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Canadian companies need to upgrade technology to compete in China, says new HSBC commissioned report

**** Market for professional services less mature in China than in some other countries****

Canadian manufacturing industries doing business in China will need to make technological upgrading a priority if they are to keep pace with Chinese and foreign companies which are rapidly enhancing their technology. The speed at which companies are able and willing to adjust their operations will be vital for keeping Canada competitive in an increasingly globalised marketplace, according to [Shifting Chinese Demand: New Opportunities for Canadian Companies](#), the latest in a series of reports from the Conference Board of Canada (CBOC) commissioned by HSBC Bank Canada.

The report says while commodities are expected to remain a large share of Chinese imports, the ongoing structural transition of the economy to a consumption-led model to meet the needs of a growing middle class will increase demand for many goods and services. Canada holds a global competitive advantage in several of the sectors expected to see significant growth.

Linda Seymour, Executive Vice President and Head of Commercial Banking, HSBC Bank Canada, said: “China remains an engine of global growth, offering tremendous opportunities for Canadian companies. China’s economic growth may have slowed in recent years, but it remains one of the largest and fastest-growing economies in the world and is forecast to grow at 6.5% compared to Canada’s 2% through 2017 and that’s a clear opportunity for Canadian companies.”

Demand for Services on the Rise

China’s plan to move from an export and investment-led growth model towards a service and consumption-based economy could generate opportunities for Canada’s service industries, with the market for professional services less mature in China than in some other countries, including Canada.

The report found that Canada has global strengths in a number of services sectors that are projected to face rising Chinese demand. They include:

- Personal, cultural, and recreational services
- Technical services
- Financial services
- Computer and information services

“China is Canada’s second largest trading partner, so it is a significant market for Canadian companies,” **added Ms. Seymour.** “If China does open its services sectors to foreign direct investment, then the rebalancing of their economy will present many potential new opportunities for Canadian companies.”

Services such as engineering and architecture, for example, are in a very good position to take advantage of rising Chinese demand. Indeed, the architectural, engineering, and other technical services sector has increased investment in physical and human capital. Firms in this sector have seen big increases in their profit margins and have the capacity needed to meet Chinese demand.

Finding Success in China with Technology – Hatch Ltd.

Hatch is a good example of a large Canadian services provider which has found success in China. The firm, operating in China since 1999, provides a full range of services, including business consulting, engineering, procurement, construction management and technology to the Chinese market.

“In Canada, we might help a client design something new based on a range of possibilities; in China, the emphasis needs to be changed to one that shows we are bringing a technology to bear that addresses the client’s needs but is not otherwise available,” **said Joe Lombard, Managing Director, Metals at Hatch.**

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The company's innovative technology was used in developing the QSLIC industrial complex (China's largest producer of potash) in Qinghai that features the world's largest, state-of-the-art magnesium and calcium carbide smelter.

Added Mr. Lombard: "We face a high degree of competition from Chinese design institutes as well as from other international engineering firms. Hatch's biggest differentiator is not low cost but rather the in-house unique proprietary technologies that we offer."

Shifting Chinese Demand: New Opportunities for Canadian Companies is the latest in the series of reports by the Conference Board of Canada and commissioned by HSBC Bank Canada. Previous reports in the series include *Taking advantage of the U.S. economic rebound* and *Reaching Out for Business Opportunities in Mexico*

A copy of these reports and accompanying case studies are available at: cmbinsight.hsbc.com

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About the Report

The research for this briefing was conducted by The Conference Board of Canada with funding from HSBC Bank Canada. In keeping with Conference Board guidelines for financed research, the design and method of research, as well as the content of this briefing, were determined solely by The Conference Board. As Canada's second largest trading partner, the briefing highlights China as a growing source of opportunity for Canadian businesses. To complement this research, the Conference Board interviewed three companies of different sizes and belonging to different industries, which have been successful in the Chinese market - **Clearwater Seafoods, Hatch and IJW Dorweiler**. Although other Canadian industries with global strengths, such as aerospace, auto and wood product manufacturing, face rising Chinese demand and an openness to foreign companies, the research shows they need to invest in boosting capacity in order to take advantage of opportunities in China.

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