

Is China worth the risk for SMEs?

Canadian small businesses can succeed in China but they shouldn't be seduced into believing there aren't any risks, says a Canadian trade specialist.

Erin Wilkinson, exporting co-ordinator at Alberta's Business Link, says there is a lot of hype these days about outsourcing opportunities in China but often the risks can be greater than in other developing markets such as Mexico.

"When you get something cheap, there is often a reason for it," she cautioned participants at the FITT national conference in Vancouver.

Wilkinson cited the recall of pet food in Canada and the United States after the discovery of contaminated ingredients. The source of the contamination came from China where, she says, there are often different standards of manufacturing and quality control.

Small businesses therefore need to go into China with their eyes open and be well briefed. They need a good business plan and articulate that plan to potential partners. They must also assess doing business with China to ensure their cost savings will outweigh the risks.

"Entrepreneurs are very successful about their products and services but they are often not very good at communications and planning," she says.

When outsourcing to China, SMEs need to communicate their special requirements and standards, and ensure adequate methods of quality control locally. But it doesn't stop there: they also need to consider protection of their ideas and patents.

"Anytime you go abroad, you risk your intellectual property by outsourcing a product," Wilkinson says. "It's an issue we always have to be aware of in doing business anywhere in the world."



Be prepared before you leap into China, says one trade expert.

Wilkinson says some companies protect their intellectual property by outsourcing different processes to different companies to ensure that no one person outside their organisation is exposed to the whole process. Of course, doing this can also increase costs and logistical problems.

Despite the risks, there are lots of ways to ensure success in China, says Wilkinson. And help is always available from trade officials with the Government of Canada and provincial governments.

For more information, go to www.exportlink.ca or www.infoexport.gc.ca.

GENERAL INFORMATION

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Deal gone bad? Resolve it with arbitration

For a growing number of international companies, arbitration is the preferred way to resolve disputes.

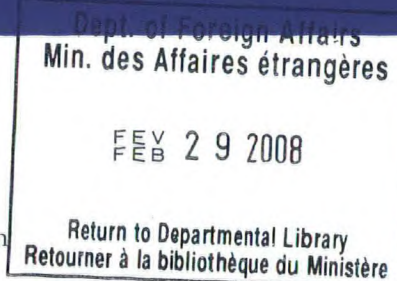
Those working in business know that things don't always turn out as planned. If a business operates internationally, even more problems can arise. In addition to the uncertainties of foreign markets, things can go awry over miscommunication, ill will or plain bad luck. This can lead to undelivered goods, misappropriated technology or cancelled contracts.

"Often international transactions involve complicated contracts that engage many parties, including foreign governments or multiple companies," said John Lorn McDougall, a partner with Fraser Milner Casgrain LLP in Ottawa and chair of the Canadian Chamber of Commerce's Arbitration Committee. "There are a number of problems that can arise, such as claims for breach of contract or for illegal or wrongful conduct."

So what can be done to protect a business?

For more and more companies, the answer is international commercial arbitration and other forms of alternative dispute resolution. As foreign investment and international trade have grown, so too has demand for alternatives to litigation.

These days, international commercial arbitration is experiencing a boom. *The Financial Times* of London recently



Experts say when the going gets tough in business, resist litigation and embrace arbitration.

reported that three out of four corporate legal counsels at multinational companies would prefer to settle cross-border commercial disputes by arbitration.

It's no wonder then that the International Chamber of Commerce (ICC), whose International Court of Arbitration is among the oldest and largest arbitration forums in the world, has logged more than 500 new cases a year in the last few years. Companies around the world routinely include ICC arbitration clauses in their contracts.

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