MUNK SCHOOL OF GLOBAL AFFAIRS

UNIVERSITY OF TORONTO

"Canadian Business Presence in China: A closer Look"

March 31, 2015.

Executive Summary

Given China's growing importance in the world with its large economy, booming investments in technology and rising middle class, is Canada taking advantage of this opportunity? What is the status of the Canada-China business relationship? China is the most important trade partner for Canada after the United States[1], but given China's status as the world's second largest economy, has the relationship been improved and extended?

The goal of this Capstone project is to shed more light on what Canadian companies and organizations are doing in China, with a particular focus on agrifood, cleantech and information communications technology (ICT) sectors. This project conducts in-depth sectorial analysis by examining Canadian companies' provinces of origin, size, market concentration, the nature of their presence, and how their websites and public information reflects their China business in these aforementioned sectors.

Based on our data, there are more than 600 locations of Canadian companies and organizations in China, of which nearly half are originally from Ontario, while Quebec and British Columbia account for 21% and 18% respectively. Markets are highly concentrated in the coastal area, especially Hong Kong, taking up 1/3 of the all the locations, followed by Shanghai, Beijing, Shenzhen and Guangzhou. Also, Hong Kong has the advantage of geographical proximity of Mainland China; a liberalized market; excellent infrastructure/logistics; and the close business and cultural relationship between China and Hong Kong.

China's rising middle class and urbanization has led to environment problems such as water loss, soil erosion, and soil infertility. Therefore, there has been a growing demand for agrifood products in China, especially a demand for premium/organic/ecofriendly food. As domestic concerns for food security issues are increasing, many Chinese consumers prefer imported quality food, considered to be healthier and organic. Furthermore, seafood and wine are identified as the most promising sub-sectors, which cater to the new lifestyle changes of the overall population. The companies in this sector are concentrated in coastal area first-tier cities and rising in 2nd-tier cities. However, the Canadian agrifood sector is facing not only domestic competition, but also competition from imported food products from U.S and Europe in China.

For Canada, trade and investment in the cleantech industry have significant opportunities for growth. Key findings of the cleantech sector include: heavy presence of SMEs due to favorable policies towards small-scale foreign cleantech companies; business networks facilitated by local authorities; and a concentration in certain subsectors such as water/waste treatment. Companies in the cleantech sector are mostly selling small-scale equipment, and as a result, the smaller offices in China are adequate for promoting products and/or providing customer services.

[1] "Canada-China relations: Keeping up the momentum",Report for the Canadian Council of Chief Executives, *Mckinsey and Comany,* June 2014, pg 1

Finally, the Chinese government identified ICT as one of the "strategic emerging industries" (SEIs)[2]. The government has implemented a top-down approach to fund various pilot projects and attract foreign investors. Some key findings in the ICT sectors include: most software and computer services companies are SMEs. Additionally, having channel partners (such as original equipment manufacturers and value added resellers) and sales/distributor offices are two ways through which Canadian ICT companies tapped into Chinese market. Lastly, Canadian ICT companies are well known for creating sophisticated products, which demand higher data protection and privacy regulations. Therefore, despite increasing consumer demand, this sector is restricted by barriers to entry such as data protection and privacy regulations.

This report has the merit of data analysis of over 600 locations in China. Moreover, some parts of the policy analysis section of this report were gathered from primary research with external clients from leading Canadian companies. This report will not only be of interest to the CCBC and its members, it will also be a useful reference tool for governments and academic institutions.

[2] "China releases 12th Five-Year Plan for National Strategic Emerging Industries", China Briefing, July 2012, Accessed March 2015. http://www.china-briefing.com/news/2012/07/25/china-releases-12th-five-year-plan-for-national-strategic-emerging-industries.html

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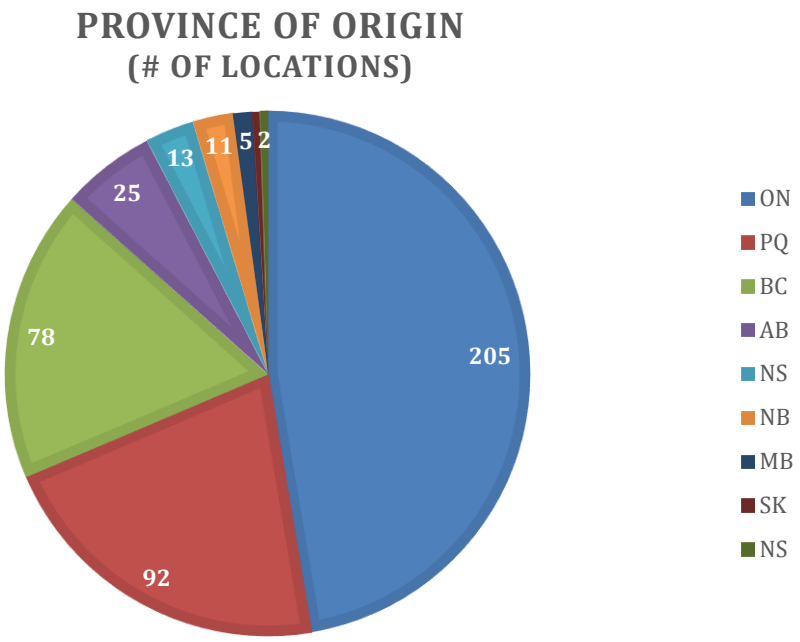
Introduction

China has emerged as a global economic powerhouse in the last few decades. China's growing middle-class, economic slowdown and political uncertainty will reshape China's overall impact in the world. In light of this evolving nature of China, how would it influence the Canada-China business and trade relationship? This Capstone project aims to draw a broad picture of Canadian business presence in China. Specifically, the project analyzes over 400 Canadian companies and organizations (with more than 600 locations) in China and conducts in-depth analysis of three sectors: agrifood, cleantech and ICT. Based on the sectorial data analysis, this project illustrates the trends of Canadian business presence in China and the associated political, legal and market driving forces.

General Trends

Below is the breakdown of general trends Canadian companies' presence in China.

• 47% of the companies originate from Ontario, among which large portions are ICT companies.
• Quebec and British Columbia account for 21% and 18% respectively. Followed by Alberta accounting for 6%, New Brunswick 3% and Nova Scotia 3%
• Services sector stands out with the largest presence in China, accounting for 24% of the total number of locations.
• Manufacturing at 16% turns out to be the second largest sector, with ICT 15% and Education 15% tied in third place.
• While Agrifood at 7% and Energy at 8% are not in a strong position, this report will investigate this gap.
• All the companies are heavily concentrated in the coastal areas, especially in Hong Kong, accounting for 1/3 of the all the locations, followed by Shanghai, Beijing, Shenzhen and Guangzhou.


PROVINCE OF ORIGIN
(# OF LOCATIONS)
205
92
78
25
13
11
5
2
ON
PQ
BC
AB
NS
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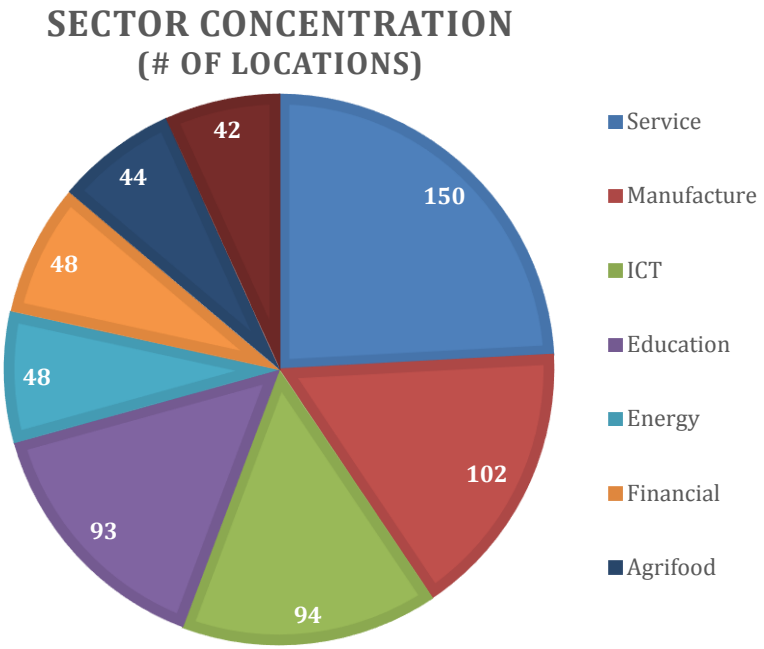
MB
SK
NS


SECTOR CONCENTRATION
(# OF LOCATIONS)
150
102
94
93
48
48
44
42
Service
Manufacture
ICT
Education
Energy
Financial
Agrifood

Agrifood Sector

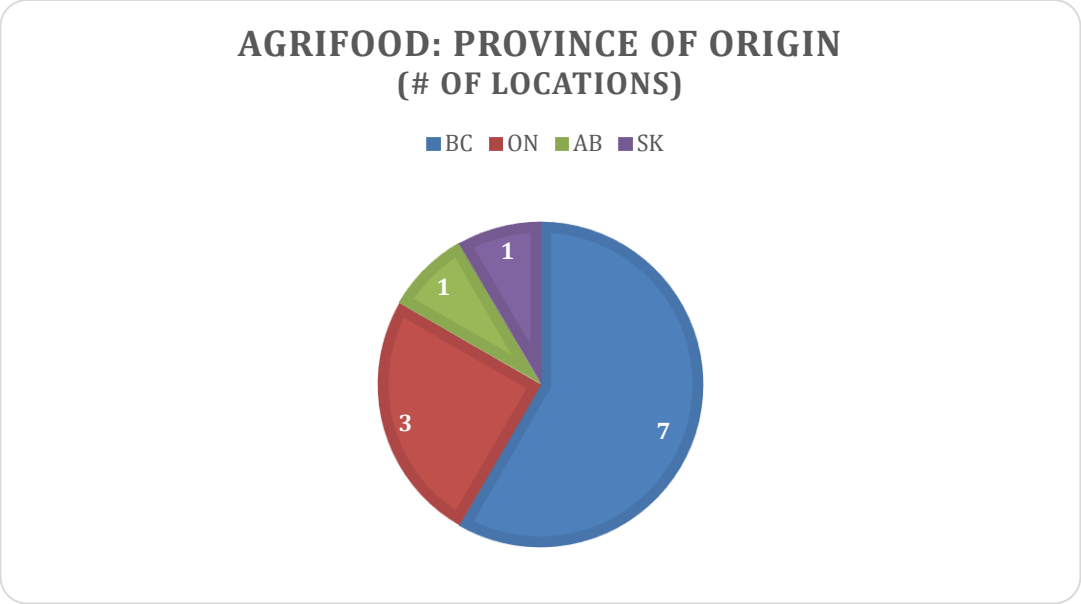
Canada ranks as the 8th largest exporter of fish, seafood, and agricultural commodities and products worldwide.[3] In terms of products, Canada is one of the world's top five exporters of wheat and canola and a large exporter of beef and pork. China has become the 3rd largest destination for agricultural products worldwide and is expected to become the world's largest agricultural importer by 2020.[4] It is generally accepted that it is difficult for North American food companies to generate higher revenue due to less growth in domestic food and beverage markets. Therefore, many Canadian agrifood companies have a high incentive to explore foreign markets and China has become a shortlisted target.[5] Therefore, it will be mutually beneficial for Canada to tap into China's huge market and expand the bilateral trade relationship.[6]

Data analysis

Province of Origin:

The majority of the Canadian agrifood companies are headquartered in Ontario and British Columbia, and the rest are from Quebec, Alberta, Newfoundland and New Brunswick. Companies from BC and Ontario are mostly specialized in agrifood products such as wine, organic food, and seafood. There are some relatively small companies who focus on a niche market such as smokers. Alberta remains the major exporter of beef and as such the Canada Beef International Institute, located in Shanghai and Guangzhou, plays a vital role in facilitating the beef trade with the Chinese market.

[3] "Canada-China relations: Keeping up the momentum" Report for the Canadian Council of Chief Executives, McKinsey&Company. June 2014, pg 9.
[4] "Canada-China relations: Keeping up the momentum" Report for the Canadian Council of Chief Executives, McKinsey&Company. June 2014, pg 9.
[5] "Competing in the World's No.1 Emerging Market- A Report from CAPI Trade Trip to China", Canadian Agri-food Policy Institution. Febuary 2015.
[6] "Canada-China relations: Keeping up the momentum",Report for the Canadian Council of Chief Executives, Mckinsey and Company, June 2014, pg 9



Market Concentration:

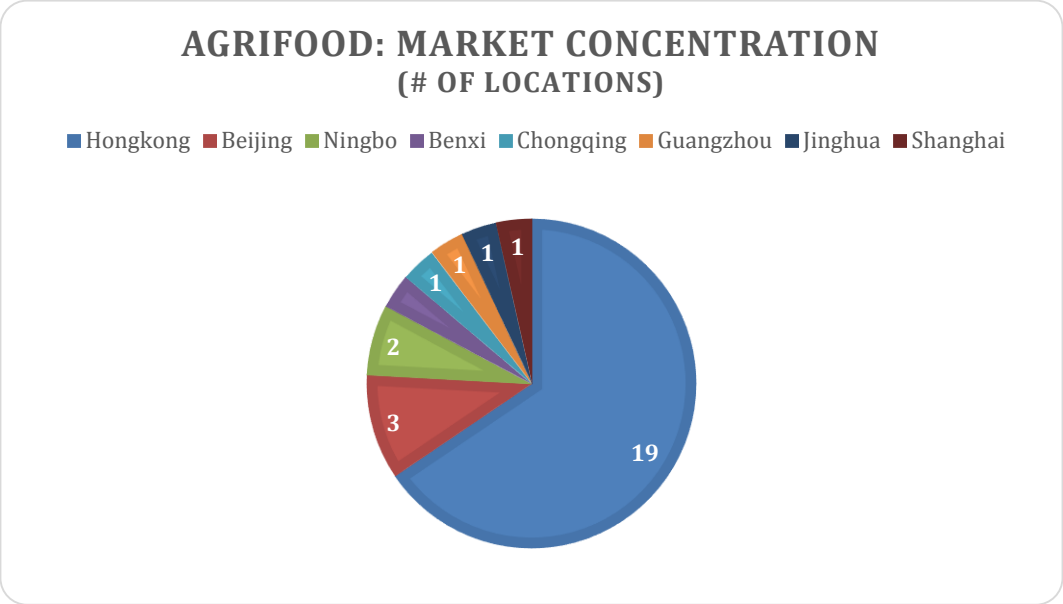
According to our database, approximately half of the total office locations are in Hong Kong. British Columbia shows special ties with Hong Kong in that 90% of the companies from British Columbia set up their operations in Hong Kong, compared to 50% of Ontario companies. As a result, Hong Kong stands out to be an excellent first point of entry to the huge Chinese market for Canadian agrifood companies[7] In addition; Hong Kong has a liberalized market, provides a favorable tax regime to foreign companies, and enjoys geographic proximity with Mainland China.

Moreover, Hong Kong acts as the financial and logistical hub for Canadian companies doing business in Mainland China, providing efficient cross-border transportation. Finally, it is expected that the Guangzhou-Shenzhen-Hong Kong Express Rail Link, to be finished in 2015 and the Hong Kong-Zhuhai-Macao Bridge, to be finished in 2016[8], will connect a vast part of the Pearl River Delta area, providing infrastructural benefits to foreign companies.

More companies are directly setting up businesses in Mainland China due to increasingly liberalized trade policies. The establishment of special economic zones has provided opportunities for foreign investors with more market-oriented policies and flexible government measures. The new Shanghai Free-Trade Zone along with other Bond areas exempts duties on most commodities and grants flexibilities for importers through various preferential policies. Canadian exporters have benefited a lot through such policies, which caused a boom in the imported goods such as wine and other packaged food.[9]

[7] " Doing Business with China: A Guide for Canadian Exporters and Investors", Export Development Canada
[8] "Hong Kong's Role in Trade Relations between China and Canada." Government of Hong Kong Press Release. November 20, 2013. Accessed March 20, 2015. http://www.info.gov.hk/gia/general/201311/20/P201311200491.htm.
[9] "The Maturing Tastes of China's Wine Industry" - China Briefing. May 9 2014.

Most company offices are concentrated in the 1st-tier cities such as Shanghai and Beijing and numbers are rising in 2nd-tier cities such as Jinhua and Ningbo. The attractiveness of several 2nd-tier cities in the coastal region has been increased by fast development in infrastructure and logistics combined with raising incomes and rapid urbanization.[10] Also, it is easier for the foreign companies to penetrate in these 2nd-tier cities' local markets due to less competition than in the 1st-tier cities.



Business Nature:

Other than chain and franchise restaurants, which by business nature are spread out in multiple locations, the other companies in this sector are mainly exporters of processed food such as meats, fish/seafood, wine/ice-wine/beverages. Most of these exporters set up sales offices or establish contractual relationships with local distributors. There are a few companies that set up as a wholly foreign owned enterprise (WFOE) to provide local support to distributors and expand sales of their products in China. A good example of such as Agrimarine, which is in the business of providing sustainable fresh salmon in China. It has established a WFOE named Benxi AgriMarine Industries Inc. for the commercial application of the AgriMarine System™, which has been deployed in a fresh water reservoir near the city of Benxi in the Liaoning Province. This is where the company is currently cultivating China's first and only closed containment Chinook or King salmon from Canadian ova. Agrimarine has also set up a Foreign-Invested Commercial Enterprise Entity in Beijing named AgriMarine Aquaculture Technologies (Beijing) Co. Ltd. In addition to providing local support to

http://www.china-briefing.com/news/2014/05/09/maturing-tastes-chinas-wine-industry.html

[10] "Export, Innovate, Invest - The Canadian Trade Commissioner Service", Government of Canada. http://www.tradecommissioner.gc.ca/eng/tcs-signin.jsp;jsessionid=9D9E3976CD0A4B246DD9CAADBABF6BF4?did=88173&_requestid=638662

distributors and expanding sales of its fish products in China, this entity also "functions as an investment arm" [11] for Agrimarine in identifying business opportunities.

Market Environment

China's fast urbanization progress has led to various environment problems such as air pollution, water loss, soil erosion and soil infertility. Moreover, it remains difficult to ensure the safety of agricultural food products due to the decentralization of the agricultural sector, extensive production, and low-technology solutions for preventing and controlling diseases and pests.[12] This provides an opportunity for Canada to take advantage of the gap and provide safe and healthy food to the Chinese market.

Meanwhile, a rising middle class and the change in overall lifestyle have pushed the demand for premium/organic/ecofriendly food. For example, China's position in global wine sales has increased dramatically and it has now become the world's fifth-largest wine market overall and top consumer of red wine in 2014.[13]

Due to the difference between Canadian and Chinese markets, substantial exports and strong business ties are solid bases for Canadian agrifood companies to operate in China. The majority of the companies had large international operations and had exported their goods into the Chinese market for some time before they set up operation/sales offices there. Moreover, many Canadian agrifood companies, especially those selling packaged food, have already taken advantage of the rising e-commerce market in China. Companies such as Arctica Food Group have a large wholesaling position on Alibaba.com and other online retailing websites.

According to the recent report from the Canada Agrifood Policy Institution, "there is a growing interest across this diverse sector to better understand the Chinese market and the steps required to enhance our presence in China". [14] However, through observation of those company activities in China, we found that most Canadian agrifood companies are not ambitious enough to take a major market position. Most companies operating there are not investing at a level that ensures success in China. Common strategies used by food companies are simply focused on marketing and promoting through trade fairs, major retailers and exhibitions. However, competitors from other countries including United States and some EU countries are taking more aggressive strategies and have taken a dominant market position in China through years of business development and efforts spent in expanding local market, such as Groupe Danone (France). This indicates a large potential for Canadian enterprises, government and other facilitators to work together in order to create a stronger Canadian brand and a better investment environment for Canadian investors.

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[11] Data information, Agrimarine company website : http://agrimarine.com

[12] "Canada-China Economic Complementarities Study", Government of Canada, September 2013, accessed March 2015.http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/china-chine/study-comp-etude.aspx?lang=eng

[13] "The Maturing Tastes of China's Wine Industry" - China Briefing. May 9 2014. http://www.china-briefing.com/news/2014/05/09/maturing-tastes-chinas-wine-industry.html

[14] "Competing in the World's No.1 Emerging Market- A Report from CAPI Trade Trip to China", Canadian Agri-food Policy Institution. February 2015.

Current Issues

There are several problems that Canadian agrifood companies are facing in China. For example, several food companies (such as Canadian Fine Food) have been experiencing delays in shipping meat products to China due to regulatory measures, which has long been the major concern for meat exporters, especially after the Alberta case of BSE — better known as mad cow disease —was confirmed by the Canadian Food Inspection Agency on Feb. 13th.[15] There is a substantial amount of beef that was repeatedly banned from entering Chinese market. In addition, Chinese government austerity and anti-corruption measures have negatively impacted the sales of premium food, including certain kind of wine and seafood, both domestic and imported.[16]

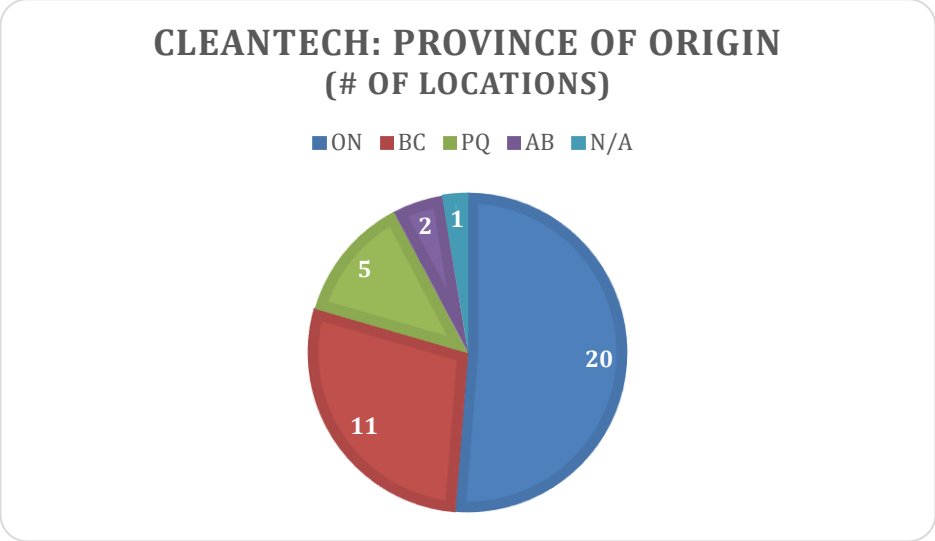
Cleantech Sector

Data analysis

There are 31 Canadian cleantech firms at 39 locations (some companies have multiple locations in China), which is not a huge proportion compared to other sectors present in China.

Province of Origin:

In terms of province of origin, nearly half, which is 20 of the offices in China, are from Ontario, 11 from BC, 5 from Quebec, 2 from Alberta.



[15] "Canadian beef restricted by China over BSE case" CBC News, last accessed Feb 27, 2015. http://www.cbc.ca/news/business/canadian-beef-restricted-by-china-over-bse-case-1.2976540
[16] "The Maturing Tastes of China's Wine Industry" - China Briefing. May 9 2014. http://www.china-briefing.com/news/2014/05/09/maturing-tastes-chinas-wine-industry.html

Market concentration:

Canadian cleantech companies are located in 8 different cities. More than 1/3 of the companies are concentrated in Hong Kong. Next, Shanghai and Beijing both have 7 offices; Shenzhen has 4; Guangzhou and Nanjing both have 2; and Shangrao, Dunhuang and Ningbo each have one office.

Hong Kong attracts the most Canadian cleantech companies for several reasons. First, Hong Kong provides an easy market access for foreign firms by charging the lowest capital gains tax.[17] Second, Hong Kong has first class modern infrastructure that facilitates existing and emerging businesses. Therefore, it is an attractive place to retain the work force. Moreover, since Hong Kong is the Asian hub for financial sector, it has a longstanding history of hosting foreign companies. This relationship benefits other business networks and strengthens the cross-sector best practices and knowledge sharing.

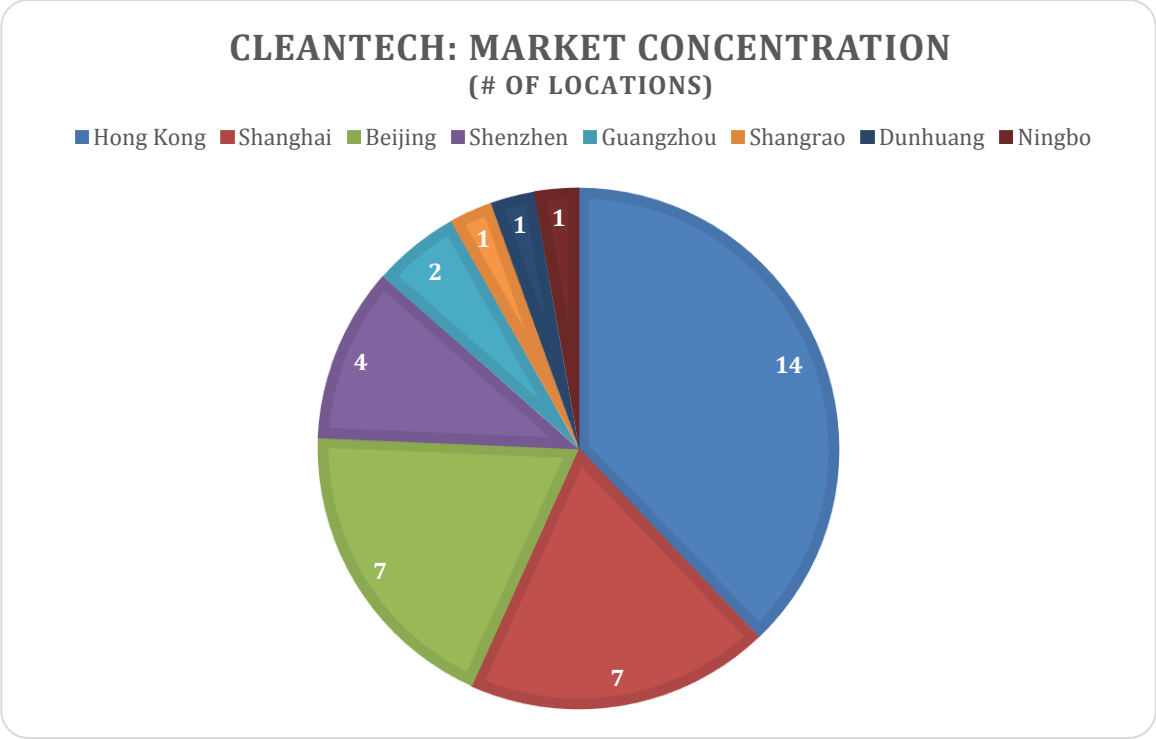
Other than Hong Kong, the four largest cities in China, Shanghai, Beijing, Shenzhen and Guangzhou are also starting to attract foreign companies. Smaller cities such as Nanjing, Shangrao, Dunhuang and Ningbo also host Canadian cleantech firms.

Interestingly, the Canadian firms located in the four smaller cities generally have a larger size than many of those located big cities like Beijing and Shanghai. They exist in the form of joint ventures (JV) and they have partnerships with local governments and with local firms. These JVs or subsidiaries are carrying out relatively large projects or building manufacturing factories.

For instance, a small Canadian cleantech firm called BioteQ formed a joint venture in Shangrao with a Chinese mining company. BioteQ provides clean mining equipment and technology and the JV is located right beside a mining site in Shangrao city.

Another example is Corvus, a Canadian wind power company that signed a contract worth $12.5 million with a Chinese firm called Libo from Dunhuang. Their partnership was a result of a successful completion of a business delegation led by British Columbia's Premier Christy Clark.[18] This is an interesting case for two reasons: first, it is the only Canadian wind power company that has entered Chinese market carrying out a large project. Second, the Chinese partner is from a small city, Dunhuang; and the partnership would not have worked without the facilitation of the BC authorities. Therefore, it is evident that business and government collaboration, with frequent visits and delegations, can help the Canada-China relationships to grow.

[17] "Hong Kong's Role in Trade Relations between China and Canada." Government of Hong Kong Press Release. November 20, 2013. Accessed March 20, 2015. http://www.info.gov.hk/gia/general/201311/20/P201311200491.htm.
[18] Dvorak, Paul. "Corvus signs $12.5 million, 10 MWh energy storage contract." *Wind Power.* 12 27, 2013. http://www.windpowerengineering.com/featured/business-news-projects/corvus-signs-12-5-million-10-mwh-energy-storage-contract/.



Size:

We used the number of employees to describe the company size. The size of the Canadian companies varies a lot but most of them are SMEs with less than 500 employees. We have 7 companies with less than 10 employees, 19 companies have 10-200 employees, and 12 companies have more than 200 employees. These SMEs have likely benefited from the business network built by intermediary agencies and municipal governments. For instance, in November of 2014, the Ontario Government led a 15 company clean tech mission to Nanjing, China to highlight Ontario's expertise in clean technology and to increase the export of goods and services.

Business Nature:

Most Canadian cleantech companies in China exist in the form of representative offices. These offices have limited functions and small size compared to their headquarters. Since the offices are mainly providing customer service or promoting the products, technology and/or services, it would be adequate and low cost for Canadian cleantech firms to establish representative offices around China. However at same time, there are also several companies, which managed to build factories and carry out large projects, such as Xebec Adsorption and Menergy Geothermal Inc.

Canadian cleantech companies in China are concentrated in certain subsectors. Cleantech covers a wide range of technologies that reduce negative environmental impacts, or use fewer

resources while delivering competitive performance.[19] According to our data analysis, nearly half of the Canadian companies are specialized in the water waste and air treatment services. Other cleantech products and services that Canadian companies sell to China include metal purification (5Nplus), CNG system (IMW), energy efficient products (Nanoleaf, Westport Innovations etc.)

The Chinese government has increasingly become more concerned about China's environmental problems, and has prioritized addressing these challenges as the situation worsens. In our view it is in China's best interests to collaborate with foreign cleantech companies to protect and provide a healthy environment for its citizens. Local Chinese governments and companies are actively seeking, both at home and abroad, practical and affordable solutions and expertise to tackle the increasing pollutions. Although developing alternative energy is traditionally regarded as a most crucial part of cleantech, for China it is not as urgent as fighting pollution. Therefore, there are only 3 Canadian companies that focus on alternative energy such as hybrid solar power in China. Nevertheless, Canada-China business initiatives in the cleantech sectors are of high importance and only expected to grow.

Policy Environment

China's market provides opportunities for Canadian cleantech companies for three major reasons: China's ambition to tackle environmental problems, its affluent capital resources and local favorable policy.

China's latest Five-Year Plan, with a focus on clean energy and environmental problems, created much excitement in Canada's clean-tech community. China's goals include:

- 11.4% of primary energy consumption to be non-fossil fuel;
- 30% cut in water consumption per unit of value-added industrial output;
- 16% cut in energy consumption per unit of GDP;
- 17% cut in carbon dioxide emission per unit of GDP;
- Forest coverage rate to rise to 21.66%, and forest stock to increase by 600 million cubic metres.[20]

China also aims to achieve the goal of 100 clean energy cities, 200 clean energy counties, 1,000 clean energy demonstration zones, and 10,000 solar energy demonstration towns.[21]

To meet these goals, the Chinese government has decided to invest heavily in the cleantech sector. Beijing has pledged to spend $738 billion developing clean energy over the next decade, among which a considerable proportion will go to foreign cleantech firms.[22] According to a cleantech research consultancy firm headquartered in San Francisco, the amount of

[19] Prospectus. "The 2013 Canadian Clean Technology Industry Report." 2013. http://analytica-advisors.com/sites/default/files/CCTIR_2013%20Prospectus.pdf.
[20] Canada Business. "Hong Kong: Clean-Tech Channel to China." *Canada Business.* November 21, 2011. http://search.proquest.com/docview/918797825?accountid=14771.
[21] "Canada-China relations: Keeping up the momentum",Report for the Canadian Council of Chief Executives, *Mckinsey and Comany,* June 2014, pg 8
[22] "China a beacon for foreign clean tech firms." *Abs-cbnnews,* Agence France Presse. September 19, 2010. http://www.abs-cbnnews.com/business/09/19/10/china-beacon-foreign-clean-tech-firms.

venture investment flowing from China to Western cleantech companies has already reached $737 million in 2012, which is more than six fold increase from 2010.[23] Furthermore, according to a report by a US think tank, Breakthrough Institute, and the Information Technology and Innovation Foundation, state-owned banks also offer loans to green technology firms at much lower interest rates than those available in US and Canada.

Apart from the Chinese government's huge investment in cleantech sector and the low-cost financing that Canadian cleantech firms can obtain, Chinese local authorities, companies and industrial zones also provide other incentives. These include measures such as regulatory and tax support, extensive industrial infrastructure and supply chains that help speed technology development, and testing and production for the Canadian cleantech firms. Therefore, China can provide a good environment for Canadian cleantech companies to grow.[24]

ICT Sector

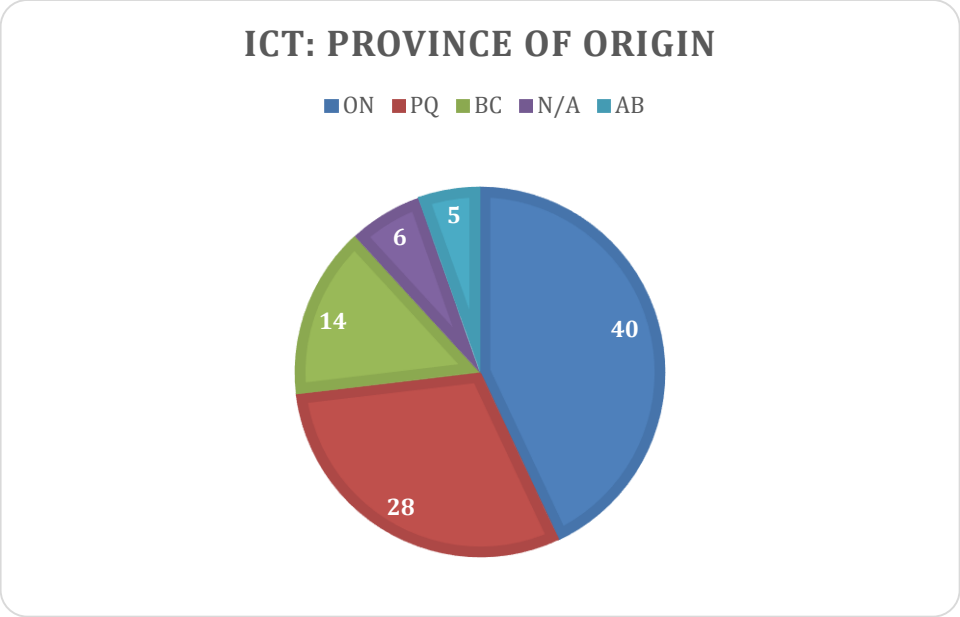
China now has the largest number of Internet and mobile phone users[25], and the rate is still growing due to urbanization and infrastructure improvement. As the middle class is expanding rapidly, consumers, especially the younger generation, are drawn to new and innovative technology and computer services. Meanwhile, as the impact of social media is penetrating to a deeper level, there is a growing ICT market for Canadian companies, especially software and computer services companies. Also, Canadian ICT companies have competitive advantages in terms of quality of products and innovative strategies and the growing demands to access such services are increasing rapidly.

Data analysis

Province of Origin:

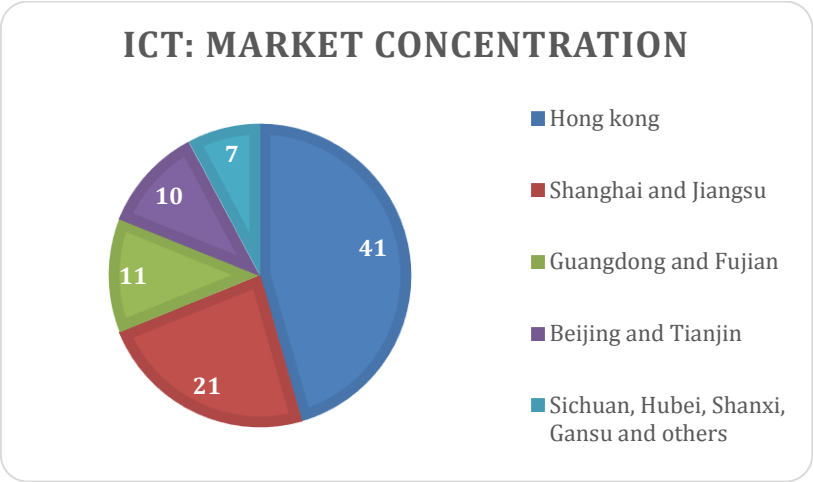
In general, there are 93 Canadian ICT company locations in China. In terms of provinces of origin, Ontario, considered the traditional technology hub of Canada, is leading with 43% of all the ICT locations in China. Second largest for the ICT sector is Quebec with 30% and then British Columbia, which has 15% of all the company locations in China.

[23] Liu Coco. "More Western clean-tech companies take off in China, but there are gaps in the runway." *EEnews.* 1 30, 2013. http://www.eenews.net/stories/1059975492.
[24] Jim Mahoney | "Considering China? Three Qs Canadian Cleantech Firms should Consider" *Clean Engery Canada*, Last accessed May 21, 2014. http://cleanenergycanada.org/2014/05/21/china-questions-canadian-cleantech-companies-consider/
[25] Zhang, Xiaoling. *China's Information and Communications Technology Revolution Social Changes and State Responses*. London: Routledge, 2009.



Market Concentration:

Hong Kong represents 46% of the ICT locations. Shanghai, Guangdong, and Beijing each has 19%, 11% and 9% respectively. The majority of the companies are clustered in the Beijing-Tianjin economic zone, Yangtze Delta region (Shanghai and JiangSu) and Pearl River Delta region (GuangDong and Fujian) regions. Compared with Mainland China, Hong Kong has a relatively more transparent supervision framework to help investors to make decisions. Hong Kong also has better IP protection laws, which incentivizes foreign firms to operate more safely. Moreover, since Hong Kong has prosperous banking and financial, supply chain management and logistics sectors, the demand for software and computer services keeps going up. However, given the number of ICT companies in Hong Kong, it is a highly saturated ICT market. As a result, startup foreign SMEs may face challenges to enter this market and compete.



Other findings

The vast majority of Canadian software and computer services companies in China are SMEs and most of them are much smaller than their US competitors[26]. Therefore, Canadian ICT companies tend to focus on a niche market where they have cutting-edge and innovative technological solutions to offer. In the Chinese domestic market, the hardware and telecommunications sectors generate the most revenue, but software and IT services have the greatest potential to grow[27]. Canadian ICT firms can take advantage of the potential market and provide solutions such as enterprise resource management, online marketing, social media analytics and monitoring.

Furthermore, having channel partners (such as original equipment manufacturers and value-added resellers) and sales/distributor offices are two ways through which Canadian ICT companies can tap into the Chinese ICT market. For example, Alpha Technologies Ltd. is a Mississauga-based company that offers powering solutions for the telecommunications, traffic, security, industrial and renewable energy industries[28]. It has a channel partner in Hong Kong in the telecom sector called Action Engineering Co. Ltd. Action Engineering acts as a partnership enterprise to sell Alpha's products in the local markets[29]. Additionally, Alpha has a factories service center called PCM Electronics Co.Ltd., which is an original equipment manufacturer in DongGuan city.[30] This is an example of a successful ICT partnership that will be useful more future operations.

Recent Developments

Canada and China have a history of a mutually beneficial trade and investment relationship is expected to get stronger with growing collaboration within various sectors such as natural resources, renewable energy, and manufacturing. Today, China is Canada's 2nd largest national trading partner, while Canada is China's 13th largest trading partner.[31] Canada and China both have engaged in multiple Joint Committees, Working Groups, dialogues, MOUs and various other agreements since 2007.[32] Therefore, the Canadian and Chinese governments should continue to deepen and strengthen our bilateral trade and investment ties through appropriate bilateral instruments to ensure that Chinese and Canadian citizens can continue to build a prosperous and sustainable future.

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[26] ICT Sector Overview, Innovative Canadian Enterprises Advisory Committee, Industry Canada, January 2013, Accessed March, 2015. http://www.ssc-spc.gc.ca/pages/itir-triti/pdf/ICEAC-CCECN-Comm-2013-01-29-eng.pdf.
[27] ICT Market in China, The EU SME Centre, May, 2011. Accessed March, 2015. http://www.iberchina.org/files/china_ict.pdf
[28] "About Alpha Technologies Ltd.", summarized from company website. Accessed March, 2015. http://www.alpha.ca/web2/company/company-overview/about-alpha-technologies-ltd
[29] "Channel Partners Telecom." / DC Power. Accessed March 28, 2015. http://www.alpha.ca/web2/partners/channel-partners-telecom#international.
[30] "Service Center Locations." - Alpha Technologies Ltd. Accessed March 28, 2015. http://www.alpha.ca/web2/contact/service-center-locations.
[31] "Canada-China relations: Keeping up the momentum" Report for the Canadian Council of Chief Executives, McKinsey&Company, June 2014, pg 5.
[32] "Other Types of Agreements and Initiatives" Government of Canada, Foreign Affairs, Trade and Development. Last modified April 15, 2014. http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/other-autre/index.aspx?lang=eng

Some significant progress has been made on this front. On September 12, the Harper government ratified the Canada-China Foreign Investment Promotion and Protection Agreement (FIPA), which came into force on October 1, 2014.[33] Despite a lot of criticism, this deal serves as a milestone of ending tensions between the two countries. The establishment of China's renminbi hub in Canada is an example of how the bilateral trade relationship benefits both parties. This hub allows CAD-RMB transactions and buying and selling process to proceed smoothly and helps business and SMEs to reduce operating costs.[34]

The Canada-China FIPA created a more favourable and strong regulatory environment for both countries. The agreement helps to lessen legal and licensing, registration and local purchase requirements restrictions in China for Canadian businesses, which have been a barrier for most foreign companies in China in every sector.[35] Another important implication of the FIPA agreement is the investor-state dispute resolution provisions,[36] "that enables an investor in one country to request compensation for damages in relation to an alleged breach of obligations by the other country. Under the FIPA, the public will have access to an arbitration tribunal's hearings and related documents in situations where the government that allegedly failed to meet its FIPA obligations determines – in consultation with the disputing investor – that access is in the public interest. The Canada–China FIPA differs from most of Canada's other FIPAs, which usually ensure public access to hearings and documents unless the information must remain confidential." [37] This should have a positive impact on accountability, transparency and better collaboration between business networks.

In conclusion, there are immense opportunities for Canada-China to collaborate in expanding businesses. The motivation to engage in bilateral relationship needs to be increased as such that it will benefit both the countries. This report focused on the agrifood, cleantech and ICT sectors because these are the sectors with potential to grow and we hope to see increasing commitments from both Canada and China.

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Appendix 1- Methodology

Data Analysis:

The database provided by the Munk School is the core part of our project. Our dataset, gathered from several open data sources, includes over 600 data points. Based on this primary dataset, we updated it with new companies that we found; we researched each company in the targeted sectors about their size and business nature using public available information. We processed the data and categorized the companies by their market concentration, and provinces of origin. While the data is extensive, it is not comprehensive.

From the data analysis part, we identified the fundamental trends of Canadian business presence in China such as: which city in China attracted what sectors? Which provinces in Canada have strong presence in China? What business nature do Canadian companies have?

Literature review:

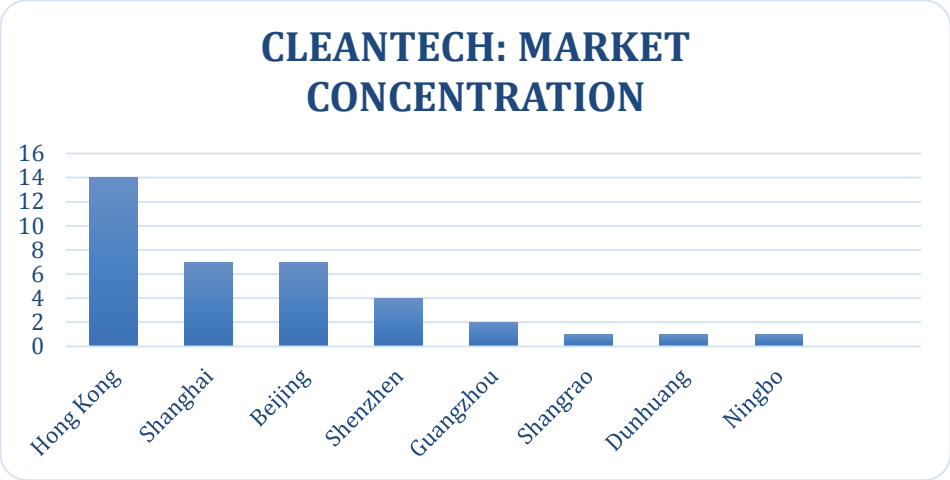
Based on the trends we identified from our dataset, we reviewed related literature in order to explain the facts. We took into account influencing factors from three different perspectives: political drivers, market drivers and legal issues. For political drivers, we analyzed policy regulations ranging from local level policy up to international agreement; for market drivers, we researched the business environment in terms of clients and competitors of Canadian companies. For legal issues, we examined which sectors have encountered more serious regulation or even bans when entering Chinese markets.

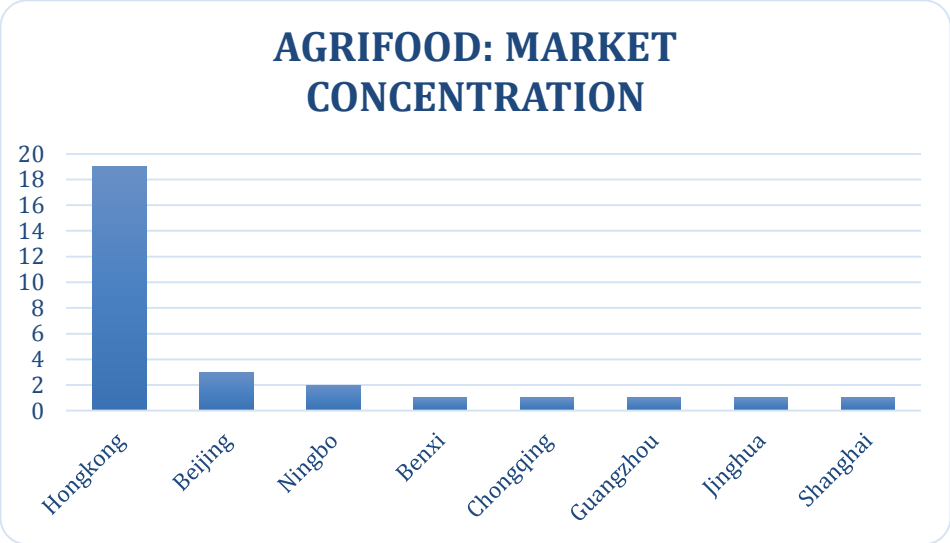
Interview:

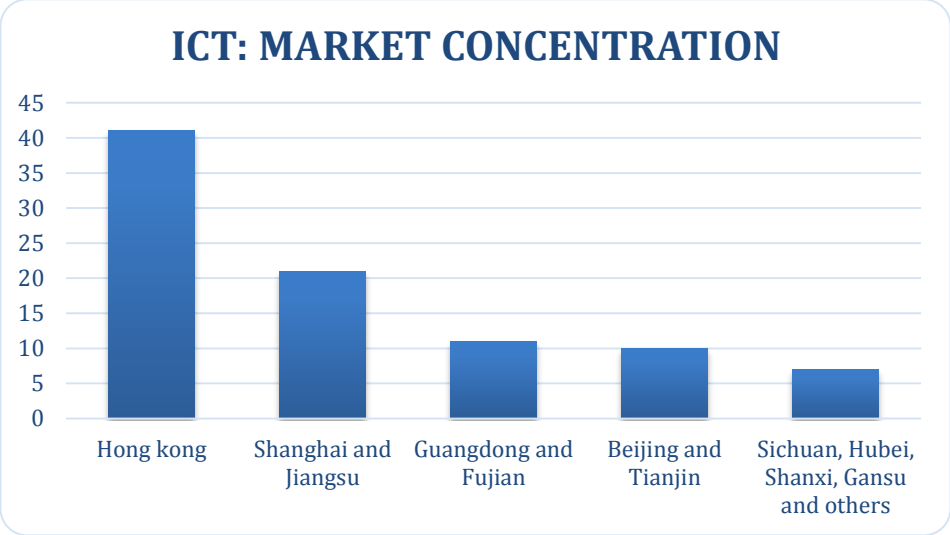
We interviewed several member companies of our clients and gathered primary insightful information from representatives of Canadian businesses that have successfully entered the Chinese market. Usually followed by a short presentation of our project, the interview consisted of three components: First, interviewees would provide an overview of the company and their business in China; second, interviewees would describe major barriers and challenge of their business in China; finally, interviewees would offer us additional resources and literature to add value to this project.

The interviews played an important role in our report because the interviewees have a deep understanding of their own industry and they are able to provide us inside information, which might be difficult to find elsewhere. Their opinion and comments served as good starting point for us to conduct further analysis on the trends explanation and drivers identification.

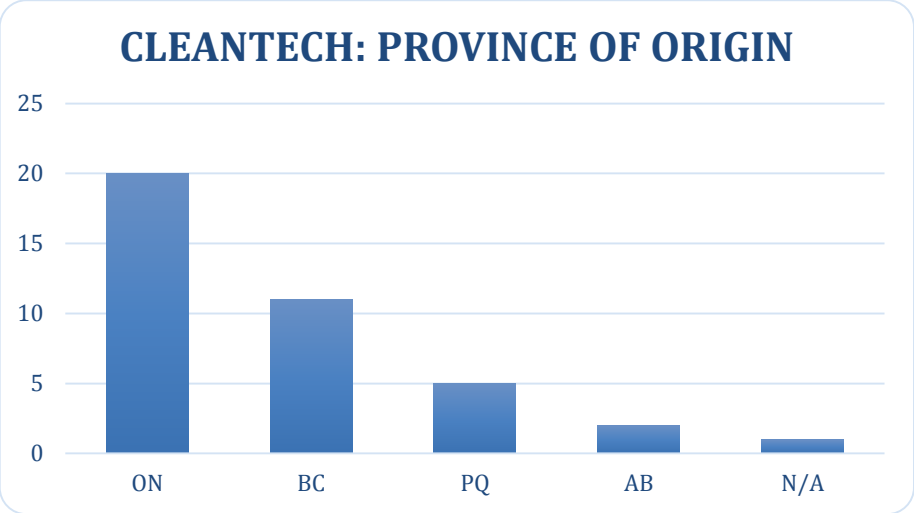
Appendix 2 – Market Concentration Bar Charts

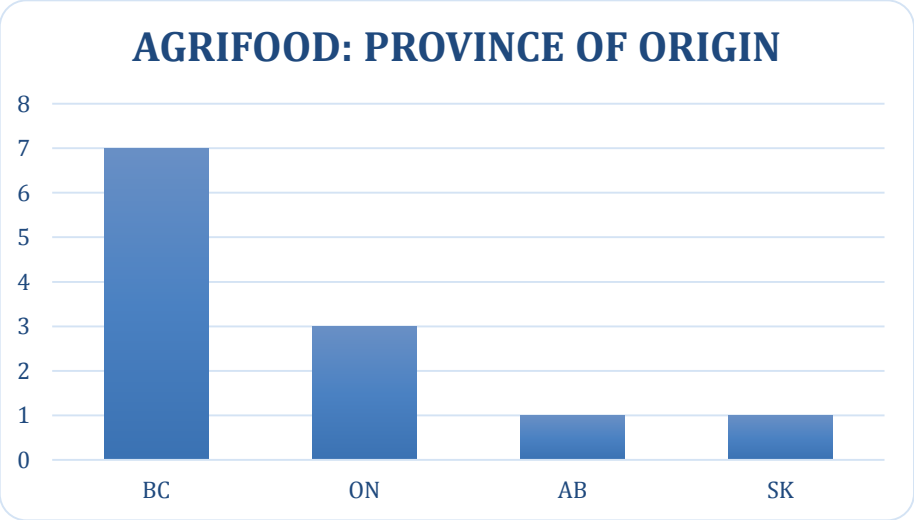


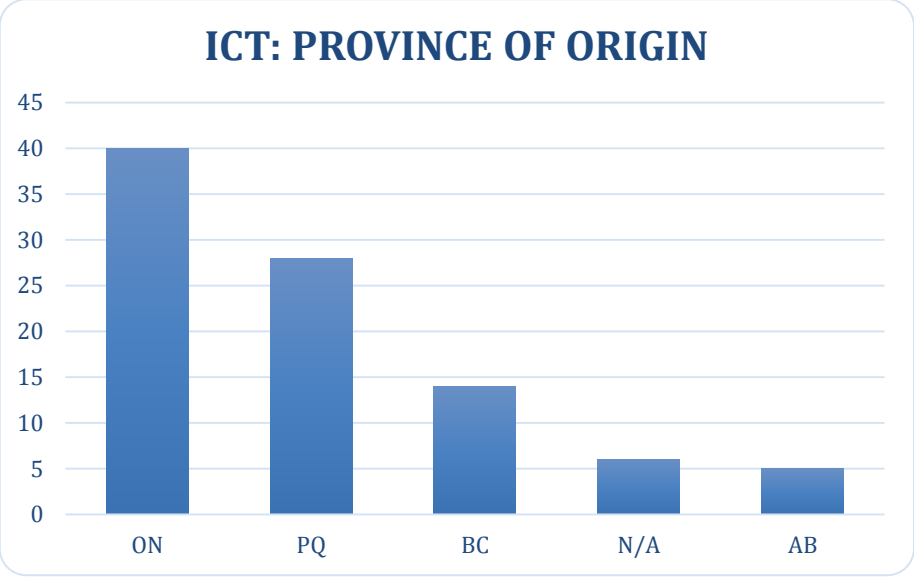




Appendix 4 – Province of Origin Bar Charts







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