international financing institutions, sales and marketing, and the Electronic Business Intelligence Service.

Classification: Governmental trade facilitation organization with research and resource elements

Hong Kong Trade Development Council

URL: www.hktdc.com

Overview: The Hong Kong Trade Development Council operates with the goal of creating opportunities for SMEs in Hong Kong through the promotion of trade and services worldwide. The council has 40 offices worldwide and seeks to connect businesses in Hong Kong with partners around the world. They offer a variety of business-enabling tools and services for many business activities, as well as provide trade support and information seminars and communication channels.

Classification: Global marketing arm for Hong Kong based manufacturers, traders, and service providers

Petroleum Services Association of Canada (PSAC)

URL: www.psac.ca

Overview: PSAC is a petroleum producers association providing services via membership, which include advocacy, knowledge, communication, and leadership in the complex world of heavy oil. To be considered for membership in PSAC, your business must derive 50% of its revenues from providing services, supplies, or manufacturing to the upstream sector of Canada's oil and gas industry.

Classification: Membership-based association of petroleum producers

Western Economic Diversification Canada

URL: www.wd.gc.ca

Overview: Western Economic Diversification Canada is a governmental department established in 1987 with a mandate to improve the long-term economic competitiveness of the West. The department supports a wide range of initiatives targeting inter-related project activities such as innovation, business development, and community economic development. In all activities the department works with academic and financial institutions, research centres, non-profits, and other levels of government to maximize investment benefits in Western Canada. As of 2012/2013, strategic focus of the department was increasing technology commercialization, expanding trade and investment, and enhancing business productivity and competitiveness.

Classification: Governmental organization with Western economic development mandate

World Heavy Oil Congress

URL: http://worldheavyoilcongress.com

Overview: The World Heavy Oil Congress is a leading event for the heavy oil industry. The congress provides a forum for uniting international professionals in the industry. The conference includes technical sessions, business conference panels, keynote addresses, in-depth courses, and social events.

Classification: International heavy oil industry and business conference

APPENDIX B: FORUM AGENDA

April 29 Forum *Venue: MacEwan University*

7:45 to 8:15 am

Registration & Breakfast

Onsite

8:00 to 8:30 am

Welcome

Dean Elsie Elford
MacEwan Business School

Framing the Day

Mr. Yuen Pau Woo
President, Asia Pacific Foundation of Canada

8:30-9:00 am

Opportunities in Asia for Canadian Energy Technology and Services Companies

Dr. Albert Kwong
Vice Chairman & Chief Operating Officer, PetroAsian Energy Holdings Limited

9:10 to 10:55 am

Panel Session 1: Developing Markets in Asia for Canadian Energy Technology and Services

Moderator: **Mr. Mark Bolger**
Export Development Canada

Mr. Nicholas Parker
Founding Partner, Global Acceleration Partners

Ms. Sarah Kutulakos
Executive Director, Canada–China Business Council

Mr. Mark Salkeld
President and CEO, Petroleum Services Association of Canada

Mr. Mike Dawson
President, Dawson Energy Advisors Ltd.

11:00 to 11:30 am

Keynote Speaker

Honourable Cal Dallas
Minister International and Intergovernmental Relations, Alberta

11:30 to 11:45 am

Walk to Lingnan Restaurant (10-minute walk)

11:45 to 12:45 pm

Networking Lunch

Lingnan Restaurant

Sponsored by:

Hong Kong Canada Business Association (HKCBA) & Lingnan Restaurant

12:45 to 1:00 pm

Return to MacEwan University

1:00 to 2:45 pm

Panel Session 2: Managing Risk Associated with Entering and Operating in Asian Markets

Moderator: **Prof Thomas Carter**
MacEwan Business School

Mr. Robert Y. M. Kwauk
Managing Partner | Beijing, Blakes

Dr. Wei Qian
President, New Tigers Consulting Ltd.

Mr. Prashant Pathak
Managing Partner, ReichmannHauer Capital Partners

3:00 to 4:45 pm

Panel Session 3: Creating Affordable Solutions by Utilizing Asia's Manufacturing Infrastructure

Moderator: **Mr. Michael Lam**
Industry Development, Enterprise Edmonton

Ms. Lori Schmidt
Chief Executive Officer, Productivity Alberta

Mr. John Zahary
Asia Advisory Council

Mr. Peter Sutherland
President, Canada–India Business Council

APPENDIX C: SPEAKER BIOGRAPHIES

Panel 1: Developing Markets in Asia for Canadian Energy Technology and Services

Moderator: Mark Bolger is currently the Regional Manager of Asia with the International Business Development Group at Export Development Canada. For the past 22 years, Mr. Bolger has been actively involved in EDC's Asia portfolio and is now responsible for helping manage EDC's business and partnership relationships in the region, providing strategic advice to Canadian companies on export risks and opportunities.

Speakers

Mike Dawson is the President of Dawson Energy Advisors Ltd. Since its inception in 2002, Mr. Dawson has been on the board of directors of the Canadian Society for Unconventional Resources (CSUR) and in 2005 he assumed the role as president of the association for seven years.

Sarah Kutulakos is the Executive Director of the Canada China Business Council. She is also an independent director on the board of the Industrial and Commercial Bank of China (Canada). A fluent Mandarin speaker, Ms. Kutulakos's interest in China began at the University of Wisconsin, where she studied Chinese, marketing, and international business. She holds an MBA in finance and operations from the Simon School of Business at the University of Rochester.

Nicholas Parker is Founding Managing Partner of Global Acceleration Partners Inc., a financial enterprise established in 2012 to address global megatrends shaping basic needs for resource-efficient clean energy, food, water, and infrastructure by accelerating cross-border deployment of proven technologies and business models into high growth emerging economies. Over the past 15 years, Mr. Parker has pioneered the first "sustainability" driven private equity funds and participated in one of the first solar IPOs.

Mark Salkeld is the President and CEO of the Petroleum Services Association of Canada (PSAC). Over the past 30 years in the private energy sector, Mr. Salkeld has moved through a number of positions in maintenance, operations, human resources, training, quality control, and procurement, taking on progressively senior roles that included a variety of overseas assignments in Europe, Siberia, and in Western and Eastern Australia.

Panel 2: Managing Risk Associated with Entering and Operating in Asian Markets

Moderator:

Professor Thomas Carter is an Assistant Professor at MacEwan University Business School

Tom graduated from the University of Alberta Law School in 1978, and for 18 years practised law in Edmonton. In 1998 Tom closed his practice to become a Senior Trust Officer with Canada Trust. In 2002, he joined MacEwan University as a Business Law instructor. After being appointed a full time instructor, Tom served as Chair of the Legal Assistant, Office Assistant, Library & Information Technology, and Travel Programs from 2007 to 2013.

Speakers:

Robert Y. M. Kwauk is a Managing Partner at Blakes Law Firm (Beijing Office). He assists Canadian and other international companies investing and doing business in China. Mr. Kwauk has extensive experience in strategizing, structuring, negotiating, and documenting various transactions, such as mergers and acquisitions, mining, oil and gas, manufacturing, and technology transfer. He also assists a number of Chinese corporations in their acquisitions and financing in North America.

Prashant Pathak is the Managing Partner of ReichmannHauer Capital Partners. In his role as a principal investor, Mr. Pathak focuses on addressing all strategic, operational, and organizational aspects of investments to drive superior returns. Before joining RHCP, he was a partner of McKinsey & Company Inc. Prior to McKinsey, Mr. Pathak spent nearly seven years in the energy services industry in a range of management and operations roles at Halliburton and Schlumberger.

Wei Qian is President of New Tigers Consulting Ltd. He specializes in providing strategic advice to top-level decision-makers regarding China-market entry, marketing and business strategies, focusing on product and service localization as well as how to tackle location competition and tap into the most profitable market segments. Since 2008, Dr. Qian and his firm have represented more than 32 Canadian mining and resources companies seeking investment and business opportunities in China.

Panel 3: Creating Affordable Solutions by Utilizing Asia's Manufacturing Infrastructure

Moderator: Michael Lam is a Manager at Industry Development with Enterprise Edmonton. Born and raised in Hong Kong, Mr. Lam is now in charge of Enterprise Edmonton's China Desk. As a manager, he has used his expertise in personnel and PR skills, and business and export development to advise and help Edmonton companies grow and expand.

Speakers:

Lori Schmidt is Chief Executive Officer of Productivity Alberta, a private non-profit corporation working to improve the productivity, innovation, and competitive performance of Alberta industry. Ms. Schmidt is an avid supporter and facilitator of collaborative approaches and alliance building in tackling regional and global competitiveness issues. Her peers and colleagues as well as independent organizations have recognized her creative planning and process skills and her contributions to private industry through innovative program development and initiatives.

Peter Sutherland is currently President and CEO of the Canada–India Business Council. He is also a Senior Business Advisor–Asia at Aird & Berlis LLP. Mr. Sutherland advises Canadian companies interested in doing business in India, the Middle East, and other parts of Asia. He has had a distinguished diplomatic career including service as Canada's ambassador to Saudi Arabia and the Philippines and as High Commissioner to India. His other foreign assignments have included postings in the United States, Hungary, Ivory Coast, and as an attorney in the Inter-American Development Bank. In Canada, Mr. Sutherland has held senior executive positions responsible for international business development and international trade in the departments of Foreign Affairs and International Trade, Industry, and Agriculture and Agri-Food.

John Zahary is a member of the Government of Alberta's Asia Advisory Council. He is also the former CEO of Sunshine Oilsands. Mr. Zahary is a Professional Engineer with extensive senior management experience in the upstream and integrated oil and gas industry. He currently is a director of a number of public and private corporations and is active with other industry involvements. Previously, he held senior positions at Korea National Oil Corporation, Harvest Operations, Osum Oil Sands, Viking Energy, Petrovera Resources, PanCanadian Petroleum, Canadian Oil Sands, Gulf Canada, Imperial Oil, and Texaco Canada.