



B.C. should shift its sights west



British Columbia can be forgiven for thinking about economic development along a north-south axis. After all, the United States is its largest export recipient, at \$19.7-billion in goods in 2002 out of a total of about \$29-billion. It is also the key protagonist behind B.C.'s current economic obsession, resolving the softwood lumber dispute.

But if provinces can make New Year's resolutions, then here's one for 2004. That B.C. shift its sights from the United States to China, the second-largest economy in the world and one that is growing at better than double the pace of the U.S. economy.

B.C. needs to commit to enhancing its trade relationship with China. While the figures show that B.C. exported \$1.1-billion worth of goods to China (including Hong Kong) in 2002 — substantially less than the United States — the East-West axis promises much more.

China offers an increasingly sophisticated and affluent market that is looking for services and more heavily processed goods, not just rocks and trees like in the past. And because of B.C.'s geography, historical ties with China and demographics, the province is well positioned to take advantage of what can only be described as an international economic bullet train. One national Asian think-tank has dubbed Vancouver "North America's Asian capital."

The East-West trade axis has

been neglected for far too long, says Yuen Pau Woo, vice-president and chief economist with the Asia Pacific Foundation of Canada. He argues that B.C. has cultivated a generation of younger business leaders who know the U.S. markets and have benefited from the U.S. boom in the 1990s.

Unfortunately this same generation of business leaders is unfamiliar with doing business in Asia, and this has limited trade and development in the recent past.

Local analysts suggest this situation is changing and that some B.C. companies are already taking advantage of trade and export opportunities with China.

Consider Pacific Western Brewing Co. of Prince George, B.C., which produced the first Canadian beer exported to mainland China in 1991. The firm initially had a difficult time penetrating the Chinese market because the local beer was such an inexpensive competitor. However, the firm hired an agent familiar with China and began to establish a network, tapping into a pool of knowledge and contacts and gaining a foothold in the country. Now, it sells 4,800 cases of beer a year to the country and is actively trying to increase sales there.

Other examples of non-traditional Vancouver-based companies that have recently started businesses in China include an education company that just opened an international school, and an entertainment firm that has set up a wholly-owned subsidiary to pursue opportunities in the entertainment industry in Beijing.

While there are no guarantees that any of these ventures will succeed, Mr. Woo claims that they are the tip of the iceberg for a country that is open for business.

In fact, this was the message that Chinese Premier Wen Jiabao was trying to send to Canada on his trip



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through Ottawa earlier this month. It was "warm, friendly and cordial," according to Mr. Woo, adding that it was a signal to Canadians that the stagnant economic relationship between Canada and China in the recent past could be kick-started.

Media mogul Thomas Fung, who is the chairman and CEO of the Fairchild Group of Vancouver, also sees the possibilities that China offers. He chose Richmond, B.C., as

the site to open the largest Asian shopping mall in North America, with the first launch site of Daiso, a well-known Japanese discount store. The centre speaks to the kind of resources and access that B.C. has to the Pacific Rim. The mall is also the stepping stone for similar establishments that will open across North America.

But Mr. Fung isn't just planning to engage in the traditional one-way traffic of importing inexpen-

sive goods from China. He has plans to source Canadian goods and export them to the Chinese market.

Currently on the planning table are items such as purified bottled water, which will be called "Canadian H₂O." Mr. Fung believes it will be successful as a brand because Canada has a reputation in Asia as a clean, high-tech country. "A lot of people are interested in buying some Canadian-made goods but don't know who to contact and how to make the deal."

Is this a little too optimistic given that average income is still very low in China? Not considering that estimates of the size of the Chinese middle class vary from 100 million to 150 million people and expanding rapidly. Evidence of its spending power can be found in the fact that almost 10 million Chinese residents travel on overseas vacations each year.

On top of this, economists believe that in 30 years, China will be a larger economy than the United States in terms of total trade.

While China is geographically removed compared with our neighbour to the south, its size definitely matters and because of its spectacular economic trajectory, the draw will only increase. With an already strong demographic tilt toward Asia and the networks that come with a vibrant and established diaspora, it would be a shame for the province not to focus on the East-West trade axis. But economic development like this requires a long-term relationship and commitment. And that's just the type of New Year's resolution that the province needs.

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