Barriers to the Internationalization Process to China –

*OleoTest® Case*

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Internship Report

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Biographic note

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Abstract

Further liberalization, integration and competition in international markets have contributed to increased internationalization of companies. The isolated access to the domestic market by resident companies is dwindling, with increased competition from the four corners of the globe. Internationalization is therefore fundamental for the growth of business activities. Historically associated with large companies, internationalization has become essential also for small and medium enterprises (SMEs), seeking new opportunities. In this sense, this report focuses on an SME’s internationalization process, carried out over a traineeship, in which the main objective is to internationalize the product OleoTest® to the Chinese market. It was asked to create the condition for the company to start exporting to China. Although the market selection and entry mode were predefined before the internship, since they are key questions in the internationalization process, they were also analyzed. In a first step a literature review was carried on internationalization theories, addressing with greater emphasis the Model of Uppsala, the Theory of Networks and the Theory of International Entrepreneur. Given the difficulties that a process of internationalization can represent, particularly for SMEs, and supported by the internationalization theories mentioned liabilities, the export barriers theory was also reviewed. This permitted to understand the company’s internationalization decisions and at the same time support the development of the internship by allowing an early and efficient identification of the export barriers raised and subsequently a better knowledge on how to minimise or overcome the effects.

Keywords: Internationalization, SMEs, internationalization strategy, export barriers
Resumo

O aumento da liberalização, integração e concorrência nos mercados internacionais tem contribuído para um aumento da internacionalização das empresas. O acesso privilegiado ao mercado doméstico pelas empresas residentes é cada vez menor, com o acréscimo da concorrência proveniente dos quatro cantos do globo. A internacionalização é assim, fundamental para o crescimento das empresas. Historicamente associada às grandes empresas, a internacionalização é hoje essencial também para as pequenas e médias empresas (PME’s), que procuram novas oportunidades. Neste sentido, o presente relatório centra-se no processo de internacionalização de uma PME, realizado ao longo de um estágio, com o objetivo principal de internacionalizar o produto OleoTest® para o mercado chinês. No estágio foi pedido para criar as condições para a empresa exportar para a China. Apesar da seleção de mercado e modo de entrada estarem previamente definidos, uma vez que são questões-chave no processo de internacionalização, também foram analisados. Assim, numa primeira fase levou-se a cabo uma revisão da literatura sobre internacionalização, sendo abordadas com maior relevo o Modelo de Uppsala, a Teoria das Redes e a Teoria do Empreendedor Internacional. Dadas as dificuldades que um processo de internacionalização pode significar, em particular para as PME’s neste caso através de exportações, suportado pelas liabilities mencionadas pelas teorias da internacionalização, a teoria das barreiras à exportação é também revista. Isto permitiu compreender as decisões de internacionalização da empresa e ao mesmo tempo apoiar o desenvolvimento do estágio, permitindo uma identificação precoce e eficaz das barreiras à exportação levantadas e, posteriormente, um melhor conhecimento sobre a forma de minimizar ou superar os efeitos.

Palavras-chave: Internacionalização, PME’s, estratégia de internacionalização, barreiras à exportação
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Abbreviations

AEP – Associação Empresarial de Portugal
AICEP – Agência para o Investimento e Comércio Externo de Portugal
AQSIQ – General Administration of Quality Supervision, Inspection & Quarantine of the People's Republic of China
ASAE – Autoridade de Segurança Alimentar Económica
CEO – Chief Executive Office
CPC – Castro Pinto & Costa Lda.
FEP – Faculdade de Economia e Gestão
HACCP – Hazard Analysis and Critical Control Point
HS – Harmonized System
IACM – Civic Affairs Institute de Macau
IMS – International Market Selection
INPI – Instituto Nacional da Propriedade Industrial
MADB – Market Access Database
SAC – Standardization Administration of the People's Republic of China
SHFDA – Shanghai Food and Drug Administration
SME – Small and medium enterprises
TPC – Total Polar Compounds
WIPO – World Intellectual Property Organization
PME – Pequenas e Médias Empresas
1 Introduction

The demand for international markets by companies is crucial to keep up with the globalization of markets, a phenomenon that results from significant and constant advances in terms of production, transportation, information technology, financial systems, regulatory environments and social networks. Aware of this premise, the Castro, Pinto & Costa Lda., a company founded in 2000 that develops activities in the area of hygiene and food safety, decides to internationalize its OleoTest® product, a leader in the domestic market in the segment of testing and monitoring the quality of frying oil, to the Chinese market. To achieve this it is required to analyse and respond to the questions where, when, why and how a company internationalizes.

Internationalization is studied by several authors, with several theories that seek to explain the internationalization process followed by different companies. According to the Uppsala model, internationalization is defined as a gradual process in which the psychological distance has a major role in the selection of markets and where knowledge is acquired through experience (Johanson and Vahlne, 1977). This knowledge besides all the mention reasons is crucial to understand among others the liability of foreignness, difficulties faced by companies abroad resulting from poor knowledge about the specifics of foreign markets (Hymer, 1976). On the other hand, the Networks Approach says that the process of internationalization is closely related to the position the company occupies in the network of relationships, and knowledge can also be acquired through partners (second-hand knowledge). This enables the company to a more rapid internationalization process without the need to acquire knowledge through their own experience (Silva et al., 2012). However, if the company has a weak position in the network of relationships, it may suffer from liability of outsidership, leading to a low level of information exchange between the company and the network and, consequently, low access to knowledge (Johanson and Vahlne, 2009). Given these restrictions the companies naturally follow an incremental market selection, in which they choose the markets which had a lower psychological distance (easier access to information) or those in which the network of contacts make them accessible through (second-hand knowledge). The process of internationalization can also be explained by the Theory of International Entrepreneur, in which the entrepreneur is one of the main deciding
factors on market selection and entry mode (Leonidou et al., 1998). So there is a strong dependence on the entrepreneur with specific characteristics.

For companies to internationalize successfully it is necessary not only to understand the factors that encourage SMEs to export, but also the barriers that they face to enter and operate sustainably and efficiently in foreign markets (Leonidou, 2004). It is important to review the export barriers literature that can provide the required knowledge to understand and overcome exports barriers felt by the company during the internationalization process. It will be thus analyzed the barriers that the company faced to export to China during the internship duration period. It is recognized that research on barriers to export still lacks a comprehensive understanding theory to clarify the major issues of export of SMEs in small countries, in which economic growth depends largely on this activity (Pinho and Martins, 2010). There is also heterogeneity in barriers studied by different authors. Each researcher tends to define his own list, based on the literature and in their studies, making it difficult to compare results (Rocha et al., 2008).

This report is based on a traineeship held in the Group CPC. Throughout this, it will be developed a product internationalization strategy for OleoTest® to the Chinese market, having been set by the company a set of key objectives, namely: 1) the market framework in terms of economic growth; 2) research and analysis of legislation related to food security, 3) product placement in terms of categories and respective customs fees, 4) cost of the product from the point of view of import potential, 5) study of the main competing products and 6) search potential distribution of the product. Finally, it was also given special attention to the obstacles to the internationalization process and thus 7) understand the export barriers experienced during the process of internationalization.

This paper begins with a literature review, in which are included three theories relevant for the understanding of the company’s internationalization process. And a final point concerning the barriers to internationalization. It is important to note that when the internship began the destination market had already been chosen. However without any prior knowledge or contact by the company with the selected market.

Andersen (1997), defines the selection of the market and mode of entry as the most important decisions taken by a company during the internationalization process. So even if these decisions had already been taken, it was decided to approach the theories involved in order to better understand all the problems in the process.
The aim of this review, is to analyze the product internationalization process and to confront the theory with the case study. Next the methodology used to meet the proposed objectives is presented. After this point, the OleoTest® case is introduced, here is made a presentation of the company and also the description of the activities developed during the internship. Finally, a critical review of the report is done and identified the limitations of the report.
2 Part I – The Internship

2.1. Literature Review

Selecting the right market, is fundamental for a number of reasons, it can be the reason of success or failure of the internationalization process, it influences the nature of marketing strategy in the selected countries, and it also affects the firm’s international operations depending of the geographic location of the selected market. Because of these reasons a more systematic approach when selecting the market should be followed. However on SME’s a more pragmatic approach is often used. Mostly based on the relationships network of the company, personal manager’s decisions or more passive situations, such as client interest, or following a supplier to a foreign country. It is important however that the firm when making the IMS (International Market Selection), tries to find synergies with the target market, strengths, objectives and strategy.

After selecting the market, the firm must decide the best way to enter the market. The market entry is a fundamental and critical initial step for an SME. There is not however a unique strategy of market entry. The entry mode can be different for the same market depending on the firm. The choice of the entry mode for a specific product and market is influenced by many factors that make the decision a complex process. According to Hollensen (2007), the entry mode decision is influenced by four groups of factors, internal, external, desired mode characteristics and the transaction-specific factors (Figure 1).

![Figure 1: Factors affecting the foreign market entry mode decision (Hollensen, 2007, p.298)](image-url)
(Hollensen, 2007) classifies the entry mode in three main groups: export modes, characterized by low control, low risk, and high flexibility; intermediate modes also mentioned as contractual modes, in which the risk and control is shared and the ownership is divided, and finally the hierarchical modes known as investment modes, where there is a high control, high risk and low flexibility. There is no a perfect formula, each case is influenced by a myriad of factors, internal and external, and a firm may even use more than one of these methods at the same time (Hollensen, 2007). Given that each entry mode involves different levels of risk, involvement and flexibility the option of either type has very different consequences for the company.

2.1.1 - International Market Selection

The theme of internationalization has led to the creation of several theoretical models by several investigators. This has contributed to an increasing understanding of the determining factors in the selection process and entry into new markets by companies. The market selection is one of the principal features in the internationalization process. The right selection of the new market means most of the times a large investment by the company in resources to capture this new opportunity. Given the SME’s scarcity of resources, this means that the process needs to be even more precautious. The right IMS (International market selection) criteria can be the difference between the success and the failure of an internationalization strategy. Brouthers and Nakos (2005) emphasize the relation between following a systematic IMS approach and the exports performance, according to the authors, the more systematic an SME is selecting the markets the better the export performance.

Traditionally the literature divides the international market selection process into two categories, systematic and unsystematic. Andersen and Buvik (2002), introduced a new concept, the relational international market selection. A systematic approach is adopted when companies follow a rigorous process of decision, using statistical methods and a wide range of information to assess the attractiveness of potential markets. In the case of a non-systematic approach, companies tend to internationalize incrementally, they gradually increase the psychological distance, and there is a thorough analysis of the target market. At a relational level the selection of markets can be systematic if the company strategically leads the process
or not systematic if the company responds to opportunities created by a third party or responds to an order from an international buyer (Brito and Meneses, 2007).

- **Uppsala Model**

Recognized as one of the most influential works in the area, the Uppsala model, also called stages model, considers that internationalization is a gradual process by which companies progressively increase their participation in international markets (Johanson and Vahlne, 1977). The main assumption is that the company develops itself in the domestic market and the internationalization is the result of a series of incremental decisions. This approach allows the company to access knowledge of foreign markets that can only be acquired through experience, designated by experiential knowledge. It is the experience that enables the company to assess opportunities and risks in the market and thus reduce the risk associated with the commitment of resources (Johanson and Vahlne, 2003). Another key determinant of the decision to internationalize identified in the model is the psychological distance, defined as "the sum of the factors that prevent the market information flow from and to the market, such as differences in language, education, business practices, culture, and industrial development" (Johanson and Vahlne, 1977, p.24). This means that companies tend to begin the process of internationalization to nearby countries, both geographically and psychic, because they allow a greater flow of information, contributing to the knowledge of the market (Johanson and Vahlne, 1977). They also tend to start the process of internationalization with a low level of commitment, such as exports, progressing to modes that require a greater commitment (Johanson and Vahlne, 2009).

These two mechanisms, learning trough experience base on the current activity of the company in foreign markets and the decision to a greater or smaller commitment modify the company's position in foreign markets and make the Uppsala theory a dynamic model. This means that the experience increases the knowledge of the company on the market, which in turn influences the decision of a greater or lesser involvement in the current activities (Johanson and Vahlne, 2009).

One of the basic assumptions of the Uppsala model is that the lack of knowledge about foreign markets is a major obstacle to internationalization. But it can be overcome by learning the conditions of the foreign market (Forsgren and Hagström, 2007). The lack of specific knowledge of foreign markets, ie, knowledge of the language, laws and rules, places the
company in a situation of liability of foreignness (Johanson and Vahlne, 2009). The liability of foreignness is defined by Hymer (1976), as the difficulties faced by companies in foreign markets, given their status as foreign, which implies a greater effort to penetrate the markets and the need to possess competitive advantages very well defined. It is due to this lack of knowledge of foreign markets and the tendency to avoid uncertainty, that companies begin exports to nearby countries where the psychic distance is smaller (Johanson and Wiedersheim-Paul, 1975). Consequently, the selection of markets in this situation is traditionally nonsystematic. This means that the choice of a particular market is made, not through a careful analysis of its characteristics, but because it is psychologically close (Brito and Meneses, 2007). At the same time the market selection without having in attention the psychological distance, increases the liability of foreignness, creating barriers throughout the process.

- **Network Theory**

The business world is currently seen as a network of companies with connections rather than a market where there are a number of independent suppliers and customers. These networks are made up of increasingly complex relationships in which companies are linked together (Johanson and Vahlne, 2009). This approach presents new assumptions regarding the internationalization process, first, the internationalization depends on the relations and corporate networks, second, many companies move abroad, because one partner is in the process or has already internationalized, and wants the company to follow them (Johanson and Vahlne, 2009). Networks help companies get exposed to new opportunities, gain knowledge, learning from the experience of others and benefiting from synergies resulting from the sharing of resources (Chetty and Blankenburg Holm, 2000). In this sense, Johanson and Mattsson (1988), analyze the process of internationalization in relation to two dimensions, the degree of internationalization of the company and the degree of internationalization of the market. They focus on the influence of external actors and organizations in the company's internationalization, suggesting a new type of internationalization, distinguishing four groups of companies: Early Starter, Late Starter, Lonely International, and the International Among Others.

According to the network theory as the company goes global, the number and strength of the relationships between different parts of the business network increases. Through
internationalization the company creates and maintains relationships with partners in other countries. This happens in different ways, by creating relationships with partners in new countries for the company (international extension), by increasing commitment to networks relations already established (penetration), and finally, by integrating position in networks in several countries (international integration) (Johanson and Mattsson, 1988).

- **Early Starter**

Companies included in this group have few relationships with foreign companies and the few relationships that they have are not relevant. The same is true to other companies present in the network. Such companies have little information about foreign markets and cannot therefore use the relations in the domestic network to obtain it. These companies may face a liability of smallness, concept mentioned by (Freeman et al., 1983), to explain why small businesses have a lower survival rate than larger companies. Aldrich and Auster (1986), defined the concept of "liability of smallness," as the main problem faced by small businesses. This problem is related to difficulties in raising of capital (funding), high taxes, demanding government regulation, difficulties to bear high interest rates and administrative costs related to government regulations, and difficulties in attracting workforce (Aldrich and Auster, 1986). Resulting from the mentioned liabilities and lack of resources, companies tend to begin the process of internationalization to the nearest markets through agents, rather than make use of other more demanding forms, such as subsidiaries or joint ventures, in order to reduce investment and risk, process similar to Uppsala model (Johanson and Mattsson, 1988). We can thus say that the selection of markets is done unsystematically, as the company has no relationships that helps in this process (Brito and Meneses, 2007).

- **Late Starter**

As the Early Starter, the Late Starter has a low degree of internationalization but is positioned in a market with a high level of internationalization, and is characterized by the low level of activity, commitment and experience in foreign markets and has few direct international relations (Hadley and Wilson, 2003).

Suppliers, customers and competitors of the company have internationalized, although the company is only present in the domestic market. The internationalization process is
influenced by international networks through contact with suppliers and customers (Johanson and Mattsson, 1988). Companies in this situation are usually at a disadvantage compared to key competitors already internationalized, which hold more knowledge, becoming harder for them to get into the networks already developed. Companies thus face the liability of newness defined by Stinchcombe (1965), as set difficulties faced by newly formed companies that make them more susceptible to failure. According to the author these obstacles result of the higher costs that have to be accepted by the companies at the beginning of their operations, given the need to create the functions and tasks that will underpin the operation of the company. These obstacles can be distinguished between external or internal. Externally, new organizations face a number of barriers to entry, which make moves to new domains prohibitive. This includes product differentiation, technological barriers, licensing or regulatory barriers, barriers to entry due to vertical integration, competitor’s illegitimate acts and experiential barriers to entry. Internally, the obstacles are primarily related to the creation and clarification of roles and structures consistent with external constraints and the ability to attract qualified human resources (Aldrich and Auster, 1986). To overcome these difficulties, they need to specialize, adapt their products or influencing consumer needs (Johanson and Mattsson, 1988). The market selection is relational, since the companies are inserted in an already internationalized network they will use it to gain insight and make themselves known (Brito and Meneses, 2007).

Lonely International

Companies that fall in this group have a high degree of internationalization, result of an above-average level of experiential knowledge and a great commitment to the internationalization process. The company is however, embedded in a network that is not yet internationalized (Hadley and Wilson, 2003).

The Lonely International has experience in relations with and in foreign countries, where it acquired knowledge that allows it manage culturally diverse environments, resulting in fewer mistakes in the internationalization process. The experience and resources enable the company to carry out major investments needed to get into highly structured production networks. It also has better chances to acquire or establish relationships with companies present in these networks (Johanson and Mattsson, 1988).
In these companies the initiatives for the development of the internationalization process does not start from a third part, since suppliers, customers and competitors have not internationalized. Rather, are themselves to promote the internationalization of their partners through the relationships they have in the various international networks that act as bridges for the internationalization of suppliers and customers (Johanson and Mattsson, 1988). We can say that the selection of markets is carried out in a systematic relational form, as is the company to take the initiative to leave for the internationalization process, being intimately involved in the target market selection.

**International Among Others**

The International Among Others, is described by (Johanson and Mattsson, 1988), as a company with a high degree of internationalization. As the Lonely International, the International Among Others, also has a strong presence in foreign markets. In this case, both the company and the environment in which it operates, are highly internationalized. The International Among Others faces competitors with a strong international presence, which means that the main changes in the international environment take place through the establishment of joint ventures, mergers and acquisitions, in contrast to other cases. The selection of markets is carried out in a systematic relational form, since the company operates in a production network and markets, strongly internationalized, and with a high degree of competitiveness, which requires a careful analysis of the markets for which it intends to internationalize.

Thus, according to the Network Theory the presence of companies in relevant network relations (insidership) is of great importance, becoming a prerequisite for business development. At the same time, not being part of relevant networks (outsidership), more than the psychic distance referred to in the Uppsala model, is one of the main sources of uncertainty. The liability of outsidership is thus related to the environment in which the company operates, depending on the business partners and existing relationships with other companies (Johanson and Vahlne, 2009). The knowledge results from the existing exchanges between the links in the various networks. The development of knowledge is not just a matter of learning the knowledge of other actors, but also the interaction between the parties, which can generate new knowledge. The knowledge gained through network relations, called second hand knowledge, resulting from the experience of other enterprises, replaces the need for
experiential knowledge. Learning is thus performed through observation and interaction with other companies in the network. Companies tend to mimic the behavior of other companies that have greater success. In this way they can reduce uncertainty about foreign markets without having to develop their own knowledge or first-hand knowledge (Silva et al., 2012). It is clear that in this approach, the IMS must take into consideration the relations that the company has in each country and the knowledge streaming in the networks in which the company is present.

**International Entrepreneur Perspective**

According to Morgan (1987) and Björkman (1990), internationalization is a complex phenomenon, requiring different perspectives to understanding (Andersson, 2000). In this sense Korsakienė and Tvaronavičienė (2012), agree that the internationalization process must be complemented with the international entrepreneurial theory.

There are several references in the literature showing that entrepreneurial characteristics have a greater impact on internationalization than other variables such as firm size or age (Brito and Meneses, 2007). The international entrepreneurship is defined by Oviatt and McDougall (2005), as the discovery, creation, evaluation and exploration of national and international opportunities to create future products and services. According to Andersson (2000), the entrepreneur is the individual acting entrepreneurially, in other words, he meets a certain set of criteria. These include the ability to discover, develop and create new opportunities, acting according to instinct and not only based on calculations, and the ability to persuade others to invest in entrepreneurial projects, and act at the right time. The author analyzes the entrepreneur's role in the process of internationalization, distinguishing three types of entrepreneurs, the marketing entrepreneur, technical entrepreneur and the structure entrepreneur. Different entrepreneurs influence differently the internationalization process, choosing distinct strategies for their businesses. In turn different strategies originate different internationalization decisions.

*Technical entrepreneur*

According to Andersson (2000), technology is the most important criteria for the technical entrepreneur. He is concerned mainly with product development and production at the
strategic level, not giving much attention to internationalization. The beginning of internationalization is often motivated by foreign interests, for example, through an order from a customer, which can lead to export or to a license agreement, entry modes that do not require many resources. The choice of markets often depends on which markets are developing new products.

**Marketing entrepreneur**

This entrepreneur found a need in the marketplace and has an idea on how to fill it. Consequently, he is normally present in emerging and growing markets. He has a broad market view, as the sales channels and brands may be more important than the physical product. He is proactive and innovative in the internationalization process. He is available to select input modes that require multiple resources, but at the same time allow rapid entry into new markets. Personal preferences and social networks can be important factors in decision making on new markets. This means that sometimes the decisions are made on an emotional basis or a personal interpretation of the situation and not through a rational analysis (Andersson, 2000).

**Structure entrepreneur**

Internationalization is a result of the company's strategy and not a separate objective. The markets are chosen according to the competitive situation, not being chosen markets that do not offer attractive acquisition or merger possibilities. The structure entrepreneur chooses input modes that meet the industry restructuring strategy, being acquisitions the most common way to implement the strategy (Andersson, 2000).

In the international entrepreneur’s perspective, internationalization is seen as a consequence of different entrepreneurial activities. It is the individual motivations that characterize the success of internationalization and are a fundamental factor in determining the mode of entry and the market selection. In other words, the choice of input mode depends on the individual that influences the overall strategy of the company and consequently the process of internationalization (Andersson, 2000).

The entrepreneur is seen as one of the key factors for the progression of the company from one step to another in most export models, particularly from the ratio of decisions involving
knowledge of foreign markets and the commitment of resources (Leonidou et al., 1998). Morgan (1997), quoted by Lloyd-Reason and Mughan (2002), states that there is a close relationship between the decision maker's characteristics and the inclination for companies to develop exports. That is, the international orientation of the decision maker is one of the key influencers of company strategy. This approach will depend on characteristics such as the period that the decision-maker lived abroad, whether it is able to speak several languages, received education in international management or has had previous experience in export. Some features of subjective nature, such as perception of risk, costs and profits in foreign markets have a strong positive association with exports, particularly in the context of the initiation of exports. Finally, subjective general characteristics of management, such as risk tolerance, ability to innovate, flexibility, commitment, quality and dynamism demonstrated a strong association with exports particularly in relation to the company's propensity to export.

The theory of the international entrepreneur emphasizes that the discovery of opportunities involves knowledge that entrepreneurs use to make their own decisions. In addition, this knowledge is the result of experience and information obtained by the entrepreneur in local and foreign markets. According to Eriksson et al. (1997), the absence of this knowledge influences the perception of the manager on the costs to internationalize. In this way the market selection is dependent on the entrepreneur characteristics.

All the mentioned theories highlight the importance of knowledge in the process of market selection. Experiential, in second hand from the networks or from the entrepreneur, the knowledge is the base for the international expansion, resulting from a market need or from a systematic evaluation by the company in relation to foreign markets.

2.1.2 - Entry Mode

The international entry mode is defined by Root (1994, p.24), as “an institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management or other resources into a foreign country.” There are three main ways to enter a foreign market, first, by exporting the products to the foreign market, second, the contractual mode where the risk and control is shared. Finally third, the hierarchical mode, through the transference of resources, technological, capital, or labor to the foreign market, by implementing a greenfield or combining with local resources to offer the product or service directly into the local markets. In the first case we have the export, direct or indirect and in the
second the contractual such as franchising, licensing, management contracting, contract manufacturing and investment-based, such as joint venturing, partially or wholly owned subsidiary modes of entry.

According to Root (1994), there are three approaches to entry mode selection: the selection without any market entry strategy, characterized by no systematic selection criteria, few product adaptations and no control of overseas distribution. Selection based on market entry strategy, examples are the naïve or the pragmatic rules. And finally the selection that reflects some strategy rule(s) and which include a care and detailed analyses of the alternative modes available, mentioned as systematic approach.

As mentioned, companies follow one of the three general rules: naïve, pragmatic, and strategy. The naïve rule means that the manager only considers one way to enter foreign markets. This is seen as a simplistic approach since it ignores the heterogeneity of the markets and various entry conditions. The managers that follow this rule frequently incur in two main errors. They entry a foreign market in which they cannot use their preferred entry mode or they will entry the market using an unsuitable entry mode, preventing the company from entirely exploiting the market’s opportunities. The pragmatic rule is characterized by a cautious and more rational tactic, frequently associated with low risk entry mode. The company only tries other modes of entry if the initial mode does not work. This rule has some advantages, first it minimizes the risk level, since the unsuitable modes of entry are rejected until the right one is found, and second, not all possible alternatives are analyzed stopping as soon as a feasible entry mode is found. The pragmatic rule presents also a substantial weakness, which is explained by the difference between the suitable entry mode defended by the rule that it may not be the best option, the one that meets the company capabilities and resources, and the one that is right for the specific situation. The strategy rule searches for the right entry mode. This requires a systematic analysis of all the viable alternative modes in order to choose the right entry mode. The decision for a certain entry mode is the product of meeting the set of objectives that the company has for a specific market. The decision for a particular entry mode depends on the resources of the company, on the market, and on assessed risks. It is important to mention that the company may use more than one of these approaches at the same time. The product or the market may require different entry modes. The final entry mode decision is thus influenced by the specific circumstances and by the criteria setup (Albaum et al., 2008).
2.1.3 - Export Barriers

The expansion to international markets is a unique opportunity for growth and value creation, however, it presents many challenges for companies (Korsakienė and Tvaronavičienė, 2012). Exports are the most common form of involvement of a company in the international market as it involves a low level of risk, requires a low commitment of resources and offers great flexibility of movement (Leonidou, 1995). It is clearly the most reachable mode of entry for SME’s that want to reach new markets. However, even though being the simplest way of internationalization, this does not mean that is a simple process. According to (Burpitt and Rondinelli, 2000), most small companies see exports as a risky decision due to the lack of resources and adequate information.

Leonidou and Katsikeas (1996), define the export barriers as all restrictions, limitations, attitude constraints, structural, operational and other that inhibit the company's ability to initiate, develop or maintain international operations.

Barriers can be found in all stages of development of the export process, however their nature can vary from phase to phase. In addition, the analysis of various empirical studies show that barriers to export, with rare exceptions, appear classified into different positions in terms of frequency, severity, or importance. This variation in results is attributed to different methodologies, geographic locations, specific factors of the company, export profiles and different periods (Leonidou, 2004).

According to Keng and Jiuan (1989) and Samiee and Walters (1990), cited by Morgan (1997), the investigation of export barriers suggests two forms of barriers: problems that discourage businesses to start exports and problems experienced by companies which have started exports. In this sense, Rabino (1980), presents not only the problems faced by exporters but also export barriers perceived by non-exporting companies. Based on this approach, Leonidou (1995), analyzes empirically the perceptions of non-exporting companies in relation to the factors that prevent the start of exports. The author states that the non-exporting firms tend to realize obstacles to export differently, putting more emphasis on the factors that inhibit the start of exports. Exporting companies refer as the most important obstacles, operational, procedural problems, and problems with marketing. Furthermore, in most studies, exporters tend to diminish export barriers importance as opposed to the non-exporters or the likely exporters (Shaw and Darroch, 2004). The nature and the severity of export barriers vary not
only between the various stages of export, but also between companies that are at the same stage of the export process. External factors present in several markets strongly influence how the export obstacles are perceived. The size of the company often determines the nature and influence of the export barriers, with smaller businesses feeling more the barrier’s impact (Leonidou, 1995).

Export barriers (table 1) have been classified into internal and external barriers. Internal barriers are mostly intrinsic to the company and are usually associated with insufficient organizational resources. External barriers originate from the environment in which the company operates, whether the company operates in the home country or in the destination country (Leonidou, 1995).

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<thead>
<tr>
<th>Internal</th>
<th>Information</th>
<th>Limited information to locate/analyse markets</th>
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<td>Problematic international market data</td>
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<td></td>
<td>Identifying foreign business opportunities</td>
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<td></td>
<td>Inability to contact overseas customers</td>
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<td>Functional</td>
<td>Lack of managerial time to deal with exports</td>
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<td>Inadequate/untrained personnel for exporting</td>
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<td>Lack of excess production capacity for exports</td>
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<td>Shortage of working capital to finance exports</td>
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<td>Product</td>
<td>Developing new products for foreign markets</td>
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<td></td>
<td>Adapting export product design/style</td>
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<td>Meeting export product quality standards/specs</td>
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<td>Meeting export packaging/labelling requirements</td>
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<td>Offering technical/aftersales service</td>
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<td>Price</td>
<td>Offering satisfactory prices to customers</td>
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<td>Difficult in matching competitors prices</td>
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<td>Granting credit facilities to foreign customers</td>
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<td>Distribution</td>
<td>Complexity of foreign distribution channels</td>
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<td>Accessing export distribution channels</td>
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<td>Obtaining reliable foreign representation</td>
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<td>Maintaining control over foreign middlemen</td>
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<td>Difficulty in supplying inventory abroad</td>
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<td>Logistics</td>
<td>Unavailability of warehousing facilities abroad</td>
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<td>Excessive transportation/insurance costs</td>
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<td>Promotion</td>
<td>Adjusting export promotional activities</td>
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<td>External</td>
<td>Procedural</td>
<td>Unfamiliar exporting procedures/paperwork</td>
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<td>Problematic communication with overseas customers</td>
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<td>Slow collection of payments from abroad</td>
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<td>Governmental</td>
<td>Lack of home government assistance/incentives</td>
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<td>Unfavourable home rules and regulations</td>
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<td>Task</td>
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<td>Different foreign customer habits/attitudes</td>
<td>Poor/deteriorating economic conditions abroad</td>
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<td>Keen competition in overseas markets</td>
<td>Foreign currency exchanges rates</td>
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<td>Political instability in foreign markets</td>
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<td>Strict foreign rules and regulations</td>
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<td>High tariff and nontariff barriers</td>
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<td>Unfamiliar foreign business practices</td>
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<td>Different sociocultural traits</td>
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<td>Verbal/nonverbal language differences</td>
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**Table 1: Export Barriers**

**Source:** (Leonidou, 2004)

Small businesses face a wide range of barriers to internationalize. The frequency and intensity of these obstacles can vary with time, space, and industrial contexts. This emphasizes the fact that the impact of export barriers is specific to each particular situation, depending largely on the management and experience of the company (Leonidou, 2004).

According to Knight and Liesch (2002), compared to large enterprises, SMEs are less able to withstand competitive threats and the most unfavorable external environments. By operating on fewer countries and therefore having access to a lower level of risk diversification, they are more susceptible to fluctuations in conditions in individual markets. Activities such as foreign markets research, product adaptation, searching and contacting customers, developing distribution channels abroad, moving goods between long distances, and ensuring that products are managed appropriately to the final consumer, pose serious challenges to the SME’s internationalization (Knight and Liesch, 2002). The acquisition of appropriate knowledge becomes thus a top priority for SMEs, enabling them to overcome many of these obstacles, reducing the uncertainty surrounding the internationalization.

Given the intrinsic complexity and risks involved in the internationalization process the two major decisions, where and how a firm internationalizes gain crucial importance. It is clear that the internationalization process involves obstacles and the company needs to be prepared to overcome them. According to the mentioned theories, independently of the followed approach, a more gradual process, based on the networks or even depending on the entrepreneur decisions, the knowledge has always a crucial role. The acquisition of information about foreign markets is considered the key factor to start the internationalization process(!!! INVALID CITATION !!! , Knight and Liesch, 2002) (Knight and Liesch, 2002). It is also a fundamental way to avoid and overcome internationalization obstacles. (Knight
and Liesch, 2002) There is thus a relation between the internationalization paths, the knowledge and the barriers that the company may be confronted with. The company chooses a determined market and entry mode based on the information and knowledge acquired, and this decision will later influence the internationalization barriers felt during the process. Those barriers can, in turn, be avoided and overcome depending on the company knowledge on the market, entry mode and internationalization process as a whole.
2.2. The Internship

The advantages for the students of the realization of an internship are well known. It provides the opportunity for the students to apply and reinforce the theoretical knowledge acquired during their academic period in real situations (Koehler, 1974). At the same time, this makes possible the connection between theory and professional work, extremely relevant for a better understanding of the theoretical concepts and the development of a practical thinking in the interns which will be important in future professional experiences, as well as the creation of networking opportunities (Hergert, 2011). As a practical experience, it makes possible the development and acquisition of work relevant skills. It is also a differentiation factor, since experience is one of key attributes that any recent graduate can present to potential employers (Gault et al., 2000). On the other side this gives to students a better sense of the activities that they will or could perform in the future, helping them make better decisions concerning different employment opportunities or career goals (Koehler, 1974).

From a company’s point of view, internships offer an opportunity to bring new theoretical knowledge into the company. It can also work as a way to evaluate future employees, since it is a chance to acquire, for a short period of time, motivated and considerably low-cost work force (Callanan and Benzing, 2004)

For the universities, internships straighten the relationship with the business community and can also work as a differentiation factor to attract students that desire to have a practical experience as part of their academic curriculum (Callanan and Benzing, 2004). They can also be seen as a source of empirical evidence, crucial for the university research activities that will make possible the development of new and valid theories (Eisenhardt, 1989).

According to (Mccarthy and Mccarthy, 2006), the internship creates the opportunity for the student to make real decisions instead of more theoretical thinking about situations or cases presented in lectures. It also allows students to explore different career options, develop networks and work with academic and professional mentors.

In this case, the realization of the internship made possible a better understanding of the internationalization process of a Portuguese SME.
2.2.1 - Company Presentation

The Castro, Pinto & Costa, Lda. (CPC) was founded in 2000 and since then has been developing and expanding its activities. It is divided into five main business areas: consulting, auditing, training, research and development, analysis laboratory and marketing of products which incorporates the OleoTest®.

The company differentiates itself from its competitors by binding strongly to the academic world, which allows an exchange of knowledge and skills acquisition in various areas. Through highly technical knowledge in the area that comes from extensive experience in terms of engineering, consulting and networking capacity. This allows it to achieve high standards of excellence both in services and in products marketed. The company's mission is: "To encourage the sustainable development of enterprises, fostering a management policy for Total Quality; Contribute to the development of human resources which will result in improving the performance of companies and organizations; Boost innovation potential of the business and to coordinate and promote indigenization technologies". The vision is to position CPC as a "prestigious image, consolidated by the public recognition of the added value of our products and services". The strategy goal is achieving and maintaining the highest levels of performance (products and excellent services), CPC adopted a Total Quality Management. Being the main focus the company's strategy on quality and innovation of its products and services in order to retain and win new customers and markets. It presented as cornerstones of conduct the high qualification of human resources, professional, business and social ethics and respect for the environment, which allowed it to conquer an image of respect in society.

2.2.2 - Product Presentation OleoTest

The OleoTest® is a rapid test for the measurement of polar compounds in oils and frying fats. The frying, cooking technique, involves high amounts of fat and substances (polar compounds) considered toxic due to the transformation that occurs during the heat process by the unsaturated fatty acids. These substances are harmful to health, contributing to the poor functioning of the heart and arteries and may predispose to the onset of malignant diseases such as cancer. Thus, there is a need to control the oil so that the percentage of polar compounds do not exceed the legal limit established under the Portuguese Decree 1135/95 of 15 September, which prohibits the marketing of foods prepared in oils that have a number of
polar compounds greater than 25%. The OleoTest® is a consistent, fast and cheap method of controlling the quality of cooking oil, allowing in a few minutes and in a very easy and reliable way to evaluate edible oils, in terms of the presence and concentration of polar compounds. The OleoTest is used by official bodies such as the ASAE (Autoridade de Segurança Alimentar e Económica) in enforcement actions and may serve as legal evidence, as it maintains its characteristics unchanged after use. The OleoTest® is thus an important part of HACCP (Hazard Analysis and Critical Control Point) and food security food business branch, required by law, according to the EC Regulation 852/2004.

2.2.3 - Company's situation at the beginning of the internship

Although the main objective of the internship consist in the creation of the conditions for the company to start exporting to China, and the market selection and mode of entry were previously defined it is non the less important to appeal to the internationalization theory to guide during the process and better understand the possible paths and barriers that could be presented.

According to the Uppsala model the company follows an incremental process, at two levels, to where and how. In other words, the company starts its internationalization for a geographically and psychological closer market, where it feels more comfortable, where it has more information and knowledge to do business. It can do it through less demanding modes of entry, that call for a lower level of knowledge also, resulting in a less risky strategy. It is through these incremental steps that the company can reduce the liability of foreignness, condition suffered by new companies as foreigners in new markets and closely related with the lack of specific knowledge of the market. The Uppsala model does not explain thought the market selection in this particular case, since a company without any foundation that can explain such decision, choose China. A market that presents itself as probably one of the most geographically and psychologically distant destinations for a Portuguese SMEs. Especially taking into account the lack of experiences abroad and lack of knowledge to give such a big step, being thus susceptible to suffer from the mentioned liability.

Immerges thus an important question, how was the market selected? The Network theory introduces a new approach to the internationalization process and a possible answer to this question. The network relations formed between partners, which can be a simple client, supplier or even a competitor gain new importance and are a crucial factor in the
internationalization process. This means that a company needs to be part of network of relations that stream the necessary information and conditions for a company to internationalize. So unlike the Uppsala model, the process may not be incremental, since the company is not alone and selects a specific market or mode of entry based on its’ current relations. This could explain the big step taken by CPC, when it selected China as a destination market. However, the company is not present in any network that supports this decision or that has, or transfers specific knowledge about the market that would allow this decision. The company faces the main barrier present in the network theory, the liability of outsidership, which refers to the fact of not making part of any relevant network that would allow the acquisition of second hand knowledge. Knowledge that is produced by the partners and shared inside the network, or that is generated by the interaction of players in the network. So it is only available for those who make part of this relationship. Following the Johanson and Mattsson (1988), typology, that distinguishes between the level of internationalization of the market, CPC can be seen as an Early Starter or a Late Starter. As an Early Starter considering the low degree of internationalization of the company and of the market, which are both not internationalized. This can be the case given the high specificity of the product and inexistence of direct competitors, information and knowledge concerning the product. The market still does not have any legal regulation about the quality control of the used edible frying oils, and although there are related products in the market, none have the same characteristics. Besides the lack of information about the market and by the market about the product, the company faces the “liability of newness” one of principal barriers faced by companies as an Early Starter.

Given the previous analysis, none of the mentioned theories can explain the complete scope of the market selection decision. The international entrepreneur perspective in which the entrepreneur characteristics play a major role in the internationalization process can give us new insights to the OleoTest® case. The decision to internationalize to China can be in part explained by the behavior of the entrepreneur, that decided based in is perception, information, knowledge or experience to select China as a target market to internationalize the OleoTest®.

Andersson (2000) can help us to better understand the entrepreneur’s decision process, according to the entrepreneur’s characterization. He distinguishes three different types of international entrepreneurs, the technical, marketing and structure. It is clear that in this case there are some similarities of the CPC entrepreneur, with the marketing entrepreneur,
described as entrepreneur that looks for new opportunities in growth on emergent markets. In which the personal characteristics, emotions and relations could have a big role in the market selection, in the detriment of a more rational analysis. This could explain the OleoTest® internationalization process; however for this to be the case, it would be needed that the company recognizes a market necessity, which it did not.

The entrepreneur decision in this particular case was influenced by herd behavior. This happens when a certain behavior is seen as the right one, since it is take by a large number or companies or by successful companies. China has been presented by the media as an expansion opportunity for Portuguese companies, due to its size, economic growth and some successful cases of Portuguese companies in the market. The entrepreneur selects China, because he is following the behavior of other Portuguese firms. It is then clear that IMS’ behavior, in this case is mostly explained by the entrepreneur’s believes, shaped by the behavior of other firms and by the media and not by a systematical and rational process, as defended by the Uppsala Theory or by the Network Theory.

This puts the company in a vulnerable position. China, being a good destination market for a specific company does not mean that it is also for others, even for companies from the same sector. The results obtained by one company in one specific market cannot mean that the market is a preferential destination for other companies from the same sector. Besides a, country is living system, where the economic, politic, legal and social situation is constantly changing, leading to changes in the internationalization context as well. Other important issue derives from an internationalization process based on following the herb, which is the fact that it is an ignorant process, where the company doesn’t acquire or absorb any knowledge from the process (Forsgren and Hagström, 2007).

It was clear since the first moment that the mode of entry was previously defined. As an SME and given the resource constraints, exports is seen as the only possible option. The company follows in this way the Uppsala Theory starting the internationalization process with a low level of commitment and gradually as they acquire more knowledge about the market increase for modes of entry that demand a higher level of commitment. With export experience gained from the current export activities. The company internationalization process consists in finding a possible client, importer or distributor that holds the necessary market knowledge, and with this the company just has to dispatch the product to the foreign destination.
Following Root (1994), we are in the presence of the naïve rule. The entry mode is determined even before the market is selected. The company establishes that exports are the only possible way to enter a market, given their condition as SME, with low resources.

The market entry selection as well as the entry mode were not based in any specific knowledge, which made the search for information and knowledge about the market a primarily task in order to start the internationalization process. Thus, when the internship started the company had already decided the market and the entry mode but had no information or connection with China.
2.3. Methodology

The methodology used for this report was an ethnography given the fact that this report is based on an internship, where the trainee was in a position of observer participant. It was intended to address all the issues raised during the process, which will enable a better understanding of the case study, and the identification of solutions to the main obstacles put in the way of internationalization.

It was performed a research and information analysis of secondary data, internal and external with the objective of:

a) Framing the market in terms of economic growth

Through a market analysis, which shows the macroeconomic and political environment focused on food safety.

b) Legal framework

This objective will be performed through online search and some direct contact with public Chinese institutions in order to identify the applied food safety legislation.

c) Framing the product in terms of categories and respective customs fees

The *OleoTest®* will be categorized according to the HS (Harmonized System), for a possible identification of the respective customs fees through online search and direct contact with Portuguese and Chinese public institutions.

d) Make the cost of the product through the potential importer point of view

Through the research of information online and the direct contact of transport companies, freight forwarders, Portuguese and Chinese public institutions.

e) Make a study of the main competing products

Identification of the main competitors presented in the Chinese market and analysis of price information collected through the online sites of the competitors, ecommerce sites.

f) Search potential product distributors

Gathering information regarding potential distributors, importers or clients through online search and the contact of Portuguese public institution to request information.

g) Identify the main export barriers
Identification and understanding of the principal barriers found during the internationalization process.

Data collection was carried out within the company and in several national and international organizations. Particular attention was paid to government institutions, especially bodies that support the internationalization, like AICEP (Agência para o Investimento e Comércio Externo de Portugal), EUSMECenter (EU SME Center), bodies responsible for food safety and trade and industry associations. It was make use of credible sources in order to get reliable information, and whenever possible, verify it by comparing with information from other sources.
2.4. Activities developed within the internship

This chapter describes the activities carried out under the internship held in Castro Pinto & Costa, Lda.

- **Framing the market in terms of economic growth**
  Perform a economic market analysis focused on the microeconomic environment in the food safety and HORECA sector, using data from the World Bank and AICEP. Besides the gathering of main economic indicators, the main goal consisted in acquiring a better understanding of the sector growth rates. Even with all the difficulties in accessing this type of data it was clear that there is an increase in the number of restaurants and hotels, result of the increasing disposable income.¹

- **Research the Food Safety Legal Framework and Policies**
  This activity includes an exhaustive research concerning the national and local legal framework related with food safety regulations. With a principal focus in the regulations concerning the control of polar compounds in used edible frying oil, the parameter use by the OleoTest®. Multiple sources of information were used, such as the site of the General Administration of Quality Supervision, Inspection & Quarantine of the People's Republic of China (AQSIQ), Standardization Administration of the People's Republic of China (SAC), Shanghai Food and Drug Administration (SHFDA), Instituto para os Assuntos Cívicos e Municipais (IACM) of Macau and the World Bank. Other important point to mention, is the understanding of the country's concerns related with food safety, in terms of government will and policies implemented, as well as population awareness regarding food safety and related issues.²

- **Framing the product in terms of categories and respective customs fees**
  This activity consisted in the understanding of all the export procedures and formalities required to export to China. The information was gather through access to multiple sites (MADB.europa.eu, EU SME Centre, AICEP, China-briefing, China-EU-standards) and email

¹ Annex A. Economic & Politic Analysis
² Annex B Legal Framework
enquiry with specialist from AICEP, EU SME Centre, freight transportation companies and freight forwarders. This included, framing the product in terms of categories and respective tariffs\(^3\); acknowledgement of the required procedures to obtain the certificate of origin\(^4\); customs procedures, imports regulations, import registration process, currency and payment methods, legislation of documents and indications to realize contracts for the international sale of goods.

**Trademark registration**

This also includes research about the trademark registration process, which is fundamental for the successful pursuit of an internationalization process. It is essential to perform the trademark registration before entering the Chinese market. This first phase begun with the search for the requirements to be followed by the trademark to be eligible for registration using information from (site China IPR Helpdesk). After confirmation that the trademark follows all the required points to be registered, the next phase consisted in the identification of the registration procedures performed through the various sources (site China IPR Helpdesk, WIPO, INPI) and through the direct enquiry with experts from China IPR Helpdesk and from INPI\(^5\). The next phase consisted in the research and contact of law firms capable of performing all the requisites previously identified for future selection of the best option.

**Labelling and packaging requirements**

It was also identified the labelling and packaging requirements to export the OleoTest® to China. Although there are general requirements, it is important to identify the type of product, since there are specific requirements depending on product characteristics. This was one of the main challenges, due to the OleoTest® specificity and the possibility of classifying it in one of three categories: food related product, chemical product and diagnostic devices, according to different information from various sources (AICEP, EU SME Centre, internal information and AQSIQ). All the information was translated and compiled in a document accessible to all the company.\(^6\)

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\(^3\) Annex C Procedures and requirements to export  
\(^4\) Annex D Certificate of origin  
\(^5\) Annex E Trademark registration  
\(^6\) Annex F Labelling and packaging requirements
- **Product costing from the perspective of the importer**

Identification and calculation of taxes, duties, transportation cost and cargo insurance through information obtained in the site of MADB.europa.eu and China-briefing. Besides the information gathered through the internet, these tasks involve the contact of transportation companies and freight forwarders. It was not possible to identify the exact customs costs applied to the product.\(^7\)

- **Perform an analysis of the main competitor products**

It was first identified all the products able to test the quality of used edible frying oil existent in the global market. After this, it was performed a search on each of the competitors site, with the objective of determining the presence of the competitors product and if possible the cost of the competitors’ products in the Chinese market. Given the difficulty in assessing the presence and the cost of products in the Chinese market based on the products company site, the way found to perform this activity was through access to ecommerce platforms (Alibaba.com) in this case.\(^8\)

*Porter Fives Forces Model*

It is important to understand the competition that the company will face in the determined industry. One way of doing this is through the Porter Five Forces model. This framework allows to analyze the level of competition within an industry and helps positioning the business against the competitors. According to Porter there are five forces that shape the industry competition, namely: Competitive rivalry, bargaining power of suppliers, bargaining power of customers, threat of new entrants and treat of substitute products or services (Porter, 2008).

The entry in a new market depends on the barriers that are placed to the new entrants and that the incumbents have as advantage for protecting their current position. China presents many barriers to entry that according to the author are part of two major sources: unequal access to distribution channels and the restrictive government policy.

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\(^7\) Annex G Product costing  
\(^8\) Annex H Competitors Analysis
Given the lack of awareness of the product’s functions and lack of knowledge by the consumers concerning the necessity to control the frying oil, it is difficult to find a distributor interested in the product. This can in last instance mean that companies need to create their own distribution channels (Porter, 2008). The other major source of barriers is the restrictive government policy. China limits entry in some industries, imposing licensing requirements difficult to comply with, existing also a lack of transparency given the difficulty to find information in English and the different local interpretations and associated difficulties in determining the customs value (Aicep, 2014). The country lacks specific legislation to regulate the control of used edible frying oil and inspection measures. The existent food safety regulations can differ from region to region, being difficult to identify. Other important fact is the difficulty in protecting the trademark against copy, fraudulent behavior and corruption. The registration process is onerous, taking several months to conclude and many resources (Aicep, 2014).

The power of suppliers means they have the power to change prices, limit quantities and quality and capture for themselves a high percentage of the industry value (Porter, 2008). Given the specificity and nature of the OleoTest®, namely their chemical composition, the supplier power is not an issue since, the raw materials and components used for the production are common not differentiated and easy to buy, with many suppliers available and in this particular case the product will be exported, maintaining the current supplier structure.

The Power of buyers: in this case is the buyer that has the power to negotiate, forcing the prices to decrease and demanding better quality or more service. Buyers have power if they are price sensitive, changing for OleoTest® substitutes. In this particular case are the big groups of customers, such us hotel and restaurants chains that have the bargaining power (Porter, 2008). The threat of substitutes means that there are products available at the market that perform the same function (Porter, 2008). The OleoTest® has several differentiating characteristics: the fact that it is a disposable test; that it can be kept as proof for inspections, and that it uses the TPC total polar compounds parameter, considered the most complete parameter to evaluate the oil quality. Even so there are other options available at the market, as disposable and electronic tests. It is also important to mention, that there is the possibility to implement standard procedures, change the oil every hour or depending on the quantity of fried food, that make irrelevant the use of the diagnostic test. This is the case in some hotel and restaurant chains.
Industry rivalry consists in the competition existent in the market. A high level of rivalry restricts the industry potential profitability (Porter, 2008). The industry presents some diversity of competitors with SME’s and large multinational organizations offering differentiated products that perform the same function as OleoTest®.

<table>
<thead>
<tr>
<th>Porter Fives Forces Model</th>
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<tbody>
<tr>
<td>Threat of Entry</td>
</tr>
<tr>
<td>• Difficult access to distribution channels</td>
</tr>
<tr>
<td>• Government policies and regulations difficult to comply with</td>
</tr>
<tr>
<td>• Many barriers to entry (patents, rights, trademarks, lack of specific legislation, lack of product knowledge by the consumers and possible partners</td>
</tr>
<tr>
<td>• Availability of differentiation products</td>
</tr>
<tr>
<td>Supplier Power</td>
</tr>
<tr>
<td>• Raw material and components used for the production are common and easy to buy.</td>
</tr>
<tr>
<td>• Many suppliers available</td>
</tr>
<tr>
<td>Buyer Power</td>
</tr>
<tr>
<td>• Price sensitivity</td>
</tr>
<tr>
<td>• Product differentiation (other products available)</td>
</tr>
<tr>
<td>• Bargaining power of big economic groups such as hotel and restaurants chains.</td>
</tr>
<tr>
<td>Threat of Substitutes</td>
</tr>
<tr>
<td>• Substitute products available (disposable and electronic devices)</td>
</tr>
<tr>
<td>• Possibility to implement standard procedures that make irrelevant the use of the product (implemented by hotel and restaurant chains)</td>
</tr>
<tr>
<td>Industry Rivalry</td>
</tr>
<tr>
<td>• Diversity of competitors (PME’s and multinational organizations)</td>
</tr>
<tr>
<td>• Product differentiation ( disposable and electronic devices that used different parameters)</td>
</tr>
</tbody>
</table>

Table 2: Porter Fives Forces Model  
Source: Constructed by the author

- Search and Contact of Potential Distributors

Exploration of potential distributors and importers through the access of food safety specialist internet sites, follow up of the contacts made during the fair visit, and request to AICEP. These contacts were in a next phase contacted by email with the company and product presentation, showing the interest in discuss a possible relation.

This involved the preparation of a visit to an international fair in Shanghai: the FHC China 2014. The first approach to the market occurs with the visit of an international food exposition
(FHC China 2014 Shanghai) by the company CEO Eng. Inês Castro and an employee of her trust. The visit was prepared with a preselection of potential customers and partners among the exhibitors, to whom was send a personalized email\(^9\) with the company and product presentation, as well as a suggestion to schedule a meeting during the fair. Besides this the local food safety authority (SHFDA) was also identified and contacted, with the objective of scheduling a meeting during the visiting period. For the preparation of this meeting it was compiled a document with Chinese culture insights and indications for dealing and negotiating with Chinese business partners.\(^{10}\)

- **Identify the main export barriers**

Identification and understanding of the principal barriers found during the internationalization process. Following Leonidou (2004) classification, it was easy to identify the main barriers felt by the company during the process. As internal barriers, the information barriers, namely the limited information to locate and analyse foreign markets and the inability to contact overseas customers were the ones that had more impact during the process. Relatively to the functional barriers, the limited managerial time to deal with exports and the inadequate/untrained export personnel were also a factor. Concerning the marketing barriers and in more detail the distribution barriers, the company feels difficulties in obtaining reliable foreign representation. It was also possible to identify external barriers and procedural barriers, as the unfamiliarity with exporting procedures/documentation and difficulties in communicating with foreign customers, and environmental - classified as sociocultural barriers, namely the unfamiliarity with foreign business practices, the different sociocultural traits and the verbal/nonverbal language differences.

\(^9\) Annex I Personalized email
\(^{10}\) Annex J Culture insights
<table>
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<tr>
<th>Objectives</th>
<th>Actions</th>
<th>Sources</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Framing the market in terms of economic growth</td>
<td>Market analysis focused on the macroeconomic environment and politic environment regarding food safety regulations</td>
<td>World Bank; AICEP (Agência para o Investimento e Comércio Externo de Portugal)</td>
<td>Small decrease in PIB growth expected for the following years, growth of the imports with Portugal and the rest of the world. Increase in the number of Portuguese exporters to China.</td>
</tr>
<tr>
<td>b) Legal framework</td>
<td>Online search, direct contact with public Chinese institutions focused on Food safety legislation and policies.</td>
<td>General Administration of Quality Supervision, Inspection &amp; Quarantine of the People's Republic of China (AQSIQ); Standardization Administration of the People's Republic of China (SAC), Shanghai Food and Drug Administration (SHFDA), Civic Affairs Institute de Macau (IACM); World Bank</td>
<td>Lack of legislation concerning the control of total polar compounds in the edible frying oil. Disparity of legislation and policies applied in the different provinces or cities.</td>
</tr>
<tr>
<td>c) Framing the product in terms of categories and respective customs fees</td>
<td>Categorization of the OleoTest® according to the HS (Harmonized System), identification of the customs fees, procedures to obtain the certificate of origin; customs procedures, imports regulations, import registration process, currency and payment methods, indications to realize contracts for the international sale of goods and trademark registration through online search and direct contact with Portuguese and Chinese public institutions.</td>
<td>MADB.europa.eu, EU SME Centre, AICEP (Agência para o Investimento e Comércio Externo de Portugal), China-briefing, China-EU-standards and email enquiry with specialist from AICEP, EU SME Centre, freight transportation companies and freight forwarders.</td>
<td>Given the specificity of the product, and the possibility to be considered a medical device, chemical, or a diagnostic test, different opinions were obtained. Although the product is classified as a diagnostic test in terms of tariff code, it has to comply with the requirements for chemical products concerning the labelling and packaging.</td>
</tr>
<tr>
<td>d) Determine the cost of the product through the potential importer point of view</td>
<td>Search for information online and direct contact with transport companies, freight forwarders, and Portuguese and Chinese public institutions.</td>
<td>MADB.europa.eu; China-briefing. Direct contact with transportation companies and freight forwards.</td>
<td>Simulation of the cost to import OleoTest® to China. Budget from the transport companies.</td>
</tr>
<tr>
<td>e) Evaluate the main competing products</td>
<td>Analysis of price information collected through the online sites of the competitors, ecommerce sites</td>
<td>Alibaba.com, 3M; Testo; Merck Millipore; MP Biomedicals; Ebro</td>
<td>Difficulties in establishing if the competitor in sold in the Chinese market and the corresponding price: Only way found to surpass this was to use the ecommerce site Alibaba.com</td>
</tr>
<tr>
<td>f) Search potential product distributors</td>
<td>Online search and contact Portuguese public institution to request information.</td>
<td>AICEP (Agência para o Investimento e Comércio Externo de Portugal); contacts acquired during the visit to Shanghai; SHFDA (Shanghai Food and Drugs Administration); online sites…</td>
<td>The company is still in negotiations with the SHFDA for a possible partnership that allows not only the product sale, but also the recommendation by the agency to use Oleo Test® to control the used edible frying oil.</td>
</tr>
<tr>
<td>g) Identify the main export barriers</td>
<td>Literature review on exports barriers to help understand and overcome the barriers found during the internationalization process.</td>
<td>Literature review</td>
<td>Quicker identification and understanding of the various barriers felt during the internationalization process, which allowed a better response.</td>
</tr>
</tbody>
</table>

**Table 3:** Activities developed within the internship  
**Source:** Constructed by the author
2.5. Conclusion

This report is the result of a 6 month internship held in Group CPC with the objective of creating an internationalization strategy focused on the Chinese market. Given their knowledge limitations, the company searched for support through the realization of a protocol with the Faculdade de Economia do Porto (FEP), to receive interns that could in some way offset the necessary competences in international business. For the company this is a way to overcome the lack of theoretical knowledge and having access to the new concepts that are being developed in the academic field.

Personally, during the internship and remaining period used for the completion of this report, I had the opportunity to deepen my theoretical knowledge in internationalization, and acknowledge the applicability of the theories in the field. Being immersed in the organization reality allowed me to experience in first and the limitations and barriers that are placed to a SME’s during the internationalization process.

The deep study of the internationalization literature applied to the internship clarified the major decisions and helped to understand the company’s limitations and internationalization barriers. The internationalization process is characterized by the importance of the information and knowledge required to approach a foreign destination market. This was the driver for the development of the article that related the importance of information and knowledge to overtake the export barriers based on the Group CPC business case. The article’s major conclusion was the intimate relation existent between the liabilities/barriers felt by the company and the lack of knowledge. Companies can mitigate or avoid these liabilities and barriers if they are aware of the importance of knowledge acquisition and absorption.

None of the studied theories explains by itself the internationalization strategy followed by Group CPC. It is on the other hand explained by the association of various theories. Each of the study’s theories gave insights that permitted to explain in part the decisions made by the company during the process. However this separation in some aspects of the company decisions relatively to what is stated in some of the studied approaches can be the reason for the increase in the liabilities and barriers felt during the internationalization process.

The non-systematic market selection based on following the herd and predefined entry mode, contributed for an increase in export barriers and liabilities felt by the company. In this particular case, it explains the difficulties to gather information and obtain knowledge concerning the selected market to which the company did not have any contact.
The elaboration of this report was challenged by the lack of information and knowledge from the market or from previous internationalization processes, also the lack of communication and time from the entrepreneur. Despite these obstacles the company searches for new opportunities and has a strong hill to export its products to new destinations. Through the protocol sign with the university, the company shows proactivity and continued search for new approaches to overcome their own internal liabilities and in this way obtain knowledge that can help to improve the company international strategy. Notwithstanding these limitations, the company also made an effort to invest the possible resources in the market approximation. An example of that are the market visit and the hiring of the services of a mandarin translator.

When the internship started the country and entry mode were already defined, in this way the internship was dedicated to the gathering and analysis of information. Over the course of the internship it was clear for the company the difficulties in obtaining information concerning the market and the export process itself. The necessity for acquiring information could be devaluated by the establishment of a relationship with a partner (distributor, agent, customer) in the destination market with the require knowledge in the market and in international business. However this attempt was also unsuccessful, given the lack of knowledge of the market relatively to OleoTest®, and due to language and cultural barriers.

The company could in the future search for a partner in Portugal experienced in making business in China. This could be achieved through the involvement in Portuguese clusters. This way the company would overcome the lack of knowledge and the language and cultural barriers. Other possibility would be to participate in events created by the AEP (Associação Empresarial de Portugal) and AICEP to promote the internationalization of Portuguese companies to China, such as trade mission or networking events.

In order for the company to benefit from these actions, it is fundamental to absorb the knowledge acquired through experience or by networks. This means to create internal mechanisms such as practices, procedures and databases that help to share and storage the information and knowledge inside the company.

With the development of this report it was possible to conclude that information is vital for the SME’s internationalization. This particular case seems to point out for the impossibility of an ignorant internationalization. The company needs to acquire and absorb the right information and knowledge if it desires to reach the destination market. This is related to the
requirement for an informed market and entry mode selection. Selecting the right market and entry modes can be the reason of success or failure in the internationalization process.

The company can make use of this report to improve the following internationalization related decisions, and realize that the internationalization process should fit the company and product specificities.
THE IMPORTANCE OF KNOWLEDGE AND INFORMATION TO OVERTAKE EXPORT BARRIERS - A CASE STUDY OF A PORTUGUESE SME

Matos, Pedro¹; Meneses, Raquel²;

Abstract

This paper focuses on the main barriers to the internationalization of a SME and the importance of information, not only in major decisions involved in the internationalization process, but also as a prerequisite to successfully overcome the barriers to export. The aim of this study is to understand the importance of knowledge and information in the prevention and surpassing of export barriers. It consists of a single case study developed on a SME that intends to start exporting to China. To highlight the internationalization barriers, the literature on the Uppsala theory, Network Theory and International Entrepreneur Theory will be reviewed. A single case methodology is used, that together with the main literature, allows to relate the theory with empirical evidence. This paper highlights the importance of information to the internationalization process, which is seen as a mandatory requirement not only to market selection and entry mode but also as a precondition to overcome the different exports barriers to SME’s internationalization. The principal contribution of this paper consists in finding that all the major barriers SME’s encounter in exporting are related to the lack of information, or has somehow to do with the need for information. This paper however, has limitations given the single case study methodology, which means that the findings defended cannot be generalized. The conclusions from this empirical study have important implications for SME’s managers that can use this case to better understand the underlining cause and find new ways to overcome export barriers.

Keywords: Exports, SME’s, export barriers, knowledge acquisition, knowledge absorption
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**Introduction**

The expansion to new international markets by companies is crucial to follow globalization, a phenomenon that results from significant and constant advances in terms of production, transportation, information technology, financial systems, regulatory environments and social networks. Crucial for the survival and growth of SME’s, the internationalization process can nevertheless represent a significant amount of risk. This risk is intimately related with the barriers particular faced by SME’s to internationalize. It is recognized that research on barriers to export still lacks a comprehensive theory to clarify the main export problems of SME’s in small countries, in which the economic growth depends largely on this activity (Pinho and Martins, 2010). There is heterogeneity in the barriers studied by the different authors. Each researcher tends to define his own list, based on the literature and in their own studies, making it difficult to compare results (Rocha et al., 2008). The importance of information is recognized in most internationalization theories. Information in not only seen as a prerequisite to the internationalization process, it is also a component of the various theories (Knight and Liesch, 2002). There are multiple theories that refer the fundamental role of information and derive knowledge in the internationalization process. However, obtaining information and knowledge about international markets is considered a major challenge for SME’s (Burpitt and Rondinelli, 2000). According to the Uppsala model from Johanson and Vahlne (1977), internationalization is defined as a gradual process, in which the company selects the market according to the degree of psychic distance and where knowledge is acquired through experience (experiential knowledge) gained in foreign markets. It is through this experiential knowledge that the company faces the difficulties that result from the poor knowledge concerning the foreign market specificities - the principal barrier in the model faced by companies, known as liability of foreignness (Hymer, 1976). On the other side, in the Network Theory the internationalization is deeply related with the position of the companies in the network relationships, with the knowledge being acquired through partners (second-hand knowledge), making the process faster, since there is no need to obtain knowledge through their own experience (Costa E Silva et al., 2012). Companies with a weak position in the networks can have to deal with the liability of outsidership, which means a low level of information exchange between the companies and the network and consequently, a limited access to knowledge within the network (Johanson and Vahlne, 2009). Contrarily, according to the International Entrepreneur Perspective, the entrepreneur is one of the principal decision
factors on market selection and entry mode, given the main role that (s)he has in the SME’s decision making process (Leonidou et al., 1998).

These theories will serve as a starting point for the analysis of this paper’s case study, based in a Portuguese SME’s that intends to internationalize its main product - *OleoTest®* to the Chinese market. In order to understand how the decision to go to China was made and what were the consequences of this being a mimetic decision. Making part of this process will permit to make an exposition in detail of the principal barriers that the company faces to start exporting to China. The present paper begins with a literature review of the mentioned internationalization theories, and the export barriers literature.

**Literature Review**

*Barriers to Export*

The expansion to international markets is a unique opportunity for companies to growth and for value creation, yet also implies several challenges (Korsakienė and Tvaronavičienė, 2012). Although exports are considered the most common form of involvement in the international market, since they imply a low level of risk, limited resource commitment and offer a great flexibility of movements (Leonidou, 1995), according to (Acs et al., 1997) failures in the financial markets, differences in legal systems, culture and language make the internationalization process too risky for many SME’s. Consequently, most small businesses see exports as a risky decision due to the lack of resources and right information (Burpitt and Rondinelli, 2000). The risk perception is intimately related with the barriers to exports defined by Leonidou and Katsikeas (1996), as all restrictions, limitations, attitude, structural, operational constraints and others, that prevent the company’s ability to initiate, develop or maintain international operations. Present in various empirical studies, the barriers to export, with rare exceptions, appear classified into different positions in terms of frequency, severity or importance. This difference in results is attributed to distinct methodologies, geographic locations, company specific factors, export profiles and different periods (Leonidou, 2004). Firstly presented by Rabino (1980), the author describes not only the problems faced by exporters but also export barriers perceived by non-exporters. Following this, Leonidou (1995) refers that the non-exporters tend to perceive obstacles to exports differently from the exporters, putting more emphasis on the factors that inhibit the start of exports, while exporters emphasize the operational and procedural obstacles more related with marketing
being the most important. It is also important to mention that in most studies, exporters perceive barriers to internationalization as less important than non-exporters, or the likely exporters (Shaw and Darroch, 2004). The barriers to exports can be found in all stages of the exports development process, however its nature and severity perception may vary noticeably from stage to stage and between companies that are at the same stage of the export process. The external environmental, the industry-specific factors and the size of the company influence in a great manner the way obstacles and nature of the barriers to exporting are perceived (Leonidou, 1995). According to Knight and Liesch (2002), compared with large firms, SME’s are less able to withstand competitive threats and hostile external environments. By operating on fewer countries and therefore having a low level of risk diversification, they are more susceptible to individual markets conditions fluctuations. Activities such as foreign market research, product adaption, discovery and contact with customers, development of channels abroad, moving goods, and ensure delivery quality service, pose serious challenges to SME’s internationalization.

The acquisition and absorption of appropriate knowledge become one of the main priorities for SME’s, as it overcomes many of these obstacles, reducing the uncertainty surrounding internationalization. Information about the foreign market is thus considered the key to start the internationalization process (Hutchinson et al., 2009).

**Knowledge Acquisition**

The Uppsala model, considers that internationalization is a gradual process by which companies increase progressively their participation in international markets (Johanson and Vahlne, 1977). According to (Johanson and Vahlne, 2009) the internationalization starts with a low level of commitment, progressing to entry modes that require a greater commitment. Firms tend to begin the internationalization process to nearby countries, both geographically and culturally, which allow a better flow of information, and the development of experiential knowledge obtained only by direct experience (Johanson and Vahlne, 1977). The Uppsala model has two mechanisms that make it a dynamic model. First there is a learning process through the experience gained with the company’s current activity in the international market, and second the decision of a greater or smaller commitment to change the company’s position in the international market. This means that experience increases the knowledge of the company about the market, which in turn influences the decision of a greater or less involvement in the company’s activities (Johanson and Vahlne, 2009).
The lack of specific market knowledge, namely knowledge about the language, laws and rules characterizes the liability of foreignness (Johanson and Vahlne, 2009). Defined by Hymer (1976), as the set of difficulties faced by domestic firms in foreign markets, given their condition as foreigners which implies a greater effort to penetrate the markets and the need for competitive advantages. It is also assumed that the main barriers faced by the company are the lack of knowledge and resources, and it is due to this lack of knowledge about foreign markets and the propensity to avoid uncertainty that companies begin exports to nearby countries where the physical distance is smaller (Johanson and Wiedersheim-Paul, 1975). The psychic distance is defined as the “the sum of the factors that prevent the flow of information from and to the market (e.g. differences in language, education, business practices, culture, and industrial development” (Johanson and Vahlne, 1977, p.24). This obstacles can be reduced through the incremental decision making and learning about markets and foreign operations (Johanson and Wiedersheim-Paul, 1975), i.e. accomplishing a gradual process of entering the nearest market to the domestic market and consecutively move to more distant markets.

The business world is currently seen as a network of companies connected with each other, instead of a market formed by independent suppliers and customers. These networks are established with increasingly complex relationships in which companies are connected with each other. Accordingly to the Network Theory, the internationalization depends on the relationships and business networks, therefore many companies go abroad because one of the network partners is in the process or it is already internationalized, and wants the company to follow him (Johanson and Vahlne, 2009). Showing the influence of external actors and organizations in the company’s internationalization process, Johanson and Mattsson (1988), analysed the internationalization for two dimensions, the degree of internationalization of the company and the degree of internationalization of the market. Introducing a new framework, which distinguishes four groups of companies, Early Starter, Late Starter, Lonely International, and International Among Others. For this study only the Early Starter and Late Starter companies are relevant since they are the ones in an early stage of the internationalization process. The Early Starter has few relationships with foreign companies and the few it has are not relevant. The same is true to other companies present in its industrial network. The Early Starter has little information about foreign markets and cannot use the domestic relationship network to acquire it (Johanson and Mattsson, 1988). Thus, they are susceptible to the liability of smallness, concept presented by Aldrich and Auster (1986), referring to the principal problems faced by small firms, such as raising capital or the
difficulties to attract workforce with the same level of qualifications than large companies. Companies that are in this phase do not possess knowledge and enough information, tending to begin the internationalization to nearby markets, through modes of entry that require low resources such as exports, in order to reduce the investment amount and risk, process similar to the one presented by The Uppsala model (Johanson and Mattsson, 1988). The Late Starter has a low degree of internationalization but it is positioned in a market with a high level of internationalization, is also characterized for the low level of activity, commitment and experience in the foreign markets, having few direct international relations (Hadley and Wilson, 2003). The suppliers, customers and competitors are already internationalized, although the company is only present in the domestic market, the international process is influenced by international networks through the contact with suppliers and customers (Johanson and Mattsson, 1988). Due to a shy position in international markets the late starter is more vulnerable to the liability of newness, defined by Stinchcombe (1965), as the set of difficulties faced by newly formed companies which make them more susceptible to failure. This obstacles result of the higher costs incurred at the beginning of the firm operations, given the need to create the functions and tasks that will underpin the company operations, the necessity to establish trust and loyalty relations within the company and the lack of stable relationships with the key partners. Therefore, the presence of companies in relevant social networks (insidership) is of great importance, becoming a necessary condition for the development of the business. At the same time, the lack of presence in social networks (outsidership), more than the psychic distance in the original model, is one of the main sources of uncertainty (Johanson and Vahlne, 2009).

The knowledge is created through existing exchanges between the links in different networks. The development of knowledge is not just a matter of learning from the other actors, but also from the interaction between the parties, which can generate new knowledge. Thus, the lack of market knowledge (liability of outsidership), is related to the environment in which the company operates, that is, the business partners and the relationship with other companies (Johanson and Vahlne, 2009). The presence in social networks allows the development of second hand knowledge resulting from the experience of other companies, which replaces the need for experiential knowledge (Costa E Silva et al., 2012). In contrast to the experiential knowledge mention on the Uppsala model, the second hand knowledge allows the realization of a less prudent internationalization process, since sometimes the company invests in markets and input modes on which they have no experience, adopting the behaviour of other companies. By imitating companies that succeed in foreign markets, the company reduces the
degree of perceived uncertainty without having to acquire its own knowledge (Forsgren, 2002). Although imitation does not mean a direct transfer of knowledge between organizations, it can increase the experimental knowledge that results from the need to deal with the outcomes of the decision to imitate (Bonaccorsi, 1992). According to March’s, referred by Haveman (1993), when too many organizations act in a certain way, this particular course of actions can be taken for granted, and consequently, be followed by other organizations without the required attention.

Knowledge Absorption

Knight and Liesch (2002), introduce the concept of internalization of information which is defined as the process of tacit and explicit information absorption into the organization and the subsequent decoding transforming it into knowledge itself. Companies internalize information in order to reduce the uncertainty associated with internationalization as a result of differences in the legal system, physical infrastructure, business practices and obstacles related to the languages and culture. Essential to overcome such challenges and obstacles is the acquisition of relevant information, which is then converted into strategic knowledge by managers and coalitions within the company. Of all the resources, information (transformed into knowledge) is perhaps the most critical for the international expansion of the company. One of the most common obstacles referred in several internationalization theories is the importance of managers to acquire valuable information and translating it into knowledge to support foreign expansion. In this context Zahra and George (2002, p.185), refer the term absorptive capacity, defined as a “dynamic capability pertaining to knowledge creation and utilization that enhances a firm’s ability to gain and sustain a competitive advantage”. It can be divided in four dimensions, namely, acquisition, assimilation, transformation, and exploitation. In summary the absorptive capacity can be defined “as a set of organizational routines and processes, by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability” (Zahra and George, 2002, p.186).

Fosfuri and Tribó (2008), mention that the efficient absorption of external knowledge requires similar cognitive structures, common skills and shared languages. Once the knowledge is within the organization, it must be shared across the firm’s members, transformed and integrated with internally generated knowledge. The internalisation process thus occurs when all types of knowledge are discussed, shared, and used by members involved (Nguyen et al., 2006). The information absorption requires the existence of formal and informal mechanisms
that promote knowledge transformation and exploitation. For instance, the firm can facilitate interactions across members of the organization or built knowledge/information databases that are easily accessible in the firm (Fosfuri and Tribó, 2008). According to Zahra and George (2002) knowledge assimilation can be achieve trough social integration, taking place either informally or formally. The informal mechanisms contribute to the exchanging of ideas, and the formal to a more systematic acquisition. Formal social integration eases the flow of information within the firm and contributes to bring together interpretations and identifying trends. The authors mention the external sources of knowledge and experience as two principal keys to the absorptive capacity of the firm. External knowledge sources can be acquisitions, licensing and contractual agreements and inter-organizational relationships, such as R&D collaborations, alliances and joint ventures. This means that the interaction with external sources improve the experiential learning collected by an organization trough dealing with outside information. Experience will also influence the potential knowledge acquisition of the firm, since it is the past experience that will define the knowledge searching areas. The consecutive exploration focus on a determined area, that contributes to the capability to acquire and assimilate external knowledge.

The pursuing of opportunities for expansion to new countries requires not only the acquisition of knowledge but also the absorption of the researched information. This information has to be assimilated, related with prior information and translated into new knowledge that can be applied to the new target market. The company capacity to assimilate new knowledge depends on the existence of routines and procedures that enables the correct analysis, handling, interpretation and understanding of information. Therefore, it is fundamental the existence of routines in the company that make possible this process (Casillas et al., 2009).

Methodology

The internationalization process is complex and must be carefully planned in order to reduce the risk that entails. Much of this preparation comprises researching and obtaining relevant information. This paper is based on a single case study of Castro Pinto & Costa, a small Portuguese company that intend to initiate exports of its main product OleoTest® to the Chinese market. Yin (2003), defines case study as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”(Yin, 2003, p.13). In the case study multiple sources of evidence were used, such as informal conversations with the decision
maker and employees of the company, internal and external documents, and a participant-observer position. This could be seen as one of the differentiating aspects of this case since the researcher was also an active participant in all the process that was developed within the company.

Case Study: *OleoTest®*

*OleoTest®* is the main product of Castro Pinto & Costa (CPC), a Portuguese spin off founded in 2000 by four students of Minho University who wanted to change the world. The lack of companies in the food safety area in Portugal seen as a strong business opportunity was the incentive to the creation of CPC. The company provides consulting, audit, training, research and laboratory analysis services, and is also a retailer of a large variety of products and equipment’s to the agri-food sector. It is currently leader in the domestic market in the segment of quality control testing of frying oil with the product *OleoTest®*. The *OleoTest®* born from the research of the firm founders in the university. *OleoTest®* is a reliable, fast and cheap method of controlling the quality of frying oils, used in the food and beverage sector, mainly by restaurants and hotels and by official entities in inspections actions. Currently the company is managed by two of the original founders. Both manage the six employees of the company that are distributed through the three company strategic business units, services, products and laboratory. The CEO position, which I will mention as entrepreneur for now on is performed by one of the founders. The entrepreneur divides her time between managing and operational activities, participating in all the business process of the firm. The engineering background and complementary postgraduate business education provide the entrepreneur the technical knowledge required to create and develop the services offered by the firm. She also possesses a deep knowledge of the domestic market and given her proactive nature it is constantly searching for new opportunities internally and abroad. However according to the entrepreneur, she stills lacks management and international business foundations fundamental for a successful international strategy. In addition she mentions that she doesn’t have enough time to support the internationalization strategy due to the day to day responsibilities and focus on the internal market, the main source of revenues of the company (75%). These factors combined with the lack of resources, define the firm international strategy based on the lowest commitment possible, supported in most cases by the presence of a foreign distributor that detains the required knowledge to sell the product abroad. Currently it counts with official agents that allow the presence in Spain, France, Poland, Turkey, South Africa, Namibia, Botswana, Lesotho, Swaziland, Zimbabwe, Panama, India, Pakistan, Afghanistan,
Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives, and local agents in Austria, Bulgaria, Colombia, Italy, Netherlands, USA and Canada, however it is not known exactly in which markets the product is sold. Two types of products compete with OleoTest®, disposable tests used only for one application like OleoTest®, and electronic devices. The OleoTest® differentiates itself from the disposable test by using a different parameter; the total Polar Compounds (TPC) with is more complete and also the required parameter by the Portuguese law for accessing oil quality. The electronic devices require a high initial investment, maintenance, repair or calibrations contrary to OleoTest®.

With the desire to improve OleoTest® exports, the entrepreneur defined China as a target market, based on her own beliefs and following the trend of Portuguese companies that assume this as a preferential market due to its large dimension, increasing PIB growth, and increasing disposable income. Neither the firm nor the entrepreneur have previous contact with the market nor have made any objective analysis to select this specific market. The internationalization strategy to China first step consisted in a visit to an international food and hospitality trade show in Shanghai, which had as objective to be the first contact with the market and establish relations with potential clients and distributors. At the same time the company’s strategy consisted in the identification and contact of SHFDA (Shanghai Food and Drug Administration) the authority responsible for the food safety inspections in Shanghai, in order to establish a partnership, with the main goal of obtaining an official guideline recommending the use of the OleoTest®. This strategy derives from the principal entry barrier mention by the entrepreneur, the lack of competition, which results in a market where there is no knowledge about the product, being so fundamental to create the necessity, and influence the creation of regulation related to the control of used edible frying oils. The company was able to meet with the SHFDA officials in Shanghai. However given the difficult in maintaining the conversation between the parties after the meeting, the company decided to hire a translator, being now the communication held in mandarin, which has speed up the process. To successfully enter the market the company defined a set of objectives, related essentially with the information acquisition, namely, framing the market in terms of economic growth, understand the legal framework relatively to the control of the edible used frying oil, framing the product in terms of categories and respective customs fees, make a cost analysis from the importer point of view, analyze the competing products and search for potential product distributors. Given the complete absence of experience in the market and any kind of relation, the acquisition of information was manly gathered through the use of the internet, and direct contact with internationalization promotion agencies and public institutions.
To accomplish the mentioned objectives, the country principal macroeconomic data was collected and analysed to frame the market in terms of economic growth. Given the wide number of sources of economic data, such as World Bank or OCDE, that compile and process national data, this task did not represent any special difficulty. The acquisition of more specific information related to the food safety sector, in order to understand the country concerns and the existence of legislation was made using the internet website of Chinese national institutions. This represented a bigger challenge since the information is disperses and in many cases is not available in English. Customs procedures and regulations were also analyzed, starting with the OleoTest® identification in terms of categories and customs tariffs. Although there is information available through electronic documents, webinars, or even the possibility of direct enquiry with specialists (professional advice) made to help SME’s doing business in China, the information is in most cases generalist, needing validation for each case. It is thus important to have access to practical knowledge that is mandatory at many levels to enter the Chinese market, due to the lack of detail of the information available. In this sense, and since the company’s lack of any type of partnership or network relationships that could assist in the process, several entities were contacted, for instance, the Portuguese Trade & Investment Agency (AICEP), the EUSME Centre, Chinese public organisms, commercial chambers, freight forwarder and carriers. These sources were used to understand if the product is allowed to be exported to China, to classify the product in terms of customs tariff, perform the cost analysis to export the product, what standards it has to comply with, how it can be imported and what the packaging and labelling requirements are. Other important subject to take into account before start exporting to China, is the the trademark registration process. This was developed with the help of China IPR SME Helpdesk that provided expert advice via email for free, supplying all the information required to perform the trademark registration in China. The analysis of the competing products represent several barriers for the firm, since it was not possible to determine with accuracy which competitor products are present in the market and their prices. A source of information found in this case was the e-commerce site (Alibaba.com). The final objective consisted in finding a distributor for the product in the market, as well as contact potential clients. After several months sending emails to contacts obtained through the Portuguese Trade & Investment Agency (AICEP), the company did not have any results. This noted that information flows are needed in both directions, in this case neither the market was known by the company, nor the other way around.
Discussion

The SME’s that aim to internationalize have to overcome many obstacles, making the internationalization process a hard and risky decision for many companies. Exports are one of the preferential modes of entry for a big number of SME’s, thus understanding the barriers to exports is crucial for the success of SME’s internationalization process. Still in the early stage of the internationalization process of OleoTest® to China, various barriers can already be identified. Following Leonidou (2004) classification, the main internal barriers experienced were the information barriers, namely the limited information to locate and analyse foreign markets and the inability to contact overseas customers. We can also refer the existence of functional barriers in more detail, the limited managerial time to deal with exports and the inadequate/untrained export personnel. Described as marketing barriers - concerning the distribution, we can mention the difficulties in obtaining reliable foreign representation. In terms of external barriers, classified as procedural barriers, the unfamiliarity with exporting procedures/documentation and difficulties in communicating with foreign customers. Still considering the external barriers, the environmental barriers can be mentioned - classified as sociocultural barriers, were identified the unfamiliarity with foreign business practices, the different sociocultural traits and the verbal/nonverbal language differences. Common to the mentioned barriers is the fact that they are all associated with the lack of information/knowledge and are dependent of acquisition and the capacity to absorb knowledge. Although it is possible to overcome the exports barriers without information there is no internationalization. These barriers can be explained in part by the entrepreneur’s decision to choose a geographic and psychic distant market to internationalize from which she does not have any experience, knowledge or contact. Although the firm intends to follow a low commitment entry mode, the decision is not supported by the Uppsala theory neither by the Network approach. This means the decision is based on the entrepreneur’s own characteristics and perceptions. There is also “following the herd” behaviour. The selection of China can be explain by the imitation of a practice followed by a large number of organizations, which give credibility and support to the decision that should instead be based on experience and knowledge acquisition and absorption.

A possible way to acquire information would be through the network relationships, however the company as an Early Starter is not present in any relevant network, lacking the relationships with firms abroad, and suffering from liability of smallness, newness and outsidership. In this particular case the network relationships could be a source of useful
knowledge to enter the market, namely by helping to find an agent or distributor in the market. In some way the company can also be categorized as a Late Starter, since some suppliers, customers and competitors are internationalized and even the company itself already exports for a considerable number of countries. However, the company did not learn with the previous international experiences and there is no transference of knowledge between the existing relationships. The company suffers thus from the disadvantages of both concepts. This could be explained by the fragile commitment made in these previous markets, due to a number of reasons. The benefit of the single European market, with a large number of countries sharing the same regulations and the use of distributors in the destiny markets that deal with all the market related subjects which does not allow any transference of knowledge. Although the entrepreneur’s ambition for new international markets, the company strategy is focused on the domestic market, meaning that the internationalization process is in second place, emphasized by the entrepreneur lack of time to deal with internationalization matters. It would also be important for the company to improve the capacity to absorb the internationalization knowledge. After the acquisition it is fundamental to transform and exploit the information in beneficial knowledge for the internationalization. This requires the creation of routines and procedures that allow the sharing of information within the company and its correct interpretation and use.

**Conclusion**

Exports are the most common method of SME’s internalization, so it is crucial to understand the obstacles that prevent the successful pursuing of an internationalization strategy. With this premise and based in a Portuguese SME’s case study, this paper aims to understand what the principal barriers are and what is the role played by information and knowledge.

In the course of the case study it was possible to identify aspects of all the mentioned theories (Uppsala Model, Network Theory and International Entrepreneur Theory) and export barriers literature, that allowed a deeper understanding of the obstacles faced during the internationalization process. Although none of these theories are deterministic, in order to mitigate the encountered barriers the company could benefit from the adaption to the specific case. It was also possible to realize that all liabilities and barriers are intimately related to knowledge. In this sense, companies can reduce the barriers to exports and be more capable to overcome them if they give the due importance to the knowledge acquisition and absorption.
In this case, contrary to what is referred on the Uppsala model and by the Network theory, the company clearly defined the destination market and the entry mode previously to any kind of analysis or concrete contact with the market, empowering the crucial role of the entrepreneur in the decision making process at SME’s. The deviation from what is predicted by the theories results in an increase in the barriers felt to enter the market. It is known that the knowledge and information, mention in all the internationalization theories, are key concepts in the companies’ internationalization process, during this study it was clear that all the barriers were somehow related with the lack of knowledge and information. This means that the importance of the knowledge and information is in part related with the role performed in minimizing the internationalization barriers and also by being the main tool to overcome them. There is thus a relation between the barriers felt and the lack of information and knowledge felt that can be explained by the fact that the company did not follow the assumptions of the Uppsala model or the Network approach.

This study reinforces the importance of obtaining prior knowledge and warns to the risks of only following a market trend. In fact, given the small size of the firm, obtaining information can be prohibitively expensive and a time consuming process, which often leads to decisions based on the decisions of other undertakings. In this way this work can be useful for entrepreneurs, in the sense that it highlights the idea that not every information is worthy, that there is information that is appropriate for certain sectors, and inadequate for others. Furthermore as the trend evolves, it will be a certain time lag that will outdate the information. This work is therefore in line with the traditional models and the network theory, reinforcing the importance of knowledge in the decision-making in the internationalization process.

References


4 References


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5 Annexes
Annex A. Economic & Politic Analysis

Análise Económica e Política – China

A China tem assistido a um crescimento económico único nas últimas três décadas. Com um crescimento do PIB a rondar os 10 % em média, e mais de 500 milhões de habitantes a saírem da pobreza. A China é atualmente o maior exportador e fabricante mundial e a segunda maior economia (Wb, 2013).

Em 2014 o crescimento económico Chinês sofreu uma ligeira quebra, refletindo as várias medidas políticas criadas com o objetivo de colocar o crescimento numa posição mais sustentável. Tem existido um esforço político para limitar o crescimento do nível de crédito, reduzir o excesso capacidade, internalizar o custo da poluição e aumentar as restrições orçamentais dos governos locais. Através da redução do crescimento no curto prazo, estas medidas permitirão um alinhamento do crescimento no médio prazo. Apresentando uma taxa de crescimento do pib de 7,4% durante o ano de 2014, espera-se uma ligeira diminuição para pouco acima dos 7% no período de 2015-16, ver tabela a seguir (Wb, 2014a).

### Main economic indicators for China

<table>
<thead>
<tr>
<th>Output, employment, and prices</th>
<th>2013</th>
<th>2014e</th>
<th>2015f</th>
<th>2016f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP (% change yoy)</td>
<td>7.7</td>
<td>7.4</td>
<td>7.2</td>
<td>7.1</td>
</tr>
<tr>
<td>Domestic demand (% change yoy)</td>
<td>8.3</td>
<td>7.4</td>
<td>7.5</td>
<td>7.3</td>
</tr>
<tr>
<td>Industrial production index (% change yoy)</td>
<td>9.7</td>
<td>8.0</td>
<td>8.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Unemployment (%)b</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Consumer price index (% change yoy)</td>
<td>2.6</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

### Foreign trade, balance of payments, and external debt

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014e</th>
<th>2015f</th>
<th>2016f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade balance (USD billions)</td>
<td>259.2</td>
<td>290.7</td>
<td>298.0</td>
<td>308.2</td>
</tr>
<tr>
<td>Exports of goods (USD billions)</td>
<td>2,219.0</td>
<td>2,339.0</td>
<td>2,485.5</td>
<td>2,649.5</td>
</tr>
<tr>
<td>Imports of goods (USD billions)</td>
<td>1,859.0</td>
<td>2,048.2</td>
<td>2,187.5</td>
<td>2,341.3</td>
</tr>
<tr>
<td>Current account balance (USD billions)</td>
<td>188.6</td>
<td>184</td>
<td>206</td>
<td>225</td>
</tr>
</tbody>
</table>

(% of GDP)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014e</th>
<th>2015f</th>
<th>2016f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange reserves, gross (USD billions)</td>
<td>3,866.3</td>
<td>3,981.0</td>
<td>4,185.5</td>
<td>4,423.2</td>
</tr>
</tbody>
</table>

a. Annual data are not comparable with quarterly and monthly data. Annual data cover all industrial enterprises while quarterly and monthly data refer only to enterprises with sales above RMB 5.0 million.
b. Official urban unemployment only, excluding laid-off workers.
c. Includes treasury bonds, policy financial bonds, and other financial bonds (end-period outstanding).
e is estimate; f is forecast

Source: World Bank staff estimates and projections.
Mudança dos Padrões de Consumo na China

O rápido crescimento económico chinês alterou a dieta alimentar da população. Verificam-se alterações na quantidade, na qualidade, e na própria composição, e pensa-se que a mesma continuará a sofrer alterações devido à alteração dos hábitos alimentares dos consumidores, e a passagem de uma dieta constituídas majoritaramente por produtos agrícolas para uma dieta mais rica em produtos de origem animal. Esta mudança de hábitos alimentares está a pressionar em larga medida a agricultura, já que além do aumento das quantidades, a produção animal exige mais recursos e tem um impacto ambiental superior ao dos produtos de origem vegetal. Estes fatores vão influenciar a capacidade de produção interna de alimentos do país e a sua disponibilidade nas próximas décadas. O aumento dos rendimentos veio alterar os padrões de consumo, o consumo de calorias, proteínas e gorduras tem aumentado a um ritmo superior à média mundial (Wb, 2014).

Estima-se assim que o consumo per capita de alimentos continue a aumentar de forma rápida, resultado do aumento do rendimento disponível das famílias. Ao mesmo tempo, verifica-se uma diminuição no consumo de cereais como o arroz ou o trigo, e um aumento do consumo de óleos alimentares, açúcar, vegetais, fruta, e produtos de origem animal. Desta forma, prevê-se deficiências na produção nacional de soja, milho, óleos comestíveis, açúcar e produtos lácteos, resultado de um aumento da procura que se estima prolongar durante os próximos 20 anos (Wb, 2014).

Ambiente Político

A China tem sido palco de diversas mudanças, de uma sociedade rural e agrícola é agora uma sociedade urbana e industrial, deixando a economia planificada por uma economia de mercado (Wb, 2013).

Resultado destas mudanças, tem-se verificado um crescimento exponencial da economia e uma diminuição da pobreza, que passou de 65% da população para menos de 10%. No entanto, este crescimento difere de região para região, sendo notório o crescimento da desigualdade de rendimentos ao longo dos últimos 20 anos, no entanto existem alguns sinais de aproximação, resultado do rápido crescimento das regiões do interior, que vem reduzir assim, a grande diferença de rendimentos existente entre o litoral e o interior do país (Wb, 2013).
Verifica-se também um aumento dos salários nas zonas rurais, o que contribui para uma aproximação ao nível de rendimentos praticado nas zonas urbanas urbanas. Sinal deste crescimento espera-se uma diminuição das migrações das zonas rurais para os grandes centros urbanos. Além destes indicadores, a taxa de população com habilitações académicas está em rápido crescimento, com uma percentagem cada vez maior de estudantes a frequentar o ensino superior, melhorando assim os níveis de mão-de-obra qualificada no país que num futuro próximo contribuirá para a eficiência produtiva e aumento dos níveis de inovação presente nas várias indústrias (Wb, 2013).

A vantagem competitiva existente devido ao baixo custo da mão-de-obra, começa agora a sofrer um ligeiro decréscimo, devido ao aumento dos salários dos trabalhadores no litoral o que pressiona as empresas a deslocarem-se para o interior onde a mão-de-obra é mais barata e as rendas mais baixas. O aumento dos salários conjugado com o aumento da produtividade continuara a estimular a rápida expansão da classe média, e como consequência, o consumo interno. O crescimento da classe média funcionará como estímulo para o desenvolvimento do governo, dos serviços públicos, e da sociedade civil no geral (Wb, 2013).

Segurança Alimentar na China

A segurança alimentar significa que os cidadãos tem acesso a quantidades suficientes de alimentos considerados seguros e nutritivos (alimentos livres de agentes biológicos perigosos, químicos ou agentes físicos). Grande parte dos países desenvolvidos asseguram a segurança alimentar através de sistemas de controlo, que procura garantir a produção de alimentos livres de qualquer agente tóxico e prejudicial à saúde pública. No entanto a China não possui nenhum sistema de controlo em funcionamento (Wb, 2014).

De acordo com Buckley referidos por Heath (2014), a segurança alimentar e o controlo da qualidade dos produtos continua baixa, mesmo depois dos vários escândalos que tem abalado o país, como o leite contaminado, medicamentos contrafeitos, carne de rato, óleo alimentar produzido com a gordura retirada dos esgotos, entre outros. Estes problemas são explicados pelo antiquado sistema de produção, que permite a venda dos produtos a intermediários com poder na cadeia de distribuição, que agregam, embalam e vendem os produtos sem as devidas condições e fazendo uso de práticas ilegais. Além disto, existe a falta de fiscalização e os sistemas de controlo da produção de alimentos são ineficazes, ultrapassados e permeáveis a práticas de atos de corrupção.
A implementação de um sistema de proteção alimentar traz vários benefícios. Promove o aumento da produção nacional de alimentos seguros, facilitando o acesso a estes produtos por todas as classes sociais, estimula a venda de alimentos nacionais no mercado internacional e contribui para a segurança alimentar no abastecimento alimentar mundial. A segurança alimentar tem um papel cada vez mais relevante na competitividade agroalimentar, quer a nível nacional, quer a nível internacional. O aumento do rendimento e a consciencialização da importância da segurança alimentar vai ter um impacto no panorama competitivo dos produtores e processadores de alimentos a nível nacional. O comércio mundial de alimentos, do qual a China é um dos principais intervenientes continua a crescer, no entanto, a China tem de assegurar a segurança alimentar dos seus produtos aos restantes países. A qualidade e segurança alimentar são dois critérios essenciais para o acesso ao mercado global e para a inclusão dos pequenos produtores nos mercados de maior valor acrescentado. O acesso dos consumidores a alimentos seguros a preços acessíveis dependerá da capacidade dos países para produzir alimentos internamente que satisfaçam as suas necessidades e ao mesmo tempo, da capacidade para promover a abertura dos mercados à importação (Wb, 2014).
Annex B. Legal Framework
Legislação - Segurança Alimentar

O Sistema de normas de higiene alimentar é complexo. Existem duas categorias de normas de higiene alimentar, as obrigatórias e as voluntárias. As normas GB são as normas nacionais chinesas emitidas pela Administração de Normalização da China (SAC). A SAC é um departamento da Administração Geral de Supervisão de Qualidade, Inspeção e Quarentena da República Popular da China (AQSIQ). As normas obrigatórias tem o prefixo GB, sendo na maioria estabelecidas pelo estado, no entanto, organismos locais (governo local), tem o direito de formularem normas locais que não entrem em conflito com as normas nacionais, ou no caso de não existirem normas nacionais. Enquanto que as normas recomendadas tem o prefixo de GB/T (Aicep, 2014).

Macau

Lei de segurança alimentar (Lei nº 5/2013)

A lei de Segurança Alimentar de Macau entrou em vigor a 20 de Outubro de 2013, definindo a gestão, supervisão, as medidas de prevenção, controlo e tratamento de acidentes, no âmbito da segurança alimentar. O sector tem a responsabilidade de produzir e comercializar, conforme a lei, géneros alimentícios seguros e o dever de guardar os registos de receção e entrega de mercadorias ou as respetivas faturas. O Instituto para os Assuntos Cívicos (IACM) é o organismo responsável pela supervisão e gestão da segurança alimentar (Alimentar, 2013).
Annex C. Procedures and Requirements to Export

Procedimentos para Exportar para a China

1. Determinar qual categoria do produto (segundo o sistema Harmonizado de classificação e designação de mercadorias – HS Code);
2. Obter as licenças de importação necessárias ou quotas junto do Ministério do comércio chinês (MOFCOM);
3. Confirmar se o produto atende às normas chinesas relevantes;
4. Aplicação à certificação obrigatória China (CCC), caso seja necessário;
5. Verificar se o produto observa todos os requisitos de rotulagem e de embalagem;
6. Etiquetar os produtos com os selos exigidos antes de chegar ao porto de destino;
7. Ter toda a documentação necessária pronta (licenças, licenças de cotas, etc.) para apresentar na alfândega, para inspeção;
8. Ter em consideração que pode ser retirado produto para amostra pela alfândega;
9. Efetuar o pagamento das taxas aduaneiras e possíveis impostos;
10. Os produtos são libertados pela alfândega e importados com sucesso para a China (Centre, 2014b).
11.

O sistema de importação de bens na China, da responsabilidade do Ministério do Comércio MOFCOM, estabelece 3 categorias:

- Permitted Goods - engloba a grande maioria dos produtos, sendo apenas necessário a obtenção de uma licença de importação, obtida automaticamente - Automatic Import Licence;
- Restricted Goods – incluem os produtos monitorizados via quotas ou licenciamento não automático, por razões de segurança e de saúde pública)
- Prohibited Goods - são na grande maioria produtos químicos e resíduos tóxicos, vestuário em segunda mão, e produtos alimentares que não sejam considerados seguros para os consumidores).
Produtos considerados perigosos para a saúde pública, ambiente e para a segurança nacional podem ser inspecionados antes de se proceder ao desalfandegamento. Sendo necessário a apresentação de um certificado de inspeção, emitido pela Administração Geral de Supervisão de Qualidade, Inspeção e Quarentena da República Popular da China (AQSIQ) (Aicep, 2014).

Mercadorias autorizadas para serem importadas - Catálogos para cada categoria de produtos estão disponíveis no Ministério do Comércio (MOFCOM), links para esses catálogos podem ser encontrados no documento EU SME Centre’s Diagnostic Kit - Exporting of Goods, Services and Technology (Centre, 2014a).

Procedimentos Aduaneiros

Existem algumas boas práticas que promovem o sucesso do processo aduaneiro. É importante em primeiro lugar verificar com antecedência os códigos HS dos produtos exportados junto do importador na China. É através da classificação HS, que é definida a taxa de imposto de importação, a taxa de IVA e a necessidade ou não de uma licença de quota de importação. É também importante não declarar qualquer produto importado por um valor inferior ao real, sendo as mercadorias importadas taxadas com base no incoterms CIF value. A origem de produção deve ser indicada em todas as embalagens do produto e no próprio produto de forma a evitar problemas durante as inspeções alfandegárias, sendo se possível boa prática, fornecer o certificado de origem de forma a facilitar o processo. Pois existem diferentes contribuições caso o produto seja importado através do regime de MFN (nação mais favorecida) ou não. Todas as caixas, paletes, ou outras formas de transporte em madeira tem de estar devidamente certificadas com o logo IPPC na superfície que comprova o tratamento fitossanitário e por choque térmico. Todo o produto enviado como amostra tem de estar faturado com o seu valor real. Produtos com o objetivo de serem exibidos em exposições ou feiras, o exportador da EU pode candidatar-se a ATA Carnet (Admissão temporária de mercadorias) da câmara de comércio local. Os produtos sobre este regime, ficam isentos do imposto de importação e do IVA com maior facilidade. Este regime tem a duração de 3 meses, podendo ser prorrogado até uma duração máxima de 12 meses (Centre, 2014a).

Regulamentação Técnica

Os produtos importados devem estar de acordo com as normas de qualidade e segurança aplicadas na China. O país aplica um sistema de normalização próprio (estruturado em 4 níveis – National Standards/GB Standards, Professional Standards/sectorial Standards, Local
Standards/Provincial Standards e Enterprise Standards), que deverá ser adotado pelas empresas para que os produtos possam ser exportados para o país a fim de serem consumidos. O organismo responsável pela gestão, supervisão e criação destas normas é a Administração de Normalização da China (SAC). Informação relevante sobre as normas pode ser encontrada no site da EU SME Centre, e no site da Europe-China Standardization Information Platform (Aicep, 2014).
Annex D. Certificate of Origin

Certificado de Origem

O Certificado de Origem consiste na prova escrita que permite aos exportadores nacionais provar a origem dos seus produtos. Este certificado pode ser obtido através do preenchimento do formulário do Pedido de Emissão do Certificado de Origem, presente no site da Associação Empresarial de Portugal (AEP) o qual deve ser submetido, juntamente com os respetivos anexos.. O levantamento dos certificados de origem é efetuado junto das instalações da AEP (Edifício de Serviços AEP - Av. Dr. António Macedo, 196, Leça da Palmeira). Para proceder ao levantamento do Certificado de Origem é necessário proceder à entrega do pedido de emissão, carimbado e assinado, cópia da fatura com carimbo e assinatura em original, podendo o carimbo e a assinatura ser do requerente ou do expedidor. No caso dos certificados enviados via correio, o pagamento terá de ser realizado antecipadamente, por transferência bancária. Seguindo o certificado via postal, após o recebimento do comprovativo de pagamento (Aep, 2004).

Dados bancários para o efeito são os seguintes:

AEP – Associação Empresarial de Portugal
Av. Dr. António Macedo, 196
4450-617 Leça da Palmeira
PORTUGAL

Contribuinte: 500 971 315
Entidade: Santander Totta
NIB: 0018.0000.05628660001.86
IBAN: PT50 0018.0000.05628660001.86
SWIFT: TOTAPTPL

O prazo de emissão do Certificado de Origem é, em condições normais, de 24 horas, tendo além de um custo administrativo fixo, uma percentagem sobre o valor das mercadorias. Esta percentagem pode ser consultada numa tabela presente no site da AEP (Aep, 2014).

Annex E. Trademark Registration

Registo da Marca em Território Chinês

Para proceder ao registo da marca em território chinês é em primeiro lugar essencial que a mesma seja elegível para registo. Uma marca só é elegível para registo caso cumpra um conjunto determinado de requisitos. A marca tem de ser legal, ou seja, não ter semelhanças com o nome e bandeira de um estado ou organização internacional, não conter nenhum tipo de conteúdo discriminatório ou ofensivo, nem constituir uma publicidade exagerada ou fraudulenta. Ser distintiva, permitindo que se distinga das outras marcas e não ser funcional, ou seja, não pode assemelhar-se com formas de objetos (Helpdesk, 2013).

Registo

Cumpridos os requisitos, a marca pode ser registrada através do sistema nacional ou internacional, só estando eficazmente protegida em território chinês quando for registada nesse país (Helpdesk, 2013).

Sistema de Registo Internacional

O sistema de registo internacional está disponível sob o Protocolo de Madrid através da OMPI (Organização Mundial de Propriedade Intelectual). Tanto a China como todos os Estados-Membros da União Europeia são países signatários do Protocolo de Madrid. O Registo pode ser iniciado no país de origem da marca junto do organismo responsável pela proteção da marca em território nacional, no caso de Portugal o Instituto Nacional de Propriedade Industrial (INPI). Em seguida, a aplicação é encaminhada pelo INPI para a OMPI. Após a recepção, a OMPI procede à avaliação do pedido e notifica os membros do Protocolo de Madrid, nos quais o requerente pretenda registar a marca. Decorre depois um período de 18 meses a contar a partir da data da notificação, ao fim do qual se não for levantada nenhuma objeção, a marca é registada. Caso seja levantada algum tipo de objeção, um agente local na China deve ser contratado para investigar e solucionar o caso. As renovações e alterações são tratadas junto do sistema internacional. Não sendo aceites pela OMPI, inscrições em caracteres chineses (Helpdesk, 2013).

Sistema Nacional de Registo - China

Cumpridos os requisitos de elegibilidade da marca, o primeiro consiste em confirmar junto da base de dados de marcas, a China Trademark Office’s (CTMO), que a marca que pretende
registrar não se encontra já registada em território nacional. O país utiliza a classificação de Nice, estando as marcas, produtos e serviços classificados em 45 classes. No entanto, a China divide estas classes em subclasses, sendo importante que ao registar uma marca na China, o registo cubra todos os produtos e serviços nas subclasses que possam ser relevantes para o negócio. As aplicações podem ser feitas pessoalmente, por correio ou online junto do CTMO. É em seguida realizada uma análise ao pedido que pode demorar até 9 meses, podendo o status da aplicação ser monitorizado online junto do CTMO durante este período (Helpdesk, 2013).

Os candidatos estrangeiros sem residência ou local de trabalho em território chinês, não podem apresentar o pedido diretamente, tendo assim, de contratar um agente local chinês para lidar com o processo. A aplicação é feita junto do CTMO e deve ser realizada em mandarim (Helpdesk, 2013).

Versão da Marca em Mandarim

É recomendado o registo de uma versão em mandarim das marcas estrangeiras. Além de poder contribuir para uma melhor estratégia de marketing no mercado, pode facilitar os procedimentos alfandegários no momento da importação. Nos casos de não existir um nome chinês para a marca, o mesmo será adotado pelos consumidores locais. No entanto, o registo em caracteres chineses e na língua original da marca são dois registos separados (Helpdesk, 2013).

Certificados

Nos casos em que o registo é efetuado através do sistema nacional (China), obtém-se um certificado em língua chinesa que pode ser utilizado junto das autoridades. No caso do registo efetuado através do sistema internacional (OMPI), é necessário proceder ao pedido do certificado junto do CTMO (China Trademark Office’s), para certificar oregisto internacional da marca, o que pode demorar três meses a seguir ao requerimento (Helpdesk, 2013).

Duração da Proteção Legal

O registo de uma marca tem a duração de 10 anos, desde a data em que o direito é concedido, sendo renovável por tempo indeterminado (Inpi, 2011).
Custo

O registo através do sistema internacional tem um custo administrativo de 20,90€, que cobre o envio do pedido de registo ao OMPI pelo INPI (informação obtida via telefone). Além deste valor, os custos associados ao registo internacional para uma classe na China são de 1003 CHF (francos suíços). O registo através do sistema nacional tem um custo de 1000 RMB (renminbi) para uma classe que cobre até 10 itens de bens ou serviços. Sendo cobrado uma taxa extra de 100 yuan por item adicional. A este valor deve ser adicionado as taxas de representação, ou seja, a contratação e serviços de um advogado (Wipo, 2015).

China Trademark Office:
Address: 1, Chama Nanjie, Xicheng District, Beijing Post code: 100055
Telephone: 86-10-68027820, 86-10-68052266 (voice reference)
Website: http://www.ctmo.gov.cn or www.saic.gov.cn

World Intellectual Property Office:
Address: 34 Chemin des Colombettes – CH 1211 Geneva, Switzerland
Tel: +41 22 338 9111
Website: http://www.wipo.int/portal/en/index.html

INPI
Campo das Cebolas
1149-035 – Lisboa
Linha Azul (Informações): 808 200 689 (9h às 17h)
Tel.: 21 881 81 00
Website: http://www.marcasepatentes.pt/index.php?section=1
Orçamentos

**Empresa X**

Apresentamos de seguida a nossa proposta para o registo de uma marca na China em uma classe até 10 produtos, e colocação em vigilância da Marca Comunitária 7091788 OleoTest.

<table>
<thead>
<tr>
<th>Jurisdição</th>
<th>Serviço</th>
<th>Taxas Oficiais</th>
<th>Honorários s/IVA</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Pedido de registo de uma marca em uma classe até 10 produtos</td>
<td>€ 430,00</td>
<td>€ 430,00</td>
<td>€ 860,00</td>
</tr>
<tr>
<td></td>
<td>Emissão e envio do título de registo (após concessão)</td>
<td>€ 65,00</td>
<td>€ 95,00</td>
<td>€ 160,00</td>
</tr>
<tr>
<td>União Europeia</td>
<td>Vigilância de marca comunitária até ao fim do período de vida - 24/07/2018</td>
<td>€ 122,00</td>
<td></td>
<td>€ 122,00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td>€ 1142,00</td>
</tr>
</tbody>
</table>

Apresentamos de seguida a nossa proposta para o registo de uma Marca Internacional com base na Marca Comunitária 7091788 OleoTest com designação à China.

<table>
<thead>
<tr>
<th>Marca Internacional (OMPI/China)</th>
<th>Pedido de registo de uma Marca Internacional em uma classe com base na marca comunitária</th>
<th>€ 845,00</th>
<th>€ 655,00</th>
<th>€ 1500,00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Designação à China</td>
<td>€ 207,00</td>
<td>€ 42,00</td>
<td>€ 249,00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td>€1.749,00</td>
</tr>
</tbody>
</table>

Ao valor dos honorários acresce IVA à taxa de 23%.

**Empresa Y**

<table>
<thead>
<tr>
<th>Jurisdição</th>
<th>Serviço</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marca Internacional (Acordo/Protocolo de Madrid)</td>
<td>O Acordo de Madrid relativo ao Registo Internacional de marcas possibilita aos nacionais de cada um dos países contratantes, assegurar a proteção das suas marcas registadas ou submetidas a registo em todos os outros países partes do presente Acordo ou Protocolo, por meio de um único pedido apresentado na Secretaria Internacional para a proteção da Propriedade Industrial</td>
<td>€ 2.100,00</td>
</tr>
<tr>
<td>Pedido de registo de marca direito na CHINA</td>
<td>Preparação e apresentação do pedido (inclus 10 produtos)</td>
<td>€ 1000.00</td>
</tr>
<tr>
<td></td>
<td>Por cada produto adicional, a partir do 10º</td>
<td>€ 35.00</td>
</tr>
<tr>
<td></td>
<td>Obtenção e envio do título de registo; encerramento do processo</td>
<td>€ 400.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>€ 3.535.00</td>
</tr>
</tbody>
</table>

a) O prazo provável para a obtenção deste registo de marca é de 3 a 4 anos.
b) Os custos acima mencionados não incluem a elaboração, preparação ou legalização de quaisquer documentos adicionais nem a sua apresentação posterior ao pedido ou a resposta a ações oficiais e/ou reclamações.

c) Aos valor apresentados acresce IVA à taxa de 23%.

<table>
<thead>
<tr>
<th>Instituto</th>
<th>Nacional de Propriedade Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jurisdição</td>
<td>Serviço</td>
</tr>
<tr>
<td>Marca Internacional (Acordo/Protocolo de Madrid)</td>
<td>Pedido de registo de marca internacional junto do WIPO</td>
</tr>
<tr>
<td></td>
<td>Registo internacional WIPO</td>
</tr>
</tbody>
</table>

Fonte: Informação obtida junto das empresas contactadas.
Annex F. Labelling and Packaging Requirements

Requisitos de Embalagem, Rótulo e Marca

Embalagem

Os produtos com destino ao mercado chinês devem referir a designação de "People's Republic of China" (P.R. of China) e não apenas “China”. Esta designação, deve estar impressa de forma clara, em inglês e em chinês. Sendo também importante referir nas remessas o país de origem para o caso de existir algum regime de tratamento preferencial, e não serem cobradas taxas adicionais (Centre, 2014a).

As remessas devem conter a informação a seguir de acordo com as normas nacionais aplicáveis GB/T 6388-1986 em Chinês e Inglês:

• símbolo de classificação como prescrito pela norma
• número de contrato
• número sequencial da remessa
• especificações (nome do produto ou código HS, a indicação do modelo, tamanho, cor, etc.)
• quantidade
• peso líquido e bruto
• data de fabrico (ano / mês / dia)
• nome do fabricante
• volume do lote
• data de validade (mês / ano), se for o caso
• local de destino
• nome do destinatário
• nome do expedidor
• número de transporte
• número de expedição (Centre, 2014a).

Produtos Químicos

Produtos químicos ou produtos que contenham produtos químicos importados devem ser classificados, rotulados e embalados de acordo com o sistema global harmonizado de classificação e rotulagem de produtos químicos (GHS) (Centre, 2014b).
**Rótulo**

Dependendo do produto, os requisitos de embalagem e rotulagem são administrados por diferentes órgãos do governo, podendo variar em larga medida (Centre, 2014). Ao contrário dos cosméticos, pesticidas e desinfetantes, muitos produtos químicos não exigem o registo anterior à entrada no mercado. No entanto, estão sujeitos aos requisitos nacionais sobre os produtos químicos e requisitos GHS de rotulagem.

O rótulo de um produto químico deve incluir pelo menos duas partes: elementos GHS e elementos não GHS (Cirs, 2012). Os elementos GHS devem cumprir os requisitos GB 13690-2009 e GB 15258-2009. Os elementos GHS referem-se a:

- nome do Produto;
- informação 'ingredientes (podem ser considerados como confidenciais);
- classificação GHS correta;
- palavra de sinalização;
- pictograma de perigo;
- declarações de perigo em frases-tipo (não apenas traduções);
- declarações de precaução em frases-tipo;
- informação sobre o Fabricante ou distribuidor;
- número de telefone de emergência 24;
- cor;
- tamanho correto.

O rótulo de qualquer produto químico importado, deverá incluir pelo menos um número de telefone de emergência 24 horas, localizado na China. O rótulo pode ser simplificado para as embalagens com menos de 100ml, podendo conter apenas a identificação química, pictograma, palavra-sinal, as advertências de perigo, número de telefone de emergência, o nome do fornecedor e número de telefone de contato, e palavras de consulta (reference consulting guiding words). Elementos não GHS incluem:

- logotipo da empresa;
- nome do Produto;
- volume ou peso líquido;
- descrição do Produto;
- instruções de uso;
- país de origem;
- código do lote;
- condições de armazenamento;
- data de fabricação;
- validade (Cirs, 2012).
Annex G. Product Costing

Tarifas e Custos Aduaneiros

No que respeita à pauta aduaneira o país adotou o Sistema Harmonizado de Designação e Codificação de Mercadorias (SH), o que facilita a identificação das tarifas impostas às mercadorias. Além da adopção do sistema harmonizado, a China é membro da OMC (Organização Mundial de Comércio), o que tem significado várias reduções nas taxas alfandegárias, calculadas numa base ad valorem sobre o valor CIF das mercadorias, pelas autoridades competentes. Além dos impostos aduaneiros, as mercadorias importadas estão ainda sujeitas ao imposto sobre o valor acrescentado, com uma taxa atual de 17% (taxa normal), aplicável à generalidade dos bens e serviços, e de 13% (taxa minima) para os produtos de primeira necessidade e ao imposto de consumo sobre os artigos de luxo. A tributação aduaneira que incide sobre os produtos importados para a China, pode ser consultada, na página do Market Access Database (MADB), através do código SH, bastando inserir o mercado de destino, e o código pautal do produto. No caso dos produtos provenientes da União Europeia, aplica-se o regime da MFN (Most Favoured Nation) (Aicep, 2014).

Classificação do Produto (Market Access Database)

País: China
Código SH do Produto OleoTest: 382200

<table>
<thead>
<tr>
<th>Code</th>
<th>Product description</th>
<th>GEN</th>
<th>MFN</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>CHAPTER 38 MISCELLANEOUS CHEMICAL PRODUCTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3822</td>
<td>Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, other than those of heading 3002 or 3006; certified reference materials:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3822.00.10</td>
<td>On a backing</td>
<td>35%</td>
<td>4%</td>
</tr>
<tr>
<td>3822.00.90</td>
<td>Other</td>
<td>35%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Base de Dados (Market Access Database) (Madb, 2015).

O valor dos impostos de importação e direitos aduaneiros a pagar é calculado com base no preço ou no valor dos bens importados. Este valor é designado de valor de imposto pago (DPV), que é determinado com base no preço das mercadorias transacionadas. Inclui as despesas relacionadas com o transporte e prémios de seguros dos bens antes do desembarque.
no porto na China. Impostos, como o IVA ou CT (imposto sobre o consumo) não são incluídos na determinação do DPV (Ma, 2014).

O valor total a pagar (CAP) será a soma do total do DPV, imposto de importação, e CT (imposto sobre o consumo) se aplicável. Assim, temos:

- DPV = custo dos produtos + custo transporte + seguro
- Imposto de importação = DPV * tarifa
- CAP = DPV + Imposto de importação = DPV * (1+tarifa) VAT = CAP * IVA

Através do FOB (Free on Board), o IVA na importação (17 por cento) e o IVA cobrado sobre o serviço de manutenção portuária (6 por cento), seriam ambos suportados pelo comprador chinês. A única maneira possível para reduzir o IVA de importação para as mercadorias importadas, passa pela negociação de um custo de transporte e seguro de prémio inferior com o transitário e companhia de seguros de forma a reduzir o valor CAP e portanto o IVA a pagar (Ma,2014).
## Annex H. Competitors Analysis

<table>
<thead>
<tr>
<th>Testes</th>
<th>Parametros</th>
<th>Métodos</th>
<th>Origem</th>
<th>Company</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M™ Low Range Shortening Monitor</td>
<td>Free Fatty Acids (FFA)</td>
<td>Test strips</td>
<td>USA</td>
<td>3M</td>
<td>China</td>
</tr>
<tr>
<td>3M™ PCT 120 oil tester</td>
<td>Total Polar Compounds (TPC)</td>
<td>Heating device and PET strips</td>
<td>USA</td>
<td>3M</td>
<td>China</td>
</tr>
<tr>
<td>FASafe™</td>
<td>FFA</td>
<td>Colorimetric test kit</td>
<td>USA</td>
<td>MP Biomedicals</td>
<td>China</td>
</tr>
<tr>
<td>FOM 320 Food Oil Monitor</td>
<td>TPC</td>
<td>Emerge the device on oil; results show up on screen</td>
<td>Germany</td>
<td>Ebro</td>
<td>China</td>
</tr>
<tr>
<td>Fritest™</td>
<td>Carbonyl compounds</td>
<td>Colorimetric test kit</td>
<td>Germany</td>
<td>Merck Millipore</td>
<td>China</td>
</tr>
<tr>
<td>KOH MQuant™</td>
<td>FFA</td>
<td>Test strips</td>
<td>Germany</td>
<td>Merck Millipore</td>
<td>China</td>
</tr>
<tr>
<td>Oxifrit Test™</td>
<td>Oxidized Fatty Acids (OFAs)</td>
<td>Colorimetric test kit</td>
<td>Germany</td>
<td>Merck Millipore</td>
<td>China</td>
</tr>
<tr>
<td>Testo 270</td>
<td>TPC</td>
<td>Emerge the device on oil; results show up on screen</td>
<td>Germany</td>
<td>Testo</td>
<td>China</td>
</tr>
<tr>
<td>Very-Fry™</td>
<td>TPC</td>
<td>Reaction mixture in a tube reacts with the sample and produces a particular color</td>
<td>USA</td>
<td>Libra Technical Center, LLC</td>
<td>?</td>
</tr>
<tr>
<td>VeÓleo</td>
<td>TPC</td>
<td>Colorimetric test kit</td>
<td>Portugal</td>
<td>CFPSA</td>
<td>?</td>
</tr>
<tr>
<td>CAPSens 5000</td>
<td>TPC</td>
<td>Uses a sensor to test a little sample of the oil, showing the result in the display.</td>
<td>Switzerland</td>
<td>C-CIT Sensors AG</td>
<td>China</td>
</tr>
</tbody>
</table>

Fonte: Elaborado pelo autor em conjunto com Sofia Almeida
<table>
<thead>
<tr>
<th>Produto</th>
<th>Descrição</th>
<th>Distribuidor</th>
<th>Cidade</th>
<th>Preço</th>
<th>Fonte</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M™ Low Range Shortening Monitor</td>
<td>-</td>
<td>Shenzhen-dia Trading Company (Yu Xiaofeng)</td>
<td>Guangdong</td>
<td>990.00¥</td>
<td>128.30€</td>
<td><a href="http://detail.1688.com/offer/1211940273.html">http://detail.1688.com/offer/1211940273.html</a></td>
</tr>
<tr>
<td>3M™ PCT 120 oil tester</td>
<td>1 caixa com 4 embalagens. 160 Tiras</td>
<td>Shenzhen Electronic Technology Co. Knocks</td>
<td>Guangdong</td>
<td>930.00¥</td>
<td>120.53€</td>
<td><a href="http://detail.1688.com/offer/36289774309.html">http://detail.1688.com/offer/36289774309.html</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td>VeÓleo</td>
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Fonte: Elaborado pelo autor em conjunto com Sofia Almeida

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<th>02/12/2014</th>
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<td>7,5752</td>
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<td>7,6673</td>
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</table>

Dear Sir or Madam,

We are Castro Pinto & Costa (CPC), a Portuguese company specialized in food safety and we would like to present to you our product - OleoTest®.

During the deep-fat frying process several chemical reactions take place leading to the formation of polar compounds, substances extremely harmful to human health. For this reason, Total Polar Materials (TPM) are the legal parameter established by several countries to assess the level of frying oil degradation, prohibiting the sale of food prepared in oils having a quantity greater than 25% of TPM.

OleoTest® is a certificated and innovative method developed by our company to test the quality of edible frying oil, by measuring the % of TPM in an easy and simple way. OleoTest® is currently exported to a large number of countries and used by all type of F&B services as well as official entities (e.g. European Food Safety Agencies) in inspection actions. OleoTest® is also an important tool and complement of HACCP, ISO, BRC, IFS, EA PAS FSSC 22000 220 systems and Codex Alimentarius requirements.

Food safety is one of the main topics in today society, therefore, we would like to show our willing to become one of (name of the company) suppliers. We would be thrilled to have an opportunity to discuss with you the features of OleoTest® and the major advantages of a possible partnership between our companies.

For more information on OleoTest® please see the attached presentation and do not hesitate to contact us. You can also check our website: http://www.oleotest.com/.

We look forward to hear from you soon!

Thank you for your consideration.

Best Regards,

Pedro Matos

T: +351 229 952 036
M: geral@oleotest.com

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Annex J. Culture insights

Cultura Chinesa

A China é um país extremamente desafiante para as PME’s que pretendam conquistar o seu mercado interno. Para além da língua, enfrentem diferenças culturais, formas de trabalho distintas, e diferenças na comunicação, na construção de relações de confiança e a nível legal e regulatório (Aicep, 2014a).

De origem agrária, a China valoriza a harmonia na sociedade, resultado da necessidade de interajuda, fundamental para necessária para resistir a tempos mais difíceis. A cultura chinesa é profundamente influenciada por Confúcio, filosofia tradicional chinesa, na qual a hierarquia tem um papel relevante como forma de obter harmonia na sociedade. Presente nas diversas áreas da sociedade, está enraizada nana forma de fazer negócios, já que existe uma certa aversão ao conflito, e procura-se sempre manter um comportamento cordial e a preservar a “cara”. Outra influência presente na cultura chinesa consiste na filosofia de Lao Tzu, filósofo chinês, que refere a importância do equilíbrio, o meio-termo, o compromisso, designado de Tao, fundamental para a vida. Resultado desta filosofia é a grande preocupação dos chineses com os meios, mais do que com os fins. O processo ganha mais importância do que o objetivo final, sendo importante fazer compromissos durante todo o processo de negociação de forma a atingir-se sempre o equilíbrio (Centre, 2013).

Valores culturais e formas de pensar

<table>
<thead>
<tr>
<th>Europeia</th>
<th>Chinesa</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Individualista</td>
<td>• Coletivista</td>
</tr>
<tr>
<td>• Igualitária (igualdade)</td>
<td>• Hierárquica</td>
</tr>
<tr>
<td>• Orientada para a informação</td>
<td>• Orientada para o Relacionamento (guanxi)</td>
</tr>
<tr>
<td>• Busca a verdade</td>
<td>• Procura o caminho</td>
</tr>
<tr>
<td>• Cultura do argumento</td>
<td>• Cultura de negociação</td>
</tr>
</tbody>
</table>

Fonte: EU SME Centre, Negotiating and dealing with Chinese business partners (2013).
Diferentes abordagens ao processo de negociação

<table>
<thead>
<tr>
<th>Europeia</th>
<th>Chinesa</th>
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<tbody>
<tr>
<td><strong>Primeiras conversações / abordagem</strong></td>
<td></td>
</tr>
<tr>
<td>Reuniões rápidas</td>
<td>Processo longo</td>
</tr>
<tr>
<td>Informal</td>
<td>Formal</td>
</tr>
<tr>
<td>Frioeza distanciamento (cold calls)</td>
<td>Intermediários</td>
</tr>
<tr>
<td><strong>Intercâmbio de informação</strong></td>
<td></td>
</tr>
<tr>
<td>Autoridade completa</td>
<td>Autoridade limitada</td>
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<tr>
<td>Direto</td>
<td>Indireto</td>
</tr>
<tr>
<td>Propostas primeiro</td>
<td>Explicações primeiro</td>
</tr>
<tr>
<td><strong>Meios de persuação</strong></td>
<td></td>
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<tr>
<td>Agressivo</td>
<td>Interrogatório</td>
</tr>
<tr>
<td>Impaciente</td>
<td>Duradouro</td>
</tr>
<tr>
<td><strong>Termos do acordo</strong></td>
<td></td>
</tr>
<tr>
<td>Procura um bom negócio</td>
<td>Uma relação duradoura</td>
</tr>
</tbody>
</table>

Fonte: EU SME Centre, Negotiating and dealing with Chinese business partners (2013).

Recomendações para Negociar com o Mercado

Dadas as diferenças profundas entre culturas, é importante ajustar a mentalidade, ser ciente das diferenças, e ir ao mercado de mente aberta (Aicep, 2014b).

Relacionamento interpessoal

Gerir a “cara” (mianzi)

A característica mais importante da cultura chinesa é a preocupação em «não perder a cara». Na cultura de negócios chinesa, a cara, define o lugar da pessoa na sua rede de conhecimentos, no seu network. Combina o estatuto social, prestígio e a reputação ao nível da integridade e moralidade. A posição social, respeito, e honra pessoal são muito importantes na China. A “cara” pode ser refletida em diversos aspetos, tais como a riqueza, inteligência, atratividade, competências, posição e claro boas relação (guanxi). Pode ser conquistada, salva, dada, perdida ou tirada. Quebrar promessas ou demonstrar falta de educação, impaciência,
frustração ou mesmo agressividade durante o processo de negociação, resulta numa perda mútua de cara, podendo resultar no fim das negociações dada a perda de confiança (Centre, 2013).

Reuniões

Na China, as reuniões iniciam-se com o normal aperto de mão e um ligeiro aceno com a cabeça. Devendo todos os movimentos ser feitos de forma calma e serena. A pontualidade é também um ponto fundamental dos negócios na China. O atraso é considerado um desrespeito e é aconselhável chegar às reuniões com antecedência de forma à reunião começar à hora marcada.

A primeira pessoa a ser cumprimentada é a mais velha, sendo também quem inicia as apresentações, que por norma são formais. Deve ser referido em primeiro lugar o cargo e a empresa, seguido do sobrenome e do nome. Os graus e títulos profissionais e académicos são de grande importância na cultura de negócios.

As reuniões devem ser iniciadas com uma breve conversa informal, sobre por exemplo, as experiências no país, sítios visitados, ou outros eventos, sempre em tom positivo, devendo ser evitados assuntos políicos. Os chineses tem orgulho no seu país, sendo valorizado o conhecimento de factos históricos e culturais. De forma a não perder a face, todas as discussões e diferenças de opinião devem ser evitadas, mesmo com um membro da sua própria equipa. Nunca contradiza ou diga a palavra “não” de forma direta, é considerado rude e arrogante.

Os chineses são negociadores difíceis, procurando concessões durante todo o processo, o que mostra o compromisso nas negociações e a vontade em fazer negócio. Não gostam de ser pressionados, sendo necessário ter paciência e nunca mostrar expressões negativas, raiva ou frustração (Centre, 2013).

Cartão de visita

Sempre que se entrega um cartão-de-visita, devem ser usadas as duas mãos, com o lado escrito virado para a pessoa a quem se entrega. Devem também ser recebidos com as duas mãos. Depois de recebido, não deve ser guardado imediatamente, mas sim colocado sobre a mesa, o que pode ser útil para relembrar o nome de algum dos intervenientes. Devem ser impresos em inglês de um lado e mandarim do outro (Centre, 2013).
Processo de Negociação

Para que a comunicação seja o mais eficaz possível, é importante fazer uso do máximo número de canais de comunicação. Sendo boa prática ter presente na equipa mais do que uma pessoa que fale mandarim, já que a tradução é muitas vezes um desafio. Negociar com parceiros chineses é um processo longo, sendo normal estabelecer-se relações de amizade ou serem discutidos vários assuntos de natureza pessoal, o que promove a criação de relações de confiança.

A hierarquia é extremamente valorizada na China, é assim, importante negociar diretamente com os decisores de topo, desde o início das negociações. As negociações devem ser geridas de forma a não encravarem num determinado assunto, nem investir demasiado tempo e recursos num único tema. Os chineses tem uma abordagem holística às negociações, e nada está decidido até a decisão final ser tomada, estando focados no todo, mais do que nos detalhes (Centre, 2013).

Gestão de conflitos

Os negócios na China são muitas vezes caracterizados pelos conflitos e disputas, dado procurar-se sempre o melhor negócio possível, o que envolve negociações bastante duras nas quais são testados vários limites. É no entanto, crucial saber manter a “cara”, já que os chineses não gostam de mostrar as suas emoções. Dada a importância da harmonia na cultura, os conflitos devem ser evitados, através de concessões, e procurando terminar as negociações com boas relações entre as partes, designado de “xi shi ni ren”. Caso o conflito seja inevitável aconselha-se a negociar o fim das relações, não sendo possível resolver através de negociação pelos intervenientes, deve ser utilizada a mediação de uma terceira parte neutra que ajude a apaziguar o conflito. É assim, crucial incluir sempre uma cláusula de arbitragem, que normalmente inclui um tribunal de arbitragem internacional aceite por ambas as partes (Centre, 2013).

Etiqueta
Dadas as barreiras linguísticas, é importante ter consciência da dificuldade dos intrevenientes num processo de negociação, em perceber o que está a ser transmitido. O mandarim é uma língua extremamente complexa, devendo ser feito o uso de um tradutor sempre que uma das partes não domine a língua.

Para eliminar possíveis falhas na comunicação, é recomendada a utilização de uma linguagem simples e pausada. O intérprete deve estar informado sobre os objetivos da reunião, e dos aspectos mais técnicos que possam ser discutidos. Deve também conhecer os produtos e serviços da empresa, de forma a poder interceder de forma objetiva (Aicep, 2014b). Na cultura chinesa, o “sim”, pode não significar que concorda com o que está a ser discutido, mas apenas que entende o que está a ser dito, ou que o ponto de vista ou a ideia estão a ser entendidos. Várias culturas asiáticas utilizam os presentes como forma de mostrar respeito, sendo prática também comum na China. Os presentes devem ir ao encontro dos interesses das duas partes, por norma, coisas simples, relativas a tradições ou ao local de origem dos intervenientes (Centre, 2013). No caso de Portugal, vinho, azulejos e louça são boas opções. Evite oferecer apenas uma unidade e abrir os presente na presença de quem os oferece e procure adoptar uma forma de vestir formal (Aicep, 2014b). Na China atribui-se uma importância extrema à diferença de idades, à rede de contactos e ao estatuto que cada um tem na organização. Para garantir o sucesso da missão empresarial, é fundamental ter a certeza que os representantes da sua empresa estão ao mesmo nível hierárquico dos interlocutores chineses (Aicep, 2014b).

References

Centre, E. S. (2014b). Exporting goods, services and technology to the Chinese market. In: CENTRE, E. S. (ed.) Are you ready for China?


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