

OPINION

B.C. can build stronger economic base via tradable services

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The recent global economic downturn and accompanying commodity bust abruptly derailed B.C.'s economy. While the root causes are different, the question always arises: What can be done to change this? The answer is lots, especially the potential role that tradable services can play in creating and sustaining wealth in the province.

The service sector is largely seen as supporting national and regional economic growth. Yet the wealth of many world-leading regions (including London and New York) is based on exporting services, not resources or goods. Accordingly, it is vital that we cultivate our export of services to expand our export earnings and wealth.

The European Union is the world leader in trading commercial services. Canada lags badly. The share of services in Canadian trade declined from 1990 to 2004. The share of services in Canada's exports is below the world average (13 per cent versus nearly 20 per cent). Canada has a running deficit in services despite tripling service exports during the period, while B.C. runs a trade surplus in internationally traded services, and in many areas is a global leader.

The B.C. economy is highly service based. Over 75 per cent of GDP is in services, the highest among all provinces. 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.

Tradable services represent an extremely diverse group of economic sectors, but we will focus on just four here: education, health, transportation and logistics, and architecture and engineering. Both education and health services reflect the growing general trends in the globalization of services, along with the specific need for these public services to attract additional revenues to sustain local programs. B.C.'s proximity and ties to the Asia-Pacific have been very important to the success in

attracting foreign students and will likely be as vital going forward. Thompson Rivers University provides an excellent example of exporting education that can and should be emulated by other institutions.

Significant opportunities also exist to export health care. Rochester, Minn. (the Mayo Clinic), and latterly an array of centres like Havana, Singapore, Bangkok, Mumbai and New Delhi are highly successful already. B.C. has strong health care resources to build a prosperous export sector, but needs a coherent strategy for exporting health services, and it needs to be implemented quickly.

Architectural and engineering services are among our strongest internationally sold services. B.C. is home to many of Canada's best architects with global reputations and successes. Our engineering sector is among the best anywhere, going abroad long ago to smooth out B.C. demand cycles and expand export markets.

Transportation and logistics: "By Land, Sea and Air We Prosper." Vancouver enjoys transportation advantages in virtually all modes. Vancouver International Airport is the second-busiest trans-Pacific airport in the Americas. An abundance of global and local transportation resources has made Vancouver a major Pacific gateway by land, sea and air, formalized in the federal-provincial Gateway Projects. Vancouver is Canada's largest port, and one of the largest and most important in North America. The integrated Vancouver Fraser Port Authority and Prince Rupert container port and cruise ship facility bolster our export assets greatly, as do the BCIT Marine Campus in North Vancouver, the International Maritime Centre (IMC) and the NorthWest CruiseShip Association.

Overall, the outlook for tradable services in B.C. is strong, particularly in major urban areas. The biggest weaknesses that the sector faces are largely self-imposed, through lack of attention to opportunities that already exist as well as through self-imposed regulatory hurdles such as the licensing of professionals in health, education and accounting. Metro Vancouver's fragmented approach to economic development and lack of regional strategy also severely hampers export service

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growth opportunities.

The global economic downturn offers a unique chance to build tradable services. Tough economic times are often best to craft new ideas as attention focuses on supporting existing sectors. British Columbia can and must broaden its economy to smooth our economic cycles. Diverse tradable services offer major chances to do this and benefit from a growing global service trade. Exporting services has been below the radar with our focus on natural resource products. The task should not be either difficult or indeed that novel since we already successfully export many services globally and are leaders in a number of service sectors. We must, however, broaden the mix of services sold and the countries to which we sell, while developing better data to mark our progress.

Special to The Sun

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