

BUILDING THE ECONOMIC BASE: TRADABLE SERVICES

A Discussion Paper
by
Michael A. Goldberg

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Building the Economic Base: Tradable Services

1. BACKGROUND, CONTEXT AND OVERVIEW

The Shift to Services and Their Potential as Vibrant Export Sectors and Economic Growth Contributors

The service sector, despite its dominance in developed economies, is still all too often thought of as a supporting element in national and regional economic growth and development, particularly vis-à-vis exports. Yet, the wealth of many of the world's leading regions is based on the export of services, not resources or manufactured goods. In the *2008 MasterCard Worldwide Centers of Commerce Index* (MasterCard Worldwide (2008)) the top 10 cities were largely service not manufacturing centers, i.e., numbers one and two: London and New York.

Accordingly, this paper looks at a broad range of tradable services that can and should form a powerful element of the British Columbia export economy in the medium and longer term future. The paper proceeds by identifying the specific services that comprise BC's tradable service sector. We examine their past and current contributions to the BC economy and its export base while noting further opportunities to export these services.

Following this introduction the focus turns to the factors shaping the outlook for tradable services to 2020 including the broad trends and the economic setting shaping the medium-term outlook. Of special interest are the potential actions and responses needed to help long-term opportunities including public policy, institutional, attitudinal and practical improvements to yield prosperity and success in the sector, particularly its position in the BC 2020 economy.

a. Identifying and defining the tradable services of interest and relevance for BC going forward

Tradable services represent an extremely diverse group of economic sectors. They are also extremely difficult to measure so that tradable services reporting groups them into a small number of measurable aggregates. These data restrictions limit our analysis of the importance of these sectors to the reported aggregates. However, subsequently we will explore more disaggregated service data to discuss their potential and future for British Columbia.

The 10 groups of services of interest as currently or potentially tradable include:

- Education (ESL, Primary, Secondary, Post-secondary (undergraduate and graduate degrees, professional diplomas, and training-trade certification))
- Health (consulting and selling health services)
- F.I.R.E. (Finance, Insurance and Real Estate)
- Architectural and engineering services including mining, pulp and materials movement and port development engineering
- ICT and New Media

- Producer Services (i.e., Business Consulting, Marketing, Management, Accounting, Legal, etc.)
- Maritime services
- Transportation and logistics
- Government services
- Cultural industries

There are some obvious and very important services excluded from this list such as Tourism which is the subject of its own paper in the *Opportunity BC 2020 Series*. Education, Creative and Cultural Industries, and ICT/New Media are also the subject of their own specific papers in the *Opportunity BC 2020 Series* so that their treatment here is necessarily briefer and seen in the specific context of exporting these services, not their broader roles and characteristics in the BC economy. Essentially, the key tradable services of interest here are what the WTO calls *commercial services* and others have broadly referred to as *producer services*, although we go beyond narrowly defined producer services to include education, health, transportation, cultural and government services as well.

Despite the enormous variety of these services, for statistical purposes, tradable services are lumped into the following four major groups and reported quarterly by Statistics Canada at the national level¹: travel; transportation; commercial services; and government services. Reporting of international trade exports in services at the provincial level is much more sporadic and much less detailed. In our discussion below, we rely heavily on Finlayson and Peacock (2004) and Hodgson and Tomlin (2006) to establish the importance of tradable services quantitatively, before moving on to a more qualitative discussion of the future opportunities specific tradable services can seize for BC going forward.

Table 1 sets out World Trade Organization data on global trade in “Commercial Services,” as well as Canada’s commercial service trade. Commercial services exports globally increased 6.2 times between 1987 and 2007 but Canada’s exports only grew 4.9 times, slightly higher than the 4.7 times growth in our import of these services. From these data, and others presented shortly, we will see that Canada lags in the export of services, suggesting significant opportunities for Canada and BC to export an array of commercial and other services.

¹ For details on these reporting issues relative to tradable services, see Jock Finlayson and Ken Peacock, A Primer on BC’s International Export of Services, (Vancouver, BC: Business Council of British Columbia), April 2004, pp. 4-6.

Table 1: Trade in Commercial Services in US Dollars at current prices (\$ millions)

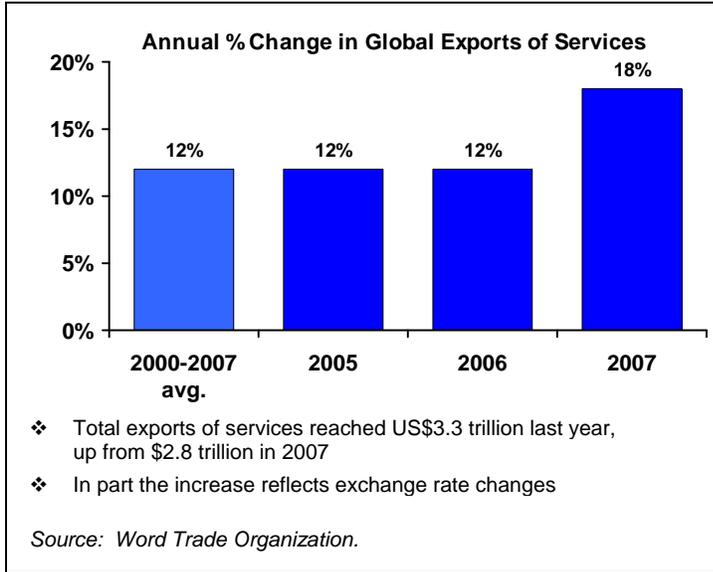
| Reporter | Flow | Indicator | Partner | 1987 | 1992 | 1997 | 2002 | 2007 | 1987-2007 Chg % |
|----------|---------|--|---------|--------|--------|---------|---------|---------|-----------------|
| World | Exports | Commercial services (Services excl. government services) | World | 531400 | 924300 | 1307100 | 1593800 | 3291500 | 519% |
| World | Exports | Transportation | World | 154100 | 244200 | 317100 | 360400 | 749900 | 387% |
| World | Exports | Travel | World | 175700 | 319100 | 437000 | 485300 | 857100 | 388% |
| World | Exports | Other commercial services (Commercial services - Travel & Transport) | World | 201600 | 361000 | 553100 | 748200 | 1684500 | 736% |
| World | Imports | Commercial services (Services excl. government services) | World | 543900 | 947300 | 1282900 | 1556700 | 3085900 | 467% |
| World | Imports | Transportation | World | 184500 | 288200 | 371700 | 417400 | 891700 | 383% |
| World | Imports | Travel | World | 171000 | 314700 | 394000 | 448900 | 777200 | 355% |
| World | Imports | Other commercial services (Commercial services - Travel & Transport) | World | 188400 | 344400 | 517200 | 690400 | 1417100 | 652% |
| Canada | Exports | Commercial services (Services excl. government services) | World | 12425 | 20030 | 30724 | 39567 | 61439 | 394% |
| Canada | Exports | Transportation | World | 2910 | 4329 | 6069 | 7055 | 11683 | 301% |
| Canada | Exports | Travel | World | 4369 | 6548 | 8819 | 10687 | 15623 | 258% |
| Canada | Exports | Other commercial services (Commercial services - Travel & Transport) | World | 5146 | 9153 | 15836 | 21824 | 34133 | 563% |
| Canada | Imports | Commercial services (Services excl. government services) | World | 16946 | 30080 | 37528 | 44455 | 80300 | 374% |
| Canada | Imports | Transportation | World | 3996 | 6604 | 8249 | 9206 | 18913 | 373% |
| Canada | Imports | Travel | World | 5656 | 11841 | 11480 | 11722 | 25134 | 344% |
| Canada | Imports | Other commercial services (Commercial services - Travel & Transport) | World | 7295 | 11635 | 17800 | 23527 | 36253 | 370% |

Source: World Trade Organization,

http://stat.wto.org/StatisticalProgram/WSDViewDataPrintableVersion.aspx?Language=E&TOPIC=BP&SUBTOPIC=BC&PA GEINDEX=1&ROWSCNT=30&STARTYEAR=1987&ENDYEAR=2007&MSTR_QUERY_TYPE=PRINT

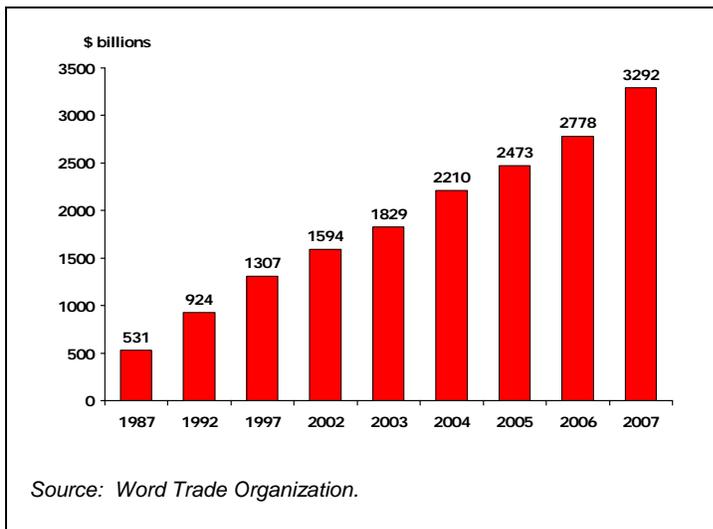
Chart 1 displays the growth of world service exports graphically and shows that not only have service exports been growing but they have been growing at an increasing rate in the most recent year, 2007.

Chart 1 World Exports of Services



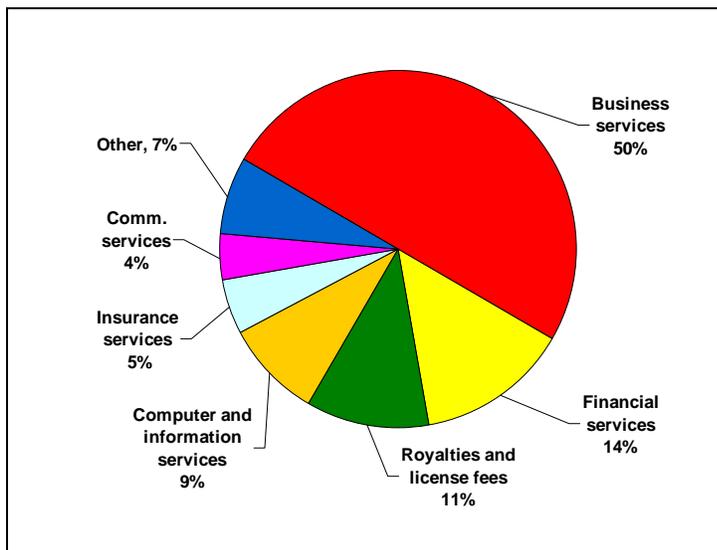
Within this overall picture of world service exports the most important category is broadly defined Commercial Services. Accordingly, Chart 2 shows the growth of these commercial services over the 20 year period from 1987 to 2007.

Chart 2: Growth of World Exports of Commercial Services, 1987-2007



To get a better picture of these Commercial Services, Chart 3 depicts the composition of these services. From Chart 4 it is clear that business services represent half of all commercial services and in turn include such services as business and management consulting, accounting, legal and related services.

Chart 3 Composition of World Exports of Commercial Services, 2006



Looking at commercial services from a different perspective, that of the world’s leading service exporters and importers offers an interesting picture. Chart 4 sets out the leading global commercial service traders in 2006 according to their share of world trade in these services. The European Union is the world’s leading exporter and importer of commercial services, while Canada at 2.3% share of exports and 2.8% share of imports is a lagging player in world commercial service export trade, well behind our neighbouring US which holds 15.4% of exports and only 11.4% of imports creating a large trade surplus.

Chart 4 Leading Global Traders in Commercial Services 2006 (share of global trade)

| Exporters | | Importers | |
|-------------|-------|-----------|-------|
| EU | 49.6% | EU | 48.2% |
| US | 15.4% | US | 11.4% |
| China* | 5.4% | Japan | 5.3% |
| Japan | 5.0% | China* | 3.5% |
| India | 4.2% | Canada | 2.8% |
| Switzerland | 2.5% | India | 2.6% |
| Canada | 2.3% | Korea | 2.3% |
| Korea | 1.4% | | |

* Includes Hong Kong
 Source: World Trade Organization.

Exploring Canada's international trade in services in more detail, Chart 5 shows that the share of services in Canadian trade from 1990 to 2004 declined supporting the export primacy of commodities and manufacturing.

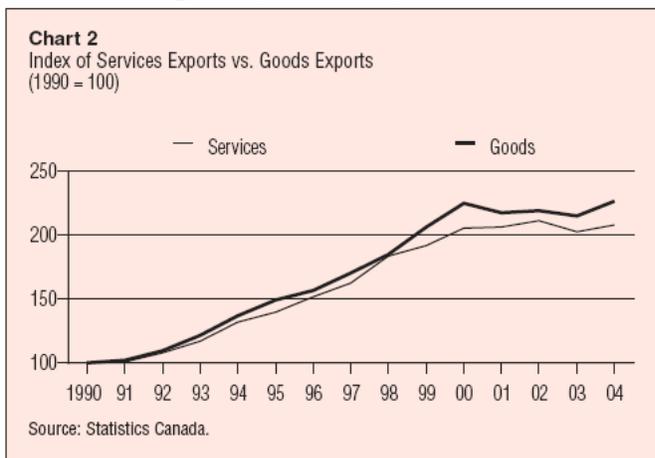
Chart 5 Canadian Service Exports as a Share of Total Exports



Source: Hodgson and Tomlin, 2006, page 5.

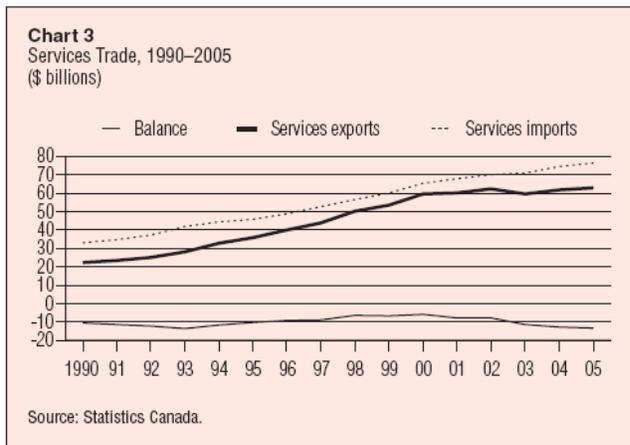
Charts 6 and 7 offer additional detail and reveal that Canada has been running a deficit in services despite a tripling in the value of service exports during the period. The deficit in services trade has been increasing in the current decade.

Chart 6 Index of Service Exports vs. Goods Exports (1990=100)



Source: Hodgson and Tomlin, 2006, page 5.

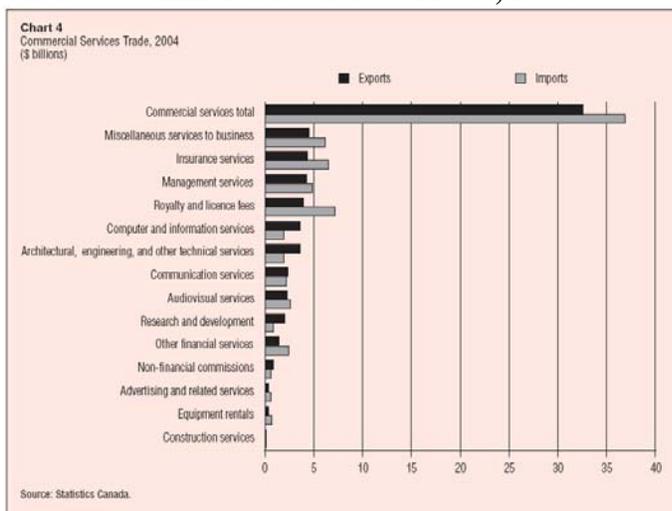
Chart 7 Services Trade, 1990-2005



Source: Hodgson and Tomlin, 2006, page 6.

Chart 8 offers a detailed breakdown of the diverse services covered by Statistics Canada in its most recent survey of international trade in services (March 2006) and reported on in Hodgson and Tomlin (2006). Miscellaneous services to business, insurance services and management services are the largest service export sectors each with just under \$5 billion in export revenues in 2004. However, the strongest net exporters (exports minus imports) by far are high value knowledge-based “Computer and information services” and “Architectural, engineering, and other technical services” suggesting that Canada has a significant comparative advantage in these unheralded services.

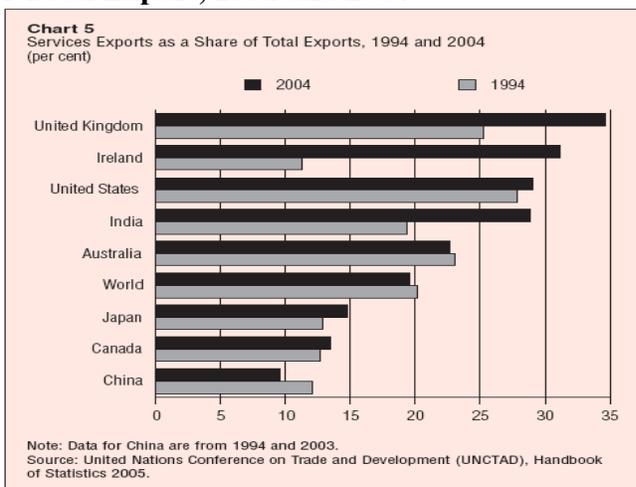
Chart 8 Commercial Services Trade, 2004



Source: Hodgson and Tomlin, 2006, page 6.

Chart 9 shows Canada's relative performance. The share of services in exports is well below the world average (13% vs. nearly 20% for the world), showing our dependence on commodities and manufacturing, notably automobiles.

Chart 9 Service Exports as a Share of Total Export, 1994 and 2004



Source: Hodgson and Tomlin, 2006, page 7.

Our success to date in exporting commodities and selected manufactured items such as autos and auto parts explains our slowness in addressing tradable services, a situation that is already costing us significantly. The battering that the Central Canadian manufacturing belt is currently taking, and the periodic resource and agricultural product busts in the West, both point to the need to dramatically diversify our export base to include high value added services. In many of these we are already global leaders such as in engineering and architectural services notably those with environmental and “green” building foci. We can and do compete very well in certain sectors and possibilities abound to compete and excel in many others services as well.

| | 2004 millions \$ | 2002 millions \$ | 1998 millions \$ | Share of total 2004 (%) | Growth 1998-2004 (%) |
|------------------------|---------------------|---------------------|---------------------|-------------------------------|----------------------------|
| Total Services | 61,816 | 58,323 | 50,223 | 100.0 | 23.1 |
| Travel | 16,709 | 16,731 | 14,019 | 27.0 | 19.2 |
| Transportation | 11,053 | 10,831 | 9,143 | 17.9 | 20.9 |
| Commercial Services | 32,540 | 29,312 | 25,882 | 52.6 | 25.2 |
| Government services | 1,513 | 1,448 | 1,180 | 2.4 | 28.2 |

Source: Statistics Canada Catalogue 67-203 / CANSIM Table 376-0033.

Looking at Canada's export of commercial services specifically, as is done in Chart 10, we see that by far the largest group of such services is "Other Business Services" a grab-bag which includes leasing, professional services, technical and scientific services, research and development services, and advertising-marketing. At US\$14.5 billion in 2005 this service group represented half of the US\$28.3 billion of Canada's commercial service exports in 2005. Canada did well in the export of "Computer and information services" at US\$3.9 billion but poorly in the export of "Financial services" with a value of only US\$1.6 billion.

Chart 10 Canadian Exports of Selected Commercial Services 2005 (billions of US dollars)

| | |
|------------------------------------|-----------|
| Other business services* | \$14.5 bn |
| Computer and information services | \$3.9 bn |
| Insurance services | \$3.2 bn |
| Receipts of royalties/license fees | \$2.9 bn |
| Communications services | \$2.2 bn |
| Financial services | \$1.6 bn |

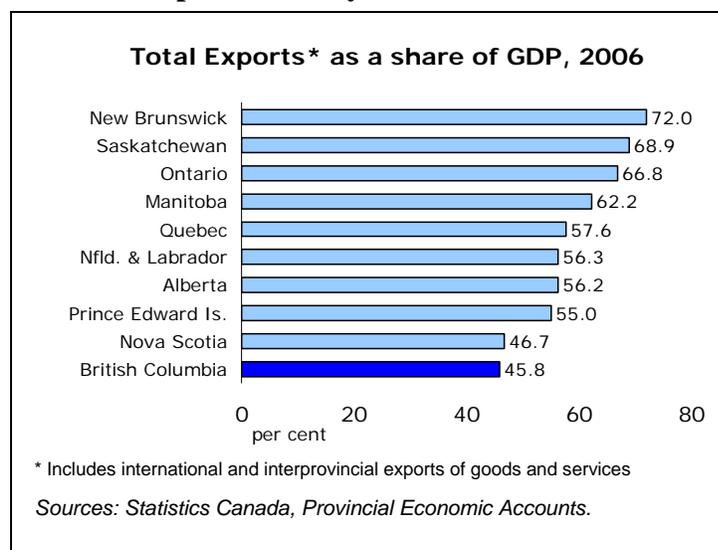
* Includes leasing, professional services, technical and scientific services, research and development services, and advertising/marketing.

Source: World Trade Organization.

International service export data is poor and infrequently reported even at the national level. Provincially the situation is much worse; with 2004 the last year reported and only disaggregated under four groups as shown in Table 2 above.

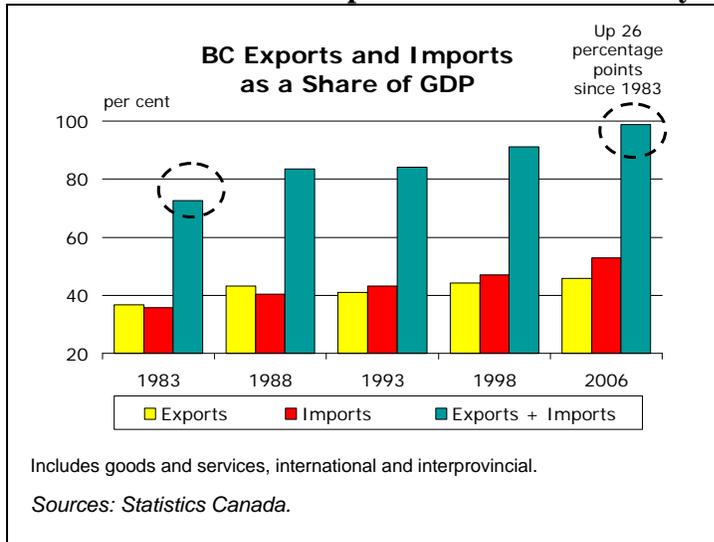
Chart 11 sets out the overall Export Intensity of each of the provinces. British Columbia is the least export intensive of the provinces. Seen another way, BC is the least dependent on exports of Canada's provinces.

Chart 11 Export Intensity



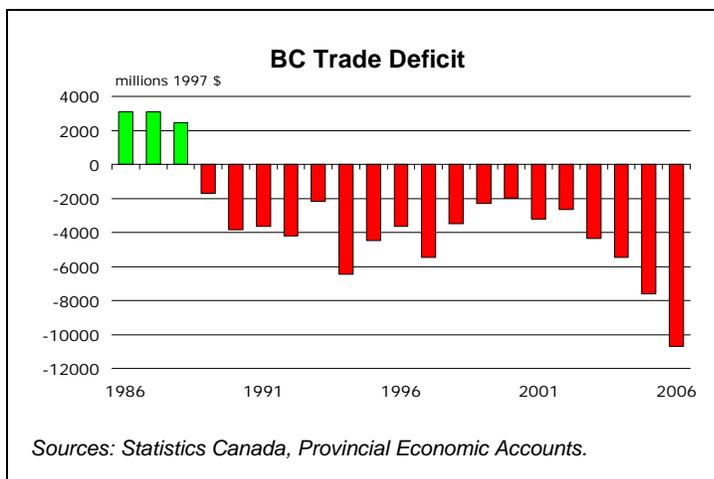
However, while BC is the least export intensive province, as Chart 12 shows, we have become much more dependent upon international trade as a portion of provincial GDP over the past quarter century. Exports and Imports combine to equal almost 100% of BC's GDP in 2006 compared with just over 70% in 1983.

Chart 12 Trade More Important to BC's Economy



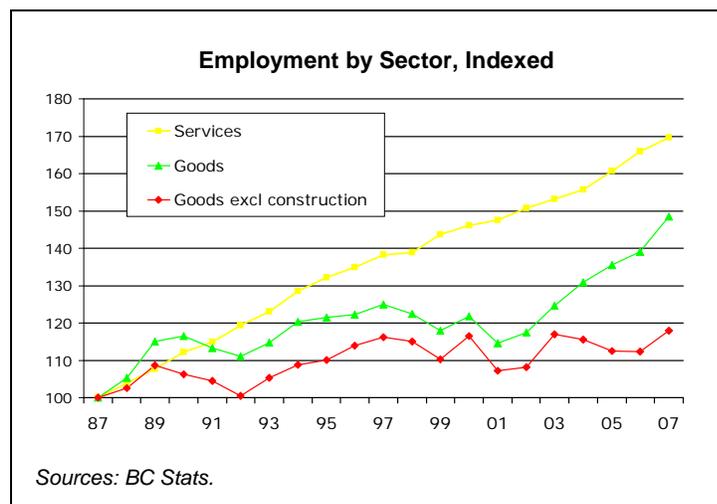
And, we have been running ever larger trade deficits as shown in Chart 13. The BC trade balance has been worsening significantly since 1989 when we began running trade deficits, exceeding C\$10 billion for the first time in 2006.

Chart 13 A Widening Trade Deficit



The structure of BC's exports is heavily dependent on goods which comprise 75% of our exports and include: Resource industries; resource processing; secondary manufacturing; and high tech manufacturing. In contrast, the 25% of exports in services are broadly based and span: Business/commercial services; financial services; communications (e.g., call centres); culture and entertainment services; other high tech services (data processing, computer systems design, software); professional services (engineering, law, accounting, architecture); transportation (mostly linked to trade in goods); maritime-related services; royalties/license fees; and education services. Moreover, services play an increasingly important role in BC exports as seen in Chart 14.

Chart 14 Services Play a Growing Role in BC's Economy



Despite the paucity of provincial data, we can draw several conclusions about the export of services from BC based upon Finlayson and Peacock (2004). The BC economy is highly service based, with three-quarters of provincial GDP comprised of services, the highest among all the provinces. This strong service sector reflects itself in our export profile. For example, the value of our international merchandise exports is only 3.7 times greater than our international services exports. For Canada, the ratio is 7.3 while for Alberta it is roughly 12.² Recalling that their data were for 2002, our relatively lower merchandise-to-services export ratio could have been the result of the then softwood lumber dispute, the sluggish economic conditions in Japan, and the then low real commodity prices, all potentially reducing BC international goods exports (except energy) for the 1990-2002 period.

In the absence of hard data on the export of tradable services by sector, we can at least review some information on the importance of the service sector to the BC economy in general, if not for exports specifically. This will give us a rough idea of the role of these services generally in creating provincial GDP, even if we cannot explore their role in exports *per se*. We can then move on to discuss in broad conceptual terms the opportunities that exist to export the services of interest to us here as a basis for moving provincial tradable services into the global trade arena.

² See Finlayson and Peacock (2004), page 5.

b. An overview of the key role of services in the British Columbia economy

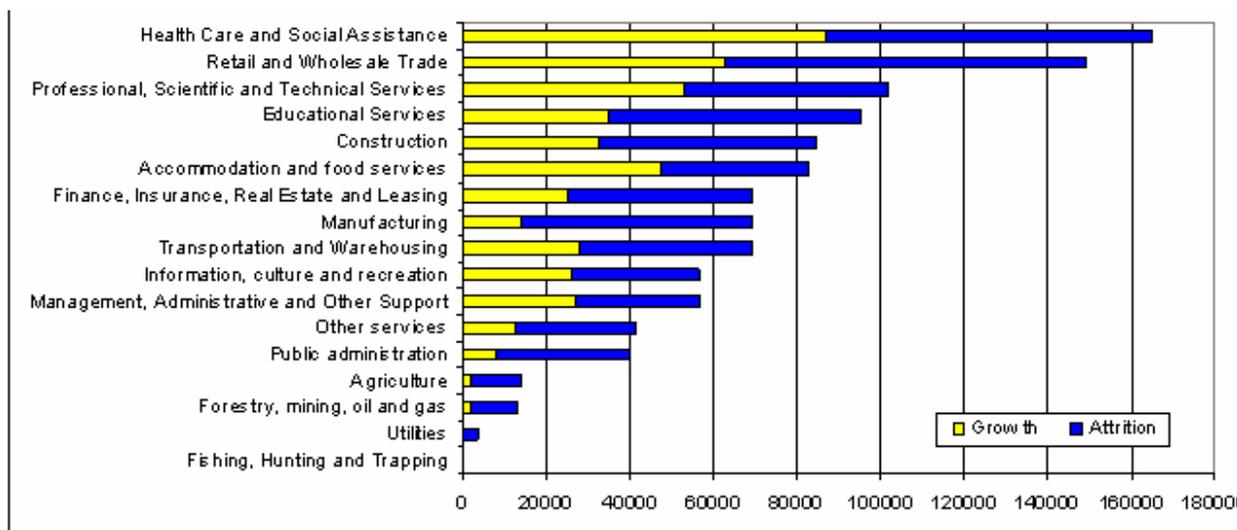
Services represent an increasingly important component of the British Columbia economy. Tables 3 and 4 present two different, but mutually reinforcing, pictures of the centrality of service industries in BC.

Table 3 looks at employment in each of the province’s major goods and service producing sectors in October 2007 and October 2008. We can see that even during the resource boom period from October 2007 to September 2008 that goods producing employment represented between 21.9% and 22.1% of total employment, dropping to 21.6% in October 2008. Service employment thus accounts for nearly 4 out of 5 jobs in the province.

Table 4 sets out an alternative view of the contribution of various service industries to provincial GDP between 1997 and 2007. Over the decade services increased from 74.4% of provincial GDP in 1997 to 76.0% in 2007, growing by 37.9% compared with a growth rate of 32.8% for goods over the period. Thus, the output of services grew more rapidly than the output of goods and thus increased its share of provincial GDP.

Within services, the most rapidly growing were: Wholesale Trade (67.8%); Retail Trade (53.0%); Information and Cultural Industries (69.1%); and Professional, Scientific and Technical Services (50.6%). [The 1997-2007 growth rates are shown in parentheses]. Indeed, beyond these historic data it is important to note that employment projections suggest that service industries will be even more vital in the future as they will account for the bulk of net job growth going forward as shown in Chart 15.

Chart 15: Projected Employment by Major Industry Groups, British Columbia (2005-2015)



Source: *British Columbia Stats: COPS BC Unique Scenario for 2005 to 2015*, (Victoria, BC and Ottawa, ON: BC Stats and Statistics Canada), February 2007, page 5.

Services can essentially be grouped into three categories given our focus here on tradable services. The first comprises services for which exports represent a sizable, or at least rising, portion of output (transportation and insurance services; professional services; engineering; other parts of finance; some components of education). The second category is services for which exports are a small and at most a very slowly growing share of output/activity (e.g., retail and accommodation/foods services, where tourism is responsible for some of the activity). The third and final category of services is comprised of services which are almost wholly sold and consumed in local markets (e.g., construction, government services, and health – although the latter could support some growth in exports with the right policies and institutional arrangements). Also, note that many service industries that are primarily domestically focused, such as law and accounting firms, depend on export-oriented BC industries as a source of demand but have developed skills to export these services on their own to similar export industries globally.

The data in Tables 3 and 4 do not provide us with specific insights into the proportion of these services that were exported internationally. However, we can make some inferences about tradable service international exports by looking at the 2004 and 2007 GDP columns since we do have service export data for 2004 which appear in Table 5.

From that Table we see that the province has run a trade deficit in every one of the years shown in the table through to 2008. While the deficits are not huge, they do drag down provincial income and highlight the value that buoyant service exports could yield for BC by turning the deficit into a trade surplus. We can also note virtually all of the services in Table 2 have export potential. Interestingly, and very much in keeping with the argument in this paper, BC has run a consistent international trade surplus in Services for the entire period shown from 1997 through 2008, reinforcing the opportunities to bolster international service exports and in the process boost provincial GDP as well.

Above, we posited that the higher percentage of service exports in BC compared with other provinces in 2004 (the most recent year available for provincial service export data) could have been the result the low levels of resource exports and troubles in the BC forest and mining industries in that year. However, proportions of service industry GDP in 2004 were not basically different from those in 2007 when the resource sector was booming, suggesting that our inference was not necessarily the reason why BC's proportions of service exports in 2004 were above those of all the other provinces. In the absence of better data, BC's high proportion may have resulted from the relatively greater success BC enjoys in exporting services compared with the rest of Canada.

Table 3: Employment by major industry groups, seasonally adjusted, by province (monthly) (BC in ())

| | October 2007 | September 2008 | October 2008 | September 2008 to October 2008 | October 2007 to October 2008 |
|--|---------------------------|------------------------|------------------------|-----------------------------------|---------------------------------|
| | \$ `000`'s (% employment) | | | % change | |
| British Columbia - All industries | 2,275.5 (100.0) | 2,319.4 (100.0) | 2,311.1 (100.0) | -0.4 | 1.6 |
| Goods-producing sector | 498.5 (21.9%) | 512.4 (22.1%) | 499.9 (21.6%) | -2.4 | 0.3 |
| Agriculture | 40.7 (1.8%) | 32.3 (1.4%) | 31.2 (1.4%) | -3.4 | -23.3 |
| Forestry, fishing, mining, oil and gas | 47.1 (2.1%) | 43.9 (1.9%) | 42.2 (1.8%) | -3.9 | -10.4 |
| Utilities | 12.7 (0.5%) | 14.5 (0.6%) | 15.1 (0.7%) | 4.1 | 18.9 |
| Construction | 194.7 (8.6%) | 235.3 (10.1%) | 228.8 (9.9%) | -2.8 | 17.5 |
| Manufacturing | 203.4 (8.9%) | 186.4 (8.0%) | 182.8 (7.9%) | -1.9 | -10.1 |
| Services-producing sector | 1,777.1 (78.1%) | 1,807.0 (77.9%) | 1,811.2 (78.4%) | 0.2 | 1.9 |
| Trade | 372.7 (16.4%) | 346.6 (14.9%) | 345.7 (15.0%) | -0.3 | -7.2 |
| Transportation and warehousing | 123.8 (5.4%) | 129.0 (5.6%) | 129.3 (5.6%) | 0.2 | 4.4 |
| Finance, insurance, real estate & leasing | 142.6 (6.3%) | 148.9 (6.4%) | 151.2 (6.5%) | 1.5 | 6.0 |
| Professional, scientific & technical services | 161.8 (7.1%) | 169.6 (7.3%) | 170.1 (7.4%) | 0.3 | 5.1 |
| Business, building & other support services ¹ | 100.8 (4.4%) | 100.1 (4.3%) | 97.1 (4.2%) | -3.0 | -3.7 |
| Educational services | 158.3 (7.0%) | 157.8 (6.8%) | 161.0 (7.0%) | 2.0 | 1.7 |
| Health care and social assistance | 243.7 (10.7%) | 253.0 (10.9%) | 255.3 (11.0%) | 0.9 | 4.8 |
| Information, culture and recreation | 114.4 (5.0%) | 120.8 (5.2%) | 114.9 (5.0%) | -4.9 | 0.4 |
| Accommodation and food services | 171.4 (7.5%) | 174.6 (7.5%) | 172.5 (7.5%) | -1.2 | 0.6 |
| Other services | 90.1 (4.0%) | 106.1 (4.6%) | 107.0 (4.6%) | 0.8 | 18.8 |
| Public administration | 97.3 (4.3%) | 100.4 (4.3%) | 107.2 (4.6%) | 6.8 | 10.2 |

1. Formerly Management of companies, administrative and other support services. **Source:** Statistics Canada, CANSIM table [282-0088](#). Last modified: 2008-11-07.

Table 4: British Columbia Service Sectors and Their Contribution to GDP – 1998-2008***

| Industry Sector | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|----------------|---------|---------|---------|---------|----------------|---------|---------|---------|---------|-----------------|
| Wholesale Trade (42.8%) | (4.7%) 5,355 | 5,394 | 5,567 | 5,656 | 5,969 | (4.8%) 6,258 | 6,430 | 6,761 | 7,308 | 7,931 | (5.1%) 7,647 |
| Retail Trade (52.4%) | (5.9%) 6,622 | 6,764 | 7,122 | 7,399 | 7,597 | (6.0%) 7,857 | 8,280 | 8,750 | 9,376 | 10,031 | (6.7%) 10,091 |
| Transportation and Warehousing (33.6%) | (6.4%) 7,273 | 7,575 | 8,122 | 7,997 | 8,072 | (6.3%) 8,135 | 8,447 | 9,005 | 9,447 | 9,691 | (6.5%) 9,717 |
| Information and Cultural Industries (59.2%) | (3.2%) 3,582 | 3,788 | 4,013 | 4,108 | 4,667 | (3.8%) 4,999 | 5,130 | 5,332 | 5,408 | 5,576 | (3.8%) 5,702 |
| Finance & Insurance, Real Estate and Renting and Leasing and Management of Companies and Enterprises (40.9%) | (22.2%) 25,076 | 25,838 | 26,284 | 27,019 | 28,078 | (22.2%) 28,884 | 30,503 | 31,805 | 33,035 | 34,521 | (23.5%) 35,327 |
| Professional, Scientific and Technical Services (39.1%) | (4.5%) 5,042 | 4,952 | 5,301 | 5,419 | 5,550 | (4.4%) 5,753 | 6,021 | 6,283 | 6,600 | 6,913 | (4.7%) 7,014 |
| Administrative and Support, Waste Management and Remediation Services (45.7%) | (2.1%) 2,348 | 2,340 | 2,268 | 2,370 | 2,512 | (2.0%) 2,557 | 2,781 | (3,091) | 3,175 | 3,344 | (2.3%) 3,422 |
| Educational Services (26.6%) | (5.6%) 6,293 | 6,479 | 6,630 | 6,733 | 6,781 | (5.3%) 6,922 | 7,028 | 7,271 | 7,466 | 7,744 | (5.3%) 7,968 |
| Health Care and Social Assistance (14.3%) | (7.6%) 8,622 | 8,707 | 9,156 | 9,359 | 9,410 | (7.3%) 9,554 | 9,192 | 9,141 | 9,385 | 9,560 | (6.6%) 9,855 |
| Arts, Entertainment and Recreation (37.5%) | (1.2%) 1,347 | 1,454 | 1,467 | 1,537 | 1,567 | (1.2%) 1,555 | 1,610 | 1,656 | 1,788 | 1,866 | (1.2%) 1,852 |
| Accommodation and Food Services (20.0%) | (3.4%) 3,848 | 3,825 | 3,920 | 3,899 | 3,944 | (3.1%) 3,984 | 4,152 | 4,267 | 4,472 | 4,572 | (3.1%) 4,618 |
| Other Services (except Public Administration) (47.7%) | (2.8%) 3,140 | 3,217 | 3,402 | 3,655 | 3,823 | (3.0%) 3,949 | 4,042 | 4,249 | 4,383 | 4,535 | (3.1%) 4,638 |
| Public Administration (23.8%) | (5.6%) 6,339 | 6,588 | 6,790 | 6,919 | 7,128 | (5.5%) 7,188 | 7,202 | 7,176 | 7,319 | 7,560 | (5.2%) 7,846 |
| Goods (26.8%) | (34.6%) 27,811 | 29,145 | 31,322 | 30,714 | 31,664 | (24.9%) 32,429 | 34,252 | 35,780 | 37,331 | 36,850 | (23.5%) 35,254 |
| Services (36.3%) | (75.3%) 85,038 | 87,073 | 90,128 | 92,061 | 95,097 | (75.1%) 97,599 | 101,026 | 104,995 | 109,372 | 114,029 | (76.5%) 115,912 |
| All Industries (33.1%) | 112,913 | 116,307 | 121,546 | 122,848 | 126,761 | 130,026 | 135,021 | 140,526 | 146,449 | 150,412 | 150,239 |

Note that for chained data the aggregates are not equal to the sum of their components, and thus, the sum of the industries will not necessarily equal the All Industries total.

Source: Statistics Canada (CANSIM tables 379-0025 and 379-0026), Data released on: April 27, 2009

*1998-2008 Growth rate shown in blue; **Percentage of GDP in 1998, 2003, and 2008 shown in yellow

Table 5: BC International & Interprovincial Trade Flows (\$ millions)

| Exports of Goods and Services | | | | | | | |
|--------------------------------------|----------------|--------------|-----------------------------|-----------------|--------------|-----------------------------|-----------------|
| | Total | | To Other Countries | | | To Other Provinces | |
| Year | Exports | Total | Goods | Services | Total | Goods | Services |
| 1997 | 49,691 | 35,345 | 28,751 | 6,594 | 14,346 | 5,909 | 8,437 |
| 1998 | 50,817 | 35,596 | 28,085 | 7,511 | 15,221 | 5,974 | 9,247 |
| 1999 | 56,501 | 39,624 | 31,972 | 7,652 | 16,877 | 7,026 | 9,851 |
| 2000 | 65,598 | 46,028 | 37,261 | 8,767 | 19,570 | 9,017 | 10,553 |
| 2001 | 65,554 | 44,933 | 36,026 | 8,907 | 20,621 | 9,846 | 10,775 |
| 2002 | 62,706 | 41,624 | 32,363 | 9,261 | 21,082 | 9,971 | 11,111 |
| 2003 | 63,849 | 41,372 | 32,042 | 9,330 | 22,477 | 10,975 | 11,502 |
| 2004 | 69,765 | 45,445 | 35,625 | 9,820 | 24,320 | 11,670 | 12,650 |
| 2005 | 75,598 | 48,916 | 38,143 | 10,773 | 26,682 | 12,635 | 14,047 |
| 2006 | 79,012 | 49,118 | 38,138 | 10,980 | 29,894 | 14,350 | 15,544 |
| 2007 | 78,933 | 48,754 | 37,655 | 11,099 | 30,179 | 13,601 | 16,578 |
| 2008 | 79,729 | 49,161 | 37,857 | 11,304 | 30,568 | 13,552 | 17,016 |
| Imports of Goods and Services | | | | | | | |
| | Total | | From Other Countries | | | From Other Provinces | |
| Year | Imports | Total | Goods | Services | Total | Goods | Services |
| 1997 | 55,143 | 31,953 | 27,409 | 4,544 | 23,190 | 13,306 | 9,884 |
| 1998 | 55,728 | 33,200 | 28,581 | 4,619 | 22,528 | 11,679 | 10,849 |
| 1999 | 59,504 | 35,120 | 30,177 | 4,943 | 24,384 | 12,456 | 11,928 |
| 2000 | 66,068 | 38,240 | 33,085 | 5,155 | 27,828 | 14,353 | 13,475 |
| 2001 | 68,142 | 38,903 | 33,223 | 5,680 | 29,239 | 15,493 | 13,746 |
| 2002 | 68,144 | 38,855 | 33,070 | 5,785 | 29,289 | 15,199 | 14,090 |
| 2003 | 69,661 | 38,377 | 32,206 | 6,171 | 31,284 | 16,905 | 14,379 |
| 2004 | 74,128 | 40,396 | 33,901 | 6,495 | 33,732 | 18,080 | 15,652 |
| 2005 | 79,629 | 43,340 | 36,501 | 6,839 | 36,289 | 19,163 | 17,126 |
| 2006 | 86,496 | 47,970 | 40,723 | 7,247 | 38,526 | 19,820 | 18,706 |
| 2007 | 89,562 | 49,652 | 42,194 | 7,458 | 39,910 | 19,959 | 19,951 |
| 2008 | 92,828 | 51,071 | 43,524 | 7,547 | 41,757 | 21,198 | 20,559 |

Source: Statistics Canada; Data released on: April 27, 2009

Given the above, we cannot draw strong conclusions about BC's export of services. We can say that services continue to grow in importance in the BC economy and that this strength can provide the basis for exporting many of the services. Thus, we next explore a diversity of services that have significant export potential along with rationales for being optimistic about the export potential of the services reviewed next.

2. OPPORTUNITIES TO BRITISH COLUMBIA TO EXPORT SERVICES GOING FORWARD

Below we discuss 10 groups of services where British Columbia holds significant potential to develop and seize export opportunities. We examine likely potential export markets as well what needs to be done to realise the opportunities both from the perspective of public policy and private initiatives.

1. Education (*i.e., ESL, Primary, Secondary, Post-secondary (undergraduate and graduate degrees, professional diplomas and trade certification)*)

Both Education and Health services (discussed next) reflect the growing general trends in the globalization of services combined with the specific need for these public services to attract additional revenues to sustain the local programs. The twin needs to increase and diversify revenue resources have driven education exports at all levels and have been key, although not the sole drivers, of BC's broadly-based and successful international education efforts.

BC and Canada face enormous challenges in the international education market. Table 3 compares educational exports among Australia, the US, the UK and Canada and shows that Canada is a distant fourth. Australia, with only 2/3s of Canada's population, recorded 2000 exports some three times greater than Canada's, despite having roughly the same level of educational exports as recently as 1989. Australia enjoyed a nearly fourfold increase over the 11 years compared with Canada's mere 50%

Box 1: Exporting Education at Thompson Rivers University in Kamloops

Successfully exporting education is not just the purview of large internationally known research universities, but can be done by all institutions with vision and entrepreneurial flair.

Consider Thompson Rivers University (TRU) in Kamloops. It has developed an exciting array of international education programs that has made it a Canadian leader in the field. It has through hard work and strategic thinking positioned itself as a choice destination for international students and for student exchanges. In 2008-09 TRU had more than 1100 international students enrolled in its programs per semester represent some 70 different countries. TRU also maintains over 30 bi-lateral student exchanges with institutions in Latin America, Asia and Europe. It also takes part in another 200 exchange programs in 35 countries as a one of three Canadian members of the Washington, DC-based International Student Exchange Program (ISEP). These exchange programs consist of both traditional classroom learning and field schools.

Thompson Rivers University has also been involved for more than 15 years in offering TRU curricula overseas through joint and accredited partners in China, India, Malaysia, Thailand, and Singapore, being extended during the coming year to Vietnam and Dubai.

TRU has also developed numerous innovative cooperative agreements with high schools, English language schools and colleges in Canada. These partnerships allow qualified international students studying elsewhere in Canada to finish their pre-university studies and move seamlessly to TRU for their university studies.

Beyond these international academic programs, TRU is actively engaged in diverse customized training and consulting programs for international clients. These offerings occur at TRU's home campus in Kamloops as well as in nearby communities and/or in the home country of the client. One of TRU's best attended offerings here is for qualified teachers from outside Canada giving a mix of English language and teacher training for participants.

growth. More recent data for 2005 show that Education is Australia's number two service export, exceeded only by tourism. From 1995 and 2005 the industry grew at an average annual rate of 15%. In 2005, more than 344,000 international students studied in Australia; 47.5 per cent (163,930) in tertiary education. Education exports were valued at A\$13.7 billion (Austrade (2008)). China is the largest source country with 24% of total enrolment. However, among the top source countries, India had the highest growth at 33.5 per cent, while China grew at 17.8 per cent.

As Hodgson and Conlon (2006, p. 11) conclude, “*despite the growth of Canada’s education exports, it is clear that Canada is not keeping pace with the potential growth of the market for the provision of international educational services.*” This is regrettable but not surprising. Canada is the only country in the world lacking a national education ministry and the institutional ability to market its educational services in an integrated way. Canada is highly constrained as a result, given the primacy of provinces in providing education. To put our education export efforts at a further disadvantage there are significant divergences in the goals and approaches to international student recruitment by language schools, private colleges, school boards, universities, technical and vocational training, and public post-secondary institutions within British Columbia and across Canada. The resulting miasma that international students face when considering their studies in Canada severely disadvantages us. Better cooperation within the broadly defined education sector and across Canada could do wonders to improve our ability to attract and retain high quality international students and compete effectively with Australia and others.

Australia’s success highlights the size of the opportunity and shows how a country smaller and more isolated than Canada can successfully tap the global education market, becoming a global leader and exemplar. Canada must change its approach if it is to succeed in the very competitive international education market. British Columbia must confront similar challenges to succeed, including creating a coordinated effort to attract and retain international students to the province across education providers and geographies. In this vein, the BC Dogwood Diploma is an example of what can be done through a unified international program with clear branding and broad provincial support from diverse school district across the province.

Table 5: Exports of Educational Services – 1989 to 2000

| | 1989 | | 2000 | |
|----------------|--------------|--------------------------------|--------------|--------------------------------|
| | \$US million | Percentage of Services Exports | \$US million | Percentage of Services Exports |
| Australia | 584 | 6.6 | 2,155 | 11.8 |
| United States | 4,575 | 4.4 | 10,280 | 3.5 |
| United Kingdom | 2,214 | 4.5 | 3,758 | 3.2 |
| Canada | 530 | 3.0 | 796 | 3.1 |

Source: Larsen et al., 2002.

Source: Hodgson and Tomlin (2006), p. 11.

The value of developing successful education export programs can be gleaned from work done for the BC Progress Board in late 2005 on international education exports (Kershaw (2005)). In that report it was estimated that international students made direct expenditures of \$2.1 billion on tuition, housing, and leisure. These dollar values are likely low estimates and do not fully reflect the impact this spending has on individual communities through exposing them to international students and broader markets, as well through opening new sources of income to households such as through sponsored home stay programs, which is increasingly important in a number of BC communities.

The latest figures (Citizenship and Immigration Canada (2008)) show that BC had a total of 50,200 foreign students as of 1st December 2007, more than double the 23,971 recorded in 1998.³ In 2005, a BC Stats report (Harrower (2007)) showed the five largest source countries for foreign students were: Korea (27.6%); China (21.6%); Japan (10.4%); the United States (7.0%); and Taiwan (6.6%). Clearly, BC's proximity and ties to the Asia Pacific have been very important in our success in attracting foreign students and are likely to be as vital going forward.⁴

2. Health Care Services (*including biomedical and life sciences research*)

Despite frequently voiced concerns about the provincial medical system, it continues to provide high quality care at reasonable costs, albeit with considerable public debate about health funding and queues. Accordingly, there are significant opportunities to export health to bolster revenues and pay for additional services and equipment. Exporting health is not new and has been done so successfully by Rochester, Minnesota (the Mayo Clinic) and latterly an array of Asian centres such as Singapore, Bangkok, Mumbai and New Delhi (Clarke (2008); Danish Trade Commission (2008); CBC NewsOnline (2004); van Gelder (2007), Srisuphaolarm (2004); Thai Department of Export Promotion (2008); and Bangkok Hospital (2008)). While the export of health care services is likely, among other things, to require reductions in wait times and expansion of capacity, two improvements that have proved particularly illusory in the past. However, by exporting services to users not covered by the *Canada Health Act* such an expansion in capacity can occur quite readily as we have seen in the growth of private clinics and health services. Thus, exporting health services should be seen as part of the solution to reducing queues and expanding services, not as worsening the problem.

Health care is not just an enormously costly and highly visible public expenditure. It also represents an exceptional export opportunity. As the above documents, an array of often surprising places from Bangkok and Thailand, to Cuba, to India's major cities, to Singapore, Switzerland, Cleveland, Rochester, MN and many others have developed successful export bases

³ Other estimates that have been provided to the author suggest that as many as 70,000 ESL students study in BC, along with some 25,000 in K-12, and 10,000-12,000 in various university degree programs.

⁴ It should also be noted that all of these estimates of student enrolment exclude "virtual" students enrolled in e-learning programs. The opportunities for BC to tap this exploding global market are exceptional but almost completely undeveloped at the present time. They require neither expensive physical facilities nor housing and health care. Given BC's global reputation for excellence, the chance for international students to obtain a BC qualification (either primary, secondary, or tertiary) via e-learning is most attractive and should be pursued vigorously by educational institutions at all levels in British Columbia.

building on highly valued traditionally local health service capacities. There is no reason why BC cannot do the same combining education, tourism and business travel in the process.

Accordingly, let us explore the export of health services in greater detail as an exemplar of the specifics that need to go into exporting any of the services discussed. In so doing, we open up the possibility of moving our most costly publicly provided service from the current view as a huge “cost centre” to becoming a “revenue centre.” Education at all levels has been enormously successful in this vein as we noted repeatedly in this essay, but the revenue-generating opportunities for health care are less explored and appreciated.

a. Context

The working idea here is the need to extend the health care system so that it can become a strong potential source of export earnings for British Columbia. These export earnings can help to pay for much needed modern equipment, additional technical support staff, and sponsor fundamental, applied clinical, and management research to improve the system further. This sector has vital ties with other service sectors, potentially benefiting all, if the quality and price of these other services remain competitive. Linked sectors include: tourism-recreation-entertainment; transportation and communication; education; business support services; and R&D development biomedical and life sciences.

b. Potential for exporting health care from British Columbia

The Vancouver health and biomedical research community is first-rate with growing centres of excellence in Victoria (especially for health and aging) and in Prince George (notably for rural and aboriginal health), with additional exciting capacity being built in Kelowna and the Okanagan. The system does face funding shortfalls and a crisis-focused media. Yet, the system works, and hopes that additional infusions of large sums of public money alone will cure the system of its ills, are not realistic and unlikely to fix the health care delivery system fundamentally any more in the future than they have done in the past.

Vancouver already has a broad array of high quality medical services. Vancouver’s diverse visitor attractions and educational opportunities combine to create an environment that can and should be successful in offering health care to non-Canadians at highly competitive cost and quality levels. Many regions, such as the Asia Pacific are familiar with Vancouver (and British Columbia more generally), and will find here health care that is well above the standard generally available in the Asia Pacific. Offering Asia Pacific residents, for example, full fee for service access to our health care system should be eagerly welcomed in the region, perhaps in concert with the aggressive marketing of our educational services that is well underway in that region. The high cost US medical insurance system does see Canada and Vancouver as attractive and economical alternatives to US domestic options and also represents an enormous and nearby export opportunity for BC healthcare.

c. Summary Observations

Greater Vancouver is blessed with an excellent health care system and with a number of absolutely first-rate biomedical research activities. In the face increasing trouble in financing these various activities, it is appropriate that a concerted effort be undertaken to develop an array of health care services for export to the US and the Pacific Rim.

It must be stressed that the development of any health care export sector must be integrally related to a diversity of local support activities. For example, health care marketing should be closely tied in with the tourist promotion and tourist service sectors. It has been repeatedly stressed above that the health services sector is fundamentally related to universities both for their research capability and for their ties with overseas students, alumni and their families. We must not lose sight of the fact that health services need to be strongly associated with other efforts to promote trade and commerce with the US and the Pacific Rim as business-related health care packages should form a significant market segment along with tourism and other services. Lastly, federal and provincial governments must seek broader markets for a wide array of Canadian services and initiatives such as this in health care would appear ideally suited to mesh with these provincial and federal trade expansion strategies.

d. Details of an International Health Care Marketing Strategy

1. An Overview of Selected Health and Health-related Services with Export Potential

The health-related resources available in British Columbia having export are diverse. There are high quality brain imaging and leading edge treatment and research of brain and neurological diseases (i.e., Parkinson's, Alzheimer's). Nuclear medicine and TRIUMF are powerful drivers through UBC and its hospitals and its physical and engineering sciences have been at the forefront in many areas and provide high visibility and quality research and diagnostic care. The B.C. Cancer Control Agency with its new and expanding facilities and research capacity is another valued resource with the BCCCA is establishing itself as a first-rate cancer diagnosis, treatment and research facility. The Terry Fox Fund gives a further edge here. Spinal cord research and the Rick Hansen Foundation offer another globe leading area with export scope. BC continues to be a leader HIV and AIDS research and treatment at the forefront of what is available globally. Prostate cancer research and treatment has also moved to the first tier globally through gifts such as Jimmy Pattison's \$20 million contribution to Vancouver General Hospital. Diabetes is also an area where fundamental research breakthroughs in the use of heavy metals have greatly improved our clinical capacity to treat diabetes. The rapid development of *telemedicine* at UBC and in British Columbia more widely provide enormous opportunities to continue to treat international users of our health care system after they return home, and to market telemedicine capabilities worldwide. The Vancouver General Hospital Burn Unit is another first rate clinical and research activity with major export appeal and capacity. Ophthalmology, and its close links to pace-setting brain research, provides yet another area which very strong clinical practice with recognized first-rate research yield another health care sector that we can compete in internationally.

British Columbia has also developed very significant capacities in *aboriginal health* and *northern and remote health care* and delivery at UNBC in cooperation with UBC. There is a pressing global need to serve these underserved populations and BC has developed unique capacities to provide high quality needed services both *in situ* and through remote delivery and training through the rapidly growing field of *telemedicine* and *e-health*.

2. Life science research bolsters health care adding to Global Reach

Federal and provincial government initiatives in biotechnology have greatly strengthened the ability of the life sciences to attract top flight fundamental and clinical researchers to BC so that BC can stay at the forefront in diverse life sciences in the future. BC is also a global leader in the commercialization of intellectual property, especially in the life sciences. These successes and the infrastructure and experience that have been built further support the point that Vancouver's and BC's placement at or near the lead edge of a number of health care areas is not likely to diminish, but rather grow over time.

To complement and support this blossoming high quality health care and research capacity, BC universities and their teaching hospitals, and biomedical and life science research centres and institutes are increasingly involved in, and often heading, international research and teaching consortia. These collaborative efforts extend BC's global reach and reputation as a leading biomedical research and health care delivery centre.

e. Ideas for Marketing Health Services I: Health Service Packages

To begin to address the marketing Greater Vancouver Regional health care internationally, we decompose the issue into two pieces: 1) the products (health care packages); 2) the market segments to be targeted with these packages. Four rather different sets of health service packages could be visualized immediately as set out below.

A wide variety of health service packages can be developed to market health services. We could market full service health policies targeted to entire families or individuals. Short term policies for business/tourist travelers are also possible aimed at families to cover all family members, at individuals to cover themselves only, or, at businesses to cover employees.

Given the importance of international students in BC, the opportunity exists to develop full service student policies to cover periods of study in Canada for international students entering BC universities. This could be combined with visa information, university/secondary school applications and perhaps made mandatory as is apparently being done now at UBC. Encouraging non-Canadians to access the system without insurance is also a possibility with precautions taken to ensure such users remit in cash or pre-pay subject to space and availability.

f. Ideas for Marketing Health Services II: Potential Market Segments

These various pricing/service packages can be directed toward the following separable, but sometimes overlapping, market segments. Each market will require a different promotional, pricing and benefits package. The principal market segments and their most obvious vehicles for marketing include:

- **Business travelers:** airlines and airline magazines; travel agencies; major credit cards; frequent flyer plans; global business periodicals and their mailing lists (if for sale); trade associations and regional business organizations in Asia, Europe and elsewhere.
- **Students:** universities and secondary schools; Canadian embassies and consulates, Canadian Education Centre Networks (CECN) ; mass media advertising in Asia, Europe, the Americas;
- **Tourist travelers:** airlines; travel agencies; embassies-consulates, trade offices;

- **Mass media:** *The New York Times; USA Today; The Economist; Time and Newsweek; The Asian and European Wall Street Journal; The International Herald Tribune; and most important internet marketing*
- **Immigrants:** airlines; travel agencies; embassies and consulates and visa offices; Canadian provincial bar association immigration law sections.

g. Estimating the extent of the market

The market is undoubtedly large. To get a more precise measure it will be necessary to get: 1) lists of likely target countries and regions; 2) income distribution data for these countries and regions; 3) estimates of the numbers of firms in these target countries doing business in North America; 3) estimates of tourist travel to North America by country of origin; 4) estimates of business travel to North America by country of origin; and 5) estimates of foreign students studying in Canada by country of origin; 6) estimates of total health spending in each target market along with quality and price benchmarks that we must exceed here in Vancouver to compete.

h. Comparator Clinical and Health Exporting Models

The sorts of models that come to mind are: The Mayo Clinic in Rochester, Minnesota for a broad array of medical care (cited in our Clinic Proposal above); The Menninger Clinic in Topeka, Kansas for psychiatric and neurological diseases, and more generally Switzerland, which has been exporting health care and pharmaceuticals for well over a century now to the rest of Europe, and indeed to the rest-of-the-world. The Swiss model is particularly interesting because of the high degree of synergy between its pharmaceutical sector and its health care and biomedical research activities (including pharmaceuticals and industrial chemistry). Most recently, the Republic of Singapore has sought to develop the leading medical school in Southeast and South Asia and use this facility to spawn a full-fledged biomedical industry including health care, pharmaceuticals and biotechnology. As we noted earlier India and Thailand have also developed interesting and innovative models to export their health care services. All of the foregoing are worth exploring, as well as others that do not come readily to mind, as each may provide important strategic and tactical ideas that are relevant for British Columbia.

i. Summary and Conclusions on Exporting Health Services

British Columbia has a powerful base of health care and research resources upon which to erect and viable and prosperous health export sector. The opportunities are great and are already being seized upon by health care providers around the globe. British Columbia needs to develop a strong and coherent strategy for exporting health services and implement it quickly. Barriers provided by professional licensing and scope of work rules, by the rigid largely single provider Canadian health care model, and by a range of labour and professional service contracts need to be rethought and revamped so that the health sector can realize its extraordinary potential as valuable and vital export sectors.

3. Finance, Insurance and Real Estate Services (F.I.R.E.)

(including especially, those focused on mining and resource development)

Vancouver and British Columbia are not generally seen as globally important in providing financial services including real estate. However, there are a number of significant, and often global, strengths which are not widely appreciated. IFC Vancouver founded in 1986 now has some 60 core members and more than 50 associate members (see Box 2). It is now positioned to significantly increase Vancouver's and British Columbia's exports of an array of financial, trade, insurance and producer services through its structured tax benefits and success in raising the profile of the city and the province as a locale for these services. Vancouver has been a centre for international real estate for many years with such local pioneers with Colliers International leading the way here. Vancouver has also developed a strong set of global competencies and broad geographic reach in the financing and structuring of mining and resource development projects which augur particularly well over the coming years with expected strong long-term natural resource markets.

Box 2: Exporting Financial Services – The Case of International Financial Centre British Columbia (IFC BC)

The International Financial Centre British Columbia (IFC BC) is a non-profit society to promote international financial activity in British Columbia. It was established by the Federal Government in 1986 by legislation for Canadian banks to take deposits from and make loans to non-residents from a base within Canada; profits earned on such activities would be exempt from Federal taxes. Ottawa designated Montreal and Vancouver as IFCs. In 1988 the Province of British Columbia passed two pieces of legislation: the *International Financial Business Act* and the *International Business (Tax Refund) Act* to allow financial institutions, such as banks, trust companies, brokerage firms, and money managers, to carry on specified international business from a base in the lower mainland.

In late 2002, an independent review recommended an expanded scope of the IFC program. The *International Financial Activities Act (IFAA)* became effective September 1, 2004. The *IFAA* introduced two substantial changes. First, any type of company, not only a financial institution, became eligible for registration. Second, companies registering under the program are able to deal with related parties and subsidiaries. Companies registered under the IFA program can receive up to a full refund of provincial corporate income taxes paid on qualifying activities.

Activities qualify as international financial activities if carried out for, with or on behalf of a non-resident: Head Office; Treasury; Factoring; Administrative Services; Patents; Financial Activities; Film Distribution and Select Other Activities.

IFC BC – now boasts 60 core members and 47 associate members. Core Members pay a membership fee of \$1,000 annually and Participation Assessment Fee of 0.45 per cent on qualifying international business income which determines the refunds they receive under the *IFAA*. In order to be eligible for refunds firms must be Core Members of IFC BC.

In September, 2008 Global Financial Centres Index ranks Vancouver 30th as a global financial centre (*City of London, 2008*)

4. Architectural and engineering services (including mining, pulp and materials movement and port development)

Among our strongest internationally known service exporters are those in the Architectural and Engineering Service sectors. BC is home to many of Canada's most renowned architects such as Richard Henriquez, Arthur Erickson, Bing Thom, James Cheng, and many many more with global reputations and diverse international successes under the belts. Our Engineering Sector is also among the very strongest anywhere led by such global firms as Sandwell, Buckland and Taylor, Reid Jones Christoffersen, and McIlhenny to name just a few.

All of these firms are active and widely known internationally and have built and help sustain the province's global stature and position of excellence in Architecture and Engineering Services. Engineering firms have gone abroad to smooth out the demand cycles for their services within BC and to expand the scale of their markets, with great success.

The consulting engineering sector has been particularly vigorous and successful over the years and is slated to continue its global onslaught (Martin (2007); BC Competition Council (2006); and BC Premier's Technology Council (2008b)). Among the many benefits of consulting engineering exports are links to the export of BC

Box 3: Exporting Architectural Services – The Diverse Cases of Vancouver Architectural Exports

In 2007 there were 1471 registered architects and another 492 registered architect interns in British Columbia practicing in 744 licensed firms (Architectural Institute of British Columbia (2008), page 16). Despite the small size of the typical firm and the relatively small number of architectural firms in BC a remarkable amount of international work is carried on by these firms.¹

Not surprisingly, high profile BC architects with global reputations like Arthur Erickson and Bing Thom have global reach. Bing Thom is active in four major Chinese cities, and Washington, DC, Forth Worth, Texas, and Tulsa, Oklahoma. Arthur Erickson, arguably BC's best known architect has done notable work in: Dubai; Saudi Arabia; Iraq; California, Washington and Hawaii among others.

Smaller and often lesser known firms are equally active internationally. For example, the relatively small firm of Patkau Architects does work in Texas, New York and Saudi Arabia, while much larger Kasian is active in: Abu Dhabi and Dubai UAE; China; Seoul, Korea; and India. Others with international work include: Bunting Coady Architects in Abu Dhabi; MGB in Chicago and Moscow; Perry and Associates Landscape Architects in New Zealand, half a dozen cities in China, in La Jolla and San Diego, CA, Rains County, TX and Mongolia. Romses Architects are engaged in at least seven Chinese cities while Gomberoff Bell Lyon Group of Architects work in the US, Cuba, Chile, Mexico, and France. DGBK Architects has been active in Australia, four cities in China and in South, Korea. Last but far from least, Musson Cattell Mackay Partnership has worked in most of China's largest cities.

Again, the foregoing is only an illustrative and very partial list of the range of international work by BC architects. It demonstrates that BC is highly competitive and that size is no drawback to developing strong export activities.

¹ The discussion is an illustrative and far from exhaustive list of BC architect exports, drawn randomly from their websites. It greatly understates total BC architectural exports as a result.

manufactured goods. As BC engineering firms cover the globe with their engineering expertise, they are also in a unique position to encourage their overseas clients to use BC manufactured and serviced equipment. Thus, the consulting engineering sector has a particularly strong impact on BC exports both of their own services and of linked BC manufactured equipment.

An area of particular export promise is green building and its associated design, technology, and service support. For instance, BC architect Peter Busby, among others, has developed notable expertise in the sustainable building arena. The Southeast False Creek Olympic Village is a model community that advances our green building expertise along with the very successful exemplary sustainable development policies and buildings of SFU UniverCity and UBC Properties Trust.

The foregoing exemplify the commitment in Vancouver and BC generally to green building policies and developments. Together these are creating a pool of expertise and experience that is gaining Vancouver, Victoria and BC global recognition at the vanguard of the green building movement providing a superb foundation for adding this know-how to our service export base. The biennial Globe Conference and Trade Show further adds to our capacity to export green building services and technologies.

Indeed, the Vancouver Economic Development Commission (VEDC) has sponsored three studies most recently to explore opportunities in these sectors, specifically those relating to: Vancouver's Environment Industry (VEDC (2008a)); Vancouver's green building and sustainable planning industry (VEDC (2008b)); and Vancouver's advanced energy industry (VEDC (2008c)). In all of these sectors, Vancouver and British Columbia more generally have demonstrated significant capacity to compete globally and innovate at the highest levels.

5. ICT and New Media

Vancouver and the province more generally have emerged as global centres of excellence in the areas of ICT and New Media. Such stellar firms at MacDonald Dettweiler and Associates, Sierra Systems, PMC-Sierra and Telus dominate this sector. In the New Media space the Worldwide Studio of Electronic Arts is an enormous local and global force along with such globally successful local firms as, Blast Radius, Radical Entertainment and literally hundreds of additional smaller firms populate this space and make Vancouver and BC a hotbed for New Media. The presence of superb educational resources from SFU, UBC, Emily Carr University of Art and Design, BC Institute of Technology, the New Media Centre and diverse programs in colleges and secondary schools provide a robust supply of highly skilled and motivated people to serve the burgeoning sector. The Master of Digital Media offered at the Great Northern Way Campus by the above four institutions has been oversubscribed since inception and has been enormously successful in educating exceptional graduates and building bridges between the academic institutions and the New Media sector.

6. Producer Services (*i.e., Business Consulting, Marketing, Management, Accounting, and Legal Services*) *including those high specialized producer services focused on mining, ICT and new media*)

Vancouver and British Columbia possess strong producer service providers in Accounting, Legal, diverse areas of Business Consulting (especially with respect to forestry and mining) and

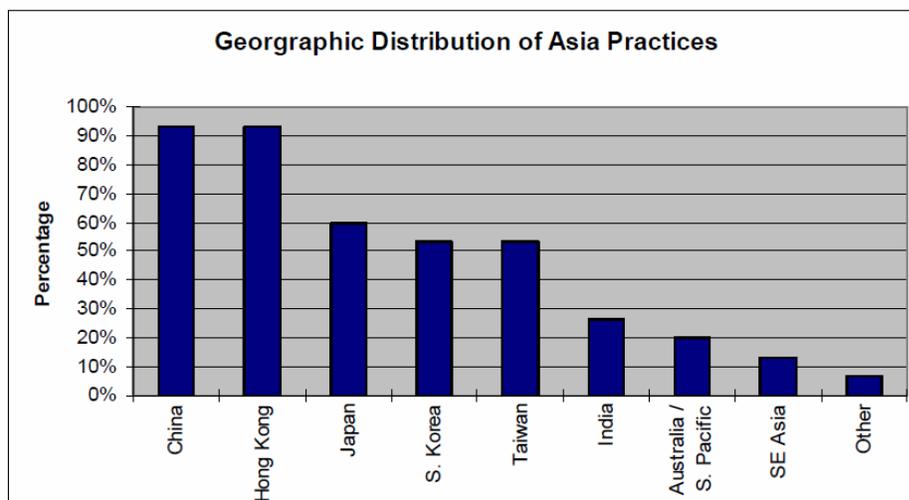
also in the high tech sectors of Information and Communications Technology (ICT) and New Media. Local producer service sectors grew up initially to serve provincial natural resource industries but have in many cases developed truly global capacities, particularly in supporting mining and resource extraction anywhere in the world. More broadly high quality producer services have evolved in international trade, immigration, and project management and project development. With the burgeoning of ICT and New Media, Biomedical and Life Sciences Research and Technology, and Transportation and Logistics, British Columbia has also developed extensive sector specific expertise in an array of producer services to meet the needs of these growing and innovative sectors.

Environmental services are another nascent producer service worth watching, tied in part to the architectural and engineering services discussed earlier, but also developing a niche on their own. The success of the biennial *Globe Conference and Trade Show* and the growth of its parent-sponsor the Vancouver-based *Globe Foundation* is one powerful example (www.globe.ca).

The Globe Foundation has become one of the most influential forces in the rapidly growing world of environmental business and a recognized international force. On a much smaller scale, the nascent but highly respected *Offsetters* (also based in Vancouver), is pioneering global efforts to reduce greenhouse gases through a diversity of offsets. Offsetters is active in Canada and internationally and is attracting increasing global attention for its efforts (www.offsetters.ca).

Returning to a more traditional producer service, Accounting, the Asia Pacific Foundation (2007) surveyed 15 top-tier Vancouver Accounting and Law firms as to whether or not they had developed designated “Asian practices.” Some 93% of the respondents had developed such a practice. The top five geographic priorities were China, Hong Kong, Japan, Korea, and Taiwan. Interestingly, the client base was equally likely to be located in BC as it was from Asia (Pao (2007)) as shown in Chart 16.

Chart 16: Geographic Distribution of Asia Practices



Source: Asia Pacific Foundation, *Building the Asia Pacific Gateway Economy: The Role of Vancouver-based Professional Services Firms*, (Vancouver, BC: Asia Pacific Foundation), May 2007, page 1.

The accounting and legal services proffered span the usual mix of immigration and real estate professional advice to include advising on cross-border tax issues, and IPO and M&A activities. In reflecting on these activities and their interaction with diverse BC gateway efforts, APF President Yuen Pao Woo notes, *“What is the source of this expertise and how does it relate to the gateway? The answer is that Vancouver’s longstanding ties to Asia, and the two-way flow of people, products, and ideas, has produced an environment which fosters knowledge and expertise that is relevant to Asia. Politicians and bureaucrats have only recently adopted the language of an “Asia Pacific gateway”, but the gateway has been at work in British Columbia for decades. The further development of the gateway will require investment not just in infrastructure, but also in human capital, innovation, and networks.”* (Woo (2007), pages 1 and 2)

Tying service exports to the gateway concept is notable. It reinforces the key idea that traditional goods exports and the first-rate infrastructure and services created to foster such exports, also provide a solid basis to export these and other services on their own, untied from the goods exports that spawned them (also see Hutton (2008) who makes similar links between the gateway and service exports).

7. Maritime services

Vancouver is not only Canada’s largest port it is one of the largest and most important in North America. The consolidation of all three former Vancouver area ports into a new integrated Vancouver Fraser Port Authority (known collectively as Port Metro Vancouver) greatly strengthens BC port functions, the Pacific Gateway construct, and our ability to compete globally. Additionally, the opening and expansion of Prince Rupert’s container port and its cruise ship facility further add to the province’s capacity, scope and reputation as a marine gateway linking North America with Asia.

Over and above the ports themselves, there is a broad array of supporting and related maritime services and activities which can be exported. Shipbuilding and ship repair are obvious and important here, as is the BCIT Marine Campus in North Vancouver, and the world-renowned deep sea exploration products from Underwater Vehicles Incorporated including the unique Newt Suit. The International Maritime Centre (IMC) in Vancouver provides tax benefits for international shipping companies and has achieved significant success having lured global tanker behemoth Teekay Shipping early on. Other maritime export services include insurance, freight forwarding, customs brokerage, and factoring. Finally, the NorthWest CruiseShip Association, located in Vancouver represents all major cruise operators in the booming Alaska cruise sector.

8. Transportation and logistics: “By Land, Sea and Air We Prosper”⁵

Maritime cargo operations are a key part of the transportation and logistics sector in Vancouver, but only part of the story. Vancouver International Airport (YVR) is another key element as the second busiest trans-Pacific airport in the Americas (second only to Los Angeles’ LAX). YVR has also become a powerful global player in airport management through its highly successful subsidiary YVR Air Services (see Box 4). It has spawned the now independent InterVISTAS consulting group, one of the world’s leading aviation management consulting firms with a head office in Vancouver and offices in Washington, Chicago, Ottawa, Winnipeg, Toronto, Montreal, the United Kingdom and Puerto Rico.

Vancouver is also a major North American freight gateway as the terminus for Canada’s two leading railroads Canadian National Railway and Canadian Pacific Railway as well as American giant Burlington Northern Railroad. The creation of Port Metro Vancouver has secured the region’s primacy as a trans-Pacific freight gateway, strengthened considerably by the parallel development of the Port of Prince Rupert, served by Canadian National Railway. Taken together, British Columbia provides unique strengths to attract trans-Pacific cargo and distribute efficiently by rail and by road via the Trans-Canada Highway which connects Vancouver to the rest of Canada while provincial highways connect the region to the US and its interstate highway system.

This abundance of international and local transportation resources has

Box 4: Exporting Airport Management and Aviation Expertise – The Case of YVRAS

Vancouver Airport Services (YVRAS), was created in 1994 by the Vancouver International Airport Authority (YVR) to market YVR’s expertise.

YVRAS currently is responsible for managing a growing network of 18 airports on 3 continents, which in 2007 had total revenues of \$440 million and 27 million passengers. Since 1995, it has led 19 public to private airport evolutions, and been tied to the construction or expansion of 9 terminals, sharing in \$1.4 billion in capital improvements and \$4.0 billion in international capital financings. It currently manages airports in: The Bahamas; Chile; Cranbrook, Fort St. John and Kamloops, BC; Hamilton, ON; Moncton, NB; Turks and Caicos; Cyprus; Dominican Republic; and Jamaica and recently won the contract to manage Chicago’s Midway International Airport (*Sounding Board* 2008)).

YVRAS has received diverse awards of excellence:

- Chosen by BC Ministry of Economic Development and Canadian Manufacturers and Exporters as the 2007 B.C. Export Company of the Year in Professional and Services.
- **Arturo Merino Benitez International Airport, Santiago, Chile**
 - Rated “Best airport in Latin America” by Latin Trade Magazine
 - Rated “Best airport in Latin America” by AITAL (division of IATA)
 - Rated “7th best airport in the World” by Forbes Magazine
- **Greater Moncton International Airport, Moncton, Canada**
 - Lieutenant Governor’s Award for Excellence in Architecture
 - Excellence Award for Marketing by Chamber of Commerce

⁵ This is the City of Vancouver’s motto, and a most apt one today.

made Vancouver a major Pacific Gateway by air and sea, as recognized by both the federal and provincial Gateway Projects. A full array of supporting logistics services has grown up to bolster these gateway and related transportation functions including the celebrated Transportation and Logistics program and related research centres at the Sauder School of Business at the University of British Columbia.

9. Government services

Given the important role of government services in Canada, we would be remiss if we did not explore some important possibilities to export these services through contracting and licensing government expertise. For example, Canada is recognized globally as a leader in *e-government*. The Vancouver Fraser Port Authority is a leader in its field. The province is distinguished by its cutting edge property assessment and land registration systems, and its mining licensing and registration processes among others, both of which have attracted global attention and recognition. Thus, in those areas where the federal and provincial governments are acknowledged global leaders, there are considerable opportunities to sell our government services and expertise and/or co-brand with a private sector partner such as those known for their IT and process prowess as was the case with the Vancouver Port integration Project and the BC government phone integration project.

10. Cultural Industries

We typically do not think of cultural industries as being either important economic sectors or potentially vital export industries. However, cultural industries have great potential for export as well as for providing the broader high quality environments needed to attract and retain the talented people who have come to define economic success in a global knowledge economy (Florida 2008).

Cultural industries have been below the radar screens for a long time, yet much is known about them and their economic and social contributions. Akin (2008) reports on a recent Conference Board of Canada Report (2008) that develops useful current measures concerning the economic scale and importance of Canada's cultural industries, estimated at \$86.4 billion in 2007. The opportunities to export cultural activities are evident from the huge efforts by the US government to protect its cultural properties in the form of books, TV shows, movies and music. St. Catherine's, Ontario and its theatre presentations is clear evidence of the power of cultural industries to sustain a local and regional economy through exporting their bounty. Separate *Opportunity BC 2020* papers cover creative and cultural industries and the associated TV, film, New Media, and performing arts sectors, so that further detailed discussion here is not needed.

3. FACTORS SHAPING THE OUTLOOK FOR THE SECTOR TO 2020

The tradable service sector is not really a single sector as we have seen, but rather a very diverse set of quite buoyant service sectors within the province and the Vancouver region. As such it is difficult to characterize a single set of factors that shape the outlook for this bundle of tradable services.

We can however, draw some commonalities among the sectors and generalize the factors that affect them as a group. Services can be provided physically face-to-face either by having customers come to the locale of the service provider or have the service provider or the information being provided move to the place of the customer. Given these characteristics of services the following are vital to the success of tradable service sectors.

a. The economic and infrastructure settings shaping medium-term outlook for tradable services

Services are largely, but not exclusively, the main product of BC's urban economies. Accordingly, getting our urban areas functioning efficiently and competitively is critical to the success of the service sectors and to exporting services. The following are centrally important for creating the context within which a robust services economy can thrive and export its wares. There are significant opportunities to leverage services through their linkages to each other and to the goods producing sectors. This has been the case for with consulting engineering in forestry where consulting engineering exports have benefited exports of diverse forestry and pulp mill equipment.

1. Connectivity

Connectivity is of absolutely critical importance for the success of the tradable services sector. Many services can be delivered electronically via the internet, phone, fax or video, and also by courier and postal services. Thus, access to high quality ICT connections and infrastructure is vital. However, for many other services it is necessary to get providers physically in front of customers (musicians and other performers but also consultants and management service providers) and thus having excellent road, air and even maritime services and infrastructure is necessary in these cases so that service providers can travel conveniently, economically and comfortably to their customers or vice versa have the customers travel of BC as in the case of music, theatre, other live performance and the cultural industries more generally.

2. High quality of life

Since the most important inputs to tradable services are human inputs, having the highest quality employees is imperative to competing globally. Thus, high quality of life is a central consideration in attracting and retaining high quality employees, in particular the talented professionals and support staff at the core of these services.

3. Education

Education is a powerful success factor from a number of dimensions. First, access to high quality education is a core element in quality of life as just noted. Also, educational institutions produce the high quality knowledge workers and support staff at the heart of service industries.

Third, education is essential to continually retrain and renew human resources. Fourth and finally, educational institutions, notably tertiary institutions, create valuable and valued knowledge through their research efforts, and given the centrality of knowledge in a knowledge-based service economy, this knowledge-creating and modifying research capacity is vitally important to sustain tradable services.

4. Health Services

Excellent health services are not only tradable in their own right, but they are another essential ingredient in high quality of life. They also support vibrant health education and knowledge creation. Accordingly, an excellent health care system is central as well for success in creating and sustaining strong tradable service sectors.

5. Public services

Public services have been devalued significantly of late with the move to privatization of many previously publicly provided services. Yet the presence of efficiently provided excellent health care, education, workers compensation, water and sewage, public safety, transportation, and public park and recreations services all make the business and living environment that much more attractive and efficient, lowering the costs of doing business and raising livability and global competitiveness in the process.

6. Labour supply

In knowledge intensive sectors such as tradable services, adequate supplies of labour are crucial. It is imperative to provide the educational inputs needed to develop local graduates with expertise in the requisite fields that comprise the broad tradable services sectors. Equally essential, as already noted, is the ability to attract and retain talent in a globally competitive marketplace. The tradable services of interest here are already operating at significant scales in Vancouver and British Columbia so there are existing agglomeration economies that need to be recognized and fostered.

- **Competitive challenges specific to the sector**

The tradable service sectors face a number of competitive challenges from: other regions seeking to develop and extend their own tradable service sectors; from other sectors and regions seeking to attract and retain the talent needed by tradable service sectors; and of equal importance from barriers to trade in services that have been erected to protect local providers particularly in FIRE, producer services, health care and education (where notably in accounting, education and health care restrictive registration and licensing of professionals impede the movement of these professionals and hinder the supply of professionals hampering success in attracting and retaining these professionals and encumbering the growth of exports of these services as a result). Reducing barriers to trade in services is at the top of the list for future WTO discussions (Bacchetta (2001) and Francois, J., Pindyuk, O., and J. Wörz |(2008)). Regrettably, progress has been impeded by the failure to agree on subsidies and tariffs for agricultural products that have pretty much ended the Doha Round of WTO trade negotiations. The current financial crisis also throws in doubt service sector trade reforms since one of the key sectors of concern is financial services. Canada's immigration policy poses further challenges for the sector, although planned changes to boost economic migrants should help the sector attract the talent it needs on a global scale. Finally, the cyclical nature of the BC economy makes it difficult to provide a stable

economic context within which service exporters can build their human resources and internal infrastructure, particularly in engineering.

- **Opportunities for the sector**

As the economies of advanced countries in particular, but virtually all economies more generally, have shifted toward services, the global demand and supply of services has increased rapidly along with rapidly increasing interest in trading services. The great success of India and the Philippines in outsourcing services is a powerful example. So is the boom in global tourism and music and entertainment. Accordingly, the opportunities for growth in tradable services are enormous as evidenced by their recent growth and by the importance ascribed to them in trade talks such as the likely failed Doha Round noted above, as well as in the bevy of bi-lateral trade treaties being signed over the past decade.

- **BC's competitive advantages, disadvantages, and the net outlook for the sector**

1. **Advantages**

British Columbia and its principal urban regions (Metro Vancouver, the Capital Region, Nanaimo, the Okanagan and Prince George and the NW Corridor) all have strengths and advantages in several or more of the tradable services of interest here. Metro Vancouver, the biggest region with more than half of the provincial population and economic activity, is strong in virtually all of the sectors, while the northern Prince George and NW Corridor region is particularly strong in transportation and logistics, maritime services and education, with a growing strength as well in Aboriginal and northern health.

In addition, generally high quality education, health and public services are advantages possessed across BC and its principle regions as are high quality diverse living environments that can be found in all BC urban regions. Finally, excellent connectivity by air, sea, and increasingly road typify all regions of the province, but especially Metro Vancouver and South-western BC with easy access to YVR and the lower mainland ports. ICT connectivity is also extremely high in BC, with some regions like Kamloops, enjoying uniquely high quality and abundant supply of internet bandwidth.

2. **Disadvantages**

There are also significant barriers and dysfunctional local and regional government attitudes that are a very significant disadvantage and represent strong threats to the successful development of the tradable services sector and its ability to achieve its export potential. A number of these are discussed below. The “good news” here is that these tend to be weaknesses that are self-imposed and surmountable *IF* we can raise the profile, importance, and opportunities that abound in the tradable services sectors to the consciousness of local and regional policymakers and shift their attitudes away from regulating and controlling economic development to attitudes and policies that foster and facilitate it.

To begin, there is a clear lack of focus on the tradable service sector and a continuing emphasis on the export of goods, especially natural resource-based products. This failure to see services as powerful potential providers of export earnings limits the provincial trade base, makes it less diverse and more volatile, and reduces the opportunities for export growth provided by the robust tradable service sectors. By largely overlooking the opportunities for trade in services there has

been a failure to develop and implement innovative and viable strategies to promote tradable services development and sustain this growth.

Given that many of the tradable services are urban based, sound urban economic strategy development faces often insurmountable barriers to create coordinated economic policy development at the urban and regional level. Fragmented and ineffective local government economic development strategies in Metro Vancouver especially have hurt the region considerably in attracting and retaining tradable services such as corporate headquarters and international NGOs to name just two. The inability and unwillingness of the Metro Vancouver Regional District to develop a regional economic strategy to challenge this balkanization is particularly regrettable and unfortunate. Similarly, the traditionally low priority and lack of urgency that the City of Vancouver places on economic development is equally disappointing and continues to impair the City's ability to attract head offices and major employers.⁶

It should be pointed out though that such lamentable approaches to economic development as those above are not inevitable. Placing low value and importance on economic development is not the case in Prince George where the Initiatives Prince George and related efforts are funded at more than \$2.0 million annually, roughly the funding given to the Vancouver Economic Development Commission, British Columbia's largest city and 5 times larger than Prince George. Balkanization of regional economic policy is also certainly not inevitable. The Okanagan Partnership, spanning a region considerably larger than that of Metro Vancouver, is a noble in-progress experiment with a highly cooperative approach to regional economic development that could be profitably copied by other regions in British Columbia, most notably Metro Vancouver.⁷ Moreover, Prince George cooperates with both Edmonton, Alberta and Prince Rupert, BC in its economic development efforts.

The overarching conclusion from the foregoing is that there exists a virtual total lack of any kind of leadership and vision to create the needed strategies, plans, institutional structures, or common economic understanding of the economic challenges and opportunities available within Greater Vancouver through cooperation and leadership here. The Province of British Columbia also needs to be vastly more strategic in facing up to the challenges and opportunities that the province confronts in building its efforts to market tradable services around the world. To wit, the Ministry of Technology, Trade and Economic Development should be urged to put

⁶ There is cause for optimism both in Metro Vancouver and Vancouver itself. Recently, an MOU to cooperate on economic development and strategy was signed by the Chief Administrative Officers of the City of Vancouver, the District of North Vancouver, the City of Richmond and the City of Surrey, with the City of New Westminster, the City of Port Moody with the City of North Vancouver joining soon thereafter. It is hoped that membership could reach a dozen during 2009. The group has branded itself as Metro Vancouver Commerce (MVC), developed materials and a website and settled on a tagline: "Powerhouse. Paradise." Participation in MVC is voluntary and individual municipalities can choose to opt in or out of specific projects on a case-by-case basis. The MVC bottom-up approach shows real promise of spreading and overcoming past hurdles and is showing itself to be much more effective than previous top down regional collaborative approaches.

⁷ The mandate for the Partnership says: "*The Okanagan Partnership is a community-led, non-profit society dedicated to the vision of a prosperous and sustainable Okanagan region that provides a high quality of life for all inhabitants. As a neutral convener of the marketplace, the Okanagan Partnership fosters a culture of regional collaboration and encourages, develops, implements and evaluates action-based strategies, particularly those based on economic clusters that enhance the Okanagan region's competitive advantage globally.*"

significant resources into developing better data on BC's service industries and their export volumes. The Ministry should also do a great deal more to build and implement strategies to promote and develop BC's service industries as valuable economic generators through exports.

3. Net Outlook: Excellent, if disadvantages/attitudes can be overcome

Overall, the outlook for tradable services in British Columbia is strong, particularly in the major urban areas. The biggest weaknesses that these service sectors face are largely self-imposed through lack of attention to the opportunities that exist in trading services, as well as through self-imposed regulatory hurdles such as in the licensing of professionals in health, education and accounting. Additionally, Metro Vancouver's fragmented approach to economic development and the total absence of a regional economic strategy severely limits achieving the potential that tradable services offer.

4. POTENTIAL RESPONSES AND ACTIONS TO HELP LONG-TERM OPPORTUNITIES

a. The policy, institutional, attitudinal and practical improvements that will support prosperity and success in the industry

As noted, most of the deficiencies in the environment for developing a strong tradable services sector in British Columbia are self-inflicted. They can be traced to failures of policy and neglect of the export opportunities facing these services. Accordingly, we set out below a number of specific policy ideas to support the growth and sustained prosperity of the tradable services sector:

1. Explicitly acknowledge the importance of tradable services in the present and future BC and regional economies. With this in mind:
 - a. Create Tradable Services Advisory Panels at both the provincial and regional levels
 - b. Develop better data on the services that comprise the broad tradable services sector as used here, by continually collecting the needed data on the scope and scale of the tradable services sector and of its contributions to provincial and regional GDP
 - c. Task the Ministry of Technology, Trade and Economic Development with the following twin responsibilities. First, that it is to maintain continuously current and detailed information on service exports and imports to and from British Columbia. Second, it is to develop and implement an economic strategy to develop, promote and sustain service exports across the whole of British Columbia.
 - d. Use the foregoing Ministry of Technology, Trade and Economic Development mandate to create a joint compelling and powerful tri-partite industry, labour and government “*BC Services, Inc.*” collaborative to adapt and pursue the famed collaborative “*Montreal, Inc.*” and “*Quebec, Inc.*” models which are wonderful exemplars and metaphors of cooperation and policy development and political effectiveness. We must emulate these models in British Columbia if we are to be successful within Canada, and internationally. The tradable services sector discussed in this paper is an excellent place to start such a collaborative effort because of the relative absence in the tradable services sectors of the deep-seated animosities and dysfunctional histories that surround many of the traditional manufacturing and resource sectors. BC is regrettably notable for its lack of strong cooperative links among business, labour and/or professional bodies, and government to the detriment of all.
2. Since tradable services largely exist in the province’s major urban regions, notably Metro Vancouver, but also in Victoria, Nanaimo, the Okanagan and Prince George and the NWC, it is essential that urban policies are in place in these urban regions to attract, retain and grow these tradable services. Cities and regions must understand that they are in a highly competitive global market place to attract people, businesses and diverse government and non-governmental organizations (NGOs). [The recent

move of Japanese firms from London to Germany (The Province (2008)) forcefully supports this point.] There needs to be a major shift in attitudes at the urban and regional level, especially in Vancouver and the Metro Vancouver area more generally, away from lengthy and costly regulatory processes vis-à-vis land use and urban development and toward much more active and positive efforts that facilitate and attract households, businesses and other organizations to locate within their borders or within their region. We need to move from a regulatory environment and philosophy which seemingly revels in being able to say no and thus discourages development, to one that is vastly more competitive and accepting of land use and development and able to welcome and accommodate the changes they bring, while simultaneously protecting the broad public interest in health and safety and sustaining our high quality biophysical environment. These are not mutually exclusive goals as is often suggested, but rather can and should be highly complementary.

Specifically, the following policies can boost the tradable services sector in Vancouver, in Metro Vancouver and elsewhere in BC:

- a. The need for proper zoning and density for hotels, offices and housing to accommodate and promote the growth of tradable services, their employees, and their customers. All of the province's major regions, with the exception of Prince George and the NW Corridor, face significant land constraints. The only way to ensure that there is a continuing supply of appropriate and economically affordable built space is to have higher densities in Metro Vancouver, Victoria, the Okanagan and Nanaimo. Without major increases in allowable density for all land uses, the cost of land and development will simply become too high to allow needed buildings to be constructed at reasonable prices so that these urban regions can compete nationally and internationally. Higher densities are also vital in creating efficient urban forms and in making public transportation more economical and better able to compete against the single occupancy automobile.⁸
- b. There is a parallel need to dramatically cut regulatory delays and processes associated with rezoning, development permit applications, and demolition and construction permits. These delays and the direct costs associated with these lengthy, costly, and often arduous processes raise the uncertainty and costs that developers face, which in turn raise the costs the public bears as a result of higher construction and occupancy costs, reduced supply, and greater sluggishness in increasing supply in the face of changing market conditions, all of which exacerbate shortages and raise property prices accordingly.
- c. It is also imperative to link economic development strategies with land use and land development strategies, processes and regulations so that land use and development processes facilitate and reinforce economic strategies and prosperity instead of stifling them as at present.

⁸ A recent study by Demographia (2009) ranks Vancouver as the fourth most unaffordable city among 265 surveyed in six English speaking countries largely due to restrictive land use and development policies which restrict supply and boost prices. This study reinforces the points made here to expand supply through robust zoning and land use regulations that allow supply flexibility and speed of response to changes in demand.

- d. First rate transportation, especially public transportation, is absolutely essential to keep travel times and costs to a minimum to ensure that movement within the urban regions is fast and efficient and allows service firms in the region to function efficiently and at low costs. Keeping internal circulation costs low is a valuable strategic asset for regions facing global competition in the diverse tradable services area. As an example witness Hong Kong's close integration of land use and a highly diversified transportation system has reduced internal travel times and costs and as a result greatly added to global competitiveness of what could have been a congested and unworkable metropolis.
 - e. The close integration of transportation and land use planning and development, as exemplified by Hong Kong, is imperative, yet seldom if ever achieved in Vancouver and Metro Vancouver more broadly. The City of Vancouver has been the most resistant to integrating the two and has been largely unwilling to create the needed densities and flexibility in land uses that are necessary for the costly SkyTrain, Millennium Line, and Canada Line transit investments to succeed and become economically viable. To develop this needed integration the following policies are of vital importance and should be implemented very quickly:
 - i. Give TransLink clear land use and density powers for land within 300-500 meters of rapid transit stops and intersections where three or more bus routes intersect. In this way TransLink can provide the needed density and diversity of land uses to obtain its required customer base and thus pay for its operating and capital costs.
 - ii. Give TransLink the powers to contract with developers vis-à-vis land use, density and development fees, again giving the regional transportation agency the powers it needs to integrate transportation and land use development, build its customer base, and obtain the funding it must have to maintain and expand the Metro Vancouver transportation system.
 - iii. Extend the foregoing suggested TransLink governance models and powers to the Capital Region and the Okanagan Region so that they too can integrate transportation and land use planning and development to cut congestion, improve mobility within their respective regions, and ensure the economic viability of transportation planning and longer term operations.
 - f. Develop and implement clear and *integrated regional* economic development strategies to attract, retain and grow these tradable services:
 - i. Create provincially mandated and appointed regional Tradable Services Advisory Committees for: the Greater Okanagan Region; the Greater Vancouver Region; the Capital Region; the Central Vancouver Island Region; and Prince George and the NW BC Region.
 - ii. Provide these committees with broad governance responsibilities and core provincial funding to be matched regionally.
3. Create a Tradable Services Branch within the Ministry of Technology, Trade and Economic Development to foster the development of the tradable services sector as noted above, across the province and to work with each of the regions to facilitate the most robust and effective regional economic development plans that are needed to promote and sustain the broad tradable services sector.

4. Authorize and fund BC Stats, in conjunction with the Ministry of Technology, Trade and Economic Development as noted above, to gather data annually on Tradable Services employment, exports and imports, and contributions to provincial and regional GDP. Ideally, these data should be disaggregated by each of the tradable service sectors discussed here to allow benchmarking and charting progress for each service sector and for the tradable services sector as a whole.

b. Sector's role/place in the BC economy in 2020 (growth prospects, regional importance, contribution to building/diversifying BC's export base)

Given the urban location of the vast bulk of service sectors, significant possibilities exist to expand the broad tradable services sector and move it into the export sphere adding significantly to our provincial export base in the process. Both Woo (2008) and Hutton (2008) note that major service export opportunities arise from, and can be tied to, the emerging BC gateway. Combined with the linkages to other services and to the goods exporting sectors, there exist major opportunities to expand simultaneously the exports of both services and the manufactured goods to which they are linked.

The diverse tradable services sector has key roles to play in the future prosperity of British Columbia and in its major urban regions. These roles include expanding and diversifying the provincial and regional export bases. They also include facilitating the ability of the province to tap into growing global trade in these services which has resulted in a service trade boom which complements burgeoning trade in goods and natural resources and resource-based products. By getting into the mainstream of global service trade the province can benefit from this fast growing sector by diversifying not just its export sectors, but also the regions from which it exports and those to which it exports, in essence getting double diversification through fostering the tradable services sector.

In view of the global financial and economic downturn, especially in resource products, it is particularly timely that strategies be developed for the tradable services sector to help diversify the provincial economy and equip it to compete more broadly in the global service economy. Times of economic hardship are often the very best times to build capacity to compete in new sectors since attention is overwhelmingly directed at protecting or bolstering existing activities, with the result that new opportunities are not considered leaving potential gaps that can be readily filled by creative and energetic economies.

One of the great attractions of tradable service exports is that they are “footloose” and not tied to rigid location criteria, a point Beyers (1996) makes strongly vis-à-vis producer services. Accordingly, they can be, and indeed are, offered across the province. The Thompson Rivers University example highlights this, as does the success at UNBC in both attracting international students, but also in building a global reputation for excellence in Aboriginal and Northern Health Care. Prince Rupert is developing a powerful transportation and logistics hub linking Asia with North America along with the added capacity to attract and serve tourists through its cruiseship facilities. The Okanagan is becoming a centre for viticulture and specialized tree fruit agriculture where the underlying knowledge and expertise can be profitably exported along with the wines and fruits. Tiny Valemont (population 1200) is a pioneer in tourism and related services at the community level, while Nelson has long exported both education and tourist

services. These diverse communities and service exports highlight the notion that tradable exports represent a key opportunity for communities across the length and breadth of British Columbia, not just for those in its Southwestern metropolitan regions.

c. Concluding thoughts and summary of prospects for the sector to 2020

The tradable services sector is a broad and exciting class of economic activities that when taken together provide major opportunities for the province of British Columbia and its principle urban regions to benefit from growing global trade in services. We have not traditionally thought much about the value of exporting services from BC. Our focus has been on exporting our natural resources and products made from them.

However, service exports can be of very high value and can help to greatly diversify the BC export base in terms of both the mix of products and services we export and the diversity of markets into which we sell. They can be a very valuable element of our 2020 economy and its export base if we acknowledge their potential and develop suitable provincial and regional policies to foster their growth and long run viability. They are also environmentally sustainable and capable of being organized with a minimal ecological footprint.

The discussion in this paper has sought to raise awareness about tradable services, their diversity, and the opportunities that exist for BC to trade them nationally and internationally. We are already highly successful in selling many of these services across Canada and globally. We need to broaden the range of the services we sell, while also developing better data sources so we can measure our progress in the seizing these opportunities.

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