

this study are to understand how SMFs with high export orientation differ from SMFs with low export orientation in the following aspects: market performance, barriers to export market development, competitive problems, and competitive strategies. This study also evaluates how the FTA and NAFTA environment affect the performance and competitiveness of SMFs in peripheral regions of southern Ontario.

2. Background: Export Market Development

Export Orientation and Barriers: What motivates a firm to export? Figure 1 shows that different factors may influence a firm to become an exporter. These factors can be broadly categorized as "stimuli initiated from influences **internal** to the firm or due to stimuli originating from the firm's **external** environment (home market or export markets)" (Albaum et al. 1989, p.35). These factors can be further classified based on the export behavior: a firm may become an exporter under internal or external pressures (reactive behavior); contrarily, a firm may recognize opportunities in exporting and actively pursue export market development (proactive behavior). Firm-level factors identified with the proactive stance are economies of scale, growth and profit goals, unique product/technology competence, managerial urge, marketing advantages. External factors for proactive firms are recognizing foreign market opportunities and the role of change agents (eg. government agencies, chambers of commerce, banks, industrial trade associations, and other promoters of export activities). Similarly, internal factors for reactive firms are risk diversification, sales of a seasonal product, and excess capacity of resources, while external factors include unsolicited orders, limited, stagnant, or declining home market. In this study, a question on export orientation is the basis for