

# Asia Pacific Trade Council

*Report of the China/Hong Kong Market Advisory Group  
June 2006*



*Asia Pacific Trade Council  
730 - 999 Canada Place, Vancouver, B.C. V6C 3E1, Canada  
Telephone: (604) 775-2100 Fax: (604) 775-2070  
[www.asiapacifictradecouncil.com](http://www.asiapacifictradecouncil.com)*



# *Message from the Asia Pacific Trade Council*

---

On September, 22, 2005, we accepted, on behalf of the Asia Pacific Trade Council, a challenge from the Premier to make recommendations to the Government of British Columbia on opportunities to leverage the Province's unique strengths to maximize commerce with the Asia-Pacific. As a first step in this process, the Trade Council established the China/Hong Kong Market Advisory Group (MAG) in November, 2005, to investigate opportunities and challenges particular to the China/Hong Kong market. After six months of extensive research and consultation, the China/Hong Kong MAG has completed its report, which the Trade Council endorses and hereby presents.

The report confirms that British Columbia is well positioned to benefit from Canada's renewed focus on the Asia-Pacific. However, in order to move forward, the Province must be prepared to develop and implement the right policies and tools. Specifically, it must be prepared to establish the linkages, platform and programs required to effectively engage with partners in China and Hong Kong. The elements of this "framework" are outlined in this report.

Two other market advisory groups have also been established, with a mandate to focus on India and Japan respectively. An advisory group on South Korea is pending. The Trade Council intends to prepare a consolidated report to capture the overarching issues raised by these market advisory groups, after their deliberations are completed. Together, these reports will help to support an integrated strategy which will assure British Columbia a leadership role in the Pacific Century.

The Trade Council also recognizes the mandate of other advisory bodies and agencies established by the Province to address specific issues which impact our ability to compete in Asian markets. In particular, the Trade Council applauds the establishment of the BC Competition Council to undertake a comprehensive review of the Province's competitiveness, identify barriers to economic growth, and to recommend actions to be taken by industry or government. The Trade Council looks forward to reviewing and commenting on the work of the Competition Council when its report is completed.

The Trade Council encourages the Government of British Columbia to give early and full consideration to the recommendations contained in this report, confident that they will make a substantive contribution to the Province's commercial relationship with China and Hong Kong.

Yours truly,



Arthur Hara  
Chair



Carol Lee  
Vice-Chair



Arvinder Bubber  
Vice-Chair



# *Foreword*

---

On behalf of the China/Hong Kong Market Advisory Group (MAG), I am pleased to present the China/Hong Kong Report to the Asia Pacific Trade Council.

Twenty years after Expo 86, which put British Columbia on the international stage, and four years before the 2010 Olympic and Paralympic Winter Games in Vancouver, which will affirm our position there, it is timely for British Columbians to reflect on our commercial relationships with the burgeoning economies of the Asia Pacific.

For the past six months, the China/Hong Kong MAG has engaged in an extensive program of research and consultation. I would like to offer a few introductory words about some of the high-level, cross-cutting themes that arise throughout this study.

***British Columbia has unique inherent strengths that could help it succeed in the China/Hong Kong market; however, in the face of intense competition these strengths alone are not enough. The Province must develop concerted policies and programs to help maximize them.*** BC is the gateway to China and the rest of the Asia Pacific, not only for Western Canada but also for North America. Among our attributes, BC's ports and airports enjoy the closest North American proximity to China and our citizens have a wealth of personal ties to China and Hong Kong. Even so, other jurisdictions, both within North America and overseas, are expanding their capacity to trade and invest with China, and BC cannot be complacent.

***The Government of BC has a special leadership role in developing trade and investment ties.*** While China is moving toward a market economy, the state has a central place in the economy and society. The Government of BC must play a key role in making official connections at the highest levels in China. For instance, at several points in this report, BC's special relationship with our sister province, Guangdong, is highlighted. The Government of BC can take the lead in further strengthening that unique bilateral bond. Another issue that falls in the Province's domain is branding. In almost every sector dialogue, the need to present a readily understandable and favourable image of BC was underscored. Finally, the Government of BC can help to define quality standards, for example, for Chinese tourism, travel and international education. Indeed, in many instances, BC's private sector would welcome the opportunity to work with the Province on these quality standards, which can build credibility and confidence in the Chinese marketplace.

***An integrated and comprehensive strategy is needed to make the most of the BC-China/Hong Kong relationship.*** When designing policies and programs to benefit one sector, thought should always be given to how these can be leveraged to benefit other aspects of the relationship including both investment and trade. For instance, a new BC presence in China should be used to enhance the full extent of the relationship. When showcasing one sector, such as the forestry industry through Dream Home Canada, others should also be featured (for instance, the products and services of BC's environmental industry).

While most of this report focuses on the opportunities and challenges of an emergent China, the Market Advisory Group recognizes the special role and importance of Hong Kong in British Columbia's past and future relations in the region. Hong Kong will continue to play a strategic role in assisting China's upward trajectory. It will be essential for BC to foster its connection to, and through, Hong Kong as the Province develops a more comprehensive engagement with China.

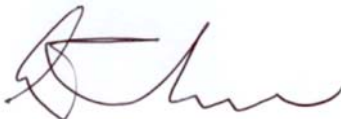
***Collaboration with the federal government and other provinces is vital to the success of BC-China/Hong Kong commercial ties.*** From enhancing the Pacific Gateway infrastructure to welcoming Chinese students and tourists, the Government of Canada is essential to achieving virtually all of BC's objectives in its relationship with China and Hong Kong. In turn, BC's success as a gateway for the products and services of Western Canada and the other regions of the country will improve the prosperity of all Canadians. The importance of working closely with the federal government across all areas of engagement cannot be over-emphasized. Further, the Province has collaborated with Western Provinces on numerous initiatives, and should continue to expand this relationship in dealing with Asia Pacific issues.

This report builds on British Columbia's past experience in the region and on the experience and practice of the Province's key competitors such as US and Australian states and other Canadian provinces. But clearly, there is much work to be done, as no single undertaking can, nor should, attempt to cover all aspects of our very complex relationship with China and Hong Kong. However, the China/Hong Kong Market Advisory Group is confident that if the same degree of effort and enthusiasm can be focused on implementing the recommendations contained in this report as British Columbians brought to their development, our Province will be well positioned to take a significant step forward in the China/Hong Kong economy.

The recommendations in this report have been organized into two categories; those of a **strategic nature**, and a series of **sector-based** recommendations. The Province needs to focus especially on the strategic elements, in particular, those related to our transportation systems which carry a sense of urgency.

The recommendations contained in this report were prepared with the assistance, advice and support of many individuals and organizations active in BC-China/Hong Kong relations. A list of individuals who contributed their time and effort to this task is included in Appendix B. The Market Advisory Group is truly grateful for their participation. The responsibility for these recommendations, however, rests solely with the China/Hong Kong Market Advisory Group.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Gordon Chu', written in a cursive style.

***Gordon Chu, Chair***

China/Hong Kong Market Advisory Group

June 23, 2006

# *Table of Contents*

<b>Overview</b> .....	1
<b>Summary of Recommendations</b> .....	7

## **PART I : BACKGROUND AND CONTEXT**

<b>1.0 Introduction and Terms of Reference</b> .....	19
The Asia Pacific Trade Council.....	19
The China/Hong Kong Market Advisory Group .....	19
<b>2.0 The Pacific Century and the Impact on the Global Economy</b> .....	20
Asia Pacific Growth, Cooperation, and Integrative Trade.....	20
British Columbia and the Asia Pacific.....	20
The Emergence of China .....	22
British Columbia and China.....	24
<b>3.0 British Columbia and China: A Brief History of Engagement</b> .....	26
Overview.....	26
British Columbia Representation in China/Hong Kong.....	27
Missions and Marketing Activity in China/Hong Kong.....	28
<b>4.0 How are Other Jurisdictions Engaging China?</b> .....	29
Case Study: Alberta.....	31
Case Study: Washington State.....	33
Case Study: Queensland.....	35

## **PART II : STRATEGIC FRAMEWORK & OVERARCHING PRIORITIES**

<b>5.0</b>	<b>Linkages</b> .....	40
5.1	In-market Representation.....	40
5.2	Market Awareness and Branding.....	41
5.3	Olympics: From Torino to Beijing and Shanghai.....	42
5.4	Access to Canadian Visas.....	42
<b>6.0</b>	<b>Platform</b> .....	45
6.1	Gateway Transportation Infrastructure.....	45
6.2	Coordinating Trade and Investment Activities with China.....	52
<b>7.0</b>	<b>Programs</b> .....	55
7.1	Economic Immigration: The Provincial Nominee Program.....	55
7.2	Recognition of Foreign Credentials .....	57
7.3	Building on People and Community Linkages.....	58
7.4	Information and Analysis.....	60
7.5	Support for Twinnings.....	60

## **PART III : SECTORAL ANALYSES AND RECOMMENDATIONS**

<b>8.0</b>	<b>Forest Products</b> .....	68
<b>9.0</b>	<b>Mining/Minerals</b> .....	79
<b>10.0</b>	<b>Tourism</b> .....	85
<b>11.0</b>	<b>International Education</b> .....	92
<b>12.0</b>	<b>Environmental Technologies</b> .....	98
<b>13.0</b>	<b>Conclusion and Next Steps</b> .....	104
<b>APPENDIX A Asia Pacific Trade Council – Members and Advisory Group</b> .....		107
<b>APPENDIX B List of Individuals Consulted</b> .....		111
<b>APPENDIX C BC – China Statistics</b> .....		117

*Overview and  
Summary of Recommendations*





# *Overview*

---

This report presents more than 60 recommendations on how to enhance the British Columbia – China/Hong Kong commercial relationship. The report is divided into three parts: (I) Background and Context; (II) Strategic Framework and Overarching Priorities; and (III) Sectoral Analyses and Recommendations.

## **PART I: BACKGROUND AND CONTEXT**

Part I is composed of four elements:

- Introduction and Terms of Reference
- The Pacific Century and the Impact on the Global Economy
- British Columbia and China<sup>1</sup> – A Brief History of Engagement
- How are Other Jurisdictions Engaging China – Three Case Studies

### **Introduction and Terms of Reference**

The first section explains the role and terms of reference of the Asia Pacific Trade Council and its China/Hong Kong Market Advisory Group (MAG). The Council was launched on September 22, 2005, with a mandate to make recommendations to the Government of British Columbia on opportunities to leverage the province's unique gateway location – its ports and transportation infrastructure, multicultural society, and natural links with the Asia Pacific – to maximize commerce for the benefit of British Columbians and Canadians. The China/Hong Kong MAG was established under the Council in November, 2005, with a mission to bring focused, geographic and sectoral expertise to the development of recommendations to enhance the province's commercial engagement with China and Hong Kong.

### **The Pacific Century and the Impact on the Global Economy**

Section 2 describes the emergence of the Pacific Century in the global economy and British Columbia's place in it. China is enjoying strong economic growth, and is central to a new model of international production and integrative trade, in which products and services are comprised of component parts from supply chains that spread across the globe. The section also notes that, while the pull of the US economy has been strong for BC's firms, BC's economy is much more dependent on Asia Pacific economic linkages than the rest of Canada. Finally, the section indicates the importance of China as a market for British Columbia goods and services and as a potential source of foreign direct investment.

---

<sup>1</sup> References to China in this report include Hong Kong unless otherwise specified.

### **British Columbia and China – A Brief History of Engagement**

Section 3 surveys BC's history of official engagement with China/Hong Kong. From the mid-1980s to the mid-1990s, the Province developed a robust presence in key Asian markets, including China/Hong Kong. British Columbia opened an office in Hong Kong in 1986 with a specific mandate to attract investment. This office was initially co-located within the then High Commission for Canada in Hong Kong, but later became a stand-alone operation covering both investment and trade. In 1989, the Province established the British Columbia Trade Development Corporation (BC Trade), a Crown Corporation focused on advancing the province's export opportunities. However, over the last ten years, shifting government priorities and fiscal constraints greatly reduced the Province's trade and investment promotion infrastructure and international offices were scaled back or closed. The Hong Kong office was phased out by 1997. BC made an indirect return to China in 2003 when its forest marketing agency, Forestry Innovation Investment, located a representative in Shanghai to lead market development initiatives. Of course, a variety of provincial and national trade missions have occurred since the 1980s, although not always with sufficient follow-up or clear results. Indeed, BC has had a history of brief engagements with the China market rather than a consistent set of policies and connections.

### **How are Other Jurisdictions Engaging China – Three Case Studies**

Section 4 widens the frame of reference, assessing the trade and investment development practices used by different jurisdictions. Ten jurisdictions in Canada, the United States, Australia and New Zealand were examined for their trade and investment development practice in China. Case studies on three jurisdictions -- Alberta, Washington State, and Queensland (Australia) – are presented for comparison purposes. Each has invested in establishing strong people-to-people ties, for example, through twinings and China-relations councils, and through in-market representative offices to cement trade and investment ties.

## **PART II : STRATEGIC FRAMEWORK AND OVERARCHING PRIORITIES**

The second part of the report builds on the background and context, presenting overarching recommendations that are **strategic rather than tactical**. The recommendations presented provide the foundation for a more comprehensive engagement with China, and are organized into three sections:

- **Linkages** – British Columbia's connections to China that help to build ongoing relationships, particularly on-the-ground rather than from afar
- **Platform** – the bricks-and-mortar structures in BC, including facilities that process and support local business connections to China and institutions that act as a corporate memory for the relationship and catalysts for action
- **Programs** – specific initiatives built on a solid platform that benefit from, and help to strengthen, overall relationships

### **Linkages**

Section 5, *Linkages*, presents recommendations (see page 7) to strengthen BC's presence in China, including the establishment of an in-market operation, as well as a pavilion showcasing British Columbia products, similar to one that was featured during the Torino Olympic and Paralympic Winter Games. The Province must also take a leadership role in branding BC for Chinese customers, investors, students, and tourists. To facilitate the vital people-to-people exchanges that come with enhanced trade and investment ties, BC must work with the federal government to resolve delays and barriers in visa processing in China.

### **Platform**

Section 6, *Platform*, emphasizes the need to continue to build infrastructure for the Asia Pacific Gateway, notably in the marine sector, to advance an integrated and seamless transportation network. This section also recommends a streamlined approach to the approval of various transportation projects. Another part of BC's platform involves the Province's domestic institutional framework for engaging China. Throughout its consultations, the China/Hong Kong MAG heard of need for a "China Unit" within the Province which can integrate and champion China-related initiatives and act as a one-window point of contact for both outbound and inbound commercial interests, as well as Canadian federal and municipal governments and Chinese government representation here and in China.

### **Programs**

Section 7, *Programs*, outlines various targeted initiatives that the Province can undertake to build on the structures noted above, especially in terms of people-to-people relations. In terms of facilitating newcomers to BC, this section recommends that the Government of BC expand the Provincial Nominee Program for economic immigrants and work on improving recognition of foreign credentials. It also underscores the value that BC's Chinese Canadians bring to strengthen commercial relationships, and suggests a variety of Internet-based tools to leverage these connections. Finally, the Province can advance relations through twinings, both in its own special relationship with Guangdong Province, as well as in advising municipalities on how best to establish, optimize and maintain such official ties.

## **PART III : SECTORAL ANALYSES AND RECOMMENDATIONS**

This part of the report explores the BC-China commercial relationship in five industries:

- Forest Products
- Mining and Minerals
- Tourism
- Education Export Trade
- Environmental Technologies

Each section begins with a situation analysis, followed by a gap analysis that outlines current weaknesses, and a set of recommendations on how the gaps can be closed.

### **Forest Products**

Section 8, Forest Products, applauds the federal/provincial/private-sector partnership to encourage the wider use of the industry's products in China. The partnership is on the right track towards forming a private-sector legal entity that will take responsibility for most activities, assuming continued majority funding by the Province and the federal government. Developing a new market in China is a long-term venture that will require long-term funding. This section offers a broad set of recommendations, including the need for expanded market research beyond Shanghai and other major centres, and for more demonstration projects to present a full range of BC wood products.

### **Mining and Minerals**

Section 9, Mining, outlines the boom that has occurred in the sector in recent years and the growing Chinese demand for mining and mineral products. Recommendations are offered in terms of education, advocacy, and engagement/outreach. For instance, BC is well placed to offer technical assistance to China to help improve its mine safety record. Additionally, the Province should work with the mining industry and its associations to organize a coordinated program to define and communicate the BC mining success story. Efforts should include missions to China focused on the mining sector, including targeted investment calls to major firms involved in gold, copper, coal, and other minerals.

### **Tourism**

Section 10, Tourism, notes the vast potential of the Chinese travel market as the country's middle class grows and become more interested in international experiences. Recommendations are made in the areas of access, facilitation, and quality control; relationship building; and marketing. Clearly, the major limitation that the industry faces is the lack of China's Approved Destination Status (ADS) for Canada. BC should assist in any way possible to see ADS finalized. In the meantime, the Province can work on setting standards for tourist operators in BC and by helping to welcome tourists in their own language. BC can also leverage its twinning relationship with Guangdong Province to enhance tourism ties. Finally, this section recommends more resources for marketing BC as a destination, noting that other jurisdictions far outspend us.

### **International Education**

Section 11, International Education, points out the tough market conditions that exist in attracting Chinese students to BC institutions: the expansion of ESL training in China; wider availability of university places in that country; price resistance; and increasingly stiff competition from jurisdictions such as the United Kingdom, Australia, New Zealand, Ontario and Quebec. In this environment, BC needs to work on expanding its official presence, relationship-building, branding, and quality assurance. As mentioned elsewhere in this report, slow visa and work permit processing also create barriers.

### **Environmental Technologies**

Section 12, Environmental Technologies, explains that China's development and the associated environmental challenges are creating enhanced demand for "green" exports, an area where British Columbia has particular expertise. However, BC's environmental firms are largely focused on the domestic and US markets. Moreover, they are often small, single-product or service firms, and may be mismatched to large, full-scale Chinese environmental projects. To close the gaps, this section makes a variety of recommendations, including on how the Province can assist BC's firms to collaborate through consortia that pool their strengths. More broadly, the Province should leverage the image of the environmental sector when developing a "brand" for marketing BC internationally for economic development, tourism and other purposes. The environmental sector can help position BC as clean, green and sustainable, which is valuable to BC in business, investment, and tourism promotion.

### **CONCLUSION**

Section 13 offers some closing comments for this report and sets it in the context of forthcoming studies on other Asia Pacific markets to be released by the Asia Pacific Trade Council over the course of its mandate.

The China/Hong Kong Market Advisory Group appreciates the Government of British Columbia's support for its activities and looks forward to its careful consideration of the recommendations contained in this report.

A summary of recommendations is outlined in the following section.



# *Summary of Recommendations*

---

*(Note: The numbering system used in this Summary of Recommendations corresponds to the section numbering in the report to allow for easy reference.)*

## **SECTION 5 – LINKAGES**

The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia:

### **5.1 – Establish an In-Market Operation in China**

Proceed to establish an in-market operation in China. The Ministry of Economic Development should be directed to explore the best model for representation. The mandate of the operation should include an investment focus but provide latitude for identifying and pursuing strategic market opportunities that could open up new ground for BC companies.

### **5.2 – Establish a Clear and Compelling Brand**

Assign one group to hold overall responsibility for all international branding. This group should be charged with co-ordination across ministries to ensure that there is only one provincial brand. All promotional materials prepared by, and for, the Province's use in China should link to this brand unless there are compelling market-based reasons for another identity.

### **5.3 – Develop a BC Pavilion for the 2008 Beijing Olympics**

Use the successful model of British Columbia Canada Place at the 2006 Olympic and Paralympic Winter Games in Torino for developing a pavilion proposal for the 2008 Olympic Summer Games in Beijing. The Province should work with the federal government to explore options for moving the pavilion, and/or its contents to Shanghai for Expo 2010.

### **5.4 – Access to Canadian Visas**

#### **(a) Ensure Visa Application Process is Competitive**

Encourage the federal government to ensure that its visa application process is competitive with jurisdictions such as Australia, the United Kingdom and other key competitors in the business, tourism and education sectors.

#### **(b) Press For Increased Visa Processing Capacity**

Press the federal government to increase the processing capacity of its existing offices, as well as to open a new visa office to better serve Chinese nationals in southern China (e.g., Guangzhou). This should take place well in advance of Canada securing Approved Destination Status from China.



**(c) Encourage Closer Linkage between Commercial and Immigration Operations**

The federal government should be encouraged to establish closer linkages between its commercial and immigration officers to help create synergies and improved knowledge sharing.

**(d) Ensure Increased Awareness of Visa Application Process**

Work more closely with the federal government at home, such as through the Business Service Centre, to ensure that BC businesses (including those in the international education sector) are aware of how the visa application process works in China and the specific documentation required by Citizenship and Immigration Canada to obtain a visa.

**SECTION 6 – PLATFORM**

The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia address the following :

**6.1 – Gateway Transportation Infrastructure****(a) Implement Pacific Gateway Strategy Recommendations**

The recommendations address British Columbia’s critical transportation infrastructure needs, especially those concerning upgrades to the inland transportation system that will help the province and Canada effectively compete for Chinese cargo.

**(b) Support the Implementation a Combined BC Port System**

This would eliminate the fragmentation of jurisdiction of BC port authorities and streamline port infrastructure, jurisdiction, and administration among the west coast ports. The industry would be better positioned to compete against facilities in the Pacific Northwest rather than amongst itself.

**(c) Improve Supply of Skilled Transportation Labour**

Make efforts to improve the supply of skilled labour, especially longshoremen, in the transportation sector.

**d) Ensure Streamlined Environmental Assessment Processes**

Work with the federal government to ensure streamlined environmental assessment processes for transportation infrastructure projects. BC should promote consistent application of the *Canada-British Columbia Agreement for Environmental Assessment Cooperation (2004)*.

**6.2 – Trade and Investment Infrastructure in British Columbia****(a) Establish a “China Unit” within the Ministry of Economic Development**

The unit should supervise, support and coordinate provincial China initiatives and work closely with the federal government and business associations and liaise with the Chinese Consulate General in Vancouver.

**(b) Formalize a Cross-Ministry Approach to Trade and Investment Promotion**

Establish a “whole-of-government” approach to international market development that will support and advise the China Unit. This could take the shape of a committee of senior officials representing the various ministries involved in Asia Pacific initiatives.

**(c) Pursue Cooperation with China Investment Promotion Agencies**

Pursue opportunities to formalize cooperation with Chinese government agencies, at state and provincial levels, on two-way investment promotion. Areas of potential cooperation include establishing channels for information exchange on investment policies and regulations, the investment environment, potential investors, and opportunities for conducting joint two-way investment promotion activities.

**SECTION 7 – PROGRAMS**

The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia:

**7.1 – Expand the Provincial Nominee Program**

Provide additional dedicated program resources for expanding the Provincial Nominee Program. Increased staff and marketing resources will allow BC to attract more immigrants based on the Province's economic needs and priorities.

**7.2 – Increase Capacity to Assess Credentials**

Review foreign qualification recognition practices and policies in order to increase capacity to assess credentials and reduce the time required for immigrants to have their credentials recognized.

**7.3 – Build on People and Community Linkages****(a) Provide Web Media to Facilitate People and Community Linkages**

Develop a website portal as a practical and cost-effective way to facilitate community linkages and consider launching an electronic newsletter for dissemination of business opportunities and information related to BC citizens and contacts residing in Asia.

**(b) Promote BC / Vancouver as North America's "Asia Pacific Hub"**

The Province should promote British Columbia / Vancouver as North America's "Asia Pacific Hub" - a place where people, ideas, resources, networks and events come together for trans-Pacific business and cultural purposes.

**7.4 – Collect Data on Trade, Investment and Relationships**

As one of its first programs, the new China Unit in the Ministry of Economic Development should explore the collection of better data on the British Columbia-China trade, investment, and people-to-people relationships. In this effort, the Province should work with agencies such as Statistics Canada and with partners, including the Asia Pacific Foundation of Canada.

**7.5 – Support for Twinning****(a) Increase Support for the BC-Guangdong Relationship**

The Province should lead by example and increase its support for the maintenance of the British Columbia-Guangdong relationship. It is further recommended that the Province formalize its relationship with the various British Columbia-China business associations in order to ensure that the efforts of these associations are adequately

supported and that the objectives of the bilateral business associations and those of the government remain complementary.

**(b) Create and Maintain Database of Twinings**

The database should include relationships between British Columbia municipalities and Chinese jurisdiction and could be used as a resource for municipalities that are interested in entering into a twinning relationship.

**(c) Develop “Best Practices” in Twinning**

Work with local governments to develop and post criteria that would assist municipalities in assessing future twinning opportunities and/or evaluating current relationships.

**(d) Identify Prospective Partners for Twinning**

Through its exposure in China, and via access to incoming Chinese officials, the Province should assist local governments interested in establishing linkages with China. This could include identifying and/or vetting potential twinning opportunities.

## **SECTION 8 – FOREST PRODUCTS**

Government agencies and trade associations are on the right track in creating a new market for BC’s forestry products in China. To further the strategies already agreed by the partners, the China/Hong Kong Market Advisory Group’s recommends the following:

### **8.1 – Partnerships: Financing, Leadership, and Organization**

**(a) Create a Private-sector Entity for Doing Business in China**

Work with all parties in the Canada Wood Group coalition to create a private-sector legal entity that can employ people and do business in China. It should be wholly owned by a parent organization in Canada with a board of directors that includes senior employees of forest product companies, trade associations, and relevant government agencies.

**(b) Commit to Long-term Funding for Canada Wood Export Program**

Governments should clearly commit to the long term, and should implement multi-year funding commitments where that is appropriate. Funding should be based on well specified three-year work plans updated annually. The federal government should be encouraged to renew the Canada Wood Export Program and maintain it as a prime source of funding for developing the Chinese market.

**(c) Urge the Federal Government to Retain Knowledgeable Field Officers**

Foreign Affairs staff in China should be regularly acknowledged for their continuing support, and the federal government should be urged to ensure reasonable continuity in terms of retaining knowledgeable staff in key locations.

### **8.2 – Standards, Access, and Product Fulfillment**

**(a) Assist Canada Wood to Extend its Quality Assurance Program**

Canada Wood should increase the reach of the new quality assurance program to ensure that wood frame building systems enjoy a good reputation for safety, durability, and cost effectiveness. This can be achieved through training mechanisms, including

short courses, seminars, mobile classrooms, on-site assistance and a formal certification program.

**(b) Facilitate the Incorporation of BC Species into Chinese Codes**

In concert with Forintek and university experts, Canada Wood Group should continue to give a high priority to having BC species, lumber grades and sizes, and wood frame standards adopted in Chinese building and fire codes.

**(c) Work with CFIA to Expedite Pre-export Inspections**

In anticipation of increased shipments to China, the Canada Wood Group should work with the Canadian Food Inspection Agency (CFIA) to ensure that the phytosanitary certification process is as efficient as possible.

**(d) Investigate the Merits of an In-Market Storage Facility**

The Province should work with the Government of Canada and knowledgeable experts in the private sector to investigate the merits of establishing locations in China where wood products from Canada can be stored to minimize any disruptions in the flow of products to Chinese customers.

### 8.3 – Technology Transfer

**(a) Target Demonstration Projects to Potential Growth Areas**

Demonstration projects should be targeted to applications where there is a substantial potential for increased sales of relevant products, and whenever possible those projects should be used as tangible examples in the development of codes and standards, and as real-world teaching aids.

**(b) Expand Demonstration Projects to Hybrid Designs and Iconic Buildings**

Demonstration projects should be developed to move beyond the promotion of standard wood frame construction in Shanghai. Opportunities should be sought to raise the profile of BC building technology, possibly through its use in iconic buildings. Use of wood trusses in re-roofing projects and the use of wood framing in conjunction with concrete in apartment construction should be pursued.

**(c) Train Chinese Stakeholders on the Use of BC Wood Products**

Using provincial and federal funding, Canada Wood Group should also increase its effort to train Chinese regulators, architects, designers, engineers, developers, and builders in how to properly use BC wood products.

### 8.4 – Marketing and Promotion

**(a) Use Market Research to Regularly Update the Market Development Strategy**

Forestry Innovation Investment (FII) should commission basic market research primarily in the large cities, and to a lesser extent in rural China, to quantify the potential across the range of housing types. The resulting information should be used as the basis for regularly updating the overall market development strategy.

**(b) Develop Promotion Strategies Based on Target Constituencies**

FII and trade associations should continue to promote wood frame construction at major trade shows and should benchmark the attitudes and opinions of target constituencies.

**(c) Market Wood Frame Technology as a Holistic System**

North American wood frame technology should be marketed as a holistic system, drawing in the technology and suppliers of not only wood products, but also electrical wiring, plumbing, insulation, and other relevant products. This holistic approach should be supported by technology transfer including sending technical teams to train locals in using BC wood products.

**8.5 – Develop Clear Performance Indicators**

Clear performance indicators should continue to be developed for programs as they move forward. Milestones should be established to track the use of structural lumber during the early stages of market entry. Also a system should be designed and implemented to track sales data over the longer term.

**SECTION 9 – MINING / MINERALS**

The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia address the following :

**9.1 – Education****(a) Organize a Focused Mining Education Initiative**

Organize a focused mining education initiative to assist select Chinese regional governments in efforts to update their mining regulations and procedures and to modernize their mining industry. Educational efforts should be aimed at the provincial level in China, more than at the state level, targeting locations where BC companies are most active.

**(b) Assist China to Improve Mine Safety & Environmental Protection**

Consider opportunities in collaboration with federal agencies to assist the Chinese government in strengthening its mining-related institutions, particularly in the areas of safety and environmental protection.

**9.2 – Advocacy****(a) Coordinate Communication of the BC Mining Success Story**

Work with the mining industry and its associations to organize a coordinated program to define and communicate the BC mining success story. The fact that BC has a strong reputation internationally and an interesting story to tell should help in this effort.

**(b) Support Mining Missions to China**

The Ministry of Energy, Mines and Petroleum Resources should continue to work closely with Natural Resources Canada (NRCan) and the Ministry of Economic Development in supporting industry in organizing missions to China focused on the mining sector. Having senior government officials lead visits to targeted provinces in China may be of great benefit and could possibly be used as the kick-off for an education initiative, a goodwill visit for problem-solving, or to attract investment.

### 9.3 – Engagement / Outreach

#### **(a) Undertake a Focused Mining Investment Call Program**

Develop a list of the top ten Chinese companies in the gold, copper, molybdenum, coal and other minerals areas and undertake formal and focused visits to these targeted companies to promote investment opportunities in the British Columbia mining sector.

#### **(b) Provide Chinese Language Versions of Promotional Materials**

Work with the mining industry and its associations to provide Chinese language versions of marketing and selected technical documents which will help define and communicate the opportunities for resource-based investment in British Columbia.

## **SECTION 10 – TOURISM**

The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia address the following :

### 10.1 – Access and Facilitation

#### **(a) Support Negotiation Process for Approved Destination Status**

Work with the federal government (in conjunction with other provinces and tourism organizations) to expedite the negotiation process for securing Approved Destination Status (ADS) and offer support to help resolve issues that relate to British Columbia.

#### **(b) Maximize Services under the Air Bilateral Agreement with China**

Cooperate with the federal government to ensure that increased service under the new air bilateral agreement with China is maximized. This should include adding China to the list of countries whose nationals can transit to the US via YVR without a Canadian visa.

#### **(c) Examine Licensing of Tour Operators and Sightseeing Companies**

The Province, through the Ministry of Economic Development, and/or the Ministry of Tourism, Sport and the Arts, should review current legislation to determine whether adequate measures exist to increase the professionalism of BC-based tour operators and sightseeing companies.

#### **(d) Support Programs to Welcome Visitors**

Collaborate with partners to welcome Chinese visitors in their own language. For example, the Province should work with YVR and Canada Customs to address gaps in signage and interpretation at the airport.

### 10.2– Relationship Management

#### **(a) Support the Canadian Tourism Commission in Holding a Biannual Conference**

Encourage, in conjunction with other interested parties, the Canadian Tourism Commission (CTC) to hold a biannual conference on China/Canada tourism.

#### **(b) Organize a Focused Delegation to Guangdong Province in 2006**

Reciprocate Guangzhou's interest in BC with a business delegation to Guangdong Province that includes tourism. The Province should use this opportunity to lobby for direct air connections between Vancouver and Guangzhou.

**(c) Support Olympic Related Visits and Exchanges**

Support city visits and exchanges that are specifically focused on Olympic opportunities.

**10.3 – Marketing and Promotion - Support CTC's Efforts in Securing Marketing Funding**

Support the CTC's efforts in securing incremental and performance-based federal funding to ensure Canada can compete in the extremely competitive Chinese market. In addition, incremental financial support for BC's existing tourism marketing efforts should be made available to ensure Tourism BC and its iconic destinations maximize market share of Chinese visits to Canada.

**SECTION 11 – INTERNATIONAL EDUCATION**

The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia:

**11.1 – Integrate Education into BC's Presence in China**

As part of its in-market activities, BC's investment and trade promotion activities in China should include educational services.

**11.2 – Develop an Enhanced Relationship-building Capacity for Education**

The number of visits made each year by politicians and senior officials to China in support of BC's trade, tourism, and education export efforts should increase significantly. To assist with these efforts, both the proposed in-market operation (Section 5.1) and the "China Unit" (Section 6.2) should be engaged.

**11.3 – Develop a Clear and Compelling "BC Brand"**

Work with stakeholder groups to develop a distinctive brand image, using the umbrella image of "Canada" and building on the opportunities presented by the 2010 Olympics. All public and private sector education exporters should be encouraged to use this BC Brand (refer to recommendation 5.2)

**11.4 – Establish a Recognized Quality Assurance Designation**

The Government of British Columbia and the public and private post-secondary sectors should cooperate in the development of a government sanctioned quality assurance program to reinforce BC's brand image.

**11.5 – Collaborate on Improving Visa Processing**

Negotiate improvements with the federal government in student visa processing aimed at increasing the speed of processing and the approval rate of students applying from China (refer to recommendation 5.4).

**11.6 – Enhance BC Students' China Exposure and Language Capability**

Significantly increase the number of study abroad opportunities, in concert with post-secondary institutions, aimed at having more BC students take courses, such as language and cultural training, and cooperative education placements in China.

## **SECTION 12 – ENVIRONMENTAL TECHNOLOGIES**

The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia:

### **12.1 – Support Programs to Increase Market Awareness**

Support programs for the environmental industry firms to increase their awareness about business in China and in other Asian markets. Topics should include language, cultural elements, business linkages, market opportunities and key issues in intellectual property strategies.

### **12.2 – Implement Recommendations of the Premier’s Task Force (PTF) Vision Document**

Implement the recommendations of the Vision document of the PTF on Alternate Energy and Power Technologies. These recommendations cover a core segment within the Province’s environmental industry sector, with regard to commercialization and innovation in the five sectors considered by the PTF (smart grid solutions; remote power solutions; large scale green power production; sustainable urban practices; and smart urban transportation).

### **12.3 – Support Formation of Marketing Alliances**

Provide additional support for the formation and activities of consortia and marketing alliances to penetrate Chinese markets. Such alliances and consortia should build on the province’s traditional sector strengths. Where possible, alliance initiatives should leverage the resources of the federal government, particularly Western Economic Diversification Canada.

### **12.4 – Link the Environmental Sector to Promotion of Other Sectors**

Link the environmental sector to the promotion of other sectors such as forest products, minerals and mining. For example, the Province should encourage Forestry Innovation Investment (FII) to work with the environment sector to ensure that future wood products demonstration projects in China include a variety of technologies to showcase BC’s sustainable housing capabilities.

### **12.5 – Leverage Environmental Image in Developing the “BC Brand”**

Leverage the image of the environmental sector when developing a “brand” for marketing BC internationally for economic development, tourism, and other purposes.





*Part I*

*Background and Context*



# *Part I: Background and Context*

---

## **SECTION 1 INTRODUCTION AND TERMS OF REFERENCE**

### **The Asia Pacific Trade Council**

In the Speech from the Throne on February 8, 2005, the Government of British Columbia announced the formation of “a new Asia-Pacific Trade Council that will help advise [the] Government on where and how to best target available resources.”

The mission of the Asia Pacific Trade Council (APTC) is to make recommendations to the Government of British Columbia on opportunities to leverage the province’s unique strengths – its gateway location, ports and transportation infrastructure, multicultural society, and historical links with the Asia Pacific – to maximize commerce for the benefit of all British Columbians and Canadians. The Council will consider six major market areas in Asia: China/Hong Kong; Japan; India; Korea; Taiwan; and Southeast Asia.

The Council is made up of a Chair, two vice-chairs and eight members all appointed by the Premier (a list of members is provided in Appendix A). These distinguished British Columbians – leaders in business, government, and academia – have come together to provide the government with expert insight and advice. The Council is supported in its work by a series of market advisory groups (MAGs) formed to conduct in-depth explorations of opportunities and issues for British Columbia in specific regional markets and to make recommendations on how best to enhance the province’s commercial engagement with these markets. The Council and its advisory groups are assisted by a secretariat, which is staffed by the Ministry of Economic Development, and also by the Asia Pacific Foundation of Canada. The APTC will conclude its activities by December 31, 2008.

### **The China/Hong Kong Market Advisory Group**

The China/Hong Kong market is a natural place for the Asia Pacific Trade Council and its dedicated MAG to begin work. China’s economic influence has grown quickly to become pervasive across the world, and British Columbia is well positioned to take advantage of this growth. In many ways, the first decade of the 2000s may be China’s decade -- with the 2008 Beijing Olympics and the 2010 Shanghai World Expo – and may well be a prelude to a Chinese century.

The China/Hong Kong Market Advisory Group officially commenced its activities on November 8, 2005. The MAG identified priority issues for consideration and struck sectoral committees to address industries that offer the most commercial promise for British Columbia. Members of these committees provided honed market knowledge and on-the-ground information from Asia. In setting to work, it was quickly evident that the path forward would require unprecedented commitment to consultations across industry, academia and government. This report crystallizes the very best of the findings.

## SECTION 2 THE PACIFIC CENTURY AND THE IMPACT ON THE GLOBAL ECONOMY

### Asia Pacific Growth, Cooperation, and Integrative Trade

The promised “Pacific century” for the global economy is well underway. Both recent performance and future projections make this clear. Over the past 15 years, Asian markets have been the fastest growing in the world. Despite the setback of the financial crisis of 1997-98, expansion in markets such as China<sup>2</sup>, South Korea, India, and Taiwan has been two or three times that of North America. Furthermore, according to the Economist Intelligence Unit, Asia and Australasia (outside of Japan) are expected to realize the fastest rate of growth of any region from 2006-2010, at an average of 5.8% per year.<sup>3</sup>

Contributing to this growth, Asian economies have achieved unprecedented levels of cooperation. First led by the Association of Southeast Asian Nations (ASEAN) and now increasingly China, intra-regional trade agreements have fostered economic bonds in a wide range of industries. An increasing proportion of trade in Asia is occurring within the region. At the same time, many firms across Asia are adjusting to Chinese competition by focusing on their strengths and shifting to more value-added products.

In particular, Asia has become the exemplar of a key aspect of the modern global economy - “integrative trade.” As the Conference Board of Canada explains, in the past, trade was largely considered to be the exchange of finished products for final consumption in markets abroad. Today, however, final products are increasingly comprised of components produced in different locations, based on a complex array of factors. These include labour force capabilities, availability of specialized inputs and taxation. Because of this pattern of production, one-third of all global trade is intra-firm. Finding niches within these global and regional supply chains, the Conference Board observes, is a key competitive challenge for Canada – and for British Columbia.<sup>4</sup>

### British Columbia and the Asia Pacific

The Asia Pacific is the second-largest global market for Canada, as well as for BC. But while Canada as a whole is more oriented to the US market, BC has much stronger trade ties with the Asia Pacific. In 2005, the Asia Pacific accounted for 7% of Canada’s total exports (by value) and 18% of total imports. However, for BC, the Asia Pacific represents 25% of its total exports and about 50% of its imports (although some of these are shipped on to other provinces).

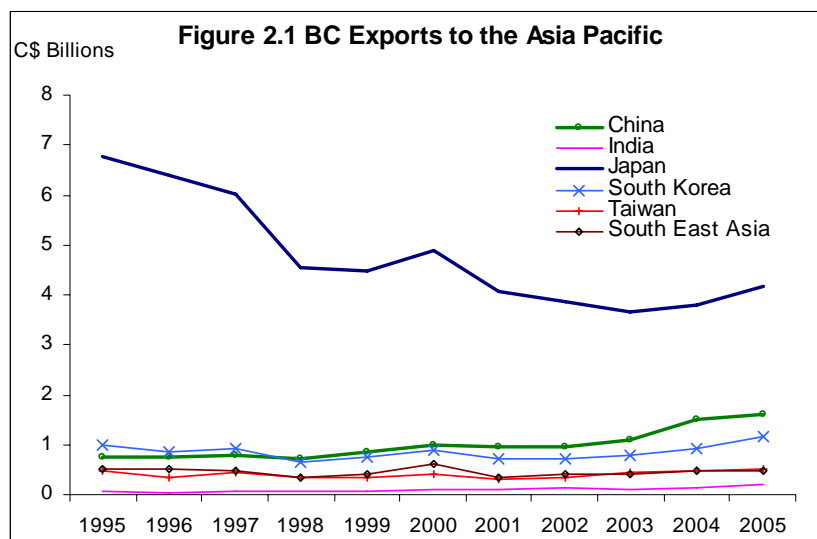
To fully understand BC’s recent performance in Asia, one must consider the pull of the US market. The province’s firms, like those in the rest of Canada, have found it increasingly easy to tap the huge American market close to home. Since the Canada-US Free Trade Agreement came into force in 1989, BC exports to the US have grown by 178% as local

<sup>2</sup> References to China in this report include Hong Kong unless otherwise specified.

<sup>3</sup> Economist Intelligence Unit, “Asia economy: EIU’s March assumptions,” February 27, 2006.

<sup>4</sup> Christopher Beckman and Glen Hodgson, “Making Connections: The New World of Integrative Trade and Canada,” in *Performance and Potential 2005-2006*. Ottawa: Conference Board of Canada, 2005, pp. 75-78.

businesses exploited an unmatched level of access to the US market. In contrast, BC's exports to the Asia Pacific fell by 7.5% over the 10-year period from 1996 to 2005.



Source: BC Stats

It is not surprising that BC's firms have paid relatively less attention to markets in Asia. The long period of economic weakness that began in Japan – by far BC's largest Asian export market – at around the same time as the introduction of Canada-US free trade was a factor. As the BC Progress Board has noted, “Without suggesting a causal relationship, the 14.4 percentage point increase in BC exports going to the US over the period [of] 1995 through 2004 is roughly matched by a 13.1 percentage point decrease in BC exports going to Japan over the same period.”<sup>5</sup> The financial crisis that swept Asia in the late 1990s also diminished the attractiveness of Asia as a source of economic opportunities.

In addition to trade, British Columbia should be concerned about attracting foreign direct investment from the Asia Pacific region. One consequence of the rapid growth of Asian economies has been their accumulation of capital and their ability to make substantial investments overseas. In total, Asian countries hold foreign reserves of more than US\$2.5 trillion, however, only Japan and Hong Kong have acquired substantial holdings. In the case of Japan, much of this has been invested in the auto parts and assembly industry in Ontario. Relatively little of the total \$10.5 billion of Japanese investment has found its way into BC's important resource industries.<sup>6</sup>

Overall, when considering both trade and investment performance, the horizon of the Pacific century presents both bright prospects and a few clouds for British Columbia. It is important to remember that Canada's advantageous access to the US market will not last forever. The current US administration is aggressively promoting bilateral free trade agreements, opening the American market wider to other countries and eroding Canada's privileged position. For instance, Australia, a direct competitor to Canada in most industries,

<sup>5</sup> BC Progress Board, *Interim Benchmarking Report 2005, Volume II – Special Focus on BC Trade and Emerging Asian Opportunities*, June 8, 2005, p. 3.

<sup>6</sup> Asia Pacific Foundation of Canada's report for the BC Government: *Market Opportunities for British Columbia in Asia Pacific*, 2005.

now has a free trade agreement (FTA) with the United States that came into force in 2005. As the Conference Board summed up, “Canada has [seen] limited growth in its exports to the United States over the past five years ... We are on a plateau in our most important trading relationship.”<sup>7</sup> If Canadian companies hope to continue to grow, they will need to expand into new markets and reach out to new customers. The Asia Pacific offers solid growth potential and British Columbia has significant room to improve its exports and inward investment with Asia. Clearly, this is not a zero-sum game of government-directed shifting of exports from America to China. Indeed, part of BC’s Asia Pacific opportunities includes connecting these two economic superpowers.

### **The Emergence of China**

China is the world’s fifth largest economy, bigger than Italy and probably France, and near the size of Britain. In comparative terms, China’s GDP growth in 2004 was equal to almost 2.5 times British Columbia’s entire economy.

China’s growth has come at a very opportune time for the global economy, as the country stepped into a leading role in Asia after the economic crisis of 1998. Furthermore, China remained almost the only high growth area following the collapse of the technology bubble in 2001. It is expected that Chinese expansion will moderate over the longer term as the economy matures, real labour costs increase, and production shifts elsewhere in Asia.<sup>8</sup> The Conference Board of Canada’s long-term assumptions for Chinese growth are 6% in 2013 and 4.5% in 2025. Despite this annual deceleration, absolute contributions to China’s GDP may well continue to rise over time.

China affects global and regional economic fundamentals as never before. For example, plentiful exports of low-cost Chinese consumer goods have helped to tame inflation and increase buying power in Canada at a time of moderating disposable income growth. On a regional scale, as the Economist Intelligence Unit recently noted, “Asian economies are increasingly seeing China as the main driver of long-term growth in the region – on some measures, China is the largest joint contributor to global economic growth, on par with the U.S.”<sup>9</sup>

Reflecting this status and its position as a hub of integrative trade, China has become the top destination for Foreign Direct Investment (FDI) in the world, receiving US\$63.8 billion in 2005 and approximately US\$600 billion cumulatively over the past 20 years. The 2005 A.T. Kearney Foreign Direct Investment Confidence Index confirmed again that China is the most attractive location for foreign investment for the fourth year in a row.<sup>10</sup> As a result of China’s integration into global supply chains, imports of intermediate products have grown rapidly. While much of the new investment going into China continues to be for export production, a growing share is aimed at production of higher value-added products and components. The Organisation for Economic Co-operation and Development (OECD) reported that China exported US\$180 billion worth of technology products in 2004, surpassing the US with US\$149 billion, for the first time. China’s total trade in technology

---

<sup>7</sup> Beckman and Hodgson, p. 96.

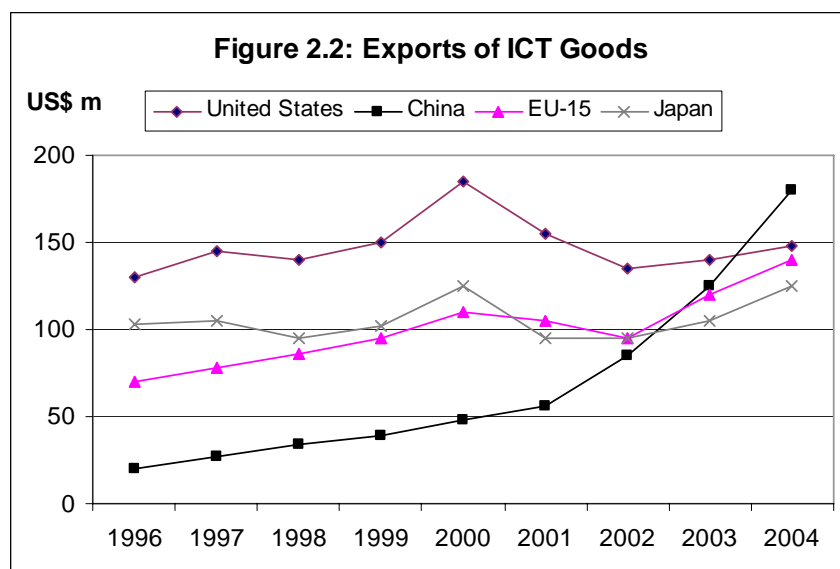
<sup>8</sup> See David Barboza, “Labor Shortage in China May Lead to Trade Shift,” *The New York Times*, April 3, 2006, online edition.

<sup>9</sup> Economist Intelligence Unit (EIU) China Country Report, March 2006.

<sup>10</sup> A.T. Kearney, 2005, FDI Confidence Index, The Global Business Policy Council, Dec 2005, [http://www.atkearney.com/shared\\_res/pdf/FDICI\\_2005.pdf](http://www.atkearney.com/shared_res/pdf/FDICI_2005.pdf)

products - both imports and exports - had grown almost ten times from just US\$36 billion in 1996 to US\$329 billion in 2004.<sup>11</sup>

China is favourably positioned to continue opening and growing. In compliance with its World Trade Organisation (WTO) obligations, the country will be liberalizing more sectors of its economy in the future. Furthermore, China has gone beyond these commitments and has aggressively pursued a variety of pragmatic new regional trade agreements with Hong Kong, Macao, ASEAN, Australia, and New Zealand. Beijing is in discussions on possible FTAs with India, Chile, Singapore, South Africa and the Gulf Cooperation Council, and there is speculation on potential direct or indirect arrangements with Japan and South Korea.<sup>12</sup> Interestingly, Canada does not appear on this list.



Source: OECD Note: ICT = information and communications technology

China is also poised to enjoy positive demographic trends in the near future. Its largest age cohort, 15-19 year olds (125 million people), will be entering the labour force and is better educated than previous generations.<sup>13</sup> In other words, a plentiful supply of young and highly productive workers – and consumers – is about to make its own contribution to Chinese growth.

To be sure, China faces a broad range of challenges, like every other rapidly industrializing economy, but there are also encouraging signs that these are being addressed. Its banking sector has a disproportionately high percentage of non-performing loans, but the pressure is being alleviated through the formation in 1999 of asset management corporations. Rapid industrialization has resulted in environmental damage, but senior government officials have made greener policies a priority, especially in advance of the 2008 Olympics. Avian influenza

<sup>11</sup> The Economist, "Digital dragon", Dec 14th 2005. / Source: OECD, ITS Database On-line article "OECD finds that China is biggest exporter of Information Technology Goods in 2004, surpassing US and EU" [www.oecd.org](http://www.oecd.org)

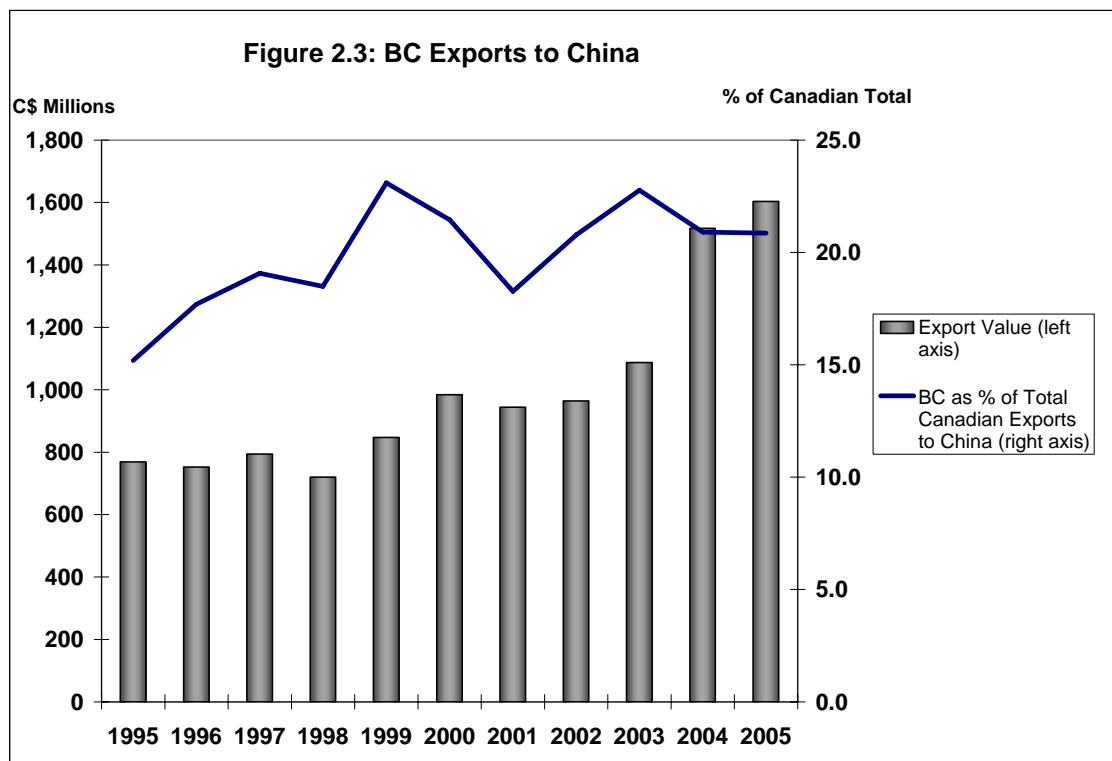
<sup>12</sup> For a full explanation of the variety of deals that have been concluded, see Agata Antkiewicz and John Whalley, "China's New Regional Trading Agreements," *The World Economy*, Vol. 28, No. 10, October 2005, pp. 1539-1557.

<sup>13</sup> Oxford Analytica, "Prospects 2006: Trade, consumption drive China growth," December 8, 2005.



is also an obvious concern, but there is hope that the lessons of Severe Acute Respiratory Syndrome (SARS) can help mitigate some of the impact.

Hong Kong will assist China's upward economic trajectory, and for that reason, it is an integral part of this report. In 2005, Hong Kong enjoyed 7.3% GDP expansion, attained in large part by leveraging its special relationship with, and proximity to, the mainland. Of particular note, the Closer Economic Partnership agreement of 2003 solidified Hong Kong's position as a gateway to China.<sup>14</sup> The territory is often used as a testing ground or showcase for products before they are introduced to the mainland. Investors also value its efficient infrastructure, sound legal system, and low-tax environment. The incorporation of mainland-based companies into the Hang Seng Index later this year, which will spur investment in China itself, is further evidence of integration. Given all these attributes, it is not surprising that some 90% of Canadian firms recently surveyed saw Hong Kong as a useful platform for China-oriented business.<sup>15</sup>



Source: BC Stats

### British Columbia and China

British Columbia has enjoyed the benefits of two-way trade with China with exports to China growing from approximately \$200 million<sup>16</sup> in 1990 to \$1.6 billion in 2005. The growth of imports from China has gradually decelerated from 35% yearly in the period 1991-95 to 21% in the latest five years, while total trade growth has also slowed down from 29%

<sup>14</sup> For a specific analysis of the details of the CEPA, see Agata Antkiewicz and John Whalley, pp. 1541-1544.

<sup>15</sup> Source: "Hong Kong as a Trading and Investment Platform for Canadian Companies", APF Canada and Hong Kong Trade Development Council, May, 2005

<sup>16</sup> Jock Finlayson and Ken Peacock, "British Columbia and the Global Economy: A Snapshot" Vancouver: BC Business Council, 2005, p. 3.

to 19% annually in the same periods. Nevertheless, the average annual growth rates of exports to, imports from, and total trade with China were still a remarkable 15%, 27%, and 23% respectively over past 15 years. If these rates of growth continue, BC's exports to China could double in the next 4-5 years; imports from China could double in 2-3 years; and total trade would double in three years.<sup>17</sup> In addition to being a growing market for British Columbia products, China presents vast opportunities for the province's service sector, particularly education and tourism.

Benefiting from China's growing economic integration, as many as 200 million Chinese have joined the urban middle class, a figure that could rise to 400 million by 2010, representing 30% of the population.<sup>18</sup> Many of these discerning consumers are interested in enjoying foreign goods and services. Chinese outbound tourism, for example, has increased from 2.8 million travelers in 1992 to an estimated 32 million in 2005. At present, much of this travel is to nearby destinations in Asia but as neophyte travelers become more experienced they will look to more distant countries, such as Canada.

China has also become an important source of outward investment. From 2002 to 2005, Chinese enterprises invested some US\$18 billion overseas, rising 36% annually on average. The overseas direct investment by Chinese enterprises surpassed US\$50 billion by the end of 2005.<sup>19</sup> Recent evidence seems to suggest that the China's international business strategy is shifting away from long-term supply contracts to acquiring foreign companies. Topping the list of targets are firms that possess access to natural resources, globally recognized brands, or key strategic technologies. Recent examples include IBM, Unocal, Noranda and Maytag. BC natural resource companies, and possibly even some high tech firms in sectors such as alternative energy and wireless technology, could attract interest.

Despite the heavy involvement of the government in most aspects of its economy, China has no equivalent to Japan's Ministry of International Trade and Industry in the 1960s and 1970s that coordinated its outward investment strategy. Although the Chinese government is pressing companies to "go international," state-owned enterprises appear to be taking more of a piecemeal approach to global investment. BC needs to be proactive in China to capitalize on these opportunities. For its part, Canada does not appear to have a clear perspective on Chinese investment, as the controversy over China Minmetals aborted takeover of Noranda demonstrated.

As a small, open economy, British Columbia needs international trade and investment to prosper. The BC Business Council has wisely recommended that BC "go global." As the analysis above makes clear, "going global" increasingly means "going Asian" and "going Chinese." The next section of this report assesses the Province's efforts to "go Asian" and "go Chinese" over the past 20 years and how these efforts stack up against other jurisdictions.

---

<sup>17</sup> APF Canada, China Insight, Issue 2006-1.

<sup>18</sup> According to economic analysis, the threshold income for middle class status is per capita income of US\$6,000, at which point consumers have sufficient discretionary income to make significant purchases.

<sup>19</sup> Xinhua News Agency January 29, 2006, <http://www.china.org.cn/english/2006/Jan/156694.htm>

## **SECTION 3 BRITISH COLUMBIA AND CHINA: A BRIEF HISTORY OF ENGAGEMENT**

### **Overview**

This section surveys British Columbia's official efforts to promote commercial ties with China and Hong Kong, so we can be informed of past efforts to engage the market. The title suggests both the content and the underlying theme: BC's engagement with China has tended to be periodic rather than consistent, detracting from the long-term comprehensive relationship-building that is essential to succeed in the China/Hong Kong market.

Although Canadian provinces have had a presence in foreign markets as far back as the late 1800s (British Columbia established an office in London in 1872), until the mid-1980s, BC's policy was that the Province's trade and investment interests were adequately served by the federal government through its network of embassies, high commissions, and consulates. Where required, these efforts were supported by provincial politicians and senior officials traveling to key markets, especially the rapidly developing ones in the Asia Pacific.

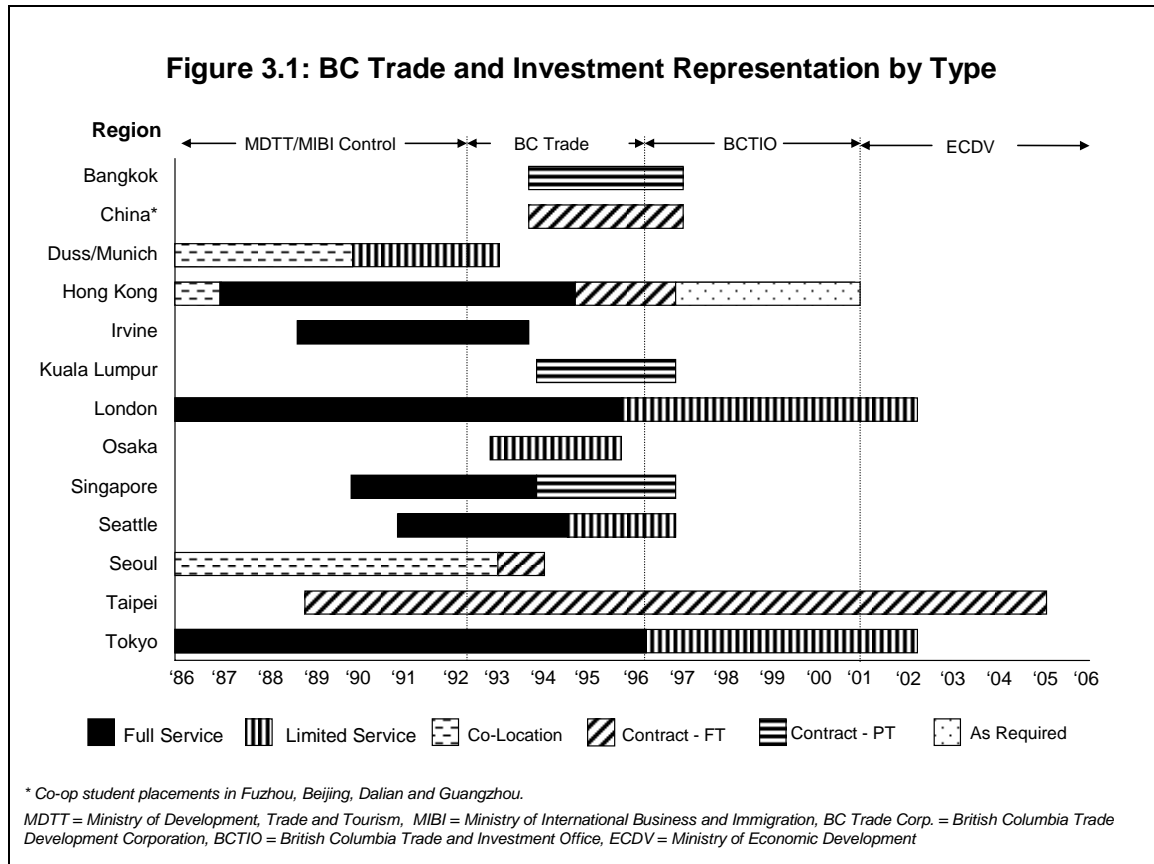
In 1984, the Province decided that this approach was not maximizing potential benefits and chose to pursue a more proactive, investment-focused course. Accordingly, in 1986, BC established representative offices in Seoul, Hong Kong, and Tokyo under the ministry responsible for international trade.

In 1988, the Government of British Columbia released an International Business Development Strategy, setting out an ambitious program for expanding export development and investment promotion capabilities. The strategy led to the establishment of the British Columbia Trade Development Corporation (BC Trade) in 1989, a Crown Corporation focused on advancing the province's export opportunities.

Initially small and focused, by 1993 BC Trade had taken over responsibility for the Province's network of international offices and its wider international promotion efforts (excluding investment). In addition to having offices in Tokyo, Osaka, Taipei, Hong Kong, Seoul and Singapore, BC Trade also established a series of Asia Pacific-based contractors covering another four markets. Referring to Figure 3.1, it can be seen that different models of representation have been used in various markets.

At home, BC Trade maintained a series of geographic and sector-focused branches responsible for coordinating trade promotion activities in target markets, including Japan; Korea; China; and South and Southeast Asia. At its peak in 1995, the organization had a budget for trade promotion of some \$20 million and staff of approximately 150, including 100 regular employees and 50 contractors and/or locally engaged personnel. In addition to trade promotion capacity, the Province operated the BC Investment Office, with a staff of some 15 managers, and a sector development branch with another 10 employees. Approximately one-half of the activity was focused on Asia.

Over the ten years from 1995, shifting government priorities and fiscal constraints greatly reduced the Province’s trade and investment promotion infrastructure. International representation is expensive and results are difficult to quantify. In 1996, BC Trade was eliminated and the offices restructured, reduced, and gradually closed. Many trade promotion services and programs were either scaled down or discontinued. Coordination across government marketing efforts was reduced. In 2002, BC closed its remaining full-service offices in Tokyo and London. A contract arrangement for trade and investment services in Taiwan remained in place until 2004.



**British Columbia Representation in China/Hong Kong**

As noted above, British Columbia opened an office in Hong Kong in 1986 with a specific mandate to attract investment. This office was initially co-located within the then High Commission for Canada in Hong Kong, but later became a stand-alone operation covering both investment and trade. The office was shifted to contract status in 1996 as budgets for overseas operations diminished and investment interest from Hong Kong cooled. Full-time representation was eventually phased out in 1997 following further reductions in the budget for international marketing and the Asian financial crisis.

In 1993, BC Trade decided to focus greater attention on the growing China market. The organization established a network of student interns in mainland China. These interns were,

at various times, located in Beijing, Shanghai, Dalian, and Guangzhou. This program ceased operation with the wind-down of BC Trade in 1996.

The Province made an indirect return to China in 2003 when its forest marketing agency, Forestry Innovation Investment, located a representative in Shanghai to lead its market development initiatives.

### **Missions and Marketing Activity in China/Hong Kong**

Beginning in the mid-1980s, and accelerating through the early 1990s, British Columbia participated in a variety of trade missions and international promotion events in China. The Province also hosted growing numbers of incoming Chinese delegations.

Outbound missions included those led by the BC premier and those that were part of a larger Canadian effort. The premier led missions in 1991, 1993, 1996, 1998, 2001, and 2003. The Prime Minister led Team Canada in 1994 and 2001. Furthermore, there were numerous trade missions led by BC ministers and government officials either independently, or as part of larger federal initiatives. Complementing these missions, several British Columbia agencies entered into cooperation agreements with counterparts in China (e.g., BC Innovation Council signing a Memorandum of Understanding [MOU] with the China's Ministry of Science and Technology in 1993 and, again on March 3, 2006) and a number of sister-city relations were founded (see Section 7.5).

While these initiatives were successful in raising the profile of participating BC companies and organizations, long-term results, especially from earlier efforts, were limited. This was due, in part, to the generic nature of many early initiatives (i.e., not focused on specific opportunities or sectors) and to inconsistent follow-up on the part of both companies and government. But it was also a reflection of the significant challenges that firms experienced doing business in China in the early period of the country's market opening. These issues were especially acute for the small and medium-sized enterprises that characterize many sectors of the BC economy. Examples of successes in the China market existed, but they were few in number, while reports of company misadventures were more common. As private sector interest in the China market waned, so too did the Province's official promotion efforts.

While British Columbia's attention to China has ebbed and flowed over the past 15 years, there has been a consistent stream of inbound visits from China. During the 1980s and 1990s, delegations were largely composed of state, provincial and municipal level government officials. In recent years, however, there has been a noticeable increase in private sector participation and company-to-company contact. While the direct economic results of this interaction are difficult to assess, it has left an extensive legacy of contacts for British Columbia. As later sections of this report will detail, it is up to British Columbia to create the infrastructure and capacity to maximize these contacts and demonstrate a consistent interest in the China market, much as other jurisdictions have done.

## SECTION 4 HOW ARE OTHER JURISDICTIONS ENGAGING CHINA?

While British Columbia has a range of “natural” advantages to help it compete in the China market, notably its geographic location and diverse population, these alone will not strengthen trade or investment links. In order to understand better what practices other jurisdictions use in development trade and investment with China, the China/Hong Kong MAG surveyed the practices of ten jurisdictions, in Canada, the United States, Australia and New Zealand. Indeed, in reviewing what other jurisdictions are doing to advance their own commercial relations with China, it becomes evident that many of them are making concerted efforts, such as establishing a representative office, and in some cases, multiple offices, in China.<sup>20</sup>

To provide the appropriate context for BC’s commercial strategy in China, three specific case studies have been prepared on jurisdictions which neighbour BC and/or have a comparable economy. Of these three jurisdictions, Alberta, Washington State, and Queensland of Australia, each operates two representative offices in China and Hong Kong. The following table shows a comparison of British Columbia and the three jurisdictions selected for case study analyses.

It should be noted that no exact comparison can reasonably be expected; every jurisdiction is different. Moreover, other jurisdictions are not necessarily competitors. While, for example, Washington State has Boeing selling aircraft and Microsoft exporting computer-related products, these giants do not exist in BC. On the other hand, ports in Washington certainly compete with those in BC for cargo from China.

---

<sup>20</sup> For more information see the *State International Development Organizations Survey (SIDO) 2005: Emerging Trends in State International Business Development*, which covers 38 American States, and indicates that 22 have offices in China, and 3 have offices in Hong Kong.

**Table 4.1 Jurisdiction Comparisons**

	British Columbia	Alberta	Washington State	Queensland
<b>Total Population, 2005 est.</b>	4.3 million	3.3 million	6.3 million	4.0 million
<b>Area, sq. km.</b>	944,735	661,848	184,824	1,723,936
<b>GDP in 2004/2005 <sup>A</sup></b>	\$157 billion	\$187 billion	\$310 billion	\$156 billion
<b>Commodity Exports, in 2004/2005 <sup>A</sup></b>	\$31 billion	\$67 billion	\$44 billion	\$25 billion
<b>Exports to Japan</b>	\$3.8 billion	\$1.24 billion	\$7.8 billion	\$7.1 billion
<b>Exports to China</b>	\$1.3 billion	\$1.7 billion	\$6.2 billion	\$1.8 billion
<b>Exports to Korea</b>	\$0.9 billion	\$0.4 billion	\$2.2 billion	\$3.0 billion
<b>Exports to India</b>	\$0.13 billion	\$0.04 billion	\$0.51 billion	\$1.66 billion
<b>Present in China Since</b>	2003 <sup>B</sup>	2000 <sup>C</sup>	1996	1988
<b>Number of Trade and Investment Offices in Asia</b>	None <sup>B</sup>	5	5	9
<b>Trade &amp; Investment Offices in China and Hong Kong</b>	None <sup>B</sup>	Hong Kong, Beijing <sup>D</sup>	Shanghai, Guangzhou	Shanghai, Hong Kong
<b>Approved Destination Status</b>	No	No	No	Yes

## Notes:

A – GDP and export figures are expressed in Canadian dollars, based on annual average exchange rates.

B – Forest Innovation Investment (FII), an agency of the BC Ministry of Forests & Range, in 2003 launched Dream Home China, a wood demonstration project in Shanghai cost-shared by the Province and the forest industry. FII maintains an office in Shanghai to promote trade in wood products.

C – Alberta established the Beijing office in 2000, however, the Hong Kong office was established in 1980.

D – In addition to the trade and investment offices in Beijing and Hong Kong, Alberta representation also includes the CNPC-Alberta Petroleum Centre (CAPC) in Beijing opened in 1989.

### Case Study: Alberta

Alberta, with a population of 3.3 million, ranks third among the provinces with total 2005 exports of \$86.1 billion. Despite the rising Canadian dollar, Alberta's exports increased by an estimated 2.4% in 2005. Manufacturing, coal and sulphur exports led growth. Overall, Alberta's exports are expected to rise by 5.7% in 2006 due to a positive outlook for shipments of non-conventional oil and live animals. Future growth will be increasingly driven by non-conventional oil, manufacturing, and other services. Alberta is also a producer and exporter of wood and pulp, canola, wheat, and agrifood products.

**Table 4.2 Top Ten Exports to China 2004**

		Cdn \$ million	% of Total
1	Ethylene glycol	792	45.8
2	Wheat	183	10.6
3	Sulfur	123	7.1
4	Semi-chemical wood pulp	98	5.7
5	Polymers of ethylene	91	5.3
6	Chemical wood pulp	70	4.0
7	Barley	40	2.3
8	Canola oil	28	1.6
9	Nickel	26	1.4
10	Artificial filament tow	24	1.3

#### Alberta-China Relations

Alberta has been at the forefront of China-Canada relations since the 1960s, when it began grain exports. In the 1980s, the Alberta-China economic relationship expanded to include sales of oil and gas equipment and services, as well as a number of non-grain agricultural products. During the past five years, business relations have extended into many other sectors, including environmental technologies, infrastructure, software, education and training, and agricultural development.

From 2000 to 2004, China ranked as Alberta's third largest international trading partner, with annual two-way trade valued at approximately C\$2.5 billion and exports averaging \$903 million. In 2004, Alberta exported \$1.7 billion to China. The main products were ethylene glycol (45.8%); wheat (10.6%) and sulphur (7.1%). China is also becoming an important source of investment for the province.

The Province of Alberta currently has six marketing approaches it uses internationally. In China, these include:

- Providing strategic market intelligence
- Fostering and creating partnerships, networks, and alliances
- Showcasing Alberta
- Leading with specific industries



- Focusing on new investment
- Providing information on project opportunities with International Financial Institutions, such as the World Bank

In partnership with the private sector, the Government of Alberta is involved in the design and delivery of Canadian International Development Agency (CIDA) funded governance projects. One example is the China Public Sector Reform Project, worth C\$3.6 million, designed to assist China's senior public servants with economic and social reform.

The Alberta-China commercial relationship benefits from friendship, people-to-people, and educational ties. Alberta has been twinned with the north-eastern Chinese province of Heilongjiang since 1981 and this relationship has received positive recognition from China's top leaders. Alberta currently has more than 108,000 Albertans of Chinese descent.

In addition, more than 12 schools in Alberta offer Mandarin bilingual programs and over 10 schools in Alberta are twinned with counterparts in China. Alberta universities have also developed close relationships with the top ten Chinese academic institutions. All told, there are over 40 educational agreements between Alberta institutions and post-secondary Chinese institutions helping to facilitate student exchanges and cooperative research.

#### China-Focused Institutions and Capacity

Alberta currently has posted representatives in Beijing and Hong Kong. The province's representation in China also includes the CNPC-Alberta Petroleum Centre (CAPC), which opened in 1989 to promote the transfer of petroleum science and technology between the two jurisdictions. Alberta's representation in the market is co-located within the Canadian Embassy in Beijing and the Canadian Consulate in Hong Kong. In addition to posted officials, the offices also have locally-engaged staff. The three offices had a combined budget of \$2.2 million for the 2004/05 fiscal year.

### Case Study: Washington State

With a population of 6.2 million (2% of the national total of 298 million), Washington State ranks fourth among US states in merchandise export to the world, with 2005 exports of US\$38 billion (4.2% of total US merchandise exports of US\$904 billion).

The transportation equipment sector dominates the state's export profile and accounted for 54 percent (US\$20.5 billion) of the total 2005 exports. Other top manufactured exports were computers and electronic products (US\$2.8 billion), and processed foods (US\$1.6 billion). When adjusted for population size, Washington topped the nation, with 44 aerospace jobs per 1,000 workers in 2001.

Washington exported to 208 foreign jurisdictions in 2005. The state's largest market that year was Japan, which received exports of US\$6.4 billion. Washington exported at least \$1 billion in goods to seven other markets: Canada (US\$5.2 billion); China (US\$5.1 billion); Taiwan (US\$3.1 billion); Ireland (US\$1.8 billion); South Korea (US\$1.8 billion); United Arab Emirates (US\$1.5 billion); and Singapore (US\$1.2 billion).

On a per capita basis, Washington trades more with China than any other state. In the last three years, exports to China grew 128%. The US\$5.1 billion in exports to China includes:

**Table 4.3 Top Ten Exports to China 2004/05**

		US\$ million	% of Total
1	Aircraft, spacecraft and parts	3,143	61.6
2	Oil seeds, miscellaneous grain, seed, fruit, plant	986	19.3
3	Iron and steel	119	2.3
4	Optic, photo, medic or surgical instruments	91	1.8
5	Industry machinery, including computers	85	1.7
6	Pulp, paper and paperboard	84	1.6
7	Electric machinery, sound equipment	61	1.2
8	Wood and articles of wood, and wood charcoal	56	1.1
9	Aluminum and articles	52	1.0
10	Fish, crustaceans and aquatic invertebrates	47	0.9

As a major gateway to Asia Pacific, Washington State has seven deep draft ports and 12 total marine cargo terminals. Port activities account for over 100,000 jobs in the state.

#### Washington State - China Relations

Washington State companies have long been leaders in advancing commercial relations with China. In 1972, seven years before normalization, Weyerhaeuser began selling fiberboard to China and Boeing started exporting airplanes to that country.

The United States and China established diplomatic relations in 1979. In the same year, Chinese leader Deng Xiaoping visited Seattle, and China sent its first cargo ship to the US in

30 years, also to Seattle. Since then, China has become the top trading partner for the Port of Seattle, as well as for the Port of Tacoma.

The first trade mission by a US state to China was organized in 1979 by Washington, headed by then-Governor Dixie Lee Ray. Gov. Gary Locke, the nation's first Chinese-American governor, led three China trade missions during his terms. Following his footsteps, Gov. Christine Gregoire went to China in her first year in office in 2005. Chinese leaders have reciprocated interest, with President Hu Jintao stopping in Seattle for three days in April 2006 during his US visit.

Aircraft and parts account for almost 62 percent of the export to China. Nearly 70% of China's commercial aircraft are Boeing planes, and many of the components of those aircraft are made in China. China will be the largest market outside of the United States for Boeing planes over the next 20 years, with a requirement for over 1,000 aircraft.

Washington State has a number of sister relationships with China, including the Washington-Sichuan and Seattle-Chongqing relationships, which are in their third decade.

#### China-Focused Institutions and Capacity

The Washington State China Relations Council, established in 1979, is a business association dedicated to promoting commercial, educational, and cultural relations with China. It provides trade support and information to Washington corporations.

The Washington State Department of Community, Trade, and Economic Development (CTED) International Trade Division currently has offices operated by contractors in China, Japan, Korea, Taiwan, Germany, and Mexico. In China, there are two offices: one in Shanghai, opened in 1996, and another in Guangzhou, opened in 2004. CTED employs business development managers to provide assistance to companies on:

- Growing export sales
- Researching international market opportunities
- Finding overseas buyers, agents, distributors, and joint venture partners through arranged meetings and trade events
- Understanding how to mitigate credit risk
- Obtaining advocacy assistance on trade issues

The 2005-07 operating budget for the International Trade Division is US\$5.6 million, for 15.2 full-time employees and contractors for foreign offices. The performance measures for fiscal year 2004-05 report 1,933 cases handled and 844 companies assisted.

In addition, the Washington State Department of Agriculture has agricultural trade representatives in Shanghai, Beijing, and Guangzhou to promote exports to China.

## Case Study: Queensland

With about 4 million people, Queensland is the third largest Australian state by population and the second largest by area. Brisbane, the capital and largest city in Queensland and third largest in Australia, is growing quickly due to rapid in-migration that may make it the second largest city within 10 years.

The bulk of Queensland's exports are in resources and agricultural products. In 2004/05, Queensland businesses exported \$25 billion worth of commodities with coal ranking as the largest export (\$9.1 billion - 36.5% of the total), followed by meat products (12.7%), and non-ferrous metals (8.2%).<sup>21</sup> Four of the five largest Queensland export destinations are in Asia. Japan was the top destination (\$7.1 billion or 28.5% of the total) in 2004/05 followed by South Korea (\$3.0 billion - 11.9%), China (\$1.76 billion - 6.9%), India (\$1.66 billion - 6.7%) and the United States (\$1.35 billion - 5.4%). Japan is Queensland's largest source of imports at \$3.2 billion (15.0%) followed by the US at \$3.0 billion (14.5%) and then China at \$2.1 billion (9.9%).

**Table 4.4 Top Ten Exports to China 2004/05**

		Cdn \$ million	% of Total
1	Coal and coke	370	21.5
2	Metalliferous ores and metal scrap	360	20.9
3	Non-ferrous metals	102	5.9
4	Textile fibres (not manufactured into yarn or fabrics)	102	5.8
5	Animal oils and fats	72	4.1
6	Machinery specialized for particular industries	23	1.3
7	General industrial machinery and parts	20	1.1
8	Cork and wood manufactures (excl. furniture)	18	1.0
9	Meat and meat preparations	16	0.9
10	Electrical machinery, appliances, parts	16	0.9

Considering its location, climate and history, Queensland has received relatively few Asian immigrants over the years. Only about 10,000 (or 0.25%) Queensland residents reported that they were born in China, Hong Kong, or Taiwan which pales compared to the number born in the UK (5%) and New Zealand (3.5%). Only 7% of Queensland residents speak a language other than English at home, with Cantonese and Mandarin each registering only about 17,000 speakers or slightly less than 0.5% of the total population each.

### Queensland - China Relations

The government's White Australia Policy excluded many non-Europeans from immigrating to Australia, until it was finally dismantled in the 1970s. In 1998, Queensland established a sister state relationship with the Shanghai Municipal Government to further develop bilateral trade, economic and cultural relations and mutual understanding between Queensland and

<sup>21</sup> Unless otherwise stated, currency expressed in this case study is in Canadian dollars, based on average 2004 exchange rate of Aus. \$1= Cdn \$ 0.9582

Shanghai. That was followed in 1999 by a Business Cooperation Agreement with Jiangsu Provincial Government to facilitate economic cooperation and cultural exchange. In total, the State of Queensland and cities under its jurisdiction have twinned with 29 provinces and cities of China.

In October 2003, President Hu Jintao made a brief visit to Cairns in North Queensland where he met with Premier Peter Beattie. The Premier, accompanied by a large Queensland business mission, visited Beijing, Zhen Zhou, and Shanghai in July 2004 and signed an agreement to make Queensland and its resources sector a preferred destination for major Chinese investors. In 2003/04 alone, Chinese investment agreements worth almost \$1 billion were signed in Queensland. Chinese aluminium giant CHALCO is currently proposing a \$3 billion mining project that would be the biggest single investment in the history of the state.

#### China-Focused Institutions and Capacity

In 1988, the state government established a Queensland China Council to “facilitate commercial, cultural, educational, scientific and technical interchange between Queensland and China.” The Council is supported by a Secretariat based in the Trade and International Operations Division of the Department of the Premier and Cabinet. Council Members are drawn from various sectors of the Queensland community and are appointed by Queensland Government on the recommendation of the Premier.

The Queensland Government focuses, on the supply side, on improving exporter skills and encouraging SMEs to form alliances to access major export opportunities. On the demand side, the Government is involved in collecting, analyzing, disseminating and acting on market intelligence closely matched to the State’s supply capacity. The Trade and International Operations Division (QGTIO) helps Queensland companies expand their exports. The Division provides a range of export assistance services through a team of experts with international business experience, multilingual skills, and international business contacts including practical export advice, export skills development programs, introduction to potential business partners and export opportunities at no charge, visits to overseas markets and on-the-ground support.

The QGTIO operates ten overseas trade and investment offices including one in Shanghai and one in Hong Kong to cover southern China. Other Asian offices are located in Taipei, Tokyo, Osaka, Seoul, Jakarta and Bangalore, as well as two Honorary Business Ambassadors in Singapore. These offices are tasked with identifying business opportunities in Asian markets and attracting investment and intellectual capital to Queensland. They also help maintain and develop relationships with other governments and businesses in these markets and coordinate activities to promote exports.

In early 2006, the Government announced that an officer of the China Council for the Promotion of International Trade (CCPIT) will begin work to facilitate more trade between Queensland and China. An agreement was reached to engage an officer of the CCPIT on a retainer basis to work for the QGTIO in Hong Kong and Southern China until the end of the current financial year.

*Part II*

*Strategic Framework  
and Overarching Priorities*



## *Part II: Strategic Framework and Overarching Priorities*

---

How can British Columbia most successfully “go Asian,” and, for the particular purposes of this report, “go Chinese”? The China/Hong Kong Market Advisory Group of the Asia Pacific Trade Council believes that the Province must first determine the key aspects of a China strategy and how they relate to and support each other. Within each of these key aspects are priority issues which deserve immediate attention as they could most directly contribute to developing BC’s ties with China.

To establish its strategic framework, this report emphasizes action in three areas:

**Linkages:** British Columbia’s connections to China that help to build ongoing relationships, especially on-the-ground rather than from afar.

**Platform:** The bricks-and-mortar structures in the province, including facilities that process and support BC business connections to China and institutions that act as a corporate memory for the relationship and catalysts for action.

**Programs:** Specific initiatives that benefit from, and help to, strengthen overall relationships and are founded on a solid platform.

The aspects of this system must work together in an integrated way. To use the analogy of a networked computer, too much connectivity (for instance, imports from China) and not enough hardware (for example, inadequate port capacity) will not benefit the overall system. No one area is more important than another.

This rest of this section applies this strategic framework, examining key crossing-cutting priority issues for the BC-China/Hong Kong relationship under each of the key aspects. This analysis sets the stage for the sector-specific discussions and their fine-grained recommendations.



## SECTION 5 LINKAGES

To succeed in the China/Hong Kong marketplace, it is essential to create connections that lead to long-term relationships. As demonstrated in Section 4, key comparator jurisdictions realize that they must go to China rather than simply waiting for China to come to them. Unfortunately, despite current sectoral initiatives (e.g., offshore education and forestry), British Columbia is not seen by its partners in China, or in Canada, as being focused on its relationship with China.

### 5.1 IN-MARKET REPRESENTATION

Even after close to 30 years of Chinese economic reform, the role, authority, and influence of government and government officials remain extremely important in doing business in China. For British Columbia, this means that having an “official face” in China is essential. The commitment to establish an on-the-ground presence in China should be driven by the realities of the Chinese marketplace. As shown in Section 4, Alberta has three government offices in China/Hong Kong, even though it has the reputation for being Canada’s most laissez-faire jurisdiction.

Throughout its consultations with a wide range of individuals and companies involved with China, the China/Hong Kong MAG frequently heard that the establishment of official BC representation must be the focal point for expanding promotion.

Further, the focus of representation should be initially on investment attraction, but with support provided for a limited number of other activities. While there is some diversity of opinion on the optimal model of representation (inside or outside of the Canadian Embassy, stand alone BC Office, use of consultants, regional focus, etc), it is clear that the Province needs to place resources in the field if it is to compete for investment in this highly competitive market.

Ideally, the Province would locate representation in each priority region as it is difficult to service one market from another. However, issues of location and structure will need to be determined with reference to budgets and to the specific objectives established for the in-market operation.

#### **Recommendation 5.1 – Establish an In-Market Operation in China**

**The China/Hong Kong Market Advisory Group recommends that the Government proceed to establish an in-market operation in China. The Ministry of Economic Development should be directed to explore the best model for representation in China.**

The model chosen for the in-market operation should be cost-effective and avoid duplication with the Federal Government’s Trade Commissioner service now in place. Discussions with Forestry Innovation Investment should be undertaken to fully explore opportunities to leverage the province’s existing investment in China.

The mandate of the in-market operation should include an investment focus but provide latitude for identifying and pursuing strategic market opportunities that could open up new ground for BC companies. This strategically driven approach would allow the operation the flexibility to focus on initiatives that can be expected to bring the most value. Decisions on location and structure should be shaped by the objectives of the initiatives.

Staff should be knowledgeable and professional, and have an in-depth understanding of the BC and China contexts and the ability to work effectively in both. If and when an additional operation is established (i.e., a satellite office is opened), one senior person in China should be responsible for all of the in-country activities. This official should report to the “China Unit” proposed in Recommendation 6.2 (a), to ensure clear lines of responsibility. Performance measures should be implemented and an annual performance report should be carried out and made public to ensure accountability.

In order to ensure that the in-market operation is fully effective, it has to be supported by a “China Unit” with adequate resources.

## 5.2 MARKET AWARENESS AND BRANDING

Brand recognition is important to achieve market penetration and develop customer loyalty in emerging markets, and China is certainly not an exception. In recent years, BC has undertaken sporadic and inconsistent market awareness building exercises in several international markets, including China. Unfortunately, these market awareness activities have been fragmented among a number of ministries, Crown corporations, and agencies, leading to the production of a variety of brands, identities, and printed and soft documentation. This fragmentation has added expenses while detracting from market awareness. While it is recognized that different parts of government have different clients, different target audiences and different needs, a degree of consistency in branding is essential.

The purpose of a brand, in a literal and figurative sense, is to leave an impression, but for British Columbia, there is little to suggest that this has actually occurred in the China/Hong Kong market. There is a lack of even the most basic awareness of the province, and where awareness exists, such as in Hong Kong, a negative perception of BC’s and Canada’s past taxation policies still lingers.

### **Recommendation 5.2 – Establish a Clear and Compelling Brand**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia establish a clear and compelling brand for the China/Hong Kong market.**

As a first step, the Province should assign one group to hold overall responsibility for all international branding. This brand “team” should be charged with working towards ensuring that there is only one provincial brand and that it is the same across government ministries active in marketing the province. The brand should be developed in consultation with provincial ministries and agencies actively engaged internationally and with China and clearly linked to Canada (British Columbia, similar to most other sub-national jurisdictions does not have sufficient recognition in China to stand alone). Development of the BC brand, including associated images and tag lines, should include in-market testing (e.g., focus

groups). Consideration should also be given to the effectiveness of the BC brand in other Asia-Pacific and international markets.

All promotional materials prepared by, and for, the Province's use in China should link to this brand unless there are compelling market-based reasons for another identity.

### **5.3 OLYMPICS: FROM TORINO TO BEIJING, TO SHANGHAI AND TO BC**

To capture the interest and imagination of Chinese traders, investors, travelers, and students, BC's physical presence need not be limited to a traditional in-market office. Indeed, the tremendous success of British Columbia Canada Place in Torino during the 2006 Olympic and Paralympic Winter Games clearly demonstrates that the opportunity to build international awareness of British Columbia using the 2010 Games is significant. The BC pavilion in Torino drew 80,000 visitors over 17 days of the Olympics and more than 100,000 during the two months that it was open. That is three times the number that attended the closing ceremony for the Olympic Games.

In addition, almost all major North American media outlets broadcast from, or provided stories about, the BC pavilion. Surveys estimated the BC pavilion to have generated international public relations value of more than \$30 million. More than 80 BC businesses were featured.

A similar pavilion in Beijing in 2008 could be very effective in raising market awareness of business, social and tourism opportunities in British Columbia. It is envisioned that such a structure, if constructed by the forest products and design industry in BC, could help to expedite approvals of Canadian building codes and position BC as a great place to live, work, visit and invest.

#### **Recommendation 5.3 – Develop a BC Pavilion for the 2008 Beijing Olympics**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia use the successful model of British Columbia Canada Place at the 2006 Olympic and Paralympic Winter Games in Torino for developing a pavilion proposal for the 2008 Beijing Summer Olympics. The Province should work with the federal government to explore options for moving the pavilion, and/or its contents later on to Shanghai for Expo 2010.**

### **5.4 ACCESS TO CANADIAN VISAS**

Improved market awareness and branding will not achieve maximum impact if the people-to-people aspects of BC's linkages with China are not fully facilitated. Ease of entry to Canada and British Columbia is essential for unencumbered business transactions (including education and tourism services) to take place; it is also pivotal for facilitating business contacts. However, Canada's immigration system, under Citizenship and Immigration Canada (CIC), continues to function under an outdated paradigm that seeks to enforce the *Immigration Act* and its regulations rather than utilize the *Act* as a tool to facilitate the movement of persons. Service sectors, including education and tourism, are particularly impacted because they rely on the movement of people across borders to engage in commercial transactions.

Among Chinese travellers, there is a perception that Canada's visa process is slow, expensive, and lacks transparency. The rejection rate for applicants is high. Addressing the challenges presented by a slow, overworked and under-resourced visa-granting system will be critical for BC as the number of Chinese travelers grows. Educational services and tourism in particular, are two of the sectors now restricted from expanding and benefiting from opportunities in the Chinese market. In the near future, other service- and knowledge-based industries in the province will confront the same challenges for growth.

The China/Hong Kong MAG recognizes the special issues and challenges associated with issuance of visas to students and tourists. With the likely prospect of China finalizing Approved Destination Status (ADS) for Canada, and with significant increases anticipated in both business and education visitors, British Columbia needs to be certain that the visa applications of Chinese nationals will be processed in a timely, efficient, and transparent manner.

Lack of visa processing capacity in key centres and the absence of visa facilities in locations of growing demand are hindering BC's commercial ties with China. Visa services are currently limited to three locations: Beijing, Shanghai, and Hong Kong (a difficult office to access for those not resident in Hong Kong). With demand for Canadian visas from business people, tourists, and students growing in cities such as Guangzhou, additional facilities must be added.

As Table 5.1 shows, Canadian visa processing times in Beijing tend to be below the average for the Asia Pacific. Additional capacity is required in this major centre to maintain Canada's and BC's competitiveness in the market.

**Table 5.1 Visa Processing Times  
Comparison between Asia Pacific Region and Beijing**

	2 days or less	7 days or less	14 days or less	28 days or less
<b>VISITOR VISAS</b>				
<b>Cases Processed - Asia and Pacific</b>	62%	85%	93%	97%
<b>Cases Processed - Beijing</b>	31%	82%	94%	98%
<b>STUDENT VISAS</b>				
<b>Cases Processed - Asia and Pacific</b>	13%	27%	47%	75%
<b>Cases Processed - Beijing</b>	1%	2%	9%	38%
<b>TEMPORARY WORKER VISAS</b>				
<b>Cases Processed - Asia and Pacific</b>	17%	33%	49%	65%
<b>Cases Processed - Beijing</b>	6%	10%	18%	34%

A further challenge is that many applicants are unaware of the documentation required to obtain a visa. There are frequent reports of difficulties in obtaining and understanding required forms. Some large Chinese company executives have had applications rejected because visa officers were not aware of the significance of the company or the

businessperson. This may, in part, be due to a disconnect between the commercial and visa sections within the posts.

#### **Recommendation 5.4 (a) – Ensure Visa Application Process is Competitive**

**The Government of British Columbia must encourage the federal government to ensure that its visa application process is competitive with jurisdictions such as Australia, the United Kingdom and other key competitors in the business, tourism and education sectors.**

It is recognized that this will require the federal government to devote more resources to the timely and efficient processing of visa applications in China. The business contacts essential to fostering ties to the Chinese market must be facilitated and Canada should not maintain unnecessary barriers to legitimate Chinese tourists and students.

#### **Recommendation 5.4 (b) – Lobby For Increased Federal Visa Processing Capacity**

**The Government of British Columbia should press the federal government to increase the processing capacity of its existing offices, as well as to open new visa offices to better service Chinese nationals in southern China (e.g., Guangzhou). British Columbia should further press the federal government to ensure that this expansion takes place well in advance of Canada securing Approved Destination Status from China.**

#### **Recommendation 5.4 (c) – Encourage Closer Linkage between Commercial and Immigration Operations**

**The Government of British Columbia should encourage the federal government to establish closer linkages between commercial officers and immigration officers at visa issuing posts in China and Hong Kong.**

Closer linkages would help create synergies and improved knowledge sharing. Critical to the success of this linkage will be a reordering of CIC priorities to stress that it is as important to Canada's vital interests to facilitate the movement of legitimate visitors as it is to deny entry to undesirable ones.

#### **Recommendation 5.4 (d) – Ensure Increased Awareness of Visa Application Process**

**The Government of British Columbia must work more closely with the federal government, such as through the Business Service Centre, to ensure that BC businesses (including the international education sector) are aware how the visa application process works in China and the nature of the documentation required by CIC to obtain a visa.**

Methods to increase awareness could include adding a visa information section to related government websites as well as through seminars and other China-related information sessions.

## SECTION 6 PLATFORM

Together with the right connections in the China/Hong Kong market, BC requires a solid “platform” at home capable of facilitating and coordinating commercial transactions – in other words, the physical infrastructure of the Asia Pacific Gateway.

As the Asia Pacific Foundation of Canada explains, “The concept of Canada as a ‘gateway’ between Asia and the rest of North America is not a recent phenomenon.”<sup>22</sup> Vancouver has been a transportation hub for goods and services to the Asia Pacific since the late 1880s. The Foundation observes that the idea of a gateway should not be simply defined in terms of infrastructure, but also incorporate cultural and educational elements. Nonetheless, transportation remains at the core of the gateway concept and funding priorities. Indeed, the BC Progress Board, in its 2005 special report on Asia, warned that, “The most pressing challenge [for British Columbia in Asia] is ensuring our transportation infrastructure can handle the current flow of goods and exports.”<sup>23</sup> The first part of this section focuses on transportation infrastructure, with a particular emphasis on the marine sector.

Another part of this platform relates to the institutions of the BC government which can function to coordinate Asia Pacific initiatives, helping to retain corporate memory and providing the foundation for programs for British Columbians to engage Asia. This section includes recommendations on how to improve these structures.

### 6.1 GATEWAY TRANSPORTATION INFRASTRUCTURE

As Canada’s key gateways to the Asia Pacific, British Columbia’s ports play an essential role in facilitating trade with Asia. They are also important economic generators in and of themselves. For example, the report of the Gateway Program states that “As Canada’s main Pacific Gateway, Greater Vancouver has been the primary beneficiary of the growth in Asia-Pacific trade. The gateway facilities now account for 75,000 jobs and \$10 billion in business output annually in Greater Vancouver alone.”<sup>24</sup>

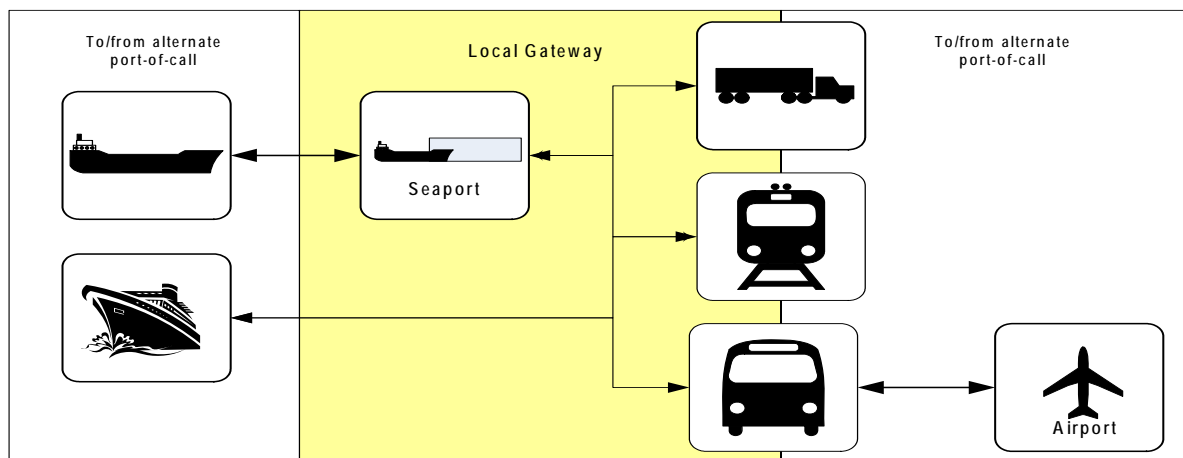
The closest international North American airports and seaports to China are located in British Columbia. Activities generated from these points of entry are connected to the province’s inland backbone of roads, rail, and waterways to the rest of the country, as shown in Figure 6.1. With transportation being the facilitator for economic growth, congestion at any point of the chain can have a cascading effect on importers/exporters, industry, businesses, and consumers.

---

<sup>22</sup> <http://www.asiapacific.ca>

<sup>23</sup> BC Progress Board, *Interim Benchmarking Report 2005, Volume II – Special Focus on BC Trade and Emerging Asian Opportunities*, June 2005, p. 1.

<sup>24</sup> Improving Roads and Bridges for people, goods, and transit throughout Greater Vancouver, Gateway Program. [http://www.th.gov.bc.ca/gateway/reports/Gateway\\_PDR\\_013106.pdf](http://www.th.gov.bc.ca/gateway/reports/Gateway_PDR_013106.pdf)

**Figure 6.1 - Generic Passenger and Cargo Movement Flow**

Expanding trade and changing patterns of regional travel are placing significant pressure on British Columbia's transportation infrastructure, with many elements at or near capacity. The epicentre of the capacity/congestion issues has been marine container terminals on the West Coast. With major West Coast ports reaching capacity, non-traditional gateways are being built in Prince Rupert and in Punta Colonet, Mexico as points of entry to North America.

The country and region's seaports and airports must remain flexible, to perform competitively. Over the past two years, airport gateways in BC did not have any major mishaps, while Lower Mainland marine terminals bore the brunt of congestion bottlenecks. In 2004, the North American marine and land transport system was near collapse during peak season. Issues of congestion were compounded by a tug boat strike that paralyzed container terminals in the Lower Mainland. The response was immediate; container carriers began to divert vessels to ports in the US Pacific Northwest.

In 2005 more capacity problems arose. In that year, Greater Chinese ports handled 97.7 million TEUs (Twenty-foot Equivalent Units): an increase of 12% over 2004. This increase in Chinese container traffic had immediate impact in British Columbia. The year began with the province's largest container terminal operator declaring force majeure. The railroad network capacity was the first part of the chain to break down during this period, with all cargo types contributing to rail congestion. Competition for railcars to move commodities such as grain, and pricing issues among independent truckers, further paralysed ports later that summer.

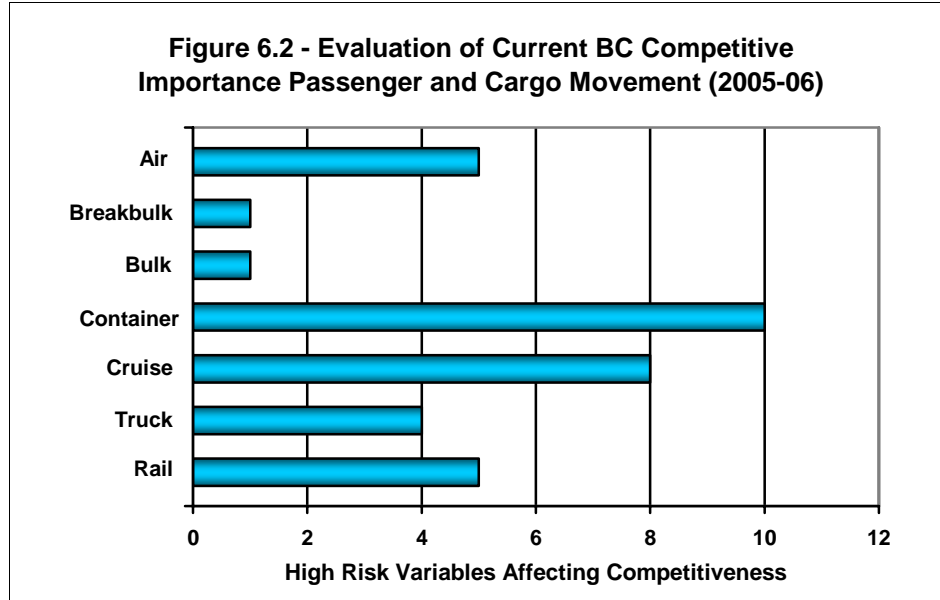
These events have eroded the confidence that BC businesses have spent years building with overseas customers. They have also come at a time when US rival ports are rapidly increasing capacity. Major importers, such as Wal-Mart, have publicly stated that Vancouver is unreliable, and have begun re-routing their cargo to other points-of-entry. Based on Vancouver Port Authority statistics, diversion of Canadian cargo increased from 5.6% in

2004 to an estimated 8.9% in 2005.<sup>25</sup> Canadian diversion of US container cargo, however, remained static at an estimated 50,000-60,000 TEUs in 2005. In other words, while US ports increased the amount of Canadian cargo diverted away from Vancouver, Vancouver did not obtain any additional US-bound containers. Major importers such as Home Depot and Wal-Mart are reducing their dependence on the port of Vancouver, and opening distribution centres in Seattle, resulting in lost opportunities for BC.

The BC transportation system lacks redundancy and the ability to recover from surges in volumes and service interruptions. In most modes of transportation, volume growth has not been well managed. In 2005, container volumes in the Port of Vancouver grew at a modest 6%, falling behind the 17.6% and 16% growth at rival ports in Seattle and Tacoma.

While projects to increase capacity are starting to get underway, capacity to handle passengers and cargo are not growing quickly enough. In addition, the lead time required to develop capacity is uncertain as land is increasingly scarce, skilled human resources are in short supply, and timelines for environmental approval are vague.

High levels of congestion at marine terminals and on road/rail networks have contributed to uncertain and unreliable operating conditions. The overarching concerns for importers and exporters are the consistency, predictability, and reliability of cargo movement; therefore, for British Columbia to meet its full economic potential, continued attention to port, road and rail infrastructure is essential.<sup>26</sup>



The following sub-sections provide a summary of the major challenges faced by key transportation modes.

<sup>25</sup> Vancouver Port Authority licensed PIERS data. Y-o-Y, October 2004 and October 2005 estimated.

<sup>26</sup> Figure 6.2 ranks the level of risk by transportation mode in terms of competitiveness. Measures for determining risk indicators for risk by mode: Canada-US dollar exchange rate; Capital/equipment costs; Operational productivity; Port authority agreements/fees; Expansion capacity; Infrastructure; Inland transportation; Labour; and Property/leasehold taxes.



## Land Transportation

Surface transportation infrastructure provides the critical intermodal linkage to the marine transportation system, in the continuum of moving and distributing goods and products, within British Columbia and to the rest of North America. Therefore, improvements to the marine transportation system need to be synchronized and matched to the upgrading and management of road and railroad infrastructures.

Even with planned investments and capacity expansions, British Columbia still faces serious competition from the US west coast as a result of the large scale investments (in billions of dollars) being made in US port, road, rail and related gateway facilities.

### Roads

The road system currently has areas of congestion. Several major truck routes serving Lower Mainland ports, including Highway 1, Highway 99, Knight Street and River Road, are at or above capacity. Daily traffic across the five-lane Port Mann Bridge is now higher than traffic volumes on San Francisco's six-lane Golden Gate Bridge. The Port Mann carries more than 120,000 vehicles per day, including 10,000 trucks.

Significant investment in road infrastructure is being examined by the Industrial Advisory Group of the Pacific Gateway Strategy, including South Fraser Perimeter Road, North Fraser Perimeter Road including the Pitt River Bridge, Trans-Canada Highway upgrade including Port Mann twinning, major road network upgrades, improvements to the Highway 99 corridor and border crossing upgrades.

Outside the Lower Mainland, upgrades to the Trans-Canada Highway corridor from Kamloops east to Alberta, including the Kicking Horse Canyon project, are being examined.

### Railroads

Railroads will become even more critical to easing congestion, with freight volume expected to grow by two-thirds over the next 20 years. Increasing rail capacity to meet freight volume needs depends on huge capital investment. Since railroads are not meeting their cost of capital, government policy-makers may want to consider investment incentives, such as fuel taxes, to improve the returns to investors.

Coordination and cooperation among railroad operators are critical levers for growth, enhancing fluidity and capacity of railroads while maintaining healthy competition between carriers. Partnership between the rail and trucking industries is an important solution to congestion. As part of this, intermodal freight movement must be a provincial and national priority, with the involvement of all levels of government, and not only Transport Canada.

The Province must also encourage timely, consistent, and accurate measurement of rail transportation capacity and productivity. At present, there are no metrics commonly available to objectively measure freight capacity and productivity. As such, it is unknown how much additional volume can be accommodated before the rail system collapses and affects the rest of the transportation chain.

On the whole, the BC Government's announcement of the \$3 billion Gateway Transportation Plan is very positive; however, the plan must be balanced by commitment of funds and immediate follow-through in design and construction.

### **Recommendation 6.1 (a) – Implement Pacific Gateway Strategy Recommendations**

The China/Hong Kong Market Advisory Group recommends that that the Government of British Columbia immediately implement the Pacific Gateway Strategy recommendations, especially those concerning upgrades to the inland transportation system. These recommendations will help address the critical transportation infrastructure required to effectively compete for Chinese cargo.

#### **Marine Transportation**

As outlined above, the marine transportation sector is critical to advancing BC's commercial relationship with China. Development of port capacity in China is outpacing that of North America. Chinese ports have been remarkable in their ability to build ahead of the curve in terms of port demand. The design capacity of Chinese ports is slated to increase by 50.5+ million TEUs by 2020.

Based on known West Coast port projects constructed and in-progress, North American development, with only 8 million TEUs in approved expansions completed or underway, is not keeping pace with the supply from the Chinese side. (Refer to Table 6.1) This total does not include capacity from projects presently undergoing the environmental approval process, such as Deltaport Berth 3.

**Table 6.1 Overview of Approved Port Construction Projects (2000-Present) on the North American West Coast, as of February 2006**

Port	Schedule	Capacity (TEUs)
Fraser River Port	2004	350,000
Port Vancouver	2005-2006	600,000
Prince Rupert Port	2007	500,000
Port Tacoma	2005	840,000
Port Seattle	2001-08	1.2 million
Los Angeles	2002	3 million
Long Beach		1.7 million
<b>TOTAL</b>		<b>8.2 million</b>

Source: Journal of Commerce, Containerisation International, World Cargo News

By contrast, the full Shanghai port complex, including the existing port infrastructure (18 million TEUs in 2005) will have as much as 31 million TEUs capacity in less than a decade. This compares with the approximately 22 million TEUs that moved through all West Coast ports combined in 2005. More than half of this volume originated from China and this rapid growth is expected to continue. The growth in the transpacific trade imbalances and changing trends in the location of manufacturing centres suggests that the capacity gap will continue to grow.

Based on current operating practices, West Coast container terminals are reaching capacity. In a bid to compete externally, the ports of Oregon and Washington entered a cooperation

agreement in 2004. Rather than compete against each other, the ports unified as neighbouring terminals and began to work together. This strategy, along with the ports' continued dredging program, competitive pricing, and warehousing, are contributing to volume recovery in the region.

Locally, Fraser River Port's container volume is starting to decline, as a result of mergers and growing vessel sizes. Fraser River Port continues to be plagued by dwindling funds for dredging, depth limitations with the Massey Tunnel, additional transit time and costs for pilotage. Moreover, the three competing port entities in the Lower Mainland do not have the luxury of combining financial and land resources to compete effectively, unlike the Portland-Washington partner ports.

Fragmentation of port authorities has created an environment of competition between BC ports and terminals, rather than against competitors in the US. Similar to the case of the ports of Portland-Washington, if BC ports are unified in a combined port system they would better serve Canada, the region, and the Pacific Gateway. Specifically, under a combined port system, advantages in labour, land, and fund pooling would allow the Gateway to increase efficiency, capacity, and density of operations quickly and less expensively. Moreover, Fraser Surrey Docks, Deltaport, and Westshore Terminals have traditionally competed for ILWU Local 502 labour. Unification of a BC port system would allow for greater flexibility with limited labour resources.

A combined port system would benefit non-traditional ports such as Fraser River and upcoming Prince Rupert. For example, Prince Rupert, which will be offering container services for the first time, will have to convince ocean carriers to commit US bound container volumes to a new terminal. Ensuring competitive rail rates and adequate rail car supply will be challenging for an unproven port operation with only one rail carrier.

#### **Recommendation 6.1 (b) – Implement a Combined BC Port System**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia implement a combined BC Port System. This would eliminate the fragmentation of jurisdiction of BC port authorities and streamline port infrastructure, jurisdiction, and administration among key west coast ports. The industry would be better positioned to compete against facilities in the Pacific Northwest rather than amongst itself.**

#### **Skilled Labour Supply for Transportation**

Another key concern is the ageing marine workforce and the looming skill shortage in all sub-sectors – coastal freight, coastal passenger, deep sea shipping, government, ports, services, shipbuilding/repair, and stevedores/terminal operators. Together, the industry must hire 7,500 new workers in the next 10 years, or 35% of the current workforce, to match demands from the expansion of trade and retirements.<sup>27</sup>

The worst skilled labour shortages are expected with the marine pilots and tugboats sub-sectors and, most particularly, with longshoremen. As vessels grow larger, marine pilot demand is expected to remain constant. However, more than 50% of the current pilots are

---

<sup>27</sup> Ibid.

expected to retire in the next 10-15 years.<sup>28</sup> The situation is equally serious with tugboat operators, with all of the current tugboat operators expected to retire in the next 10 years.<sup>29</sup>

At present there are more than 90 unions that can affect seaport operations at any given time. As each part of the logistics chain is highly reliant on the dependability and efficiency of its labour, stable employee-employer relations are critical for seamless goods movement. Government and industry need to work together to send a strong message to their global partners that BC is responsive and reliable, and that all parties are investing for the future.

### **Recommendation 6.1 (c) – Improve the Supply of Skilled Transportation Labour**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia make efforts to improve the supply of skilled labour, especially longshoremen, in the transportation sector.**

This should include a sustained education strategy in schools and with the general public on the opportunities in the marine industry. The Province should also provide post-secondary funding to support institutions in the development of a one-year certification program in transportation and logistics, and the industry should be encouraged to prepare a universally accepted training program. Companies and unions, for their part, will need to work with government to effectively settle disputes.

### **Environmental Assessment of Proposed Transportation Projects**

British Columbia's current transportation system will not be able to expand fast enough to meet demands required to support growth in Asia-Pacific Gateway markets without synchronized, predictable timelines for environmental approval and proactive investment in transportation infrastructure.

In 2004, the provincial and federal governments signed a bilateral agreement for projects undergoing environmental assessment, so that they would face a single, cooperative process that reduces overlap and duplication of resources.<sup>30</sup> Despite the existing Canada-British Columbia Agreement for cooperation, the synchronization of environmental assessments is not working properly. Non-synchronization causes project timelines to be unpredictable, a major barrier in attracting the investment that is required for most marine terminal projects.

Several marine terminal development projects do not have synchronized reviews, unlike other major transportation projects including the RAV line and Sea-to-Sky Highway. Due to government resources shortages and multi-jurisdictional project complexity, Deltaport Berth 3 and Prince Rupert projects were not synchronized in terms of dredging, navigation, and fisheries. While Prince Rupert received approval in January 2006, Stewart Bulk Terminal has been undergoing its non-synchronized assessment for the past two years and, like Deltaport Berth 3, has still not been approved.

---

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Canadian Environmental Assessment Agency, "Canada-British Columbia sign Agreement on Environmental Assessment Cooperation". Accessed online: [[http://www.ceaa-acee.gc.ca/010/0001/0003/0001/0002/nr040311\\_e.htm](http://www.ceaa-acee.gc.ca/010/0001/0003/0001/0002/nr040311_e.htm)].

### **Recommendation 6.1 (d) – Ensure Streamlined Environmental Assessment Processes**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia work to ensure streamlined environmental assessment processes for transportation infrastructure projects. BC should promote consistent application of the *Canada-British Columbia Agreement for Environmental Assessment Cooperation (2004)*.**

To make the process most effective, there should be one lead federal agency to coordinate all departments during the environmental assessment, empowered with sufficient authority and resources. (This is currently underway, and it is expected that the Canadian Environmental Assessment Agency [CEAA] will be established as the lead agency.) Moreover, a project proponent should be able to invest in the assessment process to help move it forward, as long as Government controls the quality of the review. Finally, environmental assessments must be timely and expeditious, with predictable start and end dates.

## **6.2 COORDINATING TRADE AND INVESTMENT ACTIVITIES WITH CHINA**

As explained in Section 4, since the dissolution of the BC Trade Development Corporation in 1996, the Province has not had a visible business unit dedicated to overseeing trade and investment activity with China. Following a decade of restructurings and reductions in budgets and staff in the international area of the Ministry of Economic Development, BC suffers from a fragmented and reactive approach to managing commercial relations with China. This fragmentation of responsibilities and programs has created confusion among the Province's many private, public and China-based partners who have found that there is not a readily identifiable point of contact within the government for business issues related to China. Despite these challenges, the Ministry of Economic Development has been taking a number of steps to engage internationally, including with China, through development of a business plan for investment and trade, and in its efforts to improve inter-ministry coordination in market development. These efforts are, however, seriously under-funded. As a result, while there is some capacity within the ministry to deal internationally, the ability to effectively deal with China-specific issues and opportunities is extremely limited.

Within the provincial government, there is currently a mix of ministries and agencies delivering program activities related to the China market, including Tourism BC; Forestry Innovation Investment; and the Ministries of Economic Development, Energy and Mines, and Education, among others. While there are signs of increasing coordination among ministries and agencies in their China initiatives, these efforts remain largely informal. The result has been a hit-and-miss approach that often fails to achieve synergies between organizations in their China programming.

The China/Hong Kong Market Advisory Group's consultations revealed a consensus of opinion that the Province needs to rebuild capacity to engage with China in a more visible, coordinated, focused, and in-depth fashion. Although the Province continues to engage with China on a sector and issue-specific basis, there is a clear and compelling requirement for a central unit to take a "whole of relationship" leadership role with China, and serve as a one-stop clearing house for commercial issues, information sharing, and problem solving.

**Recommendation 6.2 (a) – Establish a “China Unit” within the Ministry of Economic Development**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia establish a “China Unit” within the Ministry of Economic Development to supervise, support and coordinate China-focused provincial initiatives.**

This unit should work closely with federal government and business associations and liaise with the Chinese Consulate General in Vancouver. The China Unit should be the primary interface with the federal government on the full range of issues in which BC is engaged in China, from international trade and personal mobility to transportation infrastructure, and where the federal government has some form of jurisdiction. A coherent approach will ensure the proper flow of information, minimization of duplication, and sharing of resources where appropriate.

The China Unit should be headed by a senior official with staff who understands the China market, with appropriate language, business and cultural skills. The unit should be visible to the public and to other government agencies and be equipped to provide a basic level of service to British Columbia companies. The China Unit should be linked with the in-market operation through knowledge sharing systems that would allow it to supply targeted market intelligence, business contacts, notification of special events and tradeshow and information on other business opportunities. Of course, the China Unit should not duplicate existing sources of information, such as the Trade Commissioner Service. Ideally, this unit would be integrated with similar business units focused on other priority markets/regions in Asia Pacific (e.g., Japan or India).

The China Unit will be a critical counterpart needed to support and cooperate with the in-market operation and must be adequately resourced as noted in Recommendation 5.1 above.

**Recommendation 6.2 (b) – Formalize a Cross-Ministry Approach to Trade and Investment Promotion**

**The China/Hong Kong Market Advisory Group recommends that, to support and advise the China Unit, the Government of British Columbia formalize a cross-ministry approach to international market development and coordination (a “whole-of-government” approach).**

This could take the shape of a committee of senior officials representing the various ministries involved in Asia Pacific initiatives.

**Recommendation 6.2 (c) – Pursue Cooperation with China Investment Promotion Agencies**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia pursue opportunities to formalize cooperation with Chinese government agencies at the state and provincial levels, on two-way investment promotion.**

The leading agency in China on two-way investment promotion is the China Investment Promotion Agency (CIPA). Areas of potential cooperation include establishing channels for information exchange on investment policies and regulations, the investment environment, potential investors, and opportunities for conducting joint two-way investment promotion activities.



## SECTION 7 PROGRAMS

In addition to the “bricks and mortar” institutions that help support and advance connections with China, British Columbia also needs the right programs at home to build “people capacity”. The Asia Pacific Foundation of Canada warns that, “Investing in infrastructure will not be beneficial unless Canadians possess the qualifications required to deal effectively with the new flow of trade.”<sup>31</sup> This section provides specific analysis and recommendations on programs to enhance the province’s people capacity.

### 7.1 ECONOMIC IMMIGRATION: THE PROVINCIAL NOMINEE PROGRAM

China is the single largest source country of immigration to BC and has the potential to play a significant role in investment and human capital inflows to the province. As shown in the Table 7.1 below, in 2005, approximately one-third of BC immigrants were from China (14,365 people). British Columbia enjoys a disproportionately high share of investor class immigrants to Canada, accounting for over half of the total. In BC, Chinese immigrants accounted for two-thirds of Investor Class immigrants and 37% of the skilled worker class immigrants.

**Table 7.1 BC Immigrant Landings by Selected Class 2005**

	Other Independents (Skilled Workers)	Investor	Entrepreneurs	Self-Employed	Total (All Classes)
<b>China*</b>	8,054	3,439	243	35	14,365
<b>Total BC</b>	21,838	5,304	871	289	44,734
<b>China Share of BC (%)</b>	37%	65%	28%	12%	32%

Data Source: Landed Immigrants Database CIC Mar, 2006 \*includes Hong Kong

British Columbia’s Provincial Nomination Program (PNP) is a special immigration program administered by the Ministry of Economic Development in partnership with Citizenship and Immigration Canada (CIC). It allows the Province to select and nominate prospective economic immigrants for permanent residence in British Columbia. Currently, the most direct and influential roles the Province has in immigration occur at pre- and post-migration stages. The Province has a role in promoting, recruiting, and providing appropriate pre-migration information to targeted clients.

There are two major categories within the PNP:

***The Strategic Occupations Category (SOC)*** targets highly qualified immigrants to help meet critical skill needs in BC in three categories: Health Care Professionals (nurses, doctors & midwives); Skilled Workers (managers, professionals, technicians and trades); and International Students (foreign students with a BC degree and work permit).

<sup>31</sup> Asia Pacific Foundation of Canada, “Human Dimensions of the Pacific Gateway,” <http://www.asiapacific.ca>



*The Business Category* targets the selection of investment-ready entrepreneurs and their key staff. There is a special category to encourage business immigrants to locate outside the Greater Vancouver area.

Individuals nominated by British Columbia (together with their spouse and dependent children) may later apply for a permanent resident visa from CIC in the Provincial Nominee category, and will receive expedited processing of their visa applications.

The BC PNP will provide a letter of support to CIC for a work permit, or renewal of a work permit, to prospective nominees in the Strategic Occupations category who have been issued a Certificate of Nomination. In the Business category, the BC PNP will provide a letter of support for a 2-year work permit for the prospective nominee, their dependents and key personnel, once the principal applicant has submitted a formal application and has signed a Performance Agreement<sup>32</sup>.

**Table 7.2 PNP Strategic Occupations Category Approvals from China**

Time period	China	Hong Kong	China (incl HK)
2001 - March 2005	32	9	41
FY 05/06	35	4	39
<b>Total</b>	67	13	80

Chinese immigrants can play a role in addressing BC's skill shortages, which will intensify as the economy continues to expand and the workforce ages. SOC intake has been small with 80 Chinese applicants processed since 2001 out of a total of 1,491 applicants (roughly 5 percent of the total - see the table 7.2).

**Table 7.3 PNP Business Categories Chinese Applicants Approved**

PNP Category	Fiscal 03/04		Fiscal 04/05		Fiscal 05/06	
	FTEs*	Investment (\$)	FTEs*	Investment (\$)	FTEs*	Investment (\$)
<b>Business Skills</b>	60	17,260,000	105.5	17,040,000	72.75	11,313,000
<b>Projects</b>	10	4,000,000	84.5	5,400,000	16	2,590,000
<b>Regional</b>	2	420,000	91.5	11,785,000	48.75	5,280,928
<b>Chinese Total</b>	72	21,680,000	281.5	34,225,000	137.5	19,183,928

\* FTE = Full Time Employee

Chinese immigrants also represent a huge potential source of investment capital. To date, immigration programs have attracted only a modest intake of capital from China. Since inception in 2002, Chinese immigrants to BC in the BC PNP Business category have invested some \$75 million and created close to 500 jobs. This accounts for 33% of total

<sup>32</sup> The Performance Agreement stipulates that the applicant will achieve agreed investment and job creation targets for nomination by the Province.

investment under the program. Through the PNP Program, the Government has shown that it has the experience and track record to help address BC's skills shortage and attract investment to the province.

Targets for PNP Business Category immigrants have increased from 50 in 2004/05 to 100 in 2005/06 and 150 in 2006/07. In spite of the increase, there remain large untapped opportunities with respect to investment capital inflows from China.

### **Recommendation 7.1 – Expand the Provincial Nominee Program**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia expand the existing Provincial Nominee Program to allow BC to attract more immigrants based on the Province's economic needs and priorities. Additional dedicated program resources are required for staff and marketing.**

## **7.2 RECOGNITION OF FOREIGN CREDENTIALS**

The Conference Board of Canada estimates that \$4.1 to \$5.9 billion in annual income is lost due to non-recognized learning. Now that skilled immigrants are in competitive demand in every developed country, improving recognition of qualifications has become a major policy issue.<sup>33</sup>

The China/Hong Kong Market Advisory Group notes that the Government of British Columbia operates the Skills Connect for Immigrants Program (BC SCIP) which is designed to respond to current and long-term skills shortages by assessing and bridging skilled immigrants into the workplace in areas that complement BC's growing economy. The program, administered by the Ministry of Economic Development, offers three adaptive modules to address the employment needs of newly arrived skilled immigrants.

The program targets recent immigrants with a minimum of five years pre-landing work experience in a profession, trade, or high-skill occupation and an intermediate to advanced level of English language proficiency, and provides labour market information to immigrants including international qualification recognition processes. It is delivered by local, regional and/or province-wide consortia comprised of organizations and agencies with demonstrated employment knowledge and expertise specific to one of the following high demand sectors: construction, transportation, energy, tourism/hospitality, and health. While the program is having some success in helping new skilled immigrants to bridge to the labour market, current program capacity is limited.

### **Recommendation 7.2 – Increase Capacity to Assess Credentials**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia review foreign qualification recognition practices and policies with the intent to increase capacity to assess credentials and reduce the time required for immigrants to have their credentials recognized.**

---

<sup>33</sup> BRAIN GAIN: *The Economic Benefits of Recognizing Learning and Learning Credentials in Canada, September 2001, Conference Board of Canada*, <http://www.conferenceboard.ca/press/documents/323-01mb.pdf>

### 7.3 BUILDING ON PEOPLE AND COMMUNITY LINKAGES

During the China/Hong Kong Market Advisory Group's extensive business and community consultations, including a formal community consultation on people and community linkages held on February 2, 2006, one of the most frequent observations was that British Columbia's most important strength is its people. As international relations scholar Jennifer Welsh noted in the title of her 2004 book, Canadians are "At Home in the World."<sup>34</sup> One might add that British Columbians, residing in the province with the highest concentration of Chinese immigrants in North America, are particularly at home in the Asia Pacific. In Vancouver, for example, the ethnic Chinese population accounts for over 18 percent of all residents.

The need to consider China in crafting a global corporate strategy has created demand for language, cultural, and networking skills that many early and recent immigrants from China can offer. Many companies have been able to access information, contacts, and operational assistance from the immigrant community in the province. Even so, it is likely that this source of talent and expertise is underutilized as there is no easy way for businesses to find immigrants with the particular skills that are required for their China ventures.

The most recent development in the role of Chinese Canadians in trans-Pacific business is the phenomenon of return migration. In the late 1980s and early 1990s, Canada received a large number of immigrants from Hong Kong, many of whom were concerned about the return of the territory to the People's Republic of China. When it became apparent that the transfer would not fundamentally change Hong Kong's way of life, many of these recent immigrants returned to Hong Kong to pursue business opportunities. It is estimated that there are more than 200,000 Hong Kong residents with Canadian citizenship, the vast majority of whom are Hong Kong natives. More recently, the return migration phenomenon has spread to immigrants from mainland China, in part because of the difficulty that many of these immigrants faced in establishing themselves in Canada.

Many return migrants are involved in business activities related to trans-Pacific trade and investment. Together with the community of expatriate Canadians working in China and other countries, these overseas Canadians should be recognized and embraced as a "Canadian diaspora." British Columbia in particular has a stake in cultivating the Canadian diaspora in China and Hong Kong, because of their extensive links with the province. At a minimum, an effort should be made to keep track of diaspora communities in China and Hong Kong, through information sharing, recognition, networking, and targeted business promotion activities. A new in-market operation (section 5.1) and a "China Unit" (section 6.2) could work together in terms of programming to build on the network of Chinese Canadians in British Columbia and abroad.

#### **Recommendation 7.3(a) – Provide Web Media to Facilitate People and Community Linkages**

**The China/Hong Kong Market Advisory Group recommends that the Province provide a web media to facilitate people and community linkage. A website portal is a practical and cost-effective way to achieve the goal. Furthermore, the Province should consider launching**

<sup>34</sup> Jennifer Welsh, *At Home in the World: Canada's Global Vision for the 21st Century*, Toronto: HarperCollins, 2004.

**an electronic newsletter for dissemination of business opportunities and information related to BC.**

The website portal could have the following features:

- Database – to list capabilities, activities and interested areas of business entities in the local communities, which can be expanded to include contacts/resources overseas.
- E-newsletter – to keep individuals, associations and communities, local and overseas, informed about BC’s China/Hong Kong related trade and investment events and issues.
- E-forum and/or bulletin board – to allow businesses and individuals to exchange ideas and information about opportunities and BC-China/Hong Kong relations.

The Province could build on existing resources, such as Asia Pacific Foundation of Canada’s online database – the Asian Ethnic and Canada-Asia Bilateral Business Associations Directory, and the website of the Canadian Global Community network – Canadians in China ([www.canadiansinchina.com](http://www.canadiansinchina.com)).

It is important to remember that Chinese Canadians are not simply conduits to the China market – they also bring a wide range of valuable knowledge and skills. A series of focus groups with young Asian Canadians organized by the Asia Pacific Foundation of Canada suggests that while second and third generation immigrants are very proud of their heritage, they resist being typecast simply as ethnic resources for mainstream businesses. Rather, they see themselves as professionals in their chosen field of work who contribute to society in ways that go beyond their ethnicity. This is a sentiment that is widespread among the more mature Asian ethnic communities across North America. Indeed, BC has a unique role to play in promoting a more sophisticated understanding of Asian ethnic communities in North America, and in becoming a hub for Asian ethnic market development, business intelligence and networking.

**Recommendation 7.3 (b) – Promote BC / Vancouver as North America’s “Asia Pacific Hub”**

**The China/Hong Kong Market Advisory Group recommends that the Province promote British Columbia / Vancouver as North America’s “Asia Pacific Hub” - a place where people, ideas, resources, networks and events can come together for trans-Pacific business and cultural purposes.**

In support of the branding initiative, outlined in Section 5.2, local communities could add other features to the positioning, such as culinary arts, digital media, sports, education and training. In addition to dedicating resources to promote this positioning, locally and offshore, the Province should encourage the federal government as well as municipal governments to support this initiative. Bilateral associations and communities should also be involved.

The Province should also promote and support capacity building initiatives in BC for Asia Pacific exchanges. Such programs could involve language, business practices, accounting, legal and cultural training. Capacity building should also be focused on integration of Chinese immigrants and business associations with mainstream counterparts in BC. Issues in achieving such positioning can also be examined, such as taxation.

## 7.4 INFORMATION AND ANALYSIS

British Columbia businesses, community groups, and the general public want to know how well we are doing in the Asia Pacific. Section 3 provided a helpful qualitative overview of BC's historical engagement with China; however there are still gaps in the understanding of the full economic relationship between BC and China. Specifically, there are currently no statistics on BC's FDI in China, total stock of Chinese FDI in BC, and data on BC's services trade with China. Only by properly tracking trends can the Province evaluate whether its China engagement strategy is yielding results.

### **Recommendation 7.4 – Collect Data on Trade, Investment and Relationships**

**The China/Hong Kong Market Advisory Group recommends that as one of its first programs, a new China Unit in the Ministry of Economic Development should explore the collection of better data on the British Columbia-China trade, investment, and people-to-people relationships. The Province should work with agencies such as Statistics Canada and with partners, including the Asia Pacific Foundation of Canada, which have been collecting relevant data on Canada and British Columbia's economic relationships with Asia.**

## 7.5 SUPPORT FOR TWINNINGS

Twinning, special relationships, and sister city arrangements come in many forms, and are generally intended to enhance economic, academic, cultural and/or political linkages. In China, where business can depend on *guanxi* (relationships or connections), the formal relations embodied in twinning can be a valuable tool for increasing goodwill and enhancing business, educational, and cultural ties.

The twinning between British Columbia and Guangdong Province could be used as a springboard for BC into the booming market of the Pearl River Delta. Established in 1995, the British Columbia-Guangdong twinning grew out of the special relationship established between the mayors of Vancouver and Guangzhou, both of whom had become heads of their respective provinces. The relationship focuses on promoting education, culture, and commercial exchange. The twinning is supported through the work of the BC-Guangdong Business Council, a community-based, volunteer organization established in 1995 to help administer activities and initiatives under the agreement. Among many community and business associations, Council members have been active in promoting local cultural and arts events, developing contacts in educational exchange and facilitating economic exchange. These activities of the Business Council suggest how instrumental bilateral business organizations can be in contributing to the long-term success of twinning relationships.

The relationship between BC and Guangdong Province has seen a considerable variation in its level of activity over the past ten years. This variation has its roots in the lack of dedicated provincial support for the activities of the community groups working to maintain the agreement and associated relationships. As the tenth anniversary of this key relationship approached, there was an increase in the activity under the twinning, beginning with Premier Campbell's visit to Guangdong in October 2003. In October 2005, a series of successful anniversary events was hosted by the Province, in co-operation with the Vancouver Board of Trade and the City of Vancouver, and by a variety of community and business groups

brought together by the BC-Guangdong Business Council. The size and scope of the celebratory events were unprecedented, stimulating renewed interest in the local community, both from private citizens and business interests.

In order to build on the momentum created by the 10<sup>th</sup> anniversary celebrations, and to capitalize on the new partnerships and contacts, more consistent and focused attention will need to be paid to this special relationship.

#### **Recommendation 7.5 (a) – Increase Support for the BC-Guangdong Relationship**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia lead by example and increase its support for the maintenance of the British Columbia-Guangdong relationship. It is further recommended that the Province formalize its relationship with the various British Columbia-China business associations in order to ensure that the efforts of these associations are adequately supported and that the objectives of the bilateral business associations and those of the government remain complementary.**

Section 4, above, pointed out how comparison jurisdictions have used strong bilateral business organizations to advance relations with China. Since the establishment of the BC-Guangdong twinning in 1995, the lead role in maintaining the agreement and the associated relationships has resided with the BC-Guangdong Business Council. Funded solely through its own activities, the Business Council has had a limited ability to capitalize on the full range of opportunities—commercial and cultural—possible under the agreement. In order to realize the full potential of the twinning relationship, it is essential for the Province to assign, within government, responsibility for directing the relationship. As Section 4 explained, comparison jurisdictions have made important use of bilateral business organizations in strengthening relations.

In addition to twinning at the provincial level, there are also numerous municipal-level arrangements, including the City of Vancouver twinning with Guangzhou which celebrated its 20<sup>th</sup> anniversary in 2005. Municipalities often look to the Government of BC for guidance on their external relations. Indeed, the Province, through its in-market operation and the China Unit, will be well placed to provide advice on appropriate programs that municipalities might initiate to engage China, including twinings.

In British Columbia, there are some 13 municipalities which have entered into formal relations with counterparts in China. Of the municipal agreements, at least six have lapsed or are not otherwise active. A summary of these relationships is provided in Table 7.4.

#### **Recommendation 7.5 (b) – Create and Maintain a Database of Twinings**

**The China/Hong Kong Market Advisory Group recommends that the Government of British Columbia create and maintain a database of twinings that include relationships between British Columbia municipalities and Chinese jurisdictions.**

The recommended database would be built on the table above and should be updated regularly. It would be made available to the public to share information on BC's partners in China. It could then be expanded to include the Asia Pacific region and the rest of the world. The database could be used as a resource for municipalities that are interested in entering

into a twinning relationship. Similarly, it could be used by city and provincial officials as a tool during the planning of investment and/or trade missions.

**Table 7.4 Twinings between British Columbia and China**

City	Twin	Province	Established	Focus	Status
British Columbia	Guangdong	n/a	1995	Economy/ Culture	Active
Victoria	Suzhou	Jiangsu	1980	Economy /Culture	Active
Vancouver	Guangzhou	Guangdong	1985	Economy /Culture	Active
Surrey	Zhuhai	Guangdong	1987	Governance /Economy	Active
Prince Rupert	Cangzhou	Hebei	1992	Economy	Active
New Westminster	Lijiang	Yunnan	NA	Economy	Active
North Vancouver	Xigang, Dalian	Jilin	1997	Economy	Inactive
Coquitlam	Laizhou	Guangdong	1999	Economy	Inactive
Maple Ridge	Dongcheng, Beijing	Beijing	1990's	Economy	Inactive
Mission	Zhuozhou	NA	Since 1992	NA	Inactive
Castlegar	Yueyang	NA	NA	NA	Inactive
Vanderhoof	Beijing	NA	NA	NA	Inactive
Prince George	Yichun, Pukao, Niannian	NA	NA	Economy	Active
Kamloops	Changping, Beijing	Beijing	2005	Economy	Active

A review of British Columbia's twinning relationships with China at the provincial and municipal levels confirmed that well-managed twinings have:

- Enhanced provincial and municipal connections with China and have helped build British Columbia's reputation with its international partners;
- Assisted in pursuing trade and investment opportunities in China, where "official" friendship is an important block upon which further relations can be built;
- Expanded provincial/municipal influence and reputation with its twinning partners;
- Established and built direct formal relationships with decision-makers;
- Brought delegations of high-level officials to British Columbia;
- Assisted in removing, reducing, or preventing barriers to British Columbia's trade and investment;
- Promoted opening markets in the twinned jurisdiction for British Columbia's products, technologies and services; and
- Provided British Columbians with unique opportunities to engage with the Asia Pacific.

Through a survey of British Columbia municipalities and organizations with active and inactive twinnings with China, the following factors were identified as key to establishing and maintaining an effective twinning:

- Select a twinning partner on the basis of complementary goals, geography, and industry (e.g. Victoria and Suzhou have made great success in linking their status as “garden cities” to their twinning project);
- Focus on specific objectives that are detailed within the agreement;
- Set realistic goals and priorities that can be achieved and measured;
- Include a variety of stakeholders that can participate and “own” the twinning;
- Ensure broad community support for the twinning itself and the projects it seeks to advance;
- Set specific deliverables, including scheduled meetings and project milestones;
- Ensure that the agreement is “institutionalized” to avoid failure once signatories have left their positions;
- Commit to providing adequate resources either directly, or through community partners, to ensure that the relationship can be maintained; and
- Ensure the commitment of senior officials who can provide adequate support for the agreement.

#### **Recommendation 7.5 (c) – Develop “Best Practices” for Considering Twinning**

**The China/Hong Kong Market Advisory Group recommends that the Province work with municipalities to develop and post “best practices” criteria to support municipalities considering twinning opportunities.**

There is a need to develop criteria that would assist municipalities in assessing future twinning opportunities. The criteria could also be used as a tool for municipalities to evaluate current relationships. Once a model is developed, it should be made available to municipalities which, in turn, should be encouraged to utilize it as they plan their twinning needs.

#### **Recommendation 7.5 (d) – Identify Prospective Partners for Twinning**

**The China/Hong Kong Market Advisory Group recommends that the Province assist communities in identifying prospective partners for twinning.**

Through its exposure in China, and via access to incoming Chinese officials, the Province is in a position to assist local governments interested in establishing linkages with China. When requested, the Province should be prepared to work with local governments to assist them in identifying and/or vetting potential twinning opportunities.





*Part III*

*Sectoral Analysis  
and Recommendations*



## ***Part III: Sectoral Analysis and Recommendations***

---

China is an extremely large country with a rapidly evolving economy. Its needs are great and there are perceived opportunities virtually everywhere. In order for the Province to maximize the return to the Province from investments in market access and development, it will be important to be focused. Specifically, there is a need for the Province to identify a limited number of sectors in which British Columbia has demonstrable strengths and where it can be shown that there is a good match with opportunities in China. The China/Hong Kong MAG recognizes that it is far better for the Province to focus its limited resources and efforts on a few sectors that can show results rather than to spread itself too thinly by trying to do cover too many sector.

Following initial reviews and consultations regarding sectors and regions of opportunity, the Market Advisory Group elected to concentrate its research on five key sectors where the province has particular strengths and where the opportunities in China are great, namely, the forestry, minerals and mining, tourism, international education, and environmental technology and services sectors.

This part of the report presents analyses of the five selected key sectors and the steps that can be taken to enhance their commercial ties with China/Hong Kong. The Market Advisory Group appointed panels of knowledgeable industry experts to offer seasoned and focused advice.

Each section begins with a situation analysis, including an overview of the industry in China and a discussion of how the sector in BC fits into the picture. This is followed by a gap analysis, where particular shortcomings in BC's commercial relations in the industry are assessed. A final section on recommendations consolidates the advice of each sectoral panel to help close the gaps and strengthen trade and investment ties.

## SECTION 8 FOREST PRODUCTS

### SITUATION ANALYSIS

#### China Forestry Sector Overview

China's flourishing domestic market, the rise of its middle class and the very rapid pace of its urban building activities suggest that demand for structural materials of all types will continue to grow. Although China remains largely a rural society, its growing urban middle class already exceeds 200 million people. As traditional North American, Japanese, and European markets mature, China is quickly emerging as a potential market for wood products, including in single and multi-family residential, commercial, finishing and landscape applications.

The rate of construction in China has affected world availability of and prices for steel and concrete, and outpaces building activity in all of BC's traditional markets. While only a small portion of current construction includes structural wood, China's potential for growth in wood products demand is enormous. If the BC forest sector is to succeed in the market, a long view that incorporates China as an ongoing and consistent part of the business model for export market development will be necessary.

There are three primary considerations in evaluating China's importance to the forest sector. First, with a population of 1.3 billion and more than ten million housing starts per year, the use of structural and non-structural wood products will certainly continue to rise. BC's ability to participate in that market will depend on the early success of its market development presence. Second, China's surplus of skilled, low-cost labour and proximity to low-cost Russian fibre volumes could support a significant Chinese presence as a competitor in world lumber markets, a consideration that BC will want to monitor in sector-wide and individual company strategies. Third, China's building materials needs are enormous, offering the capacity to absorb a sizeable volume of world forest products oversupply. While a portion of any growing demand for forest products in China will likely be served by BC manufacturers, increased demand will also influence the flow of competitors' products into BC's traditional markets, including the United States. From each of these perspectives, China matters, and will matter increasingly in the future.

#### BC Forestry Industry and China

In 2004, the forestry industry composed 7.4% of BC's GDP and 3.9% of employment, and an expected 4.4% of capital spending for 2005. As goods account for 25.9% of BC's GDP (the remainder being services), forestry is an important part of the goods producing sector.<sup>35</sup>

The current demand for wood products imported into China is based on two categories of materials: primary products that will be remanufactured into finished goods, such as doors,

---

<sup>35</sup> Figures taken from BC Progress Board *Interim Benchmarking Report 2005*, June 8, 2005 p. 4.

windows and furniture, and structural lumber and panel products for residential and other construction.

In 2004, British Columbia exported 333,000 cubic metres of wood products to China, consisting of:

**Table 8.1 Forest Products Exports to China (2004)**

Product	Volume (thousand cubic metres)
Softwood logs	72
Softwood lumber	257
Softwood panel products	4
<b>Total</b>	<b>333</b>

This amounts to 1% and 6% of annual exports to BC's two largest markets, namely the United States and Japan, respectively. Over 90% of the BC lumber exported to China is remanufactured into various products, with very little used for structural purposes. There is virtually no market for panel products because Chinese firms can manufacture them, using a high proportion of imported tropical hardwoods, at a lower cost than Canadians incur using domestic timber.

The strength of BC's forest sector lies in the production and export of structural grade lumber, which is among the finest in the world. Indeed, BC is the largest exporter of lumber in the world, except for Canada as a whole. China currently is building about ten million new residences each year, compared to two million per year in the United States, and 230,000 in Canada.

However, the nature of Chinese housing is dramatically different to that in North America. In the United States in 2004, 82 percent of all housing starts were detached wood frame buildings. In stark contrast, perhaps 1% of China's new starts are detached single-family houses, and only a few hundred of those are based on wood frame technology. Virtually all housing continues to be in the form of apartments, which are all built with reinforced concrete.

The booming economy along China's eastern seaboard is creating a prosperous urban middle class, which is demanding larger, better quality housing. At the same time, the national government is concerned about inequities in the distribution of China's new wealth, and seems to be planning for improved housing in China's large rural areas.

Historically, most housing in China has been state-owned and of imperfect quality. That is changing rapidly as municipal governments privatize the existing stock, and undertake massive upgrading programs in support of that privatization. This is especially evident with huge re-roofing programs to overcome a legacy of leaky flat concrete roofs.

The Province, in partnership with BC-based forestry firms, is confident that North American wood frame technology and BC wood products offer solutions to China's need

for affordable, energy-efficient, and environmentally friendly residential and commercial buildings. Opportunities exist not only in new construction, but also in massive municipal apartment renovation programs.

Although the Chinese economy has reformed enormously in recent years, the government retains a large role in the economy. Relative to North America, there is a strong culture of relying on government decision-makers to set the business communities agenda. Cultivating an effective relationship with government decision-makers will be central to developing the market for BC's forestry products.

The Province, the forest-sector and its trade associations are actively working to create demand for BC lumber in China, primarily for structural applications and secondarily for remanufacturing applications. There is strong consensus on actively encouraging the introduction of wood frame construction technology and BC structural lumber to China. The table below illustrates the elements of creating demand for structural forest products in China, and any other jurisdiction where no demand currently exists.

**Table 8.2 Demand for Structural Forest Products in China**

Program Area				
	Market Research	Market Access	Technology Transfer	Promotion of Technology & Products
<b>Elements</b>	<ul style="list-style-type: none"> <li>Basic studies</li> </ul>	<ul style="list-style-type: none"> <li>Building codes</li> <li>Fire codes</li> <li>Plant health import constraints</li> </ul>	<ul style="list-style-type: none"> <li>Technical training</li> <li>Construction quality control</li> <li>Demonstration</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking</li> <li>Advertising</li> <li>Branding</li> <li>Earned media</li> </ul>
<b>Target Audience</b>	<ul style="list-style-type: none"> <li>Canadian industry</li> <li>Canadian funding agencies</li> </ul>	<ul style="list-style-type: none"> <li>Government regulators</li> </ul>	<ul style="list-style-type: none"> <li>Government regulators</li> <li>Architects, designers, engineers</li> <li>Developers, builders</li> <li>Building inspectors</li> </ul>	<ul style="list-style-type: none"> <li>Architects, designers, engineers</li> <li>Developers, builders</li> <li>Potential customers</li> <li>Public</li> </ul>
<b>Primary Instruments</b>	<ul style="list-style-type: none"> <li>Commissioned studies</li> </ul>	<ul style="list-style-type: none"> <li>Direct dialogue with government officials and their technical advisors</li> </ul>	<ul style="list-style-type: none"> <li>Short courses, seminars</li> <li>Mobile classroom</li> <li>Site-specific advice</li> <li>Formal certification</li> <li>Demonstration buildings</li> </ul>	<ul style="list-style-type: none"> <li>Trade shows</li> <li>Publications and websites</li> <li>Seminars</li> <li>School curricula</li> </ul>

There are three reasons for placing relatively little emphasis on remanufacturing applications:

- (1) There are few restrictions on China's import of primary forest products, and no significant regulatory standards constraining remanufacturing of those products. Hence the market already exists and is available to BC suppliers.
- (2) Most BC producers of primary products want to pursue remanufacturers in confidence. Because they do not want others to know about their strategies and target customers, the common ground for collective effort is limited to a kind of advertising campaign to make the

broad potential customer base aware of the availability and attributes of BC's primary forest products.

(3) Canadian producers of secondary products view China's remanufacturers as a competitive threat because cheap imports of finished goods (such as furniture) into North America are increasingly undermining the Canadian producers. Many "value-added" firms in BC oppose anything that is helpful to Chinese remanufacturers.

Overall, there seems to be significant opportunity in China to create demand for structural lumber, and to a lesser extent, remanufactured lumber. There are also prospects for promoting certain wood products for landscaping, industrial components, and log and timber buildings.

BC's most promising opportunities are being pursued through joint efforts of the federal and provincial governments, and five forest industry trade associations. The trade associations have recently subsumed their individual identities under the banner of the Canada Wood Group, and the market development program is unfolding under a common "Canada Wood" brand.

The Province is represented by a Crown corporation, Forestry Innovation Investment Ltd. (FII), which has established an office and highly visible demonstration centre in Shanghai. The federal government participates primarily by funding much of the work done by the Canada Wood Group.

In 2005, government agencies and the Canada Wood Group adopted a long-term marketing strategy and a three-year business plan based on contributing a modest amount of promotion, ramping up once Chinese firms are able to satisfy increased demand, and on each partner contributing its particular strengths:

- governments are undertaking basic research as well as initiating demonstration projects;
- the private sector is providing expertise in technology transfer; and
- research and academic institutes are offering specialized knowledge in building and fire codes.

The following are the key specific elements of the situation analysis for the BC forestry sector in China, which will also be considered in the gap analysis and the recommendations:

### **Market Research**

Market research has mostly been limited to studies in Shanghai and Beijing, but is beginning in other major cities. FII's wholly-owned subsidiary, FII (Shanghai) Consulting, is the main leader of this research, which is currently focused on the re-roofing market.

### **Market Standards, Access, and Fulfillment**

A national code now exists for single family structures but not for other types of wood frame buildings. Canada Wood Group is actively working on national and municipal building



and fire codes, drawing expertise from Forintek Canada Corp. and the University of BC. An important element of this planning is reassuring authorities that imports do not introduce harmful biological agents. The Canadian Food Inspection Agency (CFIA) has such responsibility in Canada, and certifies that lumber exports are pest free. At present, the CFIA does not have the capacity to handle significantly increased shipments to China.

Another issue relates to completing timely shipments once consumer demand has been created. Clearly, delayed or missed deliveries would be a poor way to introduce these important prospects into a booming and largely untapped market.

### **Technology Transfer**

Canada Wood Group employs several technical construction experts to hold seminars, manage a mobile classroom, and work directly with developers and builders to deliver a quality assurance program over the wood frame work being done in the commercial sphere.

The Dream Home Canada demonstration centre was opened one year ago in Shanghai, and serves as a base of operations for all Canada Wood Group members and a focal point for the industry's plan of action. Dream Home Canada has garnered excellent attention among relevant Chinese constituencies.

FII (Shanghai) manages the Dream Home Canada centre and has negotiated a contract for the construction of two demonstration villas next door. These units have been designed to inform developers, builders, and consumers about proper wood frame technology systems and the benefits of using BC wood products for structural and finishing applications.

FII (Shanghai) expects to undertake at least two re-roofing demonstration projects in Shanghai in 2006, to help convince government regulators to accept wood truss roofs instead of only steel-based roofs, and to demonstrate to builders the advantage of switching to wood. It expects to initiate a hybrid wood/concrete demonstration building in Shanghai in 2006-07. Going forward, FII (Shanghai) is examining options for demonstration projects in Beijing.

### **Promotion**

Little work is being done to promote wood frame structures to target audiences. The consensus among BC's industry and government leaders is that these initiatives should not begin on a large scale until more progress has been achieved in the market access and technology transfer arenas. In the meantime, FII and the trade associations have started to promote wood frame technology at two large trade shows each year. Chinese government officials, developers, and builders have reacted positively to these promotions.

### **Partnerships: Funding, Leadership, and Organization**

Because most of the effort in China relates to creating a market where one does not yet exist, the governments of BC and Canada are providing much of the financial support. For the activities delivered by FII and the trade associations in 2005-06, FII provided 75% of the funding, the federal government 21%, and the private sector 4%.

Trade professionals in Canada's Embassy and Consulates have offered excellent support for these efforts. They have shared market intelligence, offered advice on how to move forward, and helped to broker relationships with Chinese officials.

### **Performance Indicators**

In the near term, progress will be measured by attaining the milestones necessary to enabling wood frame construction to flourish. This will involve:

- Chinese national and municipal governments adopting appropriate building and fire codes and inspection systems;
- Formal acceptance of Canadian lumber grades;
- Establishment of training programs for architects, designers, and trades people;
- Completion of various demonstration projects as teaching aids;
- Completion of portfolios of information about BC wood products and their application, customized for targeted audiences; and
- Finalization of benchmarking studies of relevant constituencies.

In the longer term, progress will be indicated by tracking the number of wood frame structures built, and the number of existing structures significantly renovated with wood components. Efforts have just begun to assemble these data. Progress will also be measured by tracking the volume and value of product sales, as well as market share. FII recently engaged an expert consultant to track sales data, and a first report has now been issued.

## **GAP ANALYSIS**

### **Market Research**

At present, the Shanghai market is being reasonably well researched regarding structural applications, although solid quantification is just emerging. Research on the Beijing market will follow over the coming year. The Chinese market, however, is huge and diverse, and the potential varies dramatically throughout the country, with cities near the eastern seaboard each warranting detailed basic research. No studies have yet been undertaken with respect to westerly rural areas, although the national government is seeking to improve development and reduce inequalities in that region, in part through better housing.

### **Market Standards, Access, and Fulfillment**

Significant work remains to be done to influence building and fire code development at the municipal level. While Forintek and the Canada Wood Group are taking the lead in Shanghai, the rest of China remains virtually unaddressed. As noted, the Canadian Food Inspection Agency does not have the capacity to handle significantly increased shipments of forest products to China.

Although there is no program element related to shipping logistics, some BC companies are concerned about reliability of service in terms of being able to guarantee on-time delivery of whatever goods they sell. The trucking dispute at BC ports in 2005 casts a shadow over planning for future exports. Producers want to explore the possibilities for creating holding

yards in China, where they would maintain inventories as a hedge against similar disruptions in the future.

### **Technology Transfer**

In North America, wood frame construction involves a holistic system of framing, roofing, plumbing, wiring, doors, windows, insulation, and finishing. The efficient integration of all these components has been developed through decades of experience. Marketing complete systems, not just framing, would be the best way to meet China's housing needs. Accordingly, partnerships will be required among BC's suppliers of a wide range of construction products and technology. Providing a complete building solution could also assist in developing building and fire codes.

On the whole, technology transfer is under-resourced in China. Having a larger number of construction specialists on the ground available to influence and assist in normal commercial projects would be a huge asset to broadening the usage of wood. Currently, there are only three such experts in the Canada Wood program.

A number of demonstration opportunities exist within the large Chinese market. These include:

- Re-roofing projects being undertaken with steel members which could potentially be converted to wood truss systems;
- Hybrid apartment buildings with concrete used in the lower floors and wood framing and roofing above; and
- Non-load bearing walls in all apartment buildings using wood.

None of these potential opportunities is developed beyond the conceptual stage. Building a structure to show "how it works" will be required before industry can move towards product promotion and sales.

### **Promotion**

General promotion is a low priority for the time being, pending achievement of various milestones indicated above. For the next year or two, resources will be devoted toward targeted initiatives on government standards and focused promotion in key locations.

### **Partnerships: Funding, Leadership, and Organization**

The federal and provincial funding processes are inclusive, transparent, and efficient. However, the partners have only scratched the surface in China, and it is likely that significantly more money will be needed as capacity builds for a truly robust program in many more locations.

There appear to be some concerns about the on-the-ground promotion of the industry's objectives in China, particularly about the fragmentation of efforts and the lack of an institutional capacity and memory. The Canada Wood Group is a coalition of people who are each employed by separate trade associations and who separately report to their superiors in Canada. The trade associations are not represented by a legal entity that could hire staff

and pay for services in China. Nor is anyone in China “in charge” of the people making up the informal coalition.

In terms of Foreign Affairs support in China, helpful staff tend to be rotated out of the country relatively frequently, and the market development effort loses the benefit of their knowledge and relationships. Given the range of sectors handled by each trade officer, their knowledge of any one industry cannot be as in-depth as someone who is dedicated to just one or two industries.

### **Performance Indicators**

Given that the effort in China is barely underway, there are no significant gaps in measuring progress. Over the next several years, all partners must formally track the achievement of milestones, document the numbers of wood frame projects, and continue to track sales data of structural and non-structural wood products.

## **RECOMMENDATIONS**

Fundamentally, the government agencies and trade associations are on the right track in creating a new market for BC's forestry products in China. Each partner is bringing its unique strength to bear, and is doing a good job of contributing to an increasingly well-specified work plan. The China/Hong Kong Market Advisory Group's following recommendations areas are designed to further the strategies already agreed by the partners.

### **8.1 Partnerships: Financing, Leadership, and Organization**

#### **Recommendation 8.1 (a) - Create a Private-sector Entity for Doing Business in China**

**All parties in the Canada Wood Group coalition should actively work towards creating a private-sector legal entity that can employ people and do business in China. It should be wholly owned by a parent organization in Canada with a board of directors that includes senior employees of forest product companies, trade associations, and relevant government agencies.**

The new entity in China should replace the current informal Canada Wood Group, affording a senior person in China direct line authority over the staff and budget dedicated to the current array of programs. Membership in the new “Canada Wood (China)” should include the trade associations currently represented there, and its management framework should facilitate its employees leading strategic decision making and robust programming.

As the new “Canada Wood (China)” assumes responsibility for market access, technology transfer, and promotion activities, direct provincial government activity should be narrowed to conducting basic research across the country and to brokering relationships with Chinese government officials.

It is critical that the federal and provincial governments and all trade associations work as a unified body under the Canada Wood brand, each contributing its particular strengths to deliver a harmonized array of programs. The working structure should minimize overhead,

operate on a business footing, and remain lean, flexible and responsive to changing market conditions.

#### **Recommendation 8.1 (b) - Commit to Long-term Funding for Canada Wood Export Program**

Developing a new market in China is a long-term venture that will require long-term support. Governments should clearly commit to the long term, and should implement multi-year funding commitments where appropriate. Funding should be based on well specified three-year work plans updated annually. The federal government should be encouraged to renew the Canada Wood Export Program and maintain it as a prime source of funding for developing the Chinese market.

#### **Recommendation 8.1 (c) - Urge Federal Government to Retain Knowledgeable Field Officers**

Foreign Affairs staff in China should be regularly acknowledged for their continuing support, and the federal government should be urged to ensure reasonable continuity in terms of retaining knowledgeable staff in key locations.

This may include longer postings of Canadian employees, as well as retention of locally engaged experts within the posts. Industry representatives should prepare and deliver training for Foreign Affairs staff to help keep their forestry industry knowledge up-to-date.

### **8.2 Standards, Access, and Product Fulfillment**

#### **Recommendations 8.2 (a) - Assist Canada Wood to Extend its Quality Assurance Program**

Canada Wood should increase the reach of the new quality assurance program to ensure that wood frame building systems enjoy a good reputation for safety, durability, and cost effectiveness. This can be achieved through training, including short courses, seminars, mobile classrooms, on-site assistance and a formal certification program.

#### **Recommendations 8.2 (b) - Facilitate the Incorporation of BC Species into Chinese Codes**

In concert with Forintek and university experts, Canada Wood Group should continue to give a high priority to having BC species, lumber grades and sizes, and wood frame standards adopted in Chinese building and fire codes.

#### **Recommendations 8.2 (c) - Work with CFIA to Expedite Pre-export Inspections**

In anticipation of increased shipments to China, the Canada Wood Group should work with the Canadian Food Inspection Agency (CFIA) to ensure that the phytosanitary certification process is as efficient as possible.

The CFIA is responsible for certifying that exports from Canada are pest-free. Despite the rapid expansion of international trade, the certification process has not caught up to the demands of global commerce.

#### **Recommendations 8.2 (d) - Investigate the Merits of an In Market Storage Facility**

The Government of British Columbia and Government of Canada, along with knowledgeable experts in the private sector, should investigate the merits of establishing locations in China where wood products from Canada can be stored at minimal cost to minimize disruptions in the flow of products to Chinese customers.

### 8.3 Technology Transfer

#### **Recommendation 8.3 (a) - Target Demonstration Projects to Potential Growth Areas**

Demonstration projects should be targeted to applications where there is a substantial potential for increased sales of relevant products, and whenever possible those projects should be used as tangible examples in the development of codes and standards, and as real-world teaching aids.

#### **Recommendation 8.3 (b) - Expand Demonstration Projects to Hybrid Designs and Iconic Buildings**

Further development needs to take place outside the promotion of standard wood frame construction in Shanghai. Two types of demonstration projects need to be developed:

- Modifications to building technologies must be introduced by example to more locations within China. For instance, the use of wood trusses in re-roofing projects and the use of wood framing in conjunction with concrete in apartment construction should be undertaken in Shanghai, Beijing, and possibly other Chinese cities.
- Iconic buildings need to be established to create a high profile for British Columbia and by extension its building technology. Two unique opportunities present themselves in the 2008 Olympics in Beijing and the 2010 Expo in Shanghai.

#### **Recommendation 8.3 (c) - Train Chinese Stakeholders on the Use of BC Wood Products**

Using provincial and federal funding, Canada Wood Group should also increase its effort to train Chinese regulators, architects, designers, engineers, developers, and builders in how to properly use BC wood products.

### 8.4 Marketing and Promotion

#### **Recommendation 8.4 (a) - Use Market Research to Regularly Update the Market Development Strategy**

Forestry Innovation Investment (FII) should commission basic market research primarily in the large cities, and to a lesser extent in rural China, to quantify the potential across the range of housing types. The resulting information should be used as the basis for regularly updating the overall market development strategy.

#### **Recommendation 8.4 (b) - Develop Promotion Strategy Based on Target Constituencies**

FII and trade associations should continue to promote wood frame construction at major trade shows and should benchmark the attitudes and opinions of target constituencies.

Based on the findings of such studies, a strategy should be created and responsibilities assigned for promotion to each audience. This effort can begin to ramp up once progress has been achieved in the market access and technology transfer programs.

#### **Recommendation 8.4 (c) - Market Wood Frame Technology as a Holistic System**

North American wood frame technology should be marketed as a holistic system, drawing in the technology and suppliers of not only wood products, but also electrical wiring, plumbing, insulation, and other relevant products. This holistic approach should be supported by technology transfer including sending technical teams to train locals in using BC wood products.

## **8.5 Performance Indicators**

### **Recommendation 8.5 – Develop Clear Performance Indicators**

**Clear performance indicators should continue to be developed for programs as they move forward. Milestones should be established to track the use of structural lumber during the early stages of market entry. Also a system should be designed and implemented to track sales data over the longer term.**

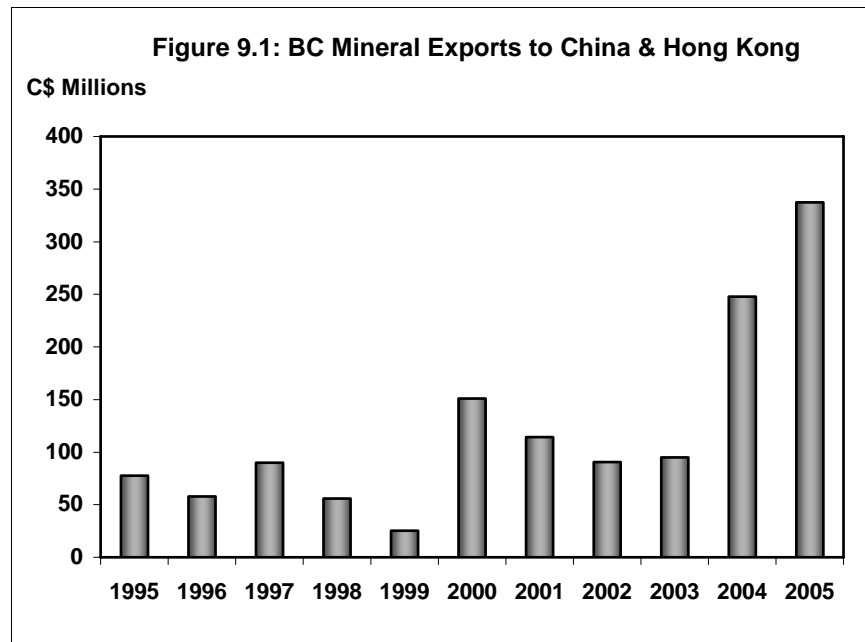
## SECTION 9 MINING/MINERALS

### SITUATION ANALYSIS

#### China Mining Sector Overview

China has become the world's most intensive consumer of metals. It is the largest consumer of copper, coal, zinc, tin and iron ore; the second largest consumer of aluminum and lead; third biggest consumer of nickel; and fourth largest consumer of gold.

China has substantial undeveloped resources of its own especially in manganese, silver, lead, coal and copper and is a major exporter of tin, lead, zinc, magnesium and a host of other metals. Even though domestic production of key minerals has increased sharply in recent years, it still runs a substantial and growing deficit in minerals trade. On a per capita basis, however, consumption of most metallic minerals is still low compared to other countries in its peer group. The president of the China Nonferrous Metal Mining Corp. recently predicted that China will be importing 80% of its alumina, 70% of its copper concentrate, and 57% of its iron ore by 2010.



Source: BC Stats

Expansion of the industry in China has been achieved without significant foreign direct investment, leaving the mining sector lagging behind other sectors in fundamental economic reform. Deregulation has allowed for foreign participation in mining, but few joint-venture deals have progressed beyond exploration and into production. Most foreign players in the market are junior mining companies involved in the risky business of exploration. Many of the international major mining companies have offices in China but few are involved in operating large projects. China's overall geological potential for minerals and energy

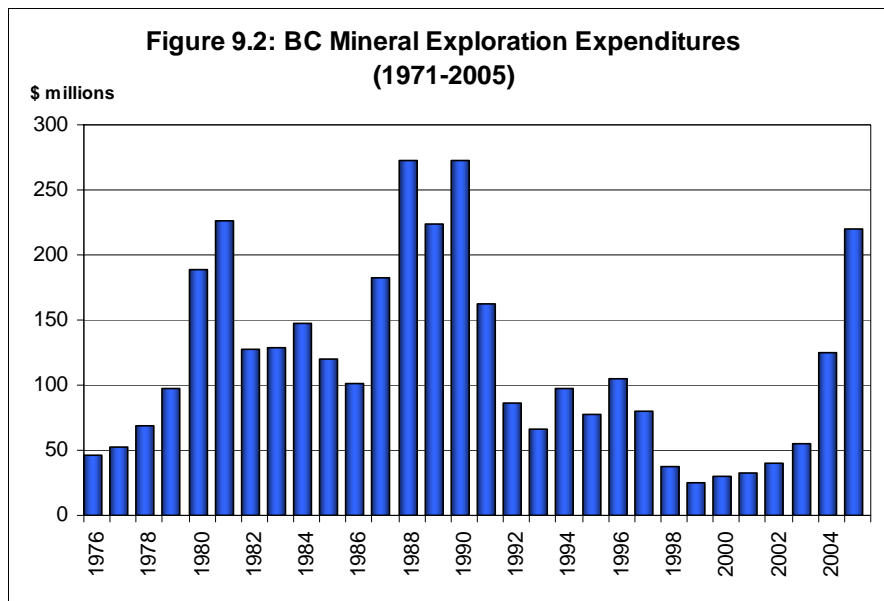


resources can be considered significant but undeveloped due to limited access to geoscience information as well as a difficult regulatory and policy regime. It has the potential to contribute a great deal more to its own resource development.

The Chinese mining industry also struggles with significant environmental and safety challenges. For example, last year 5,938 coal miners were killed, almost 80% of the world's total.

### BC Mining Industry and China

High international market prices and increased investor confidence have created a rebirth of BC's mining sector. Mineral exploration has seen a huge resurgence in interest and investment in the past three years, with expenditures jumping to \$130 million in 2004, and an estimated \$220 million in 2005. BC's share of Canadian exploration investment is also up from a low of 5.7% in 2001 to 11.8% in 2004.



Source: BC Ministry of Energy, Mines and Petroleum Resources

The single most important mineral commodity by value in BC is coal (41% of the total), followed by copper (24%). BC's mineral ores and concentrates exports were \$5.68 billion in 2005 rising 71% over 1995 levels. In 2005, BC coal exports were valued at \$2.98 billion, followed by copper at \$975 million, and aluminum and molybdenum at around \$580 million. BC's mineral ores and concentrates exports to China made up 24.5% of BC's total exports to China in 2005.

The two significant areas of the BC-China mining industry relationship, outbound and inward investment, receive special attention below:

#### Outbound Investment

Although the overall level of Foreign Direct Investment (FDI) in the mining sector in China is relatively low, Canadian mining companies are playing a major role. By the end of 2004,

companies listed on Canadian stock exchanges held interests in almost 100 properties in China. Canadian companies represented 21 of 39 international firms that had exploration budgets for China in 2004 and nine of the top ten Canadian companies in China were BC-based.

Ivanhoe Mines tops the list of exploration budgets in China having spent an estimated \$24.7 million in the five years from 1999-2004. Ivanhoe has joint ventures with a number of Chinese entities to explore for and develop gold, copper, silver, molybdenum and other minerals. It also has a joint venture with Jinshan Gold Mines, the second biggest exploration spender, also from Vancouver. Next on the list is Placer Dome, (about \$9.2 million over the same five year period) and El Dorado Gold and Southwestern Resources Corp. spent (about \$8.7 million each). Mundoro Mining allocated about \$5 million over five years, mostly on its major gold project in Liaoning province, which it is working to bring to the production stage. Beyond just investment, BC mining companies bring the advanced mining technology and best practices in safety and environmental management that are needed to assist China in realizing its full mining potential.

The existing FDI approval process in China has been established to accommodate investment in the manufacturing sector and is ill-suited for the particular risk and project orientation of the mining sector. BC mining companies have encountered long delays in obtaining project approvals, uncertainty in the tenure system, difficulty in obtaining existing geoscience information, a lack of transparency in the application of laws, and an incompatibility between mining regulations and general corporate regulations.

The Chinese government is improving the regulatory environment, albeit rather slowly. This may accelerate as mining regulations are currently being reviewed and revised with changes expected in the next two to three years. Officials from the Chinese Ministry of Land and Resources have been making an effort to learn about mining regulations in other countries. The Chinese government has recently reformed the management structure of its mining industry, passing almost all of the state-owned mining enterprises to the provinces.

### Inbound Investment

The Chinese government's outward investment strategy for state-owned enterprises focuses on securing access to natural resources, including minerals, and technologies to develop key industries. About 50% of Chinese outward FDI to date has been invested in the mineral and energy sectors, but resource-seeking investment in Canada, thus far, has lagged other destinations. Australia, a country with a similar abundance of key minerals, had received a total of A\$1.6 billion (C\$ 1.52 billion) in investment from Chinese resource and mining companies already by 2004.

The first direct investment by a Chinese firm in the mining sector in Canada was announced in August 2005 when BC-based Pinnacle Mines sold a 21% stake in the company for \$2 million to Zijin Mining Group of Fujian province. As a sign of possibilities for the future, the two companies have agreed to work together to advance projects in BC and China, as well as in third countries. Chinese mining firms are notably weak in exploration which presents an opportunity for BC exploration companies to participate in developing projects in China and jointly in third countries.

To facilitate investments from China, BC will need to be more pro-active than it has been in the past. In the 1970s and 1980s, the Japanese trading houses maintained a strong presence in BC that led to investments in the local mining sector. While there is growing interest from Chinese companies in investing in mining projects in Canada, these companies do not generally have an established presence in BC. This means the Province needs to build relationships with target companies in China and assist them with understanding with the investment, regulatory and business climate in the province.

Debate surrounding the recent proposed bid for Noranda by China Minmetals has created some negative perceptions in China around investing in Canada. Business leaders in the mining sector in China may now see Canada as “unwelcoming” to foreign investors, particularly the Chinese. Overcoming this perception will require extra attention and a special effort to make sure that Chinese investors feel comfortable with investing in Canada.

## **GAP ANALYSIS**

In its consultations, the China/Hong Kong Market Advisory Group’s focus group on mining heard that there are three specific areas where the Province could take action:

### **Education**

Chinese government officials are generally interested in other jurisdictions’ experiences with regulating and modernizing their mining industries. Officials are working to familiarize themselves with the operational demands and financial risk structures of international mining companies and British Columbia has much expertise to offer. As Chinese officials develop a deeper understanding of international best practices in mining regulation, financing and operations, prospects in the sector should develop accordingly.

### **Advocacy**

As the Province is responsible for regulating the mining industry, it should take a lead role in opening markets in China. This advocacy would enhance the credibility of BC companies that are pioneering projects in China as well as those in BC that are seeking Chinese investment. There is also an on-going need to build the BC brand in mining in China. The Chinese have a limited awareness of the world class technologies, expertise, and physical and financial infrastructure that BC offers. There are few materials available in English with information on the importance of the mining industry in BC, and even fewer in Chinese.

### **Engagement/Outreach**

Given that the Chinese government still plays a large role in the country’s economy and that the mining sector has not been substantially reformed, the BC government needs to play an increased role as a strategic representative for the mining industry. This will require building relationships with key Chinese industry leaders and government officials, both in China and when they visit Canada. Senior Chinese mining officials and business people travel frequently to BC on mining business or in transit to other locations, providing excellent engagement opportunities.

## RECOMMENDATIONS

Based on the gaps outlined above, the China/Hong Kong Market Advisory Group recommends that the Province:

### 9.1 Education

#### **Recommendation 9.1 (a) – Organize a Focused Mining Education Initiative**

**Organize a focused mining education initiative to assist select Chinese regional governments in efforts to update their mining regulations and procedures and to modernize their mining industry. Educational efforts should be aimed at the provincial level in China, more than at the state level, targeting locations where BC companies are most active.**

In order to reach the largest number of qualified participants, programs could be held in conjunction with conferences or industry trade shows such as the Prospectors and Developers Association of Canada (PDAC) convention in Toronto, the Mineral Exploration Roundup in Vancouver and the China Mining Show in Beijing. The Province should work with the mining industry to develop a list of the optimal regional jurisdictions in China to target. Initially, this initiative should focus on one or two key Chinese provinces, but could be rolled out to others at a later date. The Province should also work to engage the universities and colleges to determine the potential to organize executive education programs for Chinese mining officials.

#### **Recommendation 9.1 (b) – Assist China to Improve Mine Safety & Environmental Protection**

**Consider opportunities, in collaboration with federal agencies, to assist the Chinese government in strengthening its mining-related institutions, particularly in the areas of safety and environmental protection.**

Federal agencies could include Natural Resources Canada (NRCan) and Canadian International Development Agency (CIDA). This work could be modeled after a recent CIDA-funded initiative in Peru where BC assisted the Peruvian Ministry of Mines to improve mine safety, environmental impact and access to mineral rights information. It is further recommended that the Province, together with industry associations, explore the possibility of signing an MOU of cooperation with the Chinese government and Chinese mining associations.

### 9.2 Advocacy

#### **Recommendation 9.2 (a) – Coordinate Communication of the BC Mining Success Story**

**Work with the mining industry and its associations to organize a coordinated program to define and communicate the BC mining success story. The fact that BC has a strong reputation internationally and an interesting story to tell should help in this effort.**

The Government of BC should implement a focused advocacy campaign targeting Chinese officials in an effort to strengthen the profile of the BC mining industry and to make the case for BC mining pioneers in China. The Province should take every opportunity to meet with Chinese mining officials when they are in Canada to make them aware of BC's strengths in mine development, regulation, financing, environmental management and reclamation, and also as a source of mining expertise. The Province should also explore

other options for working with the Chinese government to build institutional capacity such as organizing an exchange of mining officials.

### **Recommendation 9.2 (b) – Support Mining Missions to China**

**The Ministry of Energy, Mines and Petroleum Resources should continue to work closely with NRCan and the Ministry of Economic Development in supporting industry efforts to organize missions to China focused on the mining sector.**

A government-supported mission should promote British Columbia's mining strengths, and especially its related technologies covering mine safety and the environment. BC's mining-related engineering, environmental remediation and finance sectors should also be involved as much as possible. A mission could also help to facilitate communication by providing a forum for bringing together Chinese and Canadian stakeholders. The Government of BC should work closely with its federal counterparts, who are well-positioned to play a critical role in helping to facilitate and organize such a visit.

## **9.3 Engagement / Outreach**

### **Recommendation 9.3 (a) – Undertake a Focused Mining Investment Call Program**

**Develop a list of the top ten Chinese companies in the gold, copper, molybdenum, coal and other minerals areas and undertake formal and focused visits to these targeted companies to promote investment opportunities in the British Columbia mining sector.**

There is potential to attract Chinese mining companies to partner and invest with BC companies to develop new mines in British Columbia, as well as to support the efforts of BC-based exploration, development and environmental management companies and consultants working in China. This initiative could include an exchange program of site visits by industry and government professionals to mining and exploration projects in BC and China.

### **Recommendation 9.3 (b) – Provide Chinese Language Versions of Promotional Materials**

**Work with the mining industry and its associations to provide Chinese language versions of marketing and selected technical documents which will help define and communicate the opportunities for resource-based investment in British Columbia.**

The Government of BC should provide Chinese language marketing documents to strengthen the profile of the BC mining industry and to encourage Chinese participation in BC mining and reclamation opportunities. Mining-related promotional materials translated into Chinese are also critical for advocacy efforts.

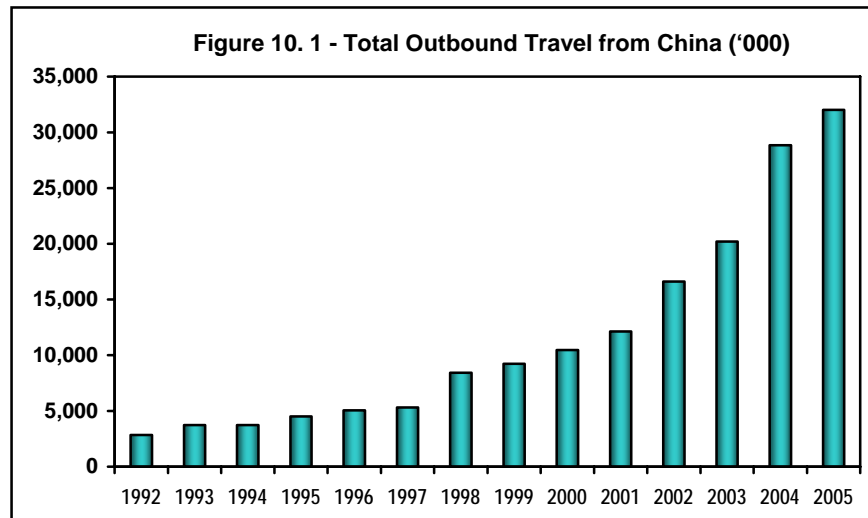
## SECTION 10 TOURISM

### SITUATION ANALYSIS

#### China Tourism Sector Overview

From a modest beginning of 2.8 million travellers in 1992, outbound travel from China has grown significantly, to an estimated 32 million international travellers in 2005. This represents an estimated 21% per year annual growth. In 2005, China was the seventh largest international tourism market. Chinese tourists are among the highest spenders in the world at an averaging \$175 US per day per person when abroad. Spending on shopping in the destination is typically about 30% of the total, among the highest of any market segment.

Looking to the future, the World Tourism Organization predicts that China will become the world's fourth-largest source of outbound tourists by 2020 (behind the United States, Germany, and Japan), with more than 100 million people traveling abroad each year. By 2035, China will likely be the world's largest travel market.



Source: Chinese National Tourist Association (CNTA), 2005

As *The New York Times* reported, “Behind the forecasts of growth in Chinese tourism are China's booming economy and two crucial moves by the government last fall [2004] to placate the growing middle class. Instead of just a restricted pool of residents of Beijing, Shanghai, and Guangzhou, residents of about 100 second-tier cities also were allowed to travel abroad. The government also increased the amount of foreign exchange a person may take out of the country, to \$6,000 from \$2,000.”<sup>36</sup>

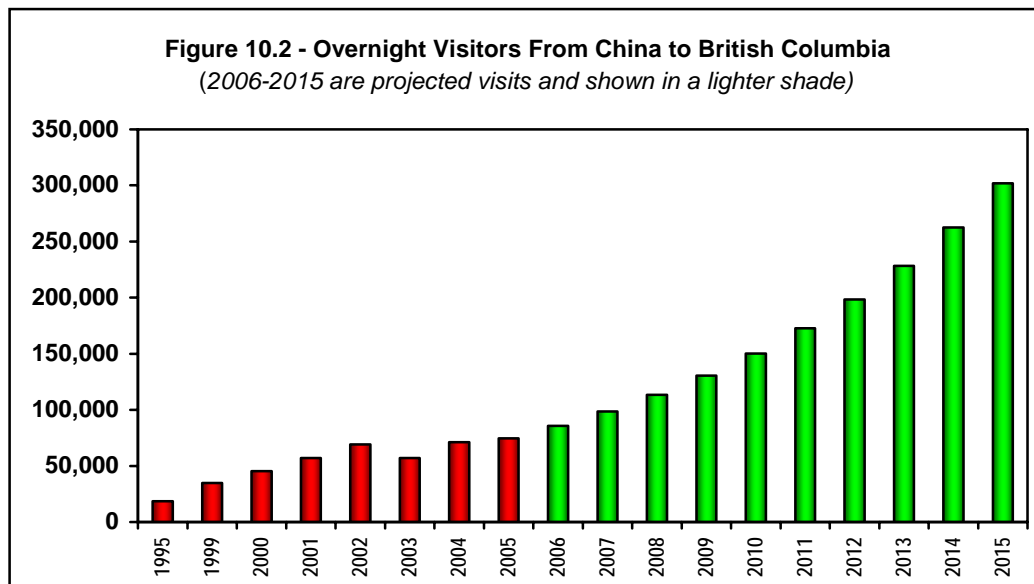
<sup>36</sup> New York Times, “In Pacific, a Red Carpet For China's Rich Tourists”, James Brooke, May 13, 2004.

Other factors in the near term that will act as a catalyst for travel both to and from China include China's recent acceptance into the WTO, the forthcoming Olympics Games in Beijing in 2008, the 2010 World Expo in Shanghai, and the 2010 Olympic and Paralympic Winter Games in Vancouver.

### BC Tourism Sector and China

Canada's share of the Chinese international tourism market is 0.8%, making Canada the 13<sup>th</sup> most popular destination in 2002 (just ahead of France). The combined factors of increasing Chinese affluence and mobility bode well for Canada, with projections for inbound travel growth from China ranging from a modest 13% per year to 21% per year (with Approved Destination Status).

With regard to British Columbia, total overnight Chinese visitation has grown from 18,603 in 1995 to an estimated 74,620 in 2005. British Columbia's share of Chinese visitation to Canada overall has also risen consistently over the same period of time.



Source: Tourism Vancouver, 2005

Despite the rosy scenarios, Canada faces stiff competition from Australia, New Zealand, Europe, the United States, and new destinations such as South Africa, all of which attract the same high-yield segment. In many cases, they promote products very similar to those of Canada. Canada's ability to compete will be predicated on reaching discerning consumers with a strongly differentiated message, and on creating infrastructure both in Canada and in China that will contribute to high quality, profitable itineraries.

There are three key areas that deserve special attention in this situation analysis: (1) access, facilitation, and quality control; (2) relationship-building; and (3) marketing.

### Access, Facilitation, and Quality Control

Clearly, Approved Destination Status (ADS) is required for Canada to become a major player in the Chinese international tourism market. ADS is key to allowing Canada to advertise in China as a tourism destination and a prerequisite before group travel for leisure purposes can take place. Over 70% of leisure outbound travel is by group and to ADS-approved countries, and 81 countries currently have signed ADS agreements with the Chinese government, including major competitors such as Australia. ADS is not required for fully independent travelers (FIT), incentive, business/technical, education, or government travel. Negotiations are currently in progress, although the process is slower than originally anticipated. Industry players are optimistic that negotiations will conclude by fall 2006.

In advance of ADS, it is important to remember that ensuring that the Vancouver International Airport (YVR) is a competitive gateway to North America for the Asia Pacific market is critical to BC's success. The recent air bilateral agreement signed with China has increased capacity with Canada from 15 flights per week to over 46 within a span of four years. A comparable agreement with the US signed prior to Canada's agreement would expand capacity to that country from China from 54 flights per week to 249 over the next 6 years. Clearly, Canada's transportation gateways need to be prepared to welcome Chinese visitors.

Transit from China to the US via Vancouver still requires two visas (one for Canada and one for the US) even if the passenger does not deplane at YVR. Visas will be required for ADS travel and adequate processing capacity will be needed to handle increased demand.

As one of the obligations under ADS, Canada must nominate receptive operators capable of hosting leisure groups booked by tour companies in China. In some cases, the poor quality of commission-based inbound operators has impacted negatively upon BC's appeal. Some destinations (e.g. Australia) have gone to extraordinary lengths to control the quality of the tourists' experiences.

### Relationship Management

It is widely known that building strong relationships (guanxi) among businesses and people is essential for successful business with China. A vibrant tourism sector will require strong, enduring relationships between outbound (Chinese) operators and inbound (Canadian) operators.

As discussed in Section 7.5, Vancouver and a number of other local jurisdictions have sister-city relationship with Chinese cities and British Columbia has a sister province relationship with Guangdong. Vancouver was recently awarded one of 100 Confucius Centres, established in conjunction with the Government of China, to promote cultural awareness and economic exchange. In 2005, Guangdong Province brought a 600 person delegation to British Columbia to celebrate the 10<sup>th</sup> anniversary of the twinning relationship. This followed a visit by the Mayor of Vancouver to Guangzhou earlier in 2005. These are all positive signs of an enduring relationship, which should be leveraged to promote tourism opportunities.



## Marketing

Canada has an array of perceived strengths in the Chinese market, including natural beauty, outstanding scenery, a safe, clean environment, friendly people, and proximity to the United States. Canada is also perceived as one of the best places in the world to live and an excellent place to study.

The Canadian Tourism Commission (CTC) has had an office in Beijing since 2004 and is considering implementing a Canada House office complex in Shanghai which could accommodate representatives of provincial marketing organizations, destination marketing organizations, and commercial partners. The CTC is involved in research to better understand Chinese perceptions of Canadian travel opportunities and to inform its business strategy. The research will aim to determine if Canada is at all differentiated from its competitors and along what dimensions.

## **GAP ANALYSIS**

### **Access, Facilitation and Quality Control**

Obviously, the major gap in long-term growth of Chinese tourism to British Columbia remains the lack of ADS. However, in the near term, there are some other shortcomings that BC should address.

There is a perception among Chinese travelers that Canada's visa process is slow and expensive. There is a high rejection rate for Chinese visa applications for business and leisure travelers. Visas to Canada from China are processed at Shanghai, Beijing, and Hong Kong only. Clearly, making progress in this area will require cooperation with the federal government. This includes increased air capacity from China, especially direct access from Guangzhou, as well as allowing travelers to the US to transit via YVR without requiring a Canadian visa.

On behalf of the tourism industry, the Tourism Industry Association of Canada (TIAC) and the China National Working committee have prepared a draft of the guidelines to accredit Receptive Tour Operator (RTOs) seeking to do business in China. TIAC is the lead agency for drafting guidelines to "accredit" operators in Canada. The bar must be set high to make sure Canada has quality operators and itineraries that meet consumer expectations. Canada is closely following Australia's experience with ADS and the "Honest Travel"<sup>37</sup> campaign in setting Canadian standards. Regulation of tour operators in Canada is a provincial responsibility, and licensing bodies have been created in BC, Ontario, and Quebec.

Another concern related to access and the quality of Chinese visitors' experiences is that airport and customs signage tends to be in English and French only. Welcoming visitors in their own language would clearly make them feel comfortable right away and lead to a positive first impression of BC as a tourism destination.

---

<sup>37</sup> This program between Australia and China was introduced in November 2005. The program is designed to improve the transparency and quality of outbound tour packages and encourage travel agencies to operate within a legal and ethical framework focusing on protection of consumer rights.

### **Relationship Building**

British Columbia should build on existing connections to China, including the host of twinning and other partnership agreements between BC and Chinese jurisdictions. In particular, twinning should assist with profile-raising of British Columbia as a tourism destination and confidence-building among consumers who are not fully aware of the high quality experiences that the province offers.

### **Marketing**

The CTC is grossly outspent in the market by competing travel destinations. For example, Australia's 2005 budget in China and Hong Kong was approximately \$9.8 million versus the CTC budget of about \$0.5 million. Canada cannot advertise in China as a travel destination until it has been granted ADS. Despite this constraint, the CTC and its partners, including Tourism BC (TBC), Tourism Vancouver, Tourism Victoria, and Tourism Whistler are active in a number of areas including trade education, marketplaces and sales missions, new trade and consumer publications, travel media relations, etc.

## **RECOMMENDATIONS**

Based on the situation and gap analysis above, the China/Hong Kong Market Advisory Group recommends that the Province undertake the following steps in the three areas:

### **10.1 Access, Facilitation and Quality Control**

#### **Recommendation 10.1 (a) – Support Negotiation Process for Approved Destination Status**

**Work with the federal government (in conjunction with other provinces and tourism organizations) to expedite the negotiation process for securing Approved Destination Status and offer support to help resolve issues that relate to British Columbia in the process.**

In the interim there are significant opportunities for the Canadian tourism industry to better understand how to do business in China. These includes understanding the dynamics of the long-haul outbound traveler, developing strong relationships with travel trade partners in China, testing itineraries and products that may be of interest to the Chinese traveler, and developing a deeper understanding for the culture and motivations that may influence Chinese travel abroad. There are also a number of market segments that can be pursued irrespective of ADS, including the business/government, incentive, and FIT segments.

#### **Recommendation 10.1 (b) – Maximize Services under the Air Bilateral Agreement with China**

**Cooperate, through the BC Ministry of Tourism, Sport and the Arts (MTSA), with the federal government to ensure that increased service under the new air bilateral agreement with China is maximized. This should include adding China to the list of countries that can transit to the US via YVR without requiring a Canadian visa.**

MTSA and/or Ministry of Economic Development (ECDV) should also work with federal government to ensure Chinese citizens have access to a competitive visa application process.

This should include establishing a visa processing centre at the Canadian Consulate General in Guangzhou.

#### **Recommendation 10.1 (c) – Examine Licensing of Tour Operators and Sightseeing**

##### **Companies**

**The Province, through the Ministry of Economic Development, and/or the Ministry of Tourism, Sport and the Arts, should review current legislation to determine whether adequate measures exist to increase the professionalism of BC-based tour operators and sightseeing companies.**

This should include investigating models from other jurisdictions (e.g. Quebec and Ontario) to see how they increase professionalism in the industry. The Ministry should also determine what recourse the consumer has in the event of non-compliance or fraudulent behaviour and whether there is a role for a Travel Registrar, or advocate similar to what is in place in Ontario.

#### **Recommendation 10.1 (d) – Support Programs to Welcome Visitors**

**Collaborate with partners to welcome Chinese visitors in their own language.**

The Government of BC should work with YVR and Canada Border Services Agency (CBSA) to address gaps in signage and interpretation during the times that flights are arriving from China and Hong Kong. Specifically, M TSA and/or ECDV should liaise with both CBSA and CIC to develop an ongoing program that contributes to the welcome visitors receive when they come to British Columbia. The Province might also consider tax incentives to businesses investing in “Chinese language readiness” programs. Eligible costs would include translation and printing of menus, information kits, telephone instructions, signage, etc.

## **10.2 Relationship Management**

#### **Recommendation 10.2 (a) – Support CTC in Holding Biannual Conference**

**Encourage, in conjunction with other interested parties, the Canadian Tourism Commission (CTC) to hold a biannual conference on China/Canada tourism.**

Locations of the summit would alternate between the two countries, with the first being hosted by Vancouver in early 2007. This could be modeled after the Japan/Canada series of conferences on tourism which recently held their 10<sup>th</sup> forum.

#### **Recommendation 10.2 (b) – Organize a Focused Delegation to Guangdong in 2006**

**Reciprocate Guangzhou’s interest in BC with a business delegation to Guangdong Province that includes tourism. This would also be an opportunity to lobby for direct air connections from Guangzhou.**

#### **Recommendation 10.2 (c) – Support Olympic Related Visits and Exchanges**

**Support city visits and exchanges that are specifically focused on Olympic opportunities.**

### 10.3 Marketing and Promotion

#### Recommendation 10.3 – Support CTC’s Efforts in Securing Marketing Funding

**Support the CTC’s efforts in securing incremental and performance-based federal funding to ensure Canada can compete in the extremely competitive Chinese market. In addition, incremental financial support for BC’s existing tourism marketing efforts for China should be made available to ensure Tourism BC and its iconic destinations maximize market share of Chinese visits to Canada.**

Funding could be used to enhance the following initiatives :

- In-market presence through participation in the CTC’s “Canada House” complex.
- Investment in the CTC’s Canada brand building program.
- Expanded trade and travel media relations activities.
- New direct-to-consumer and online marketing activities inclusive of a website customized for the Chinese consumer.
- Once Receptive Tour Operator (RTO) accreditation program is in place, work with newly accredited RTOs, BC partners and product providers, and approved Chinese travel organizations to develop effective group travel itineraries of export ready products that match Chinese consumer interests.
- Develop new market readiness programs to educate the BC tourism industry on how to service the needs of the Chinese traveler.
- Consider cross-marketing through strategic relationships with other sectors and non-traditional partners that are introducing BC products into China. An example is the education sector.
- Capitalize on China’s interest in the Olympics by supporting trade delegations and media that are interested in 2010 and 2008/2010 opportunities for cross-promotion and learning.
- Continue to seek ways to work with the tourism industry in BC and the rest of Canada to leverage equity in the Olympic brand and the 2010 Winter Games.
- Consider a strategic partnership with the BC Film Commission whereby BC settings and sets for popular movies and television programs from China are promoted.
- Through Tourism BC (TBC) and the CTC, support an ongoing comprehensive research program in China (and specifically in Beijing, Shanghai and Guangzhou) that provides a relevant basis for differentiating and communicating messages about Canadian experiences.

## SECTION 11 INTERNATIONAL EDUCATION

### SITUATION ANALYSIS

#### China Education Sector Overview

As might be expected, the markets for education and training services in Hong Kong and China are quite distinct. Hong Kong, with a population of just under 7 million, can best be described as a mature and stable market. Competition from offshore schools, colleges and universities is stiff and the domestic education and training system is extensive and generally of good quality. As a consequence, BC's public and private sector education exporters find that market entry costs are high.

In contrast, the mainland China market is dynamic and characterized by rapid growth in all aspects of post-secondary training and education. Enrolments in universities and colleges have expanded to almost 15 million people annually, with about 19% of school leavers now pursuing post-secondary education. Post-secondary enrolments are expected to continue to rise as the central government increasingly encourages vocational and technical training to meet skill shortages and manage societal challenges stemming from rapid rural-urban migration and uneven income distribution.

#### BC Education Sector and China

Each year, British Columbia's public and private education sectors enroll about 44,000 foreign students in programs of six months or more in duration and some 100,000 foreign students in shorter periods of study. With about 29% of the national total, BC is Canada's second most popular destination (after Ontario) for overseas students holding student visas. Obviously, this level of international education activity brings substantial economic advantages -- estimated at over \$2 billion for British Columbia. A significant proportion of this total is derived from BC's international education trade with China and, to a much lesser extent, Hong Kong.

From the late 1990s through to the early part of this decade, large numbers of students from China have come to study in BC. This flow peaked in 2002 when about 11,000 new student visas were issued, and fell to about 6,000 in 2005. Clearly, market conditions present challenges: the expansion of English as a Second Language (ESL) training in China; wider availability of university places in that country; price resistance; and increasingly stiff competition from jurisdictions such as the United Kingdom, Australia, New Zealand, Ontario and Quebec.

Both public and private sector education and training organizations are active in offering a full range of services to Chinese clients, both here in BC and in China. BC's public and private sector education providers have been actively developing joint ventures which meet the growing demands in mainland China for K-12 and post-secondary education and workplace training programs delivered in cooperation with offshore agencies. School

districts, for example, are offering ESL and secondary school programs through their arms-length corporations.

While there has been a decline in Chinese interest in ESL training here in BC, the province's private and public post-secondary sectors are providing vocational and technical training, undergraduate and post-graduate education, and, increasingly, executive training and development. In addition, BC's Ministry of Education is offering quality assurance services to a growing number of private K-12 schools in China. Finally, many post-secondary institutions are now beginning to penetrate the China and Hong Kong markets through the use of distance delivery technologies and in-China programs. However, it should be noted that both a majority of the private sector and many of the smaller public sector players have found the cost of entry into the market in China to be high and therefore have limited involvement.

In sum, every year BC's education system trains thousands of Chinese nationals, giving them exposure to the province's economy and culture, and creating environments in which personal relationships are developed. Many of these students will become China's government, business, and institutional leaders in the future. Clearly, these relationships could well be leveraged to the benefit of the full BC-China trade and investment relationship if an integrated strategy is developed.

## **GAP ANALYSIS**

Through its consultations, the China/Hong Kong Market Advisory Group's focus group on international education has identified six major gaps in BC's performance. These are detailed below and ways to close each of them are proposed in the recommendations section.

### **Lack of a Coordinated Government Presence**

As described in Section 3, in the past, the Government of British Columbia has operated investment and trade offices in Asia, such as those in Taiwan and Japan that assisted with the marketing of British Columbia education product and services. In recent years, however, it has assumed a limited role in overseas support for trade and investment of any kind – and especially of the education export trade.

BC's competitors have established a wide range of market development and support services for their education export sectors, including: posting lists of approved institutions on government websites; providing assistance through trade and education offices located in key markets in China, such as market analysis; operating market development grant schemes; assisting with foreign exchange issues; and helping potential students with immigration and work permit processing. For example, Ontario has recently financed the development of an "Ontario Pavilion" for use at education trade fairs throughout Asia.

In short, BC's competitors have developed a coherent and coordinated approach to the Chinese market for education and training. In contrast, BC presents a confused and confusing image and lacks the legitimacy that flows from government involvement in the provision of support to BC education exporters in the China market. Against this

competitive backdrop, British Columbia faces the prospect of losing market share and forfeiting the inroads already made into China and Hong Kong.

China is a market where government approval is required for the vast majority of activities – from receiving permission to study abroad, to establishing joint partnerships, to gaining employer recognition for a training program. Without strong official backing, BC’s education institutions are frequently viewed with suspicion by individuals and agencies when first approached. This means that BC’s education exporters must put much more effort into establishing bona fides before they are taken seriously, effort that would be better expended on increasing market share.

### **Modest Relationship-Building Capacity**

As in other sectors, joint ventures are only possible because of the strong personal relationships that the education exporters have developed with their Chinese counterparts. These partnerships almost always require the imprimatur of the relevant local, regional, or central government officials. Little new business can be generated in China without first establishing personal relationships built on trust and shared understandings. Indeed, in China “know who” can be as important as “know how” for investment and trade purposes.

The impact of a permanent long-term government presence can be dramatically reinforced through personal relationship-building in the China market. While visits of politicians and senior government officials to China have increased in recent years, there is little question that the number of such visits is insufficient. Indeed, in contrast to many of BC’s competitors, there is a lack of a government focus on the development of a planned approach to relationship-building with those target regions in China that show particular promise for education export.

When BC officials do travel to China, they tend to focus solely on their own areas of responsibility and are not briefed to enable them to promote all of BC’s trade sectors – including education. Likewise, when delegations from China visit British Columbia, government officials and politicians often have limited ability to respond. The lack of attention to substance and to protocol sometimes causes unintentional slights that, unfortunately, have negative outcomes in terms of long-term relationship-building with decision-makers in China.

### **Weak Brand Image**

The modest institutional presence and people-to-people relationship-building capacity is also hampered by an unclear image of exactly what BC is selling in the educational services sector. While Canada is well known in China and there is strong brand recognition of Vancouver and Toronto, British Columbia is virtually unknown. In the education export field in particular, the Province lacks a clear brand, in contrast to BC’s major competitors. This might be addressed through a well-coordinated Canada-wide initiative. However, obtaining the agreement of all the provinces to engage in a joint branding effort for education and training exports would be too time consuming and could well fail.

### **Inadequate Quality Assurance**

Even if the above barriers are overcome and “sales” are made in educational services, there are “after sales” issues that could negatively impact the entire sector. Public post-secondary education and training organizations in British Columbia have established and well-functioning quality assurance systems in place. Similarly, many of the province’s private sector trainers are subject to the quality assurance mechanisms of the Private Colleges and Training Institutes Agency (PCTIA) and some private sector ESL schools belong to industry organizations that have self-regulated systems in place. However, with the deregulation of the ESL private sector a number of years ago, many of BC’s ESL schools and colleges are not subject to any form of quality assurance mechanism.

Unfortunately, in recent years a number of private institutions in BC offering services to Chinese clients have closed their doors, or provided poor quality instruction and non-academic social and cultural experiences. This has caused a loss of confidence in BC’s entire education system among many parents of potential students in China and has raised questions in the minds of Chinese government officials about the advisability of permitting students to take up studies in BC.

### **Slow Student Visa and Work Permit Processing**

BC must face up to a broad challenge, not totally within the Province’s control, that affects both before-sales prospects and after-sales impact of educational services. As discussed elsewhere in this report, Citizenship and Immigration Canada’s (CIC) processing of student visa applications from China is slow and the federal department frequently fails to meet its own deadlines. In addition, CIC’s decisions often appear arbitrary to both prospective Chinese students and to BC’s education providers.

In addition to challenges with the processing of student visas in China, CIC does not make it easy for students from China or Hong Kong to stay in the province after graduation. Work permits can be obtained but their processing is slow, which often results in the candidate having to leave BC for a job in another country. Moreover, CIC’s regulations require Chinese nationals wishing to work in BC for two years to obtain employment outside the Lower Mainland. Finally, conversion from work permit to permanent resident status is often slow, and requires Chinese nationals to apply outside the country. At a time when the BC economy suffers from a shortage of skilled workers and the province is developing investment and trade links with China, it makes little sense to constrain qualified people with personal ties to China from working anywhere in the province for whatever length of time they may wish.

### **Insufficient China Experience Among BC’s Students**

The success of BC’s educational export industry will depend not only on meeting client expectations with high quality programs at competitive prices, but also on BC’s own Asia Pacific “literacy,” and for the purposes of this report, the China experience of BC’s students. At the moment, very few BC students have the option to travel to China to study or to take up cooperative education work placements. Clearly, there is no substitute for the direct experience of “being there” to fully appreciate the rise of China and the role that BC can play in its transformation of the global economy. While English is rapidly becoming the



lingua franca of business and trade with China, an ability to conduct business or personal interactions in Mandarin confers significant advantages in building relationships.

## **RECOMMENDATIONS**

The following recommendations present a range of options that will enable the Provincial Government to make strategic contributions to building on the firm foundation laid by the education export sector. The China/Hong Kong Market Advisory Group recommends that the Province:

### **Recommendation 11.1 – Integrate Education into BC’s Presence in China**

**Integrate education into the BC Government’s trade and investment promotion activities in China.**

Through cross-sectoral coordination between education and other sectors, trade synergies can be developed and BC’s brand image enhanced by the presence of a cluster of trade and investment activities.

The BC Government should explore ways to assist the education export sector to coordinate its activities in order to better compete in China with Australia, the United Kingdom, New Zealand, Ontario, and Quebec. One option is to create an “Education BC” organization whose functions are modeled on those of Tourism BC.

The BC Government should work with the education export sector to develop ways of providing market analysis, and market development advice and grants aimed at the Chinese market.

### **Recommendation 11.2 - Develop an Enhanced Relationship-building Capacity for Education**

**The Government of British Columbia should plan to significantly increase the number of visits made each year by politicians and senior officials to China in support of BC’s trade, tourism, and education export efforts. To assist with these efforts, both the proposed in-market operation (Section 5.1) and the “China Unit” (Section 6.2) should be engaged.**

In order to build more export opportunities with China, the provincial and local governments should ensure that municipal and provincial representatives traveling to China or meeting Chinese delegations in BC are briefed on all trade sectors – including education – and that they are encouraged to promote appropriate opportunities to their Chinese contacts.

### **Recommendation 11.3 - Develop a Clear and Compelling “BC Brand”**

**The Government of British Columbia should work with stakeholder groups to develop a distinctive brand image, using the umbrella image of “Canada” and building on the opportunities presented by the 2010 Olympics. All public and private sector education exporters should be encouraged to use this BC Brand.**

**Recommendation 11.4 – Establish a Recognized Quality Assurance Designation**

**BC’s brand image could be reinforced through a quality assurance designation. The Government of British Columbia and the public and private post-secondary sectors should cooperate in the development of a government sanctioned quality assurance program.**

An Education Quality Assurance (EQA) system would create confidence in the marketplace that designated institutions deliver high quality education and training and non-academic programs to their students. The EQA system would have a government-sanctioned audit system and EQA designated institutions would be listed on a government website.

The Provincial Government should also consider re-regulating the private ESL sector.

**Recommendation 11.5 - Collaborate on Improving Visa Processing**

**The Government of British Columbia should negotiate improvements with the federal government in student visa processing aimed at increasing the speed of processing and the approval rate of students applying from China.**

This could involve encouraging CIC to expand its services, having the proposed BC in-market operation in China provide pre-screening for visa applicants, or providing students applying to EQA-designated institutions with expedited treatment.

For citizens of China and elsewhere, the provincial government should negotiate with the federal government improvements to the work permit approval process and to the process for converting from work permit to permanent resident status.

Improvements to the visa process are possible. For example, graduates from K-12 schools in China that work with the BC’s Ministry of Education have almost a 100% approval rate, and get their visas in sufficient time for them to receive the necessary travel approvals from their government.

**Recommendation 11.6 - Enhance BC Students’ China Exposure and Language Capability**

**Post-secondary institutions, in concert with the Government of British Columbia, should significantly increase study abroad opportunities, aimed at having more BC students take courses, such as language and cultural training, and cooperative education placements in China.**

The BC Government should increase its promotion of Mandarin as an important language option for Dogwood graduation and ensure that the language is taught in most schools in the Province.

In order to build awareness of the importance of international relations in the context of a global economy, government, schools, and post-secondary institutions should cooperate to promote the internationalization of curriculum.

## SECTION 12 ENVIRONMENTAL TECHNOLOGIES

### SITUATION ANALYSIS

#### China Environmental Sector Overview

As a result of its rapid economic expansion, China faces serious environmental challenges, including chronic shortages of water and electricity; massive floods; severe erosion; excessive levels of pollution; and one of the highest rates of desertification in the world. China is the world's second largest emitter of greenhouse gases, and its air pollution and sandstorms reach across the Pacific Ocean to impact western Canada. The World Bank has estimated that air and water pollution cost the Chinese economy up to 8 percent of GDP. Of the 20 most polluted cities in the world identified by the Bank in 2001, 16 are in China. Acid rain now falls over 30% of China's landmass. Currently only 30% urbanized, the expansion of its cities will make China the most rapidly growing environmental products market in the Asia Pacific.

Until recently, China was perceived to have little interest in environmental issues, but policies have changed significantly in the last several years. In 2004, China introduced a system to measure "green GDP," prompting more open discussion of environmental challenges. Total investment in environmental protection has risen from 0.5% of GDP in 1998 to 1.4% in 2003, and is expected to expand above 1.5%. The number of environmental research and development (R&D) projects increased fivefold in the same period. Estimates of the total size of China's annual environmental market vary from to US\$19 billion in 2010<sup>38</sup> to US\$ 27 billion in 2005.<sup>39</sup>

#### BC Environmental Sector and China

The B.C. environmental industry includes over 1,300 companies with revenues close to \$2 billion. The main sub-sectors of the industry are outlined in the table below.

**Table 12.1 B.C. Environment Industry by Sub-sector**

Sub-sectors	BC 2002 Revenues (\$ million)
Solid & hazardous waste disposal, land reclamation, recycling etc.	1,131.3
Environmental construction	326.7
Consulting services	228.3
Water and wastewater goods and services	94.4
Renewable energy – goods and services	81.4
Air pollution and noise control – goods and services	35.7
Analytic goods	30.7
<b>TOTAL</b>	<b>1,928.6</b>

<sup>38</sup> Aegis Management Consulting Group study for Industry Canada.

<sup>39</sup> Team Canada Inc. publication.

The largest sub-sectors - environmental construction, recycling, and solid waste management – account for two-thirds of the industry’s revenues, but are not export focused. The export-oriented sub-sector reported revenues of around \$600 million in 2002 and \$175 million in export sales, giving an indication of its relatively small size. This sub-sector consists of two very distinct, but interdependent, areas:

- A predominantly high technology component (“technology component”), comprised mainly of small, young (less than five years old) B.C. firms producing goods and services in a growing and evolving industry. This component is highly fragmented and serves diverse clients, accounting for about two-thirds of the export-oriented sector.
- An environment-related consulting engineering, R&D and related services component (“engineering services component”), which accounts for the remaining one third of the sector. This is a highly cyclical industry, where the largest firms are foreign owned and controlled.

While the industry remains small, at a broad level, there are strong indicators that BC has the capability to compete in the provision of services for the China environmental market:

- The experience of a number of BC high technology firms shows that small firms can rapidly become much larger, and world leaders in their niches with the right combination of technology, financing, and markets.
- Domestic concern about climate change is leading to the creation of new “green” industries, largely funded by the federal government. The emerging industries will serve both domestic and international markets at the same time, based on successful demonstration of integrated solutions to environmental challenges.
- Work by the fuel cell industry, and more recent work underway by the Premier’s Task Force on Alternative Energy and Power Technology, outline in detail a strategy for BC to establish world prominence in specific environmental industry niches.
- Recent announcements by the federal and BC governments suggest a high degree of agreement between the two senior levels of government on both the environmental industry and trade relations with Asia Pacific.

Canadian International Development Agency (CIDA) projects overseas have provided key opportunities for BC’s environmental consulting services. International financial institutions (IFIs), notably the World Bank in Washington DC and the Asian Development Bank (ADB) in Manila, have also been important clients. Canadian companies have generally been very successful in winning consulting contracts from IFIs (e.g., obtaining about 7% of such contracts from the ADB, compared to Canada contributing less than 5% of the Bank’s capital), but have been less fortunate in winning major construction contracts.

An Aegis Management Consulting report for Industry Canada suggests that Canadian companies have their best opportunities in developing countries, including China in the areas of:

- Water and wastewater treatment
- Waste management

- Air pollution control
- Environmental monitoring and instrumentation
- Clean technologies
- Renewable energy
- Environmental consulting

Additional opportunities in Hong Kong were identified in:

- Solid waste management
- Potable water supply
- Wastewater improvement

## **GAP ANALYSIS**

### **Focus on Local/Traditional Export Markets**

A concern enunciated earlier in this report, that BC companies are focusing on markets close to home at the expense of longer-term opportunities in the Asia Pacific, is reflected in the environmental industry. Approximately 100 BC firms export environmental goods and services. The largest markets for BC environmental products are (in order): the United States, Europe, and South America. The Asia Pacific accounts for only 10-15% of BC's environmental exports (\$23 million in 2000). Fewer than 50 B.C. firms exported to Asia Pacific during 2002 and of these, 37 had fewer than 50 employees.

The current strength of the BC and Alberta economies means that many BC environment companies are at capacity. In addition, there is a growing demand in the U.S., where Canadian firms have a good track record. The robust North American market provides a disincentive to BC companies to look to China and other Asian markets. The anticipated strength of local markets between now and the 2010 Olympics is likely to absorb much or all of the attention of many firms.

### **Mismatch between BC Companies and Chinese Projects**

Many projects in China, particularly infrastructure projects, are enormous by Canadian standards. There is a growing demand for turnkey solutions, often including financing and operating, that require less effort by clients to integrate individual components of large projects. Even on non-infrastructure projects, there is a growing emphasis on integrated, customized solutions, rather than sales of single products.

There is, therefore, a fundamental mismatch between the typically small, single product companies that typify the BC environmental industry and the major, integrated projects that increasingly characterize the Chinese environmental markets. In approaching business opportunities in China, many small BC environmental companies lack the three following assets: market knowledge as well as understanding of the culture, languages, business customs, legal system and intellectual property protection; business working capital required for prospecting; and skills to manage foreign exchange and other trade risks.

The challenge for the BC industry is to create a sustainable business with China and overcome the “one off” sales syndrome. Given the small size of firms in the industry, initiatives to coordinate and focus activities are crucial to improving the industry performance. Three types of activities are currently underway:

- **Trade associations:** These open membership organizations can be very effective in addressing common interests, such as business climate, government policy and regulation, education and training, and public awareness; however, they are less effective in direct marketing activities.
- **Clusters:** These are networked organizations, where groups of firms in an industry, together with supporting organizations in government, academia, financing and other interests, come together to create an on-going capacity to compete effectively in domestic and international markets.
- **Marketing consortia:** These groupings typically self select their membership with the explicit objective of working to jointly penetrate one or more markets that individual firms cannot cost effectively enter by themselves.

## RECOMMENDATIONS

The section offers two sets of recommendations: the first type being general ones applicable to other industry sectors and/or geographic markets (12.1 -12.2), and the second being recommendations specific to the environmental sector and the China market (12.3 -12.5).

The China/Hong Kong Market Advisory Group recommends that the Province:

### **Recommendation 12.1 – Support Programs to Increase Market Awareness**

**Support programs for the environmental industry firms to increase their awareness about business in China and in other Asian markets. Topics should include language, cultural elements, business linkages, market opportunities and key issues in intellectual property strategies.**

These programs will encourage firms to consider new markets in China and the Asia Pacific region. They should be delivered in partnership with the federal government, universities, colleges, and other agencies with existing delivery mechanisms. The programs should also focus on providing information on how to do business with China, how to form/join an alliance, and how to become total solutions providers in technology, systems/processes integration, services and training.

The government of Quebec, for example, takes care to document all international linkages of its broader public sector, including universities and municipalities. In addition, a way of capturing evergreen information about linkages of non-governmental organizations (NGOs), industry associations, and BC firms engaged in Asia Pacific should be developed.

**Recommendation 12.2 – Implement Recommendations of the PTF Vision Document**

**Implement the recommendations of the Vision document of the Premier’s Task Force (PTF) on Alternate Energy and Power Technologies with regard to commercialization and innovation in the five sectors considered by the PTF (smart grid solutions; remote power solutions; large scale green power production; sustainable urban practices; and smart urban transportation).**

This would provide a significant platform for growth of the environmental and power technology sector in the province and for expanding international marketing capabilities.

**Recommendation 12.3 – Support Formation of Marketing Alliances**

**Provide additional support for the formation and activities of consortia and marketing alliances to penetrate Chinese markets. Such alliances and consortia should build on the province’s traditional sector strengths. Where possible, alliance initiatives should leverage the resources of the federal government, particularly Western Economic Diversification Canada.**

An assessment of consortia under development should be made to see if BC has all the resources necessary to offer integrated solutions in niche areas. If this is not the case, including firms from elsewhere in Canada, or from Washington State or Oregon, might be considered.

BC’s efforts must be focused geographically, by type of client, on a limited number of integrated technologies and on opportunities that are “under the radar” of the large multinationals. Furthermore, they should also build on the province’s strong reputation in the resource sectors. For example, linking with mining and/or forest products initiatives could not only assist the resource sector in providing integrated solutions (i.e., bringing together mining expertise with safety and environmental protection and remediation technologies), but also provide a needed market entry for smaller environment consortia.

**Recommendation 12.4 – Link the Environmental Sector to Promotion of Other Sectors**

**Link the environmental sector to the promotion of other sectors such as forest products, mineral and mining. For example, the Province should encourage Forestry Innovation Investment (FII) to work with the environmental sector to ensure that future wood products demonstration projects in China include a variety of technologies to showcase BC’s sustainable housing capabilities. Technologies to be considered could include water use, energy and home heating.**

As part of BC Government missions in support of resource sectors, linkages should be made to the environmental industry through profiling alliances and/or clusters of companies. Consideration should also be given to using a future mission to China to leverage the Province’s unique relationship with Guangdong Province to open new doors for the environmental sector in South China.

**Recommendation 12.5 – Leverage Environmental Image in Developing “BC Brand”**

**Leverage the image of the environmental sector when developing a “brand” for marketing BC internationally for economic development, tourism, and other purposes.**

The environmental sector delivers the image of BC as clean, green and sustainable. This image is valuable to BC in business, investment and tourism promotion. Branding should, at minimum, be compatible with positioning BC as strong in environmental sustainability, and, ideally, make explicit the Province's commitment to environmental leadership.



## SECTION 13 CONCLUSION AND NEXT STEPS

British Columbia is well positioned to benefit from Canada's renewed focus on the Asia Pacific. The province's combination of economic strength, cultural diversity, geographic location and educational levels place the province at the crossroads for North American commercial engagement with the Asia Pacific. In order to move forward, British Columbia must be prepared to develop and implement the right policies and tools. Specifically, it must be prepared to establish the linkages, platform and programs required to effectively engage with partners in China and Hong Kong. The elements of this "framework" are outlined in this report. With the right framework in place, the Province will be better positioned to support specific market development initiatives in key sectors for China and Hong Kong, such as education, tourism, minerals, forest products and environmental technologies.

The China/Hong Kong Market Advisory Group reiterates its thanks to all participants in our research and consultation process. We look forward to the Province's early and full consideration of these recommendations, confident that they will make a substantive contribution to BC's commercial relationship with China and Hong Kong.

The China/Hong Kong Market Advisory Group also hopes that these recommendations will help to inform the deliberations of the other Market Advisory Groups under the Asia Pacific Trade Council. Together, these reports will help to support an integrated strategy which will assure British Columbia a leadership role in the Pacific Century.

# *Appendices*



# *Appendix A Asia Pacific Trade Council – Members and Advisory Group*

---

## **Asia Pacific Trade Council**

### **Chair**

**Arthur Hara, O.C., LL.D.**

### **Vice-Chairs**

**Arvinder Bubber**  
A.S. Bubber and Associates  
Chartered Accountants

**Carol Lee**  
President and CEO  
Linacare Laboratories Inc.

### **Members:**

**Charles Kim**  
President  
Trans-Pac Fibre Inc.

**Andrew Saxton Jr.**  
CEO  
King George Financial Corporation

**Eva Lee Kwok**  
President  
Amara International Investment Corp.

**Jim Shepherd**  
President & CEO  
Canfor Corporation

**Brandt Louie**  
President  
H.Y. Louie

**Norman Stark**  
President  
Terminal Systems Inc.

**Pitman Potter**  
Professor of Law and Director  
Institute of Asian Research  
University of British Columbia

**Grace Wong**  
Assistant Dean, International Programs  
Sauder School of Business  
University of British Columbia

### **Ex-Officio Members**

**Hon. Colin Hansen**  
Minister  
Ministry of Economic Development and  
Ministry Responsible for the  
Asia Pacific Initiative and the Olympics

**Richard T. Lee**  
M.L.A.  
Parliamentary Secretary for the  
Asia Pacific Initiative

## China/Hong Kong Market Advisory Group

### Chair

**Gordon Chu**

Senior Policy Advisor  
Vancouver International Airport Authority

### Members:

**David Choi**

President & CEO  
Royal Pacific Real Estate Group

**Alban Lo**

General Manager  
Trade Finance, Western Canada  
Scotiabank

**Earl Drake**

Adjunct Professor  
Simon Fraser University

**Stephen Pearce**

Vice President  
Tourism Vancouver

**Johnny Fong**

President  
International Sources Ltd.

**Wei Shao**

Blake, Cassels & Graydon LLP

**Rick Franko**

Vice President  
West Fraser Sales Ltd.

**Patrick Wong**

Wong, Robinson & Co.  
Chartered Accountants

**David Koo**

Executive Director  
Valles Steamship (Canada) Ltd.

**Bennie Yung**

Tung Fung Enterprises Inc.

**Ken Kwan**

Chairman  
S.U.C.C.E.S.S.

### Special Advisor

**Fumikazu Matsuura**

President & CEO  
Mitsubishi Canada Ltd.

## **Asia Pacific Trade Council Secretariat**

**Kevin Regan**, Executive Director

**Paul Kan**, Senior Advisor

**Leonel Roldan-Flores**, Senior Advisor

**Leslie Wada**, Project Advisor

**Michael Nicholas**, Project Advisor

**Edwina Ramirez**, Administrative Coordinator

### **Special Support**

**Louanne Wong**, Business Analyst, TSI Terminal Systems Inc.

**Kenny Zhang**, Senior Research Analyst, Asia Pacific Foundation of Canada



# *Appendix B List of Individuals Consulted*

---

## **Acknowledgments**

The China/Hong Kong Market Advisory Group wishes to thank the many people whose assistance enabled it to achieve its goals and produce this report.

## **General**

### ***Government Contacts (non-BC)***

**Robert Wright**, Ambassador of Canada to China  
**Ken Lewis**, Minister Counsellor (Commercial), Canadian Embassy Beijing  
**Robert MacKenzie**, Consul General, Shanghai  
**Tim Coughlin**, Consul General, Guangzhou  
**Gerry Campbell**, Consul General, Hong Kong  
**L. Philippe Rheault**, Consul, Chongqing  
**Bill Johnston**, Director, International Trade Canada  
**Gretchen Bozak**, Deputy Director & Trade Commissioner, International Trade Canada  
**Joshua Hodgson**, Trade Commissioner, International Trade Canada  
**Chunyan Tian**, Consul General, PRC Consulate, Vancouver  
**Bassanio So**, Director, Hong Kong Economic & Trade Office  
**Dave Corbett**, Executive Director, International Trade Operations, Alberta Economic Development  
**Kevin Lamb**, Post Manager & Honorary Consul, Australian Trade Commission  
**Larry Williams**, Assistant Director, International Trade, Washington State Department of Community, Trade & Economic Development

### ***Agencies and Associations Contacts***

**Yuen Pau Woo**, President & Co-CEO, Asia Pacific Foundation of Canada  
**Paul Irwin**, Director, Asia Pacific Business Network, Asia Pacific Foundation of Canada  
**Margaret Nevin**, Director of Communications, Asia Pacific Foundation of Canada  
**David Dolphin**, Chief Executive Officer, BC Innovation Council  
**Cindy Lum**, President, Office of International Partnerships, BC Innovation Council  
**Jerry Lampert**, Business Council of British Columbia  
**Jock Finlayson**, Business Council of British Columbia  
**Ken Peacock**, Business Council of British Columbia  
**Werner Knittel**, Vice President, BC Division, Canadian Manufacturers & Exporters  
**Colin Heartwell**, Senior Director – Policy & Trade, BC Division, Canadian Manufacturers & Exporters  
**Barry Macdonald**, National Chair, Hong Kong-Canada Business Association



## **Provincial Government**

### ***B.C. Competition Council***

**Don White**, Director, Competition Council Secretariat

### ***B.C. Progress Board***

**Tim McEwan**, Executive Director

### ***B.C. Stats***

**Dan Schrier**, Economist, Trade Statistics

### ***Forest Innovation Investment Ltd.***

**Ken Baker**, CEO

**Michael Loseth**, Vice President, International Marketing

### ***Leading Edge British Columbia***

**Anton Kuipers**, Vice President Business Development

### ***Ministry of Advanced Education***

**Tom Vincent**, Assistant Deputy Minister

**Janice Nakamura**, Director, Accountability Department

**Bo Hansen**, Manager, Performance Planning and Reporting

### ***Ministry of Attorney General***

**Tom Jensen**, Assistant Deputy Minister, Multiculturalism and Immigration Branch

**Deb Zehr**, Director, Immigration Policy and Intergovernmental Relations Division

### ***Ministry of Economic Development***

**Annette Antoniak**, A/Deputy Minister

**Soren Harbel**, Assistant Deputy Minister, Marketing, Investment and Trade Division

**Ian Mellor**, Director, Investor Services and Economic Immigration Branch

**Mark Gillis**, Director, Economic Analysis and Skills Development Branch

**Collin Mercer**, A/Manager, International Qualifications Unit

### ***Ministry of Education***

**Peter Owen**, Lead Director, Governance Department

### ***Ministry of Energy, Mines and Petroleum Resources (MEMPR)***

**Karen Koncohrada**, Executive Director, Corporate Policy, Planning & Legislation

**Dan Green**, Director, Alternative Energy Policy Branch

**Peter Marshall**, Senior Policy Advisor, Corporate Policy, Planning and Legislation

**Dave Lefebure**, Director, Geosciences Research and Development

**Brian Grant**, Director – A/Chief Geologist, Geological Survey and Development Branch

**Colleen Sweet**, Director, Marketing and Community Relations Branch

### ***Ministry of Tourism, Sport and the Arts***

**Virginia Greene**, Deputy Minister

**Jim Yardley**, Assistant Deputy Minister, Tourism and Resort Development Division

**Linda Beltrano**, Director, Tourism Policy Section

***Ministry of Transportation***

**Lisa Gow**, Executive Director, Policy Gateway Branch

**Erin Annis**, Policy Analyst, Pacific Gateway Branch

***Office of the Premier***

**Philip Yung**, Director of Multicultural Affairs

***Premier's Technology Council***

**Jim Mutter**, President

**Andrew Wynn-Williams**, Director of Operations

**Focus Groups*****Transportation***

**Gordon Chu**, Senior Policy Advisor, Vancouver International Airport Authority – Focus Group Leader

**Michael A. Henderson**, Regional Director General, Pacific Region, Transport Canada

**David Koo**, Executive Director, Valles Steamship (Canada) Ltd.

**Chunyan Tian**, Consul General, PRC Consulate, Vancouver

**Louanne Wong**, Business Analyst, TSI Terminal Systems Inc.

**Lisa Gow**, Executive Director, Policy Gateway Branch, Ministry of Transportation

**Erin Annis**, Policy Analyst, Pacific Gateway Branch, Ministry of Transportation

***International Education***

**Earl Drake**, Adjunct Professor, Simon Fraser University – Focus Group Leader

**Grace Wong**, Assistant Dean and Director, International Programs, Sauder School of Business, University of British Columbia

**Adrian Kershaw**, Adrian Kershaw Consulting

**Roxanne Ang**, Managing Director, Global Education in Tourism Ltd, dba Tourism Training Institute

**Rodney Briggs**, President, Canadian Education Centre Network

**Michael Craddock**, Director, BC Education Office, Shanghai

**Ali Dastmalchian**, Dean, Faculty of Business, University of Victoria

**Bo Hansen**, Manager, Performance Planning and Reporting, Ministry of Advanced Education

**Gary Henkelmann**, Manager, International Student Centre, Capilano College

**Donna Hooker**, President, BC Centre for International Education

**Bronwyn Jenkins-Deas**, Dean, International and ESL, Malaspina University College

**Wes Koczka**, Dean, Division of Continuing Education, University of Victoria

**Monica Lust**, President, BC Career Colleges Association

**Wendy Ma**, Director, Marketing, Recruiting and Admissions, Sauder School of Business, University of British Columbia

**Gene Macdonald**, Education Consultant, Langley, BC

**Dave McMaster**, Head of School, Canadian International School of Hong Kong

**Randall Martin**, Director, SFU International, Simon Fraser University

**Rod Matheson**, District Principal, International Programs, West Vancouver School District

**Cyndi McLeod**, Associate Vice President, TRU World, Thompson Rivers University

**Janice Nakamura**, Director, Accountability Department, Ministry of Advanced Education

**Richard Novak**, Director of Operations, International Language Schools of Canada Vancouver Inc.

**Peter Owen**, Lead Director, Governance Department, BC Ministry of Education

**Francis Pang**, Chairman of the Board of Directors, Beijing Concord College of Sino-Canada, Beijing

**Julia Peters**, Director of Education, Vancouver Premier College

**Michael Polen**, Manager, International Education, Maple Ridge-Pitt Meadows School District

**Sabine Schuerholz-Lehr**, Associate Director, International Affairs, University of Victoria

**Andy Truong**, Executive Director Operations, Beijing Concord College of Sino-Canada, Beijing

**Donald Wehrung**, Director, International Student Initiatives, Sauder School of Business, University of British Columbia

**Allen Zhu**, Project Manager, China, International Student Centre, Capilano College

**Reinold Zimmer**, Associate Director, Student Support Services, Victoria School District

### *Environmental Technology & Alternative Energy*

**Earl Drake**, Simon Fraser University – Focus Group Leader

**Dan Green**, Director, Alternative Energy Policy Branch, MEMPR

**Stephen Kukucha**, Director, External Affairs and Government Business Development, Ballard Power Systems

**Anton Kuipers**, Vice President Business Development, Leading Edge British Columbia

**Jim Mutter**, President, Premier's Technology Council

**John Tylee**, John Tylee Consulting

**Andrew Wynn-Williams**, Director of Operations, Premier's Technology Council

**Kenny Zhang**, Senior Research Analyst, Asia Pacific Foundation of Canada

### *Minerals and Mining*

**Wei Shao**, Blake, Cassels & Graydon LLP – Focus Group Leader

**Cyrus Ameli**, Vice President, Mundoro Mining Inc.

**Gretchen Bozak**, Deputy Director & Trade Commissioner, International Trade Canada

**David Choi**, President & CEO, Royal Pacific Real Estate Group

**Gordon Chu**, Senior Policy Advisor, Vancouver International Airport Authority

**Dickson Hall**, Director, Corporate Development Asia, Hunter Dickinson Inc.

**Arthur Hara**, Chair, Asia Pacific Trade Council

**Doug Horswill**, Senior Vice President, Teck Cominco Limited

**Joel Jeangrand**, Special Advisor, Spur Ventures Inc.

**Karen Koncohrada**, Executive Director, Corporate Policy, Planning & Legislation, MEMPR

**Peter Marshall**, Senior Policy Advisor, Corporate Policy, Planning and Legislation, MEMPR

**Robert Pease**, Chairman, Association for Mineral Exploration British Columbia

**Pat Tsuen**, President, B.E.A.M. International Enterprises

**Patrick Wong**, Wong, Robinson & Co.

**Colleen Sweet**, Director, Marketing and Community Relations Branch, MEMPR

### *Wood Products*

**Rick Franko**, Vice President, Export Lumber Sales, West Fraser Sales Ltd. – Focus Group Leader

**Ken Baker**, CEO, Forest Innovation Investment Ltd. (FII)

**Marc Boutin**, President and CEO, Canadian Lumber Standards Accreditation Board

**Gretchen Bozak**, Deputy Director & Trade Commissioner, International Trade Canada  
**Karen Brandt**, Vice President, Market Communications, BC Market Outreach Network  
**Russ Cameron**, Independent Lumber Remanufacturers Association (ILRA)  
**Jim Dangerfield**, Vice President, Western Division, Forintek Canada Corp.  
**Brian Hawrysh**, Director, Remanufactured & Engineered Wood Products, BC Wood  
**Wayne Iversen**, Manager, Emerging Markets, COFI/Canada Wood Group  
**Rick Jeffery**, President & CEO, Coast Forest Products Association (CFPA)  
**Erol Karacabeyli**, Manager, Building Systems Department, Forintek Canada Corp.  
**Michael Loseth**, Vice President, International Marketing, Innovation Investment Ltd.  
**Fumikazu Matsuura**, President & CEO, Mitsubishi Canada Ltd.  
**Kelly McCloskey**, President, Kelly McCloskey & Associates Ltd., WPN  
**Paul Newman**, Director, Market Access and Trade, COFI/Canada Wood Group  
**Chun Ni**, Wood Engineering Scientist, Forintek Canada Corp.  
**Paul Perkins**, Vice President, Policy and Planning, Weyerhaeuser  
**Jim Shaw**, Director, Educational Services, Canadian Plywood Association

### *Tourism*

**Stephen Pearce**, Vice President, Tourism Vancouver – Focus Group Leader  
**Linda Beltrano**, Director, Tourism Policy Section, B.C. Ministry of Tourism, Sport and the Arts  
**Donna Brinkhaus**, Executive Director, Asia Pacific, Canadian Tourism Commission  
**Glynnis Chan**, President, Happy Times Travel & Tour Ltd.  
**Larry Gale**, Director of Sales, Brewster Transportation and Tours  
**Cindy Gobin**, Manager, Market Development-Asia Pacific, Tourism British Columbia  
**John Korenic**, Director, Aviation Marketing, Vancouver International Airport Authority  
**Quint Li**, Publisher, Leanne Communications Inc.  
**Fumikazu Matsuura**, President & CEO, Mitsubishi Canada Ltd.  
**Grant MacKay**, Vice President, Marketing & Sales, Tourism British Columbia  
**Mike Ruby**, President, MLI (Muskoka Language International)  
**Randy Williams**, President and CEO, Tourism Industry Association of Canada (TIAC)  
**Jim Yardley**, Assistant Deputy Minister, Tourism and Resort development Division, Ministry of Tourism, Sport and the Arts  
**Henry Yau**, Manager, Asia Pacific, TPI Travel (Canada) Ltd.  
**Bennie Yung**, Tung Fung Enterprises Inc., Savoy Management Ltd.

### *Trade and Finance*

**Alban Lo**, General Manager, Trade Finance, Western Canada, Scotiabank – Focus Group Leader  
**Chris Chen**, Managing Director, LeoFibo Holdings Inc.  
**Spencer Lo**, President, Roxing Enterprise Inc.  
**Tracey Orr**, Vice President, Global Trade Finance, TD Bank Financial Group  
**Thomas Tam**, Program Director, Business & Economic Development, S.U.C.C.E.S.S.  
**Derek Whiles**, Vice President & Director of Marketing, Interworld Forest Products Ltd.  
**Blair Wilson**, Senior Business Development Manager, Export Development Canada  
**Kenny Zhang**, Senior Research Analyst, Asia Pacific Foundation of Canada

### *People and Community Linkage*

**David Choi**, President & CEO, Royal Pacific Real Estate Group – Focus Group Leader  
**Ian Cheng**, President, Comox CanadAsia Business Society

**William Cheuk**, Chinese Federation of Commerce of Canada  
**Gordon Chu**, Senior Policy Advisor, Vancouver International Airport Authority  
**Albert Fok**, Vice-President, Hong Kong Merchants' Association of Vancouver  
**Michel Gagnon**, Asia Pacific Foundation of Canada  
**Eleanor Gill**, Asia Pacific Foundation of Canada  
**Colin Hansen**, Minister, Ministry of Economic Development  
**Arthur Hara**, Chair, Asia Pacific Trade Council  
**Bob Holm**, Comox CanadAsia Business Society  
**Tom Jensen**, Assistant Deputy Minister, Multiculturalism and Immigration Branch, Ministry of Attorney General  
**Richard T. Lee**, M.L.A., Parliamentary Secretary for the Asia Pacific Initiative  
**Alex Li**, Can-Achieve Consultants Ltd.  
**George Lian**, Canada-China Business Association  
**Barry Macdonald**, National Chair, Hong Kong-Canada Business Association  
**Fred Mah**, British Columbia – Guangdong Business Council  
**Fumikazu Matsuura**, President & CEO, Mitsubishi Canada Ltd.  
**Colleen McGuinness**, Executive Director, British Columbia – Guangdong Business Council  
**Alex McMillan**, Ministerial Assistant, Ministry of Economic Development  
**Francis Ng**, Director, CTC Enterprises Inc.  
**David Pohl**, President, Hong Kong-Canada Business Association  
**Bruce Pollock**, Interex Forest Products Ltd.  
**John Powles**, Managing Partner, Pacific Bizlinks Trade Consultants Inc.  
**Andrew Saxton Jr.**, CEO, King George Financial Corporation  
**Thomas Tam**, Program Director, Business & Economic Development, S.U.C.C.E.S.S.  
**Sarah Tsang**, Asia Pacific Foundation of Canada  
**Jacky Tse**, President, Hang Fang Fair & Trade Co. Ltd.  
**Alison Winters**, Manager, Western Canada Office, Canada China Business Council  
**Grace Wong**, Assistant Dean and Director, International Programs, Sauder School of Business, University of British Columbia  
**Patrick Wong**, Wong, Robinson & Co.  
**Yuen Pau Woo**, President & Co-CEO, Asia Pacific Foundation of Canada  
**Andrew Yan**, SFU Institute of Governance Studies  
**Bennie Yung**, Tung Fung Enterprises Inc., Savoy Management Ltd.  
**Philip Yung**, Director of Multicultural Affairs, Office of the Premier  
**Kenny Zhang**, Senior Research Analyst, Asia Pacific Foundation of Canada

### **Regional Consultations**

In addition to specific consultation on the China / Hong Kong market, a broad series of community dialogues on Asia Pacific opportunities and challenges were conducted in a number of regional centers, including Parksville, Victoria, Kamloops, Prince George, Prince Rupert, and Smithers. Input from these dialogues contributed to the development of this report.

## *Appendix C BC - China Statistics*

---

BC Export Destinations – Top 10 (\$ millions)

Imports Cleared Through BC Customs Ports – Top 10 (\$ millions)

BC Exports to China and Hong Kong - Top 20 Commodities- 2005 (\$ millions)

BC Imports from China - Top 20 Commodities - 2005 (\$ millions)

Canadian Trade in Services with China (\$ millions)

Canadian Trade in Services with Hong Kong (\$ millions)

Immigration from China to BC (by Class)

Immigration from Hong Kong to BC (by Class)

**BC Export Destinations – Top 10 (\$ millions)**

<b>Destination Country</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
United States	13,884	14,858	16,375	19,371	22,196	22,104	19,666	18,792	20,121	21,900
Japan	6,404	6,002	4,540	4,467	4,891	4,066	3,859	3,650	3,799	4,168
China	508	449	458	582	706	727	756	908	1,263	1,376
South Korea	866	939	654	737	895	712	725	772	909	1,172
Italy	436	474	439	446	617	533	429	461	458	562
Taiwan	340	431	349	352	402	315	339	428	482	511
Germany	409	476	396	300	535	382	321	364	416	477
United Kingdom	336	289	302	319	381	355	337	302	340	420
Netherlands	164	204	251	235	175	212	223	228	325	306
Mexico	50	62	61	42	58	83	79	107	197	240
<b>TOTAL (ALL COUNTRIES)</b>	<b>25,717</b>	<b>26,699</b>	<b>25,942</b>	<b>29,044</b>	<b>33,639</b>	<b>31,680</b>	<b>28,828</b>	<b>28,189</b>	<b>30,978</b>	<b>34,089</b>

Source: BC Stats

**Imports Cleared Through BC Customs Ports – Top 10 (\$ millions)**

<b>Country of Origin</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
United States	10,441	11,623	12,526	12,492	13,350	14,075	11,826	11,572	12,694	14,120
China	1,087	1,520	1,886	2,321	2,961	3,351	4,188	4,610	6,105	7,501
Japan	2,905	4,463	5,004	5,745	6,443	6,100	7,181	6,472	4,592	4,605
South Korea	550	617	819	1084	1,480	1,770	1,970	2,135	2,503	2,291
Taiwan	494	616	665	740	993	981	987	872	870	845
Mexico	275	359	351	362	419	527	618	627	663	728
Thailand	224	286	319	339	441	514	472	432	457	411
Germany	236	299	310	283	343	323	316	329	386	410
Australia	287	231	331	308	368	366	379	382	373	372
Malaysia	320	381	352	363	425	384	371	417	421	337
<b>TOTAL (ALL COUNTRIES)</b>	<b>19,601</b>	<b>19,399</b>	<b>23,347</b>	<b>25,732</b>	<b>27,170</b>	<b>30,804</b>	<b>31,641</b>	<b>31,534</b>	<b>31,268</b>	<b>32,875</b>

Source: BC Stats

**BC Exports to China and Hong Kong - Top 20 Commodities- 2005 (\$ millions)**

<b>Commodity</b>	<b>China</b>	<b>Hong Kong</b>	<b>China &amp; Hong Kong</b>	<b>Total BC Exports</b>	<b>China &amp; HK % of BC Total</b>
Wood pulp & recovered waste, etc	572	10	582	2,624	22 %
Ores, slag and ash	199	0	199	1,656	12 %
Fish & crustacean, molluscs & other aquatic invertebrate	53	44	97	935	10 %
Animal/vegetable fats & oils & products	77	13	91	261	35 %
Wood and articles of wood; wood charcoal	77	13	91	9,167	1 %
Mineral fuels, oils & product of their distillation	75	0	75	7,600	1 %
Machinery, boilers, mechanical appliances, engines, parts	37	13	50	1,426	4 %
Aluminium and articles thereof	26	19	45	778	6 %
Inorganic chemicals; compounds of precious metals	43	0	43	363	12 %
Paper & paperboard; articles of pulp	16	23	39	1,956	2 %
Electrical machinery equipment & parts	22	15	36	653	6 %
Zinc and articles thereof	13	21	33	316	11 %
Iron and steel	27	1	28	260	11 %
Copper and articles thereof	21	0	22	34	64 %
Organic chemicals	20	0	21	123	17 %
Plastics and articles thereof	5	12	18	544	3 %
Optical, medical, photographic, scientific and technical instrumentation	12	3	15	402	4 %
Salt; sulphur; earth & stone; plastering material; lime & cement	14	0	14	139	10 %
Edible vegetables and certain roots and tubers	13	0	13	299	4 %
Oil seeds, oleaginous fruits; miscellaneous grain, seeds, fruits, etc	2	10	13	40	33 %

Source: BC Stats Note: China & HK totals may not match each alone due to rounding errors.



**BC Imports from China - Top 20 Commodities - 2005 (\$ millions)**

<b>Commodity</b>	<b>China</b>	<b>Total BC Imports</b>	<b>China % of Total</b>
Nuclear reactors, boilers, machinery and mechanical appliances	1,213	5,066	24 %
Electrical or electronic machinery and equipment	1,192	3,475	34 %
Toys, games, sporting goods and amusement goods	705	880	80 %
Furniture; lamps and illuminated signs; prefab buildings	667	1,148	58 %
Articles of iron or steel	520	1,326	39 %
Woven clothing and articles of apparel	452	663	68 %
Knitted or crocheted clothing and articles of apparel	409	613	67 %
Footwear	268	348	77 %
Plastics and articles thereof	215	1,028	21 %
Optical, medical, photographic, scientific and technical instrumentation	156	751	21 %
Tools, implements, cutlery, spoons and forks of base metals	149	298	50 %
Iron and steel	148	990	15 %
Motor vehicles, trailers, bicycles, motorcycles and vehicles	124	6,473	2 %
Other made-up textile articles and worn clothing	119	203	59 %
Wood and articles of wood (incl. wood charcoal)	116	710	16 %
Articles of leather; travel goods, handbags, etc.	112	157	71 %
Glass and glassware	64	196	33 %
Aluminum and articles thereof	63	371	17 %
Ceramic products	54	123	44 %
Miscellaneous articles of base metal	48	149	32 %

Source: BC Stats, Statistics Canada

Canadian Trade in Services with China (\$ millions)										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Exports</b>	364	399	469	506	546	617	738	798	812	754
<b>Imports</b>	290	323	400	385	419	393	442	549	880	577
<b>Balance</b>	74	75	69	121	127	223	296	249	-68	177

Source: BC Stats

Canadian Trade in Services with Hong Kong (\$ millions)										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Exports</b>	445	568	618	648	707	572	756	726	581	523
<b>Imports</b>	703	768	845	856	774	835	967	944	1250	1215
<b>Balance</b>	-258	-200	-227	-208	-67	-263	-211	-218	-668	-692

Source: BC Stats

### Immigration from China to BC (by Class)

	Total	Family	Refugees	Assisted Relatives	Entrepreneur	Self Employed	Investor	Retired	Other Independents
<b>1985</b>	591	492	7	46	-	1	-	24	21
<b>1986</b>	555	465	3	69	-	1	-	-	17
<b>1987</b>	734	583	4	107	1	-	-	4	35
<b>1988</b>	756	528	7	185	10	3	-	4	19
<b>1989</b>	1137	893	4	110	9	9	3	15	94
<b>1990</b>	1472	902	25	132	18	5	6	7	377
<b>1991</b>	3587	1237	140	63	7	9	8	13	2110
<b>1992</b>	2240	1689	121	89	10	3	16	19	293
<b>1993</b>	2204	1810	43	87	22	11	63	15	153
<b>1994</b>	3013	2169	20	260	35	15	54	4	456
<b>1995</b>	3278	1894	151	320	59	24	78	1	751
<b>1996</b>	4264	1115	730	350	118	32	149	1	1769
<b>1997</b>	4943	1476	383	314	145	25	157	-	2443
<b>1998</b>	5752	1457	258	398	150	48	236	-	3205
<b>1999</b>	8299	1618	106	526	152	32	254	-	5611
<b>2000</b>	9716	1471	90	609	204	37	523	-	6782
<b>2001</b>	9700	1626	97	592	201	51	978	-	6155
<b>2002</b>	7913	2271	123	325	137	34	1123	-	3900
<b>2003</b>	9787	2531	215	431	78	52	967	-	5513
<b>2004</b>	11048	3063	308	489	181	37	2019	-	4951

Source: BC Stats

### Immigration from Hong Kong to BC (by Class)

	Total	Family	Refugees	Assisted Relatives	Entrepreneur	Self Employed	Investor	Retired	Other Independents
<b>1985</b>	1804	770	-	93	506	47	-	248	140
<b>1986</b>	1208	400	-	80	409	14	1	152	152
<b>1987</b>	3503	593	-	150	620	4	136	399	1601
<b>1988</b>	5145	653	11	174	1088	30	258	496	2435
<b>1989</b>	4851	654	16	165	1330	50	338	550	1748
<b>1990</b>	7922	1215	-	461	1610	94	1074	687	2781
<b>1991</b>	6381	1847	8	483	1299	72	1124	1074	474
<b>1992</b>	10171	3110	5	836	2144	111	1651	1678	636
<b>1993</b>	11465	2408	1	906	1914	185	2422	2485	1144
<b>1994</b>	16296	2573	2	3034	2145	217	3218	3095	2012
<b>1995</b>	11973	2601	-	4371	1444	213	1158	109	2077
<b>1996</b>	12533	1875	8	4161	1927	382	1477	73	2630
<b>1997</b>	8633	1528	-	2916	1131	335	864	2	1857
<b>1998</b>	2994	651	2	830	485	116	331	-	579
<b>1999</b>	1340	395	-	327	196	66	157	5	194
<b>2000</b>	958	410	-	146	115	33	103	-	151
<b>2001</b>	670	313	1	81	59	12	79	-	125
<b>2002</b>	498	218	-	100	30	4	39	-	107
<b>2003</b>	536	188	3	128	25	11	54	-	127
<b>2004</b>	575	341	3	75	8	9	75	-	64

Source: BC Stats