

**Feature:**

**New Jobs Tied To New Exports**

British Columbia's export oriented natural resource industries are still vital to the province's economy, but provide no more direct employment than they did 20 years ago.

The number of people directly employed in sawmills, pulp and paper mills, mining, smelting or fishing was 133 thousand in 1996, the same as it was in 1977. In the years between the number of jobs in these industries moved up and down but with no clear increasing or decreasing trend.

While the traditional natural resource industries, those producing raw or semi-processed commodities, have seen no employment growth, there have been substantial numbers of jobs created in industries producing more finished merchandise goods. Employment in goods producing industries that do not depend on natural resources grew 41 per cent between 1977 and 1996.

Much of this employment growth has taken place in the 1990s and has been export-driven. It has been encouraged by the more open and stable continental trading environment established with the 1989 North American Free Trade Agreement, among other factors. The Agreement has clearly proven to be far from perfect as a shield against protectionist U.S. lobbies. Lumber exports to the United States, for example, have been harassed by a string of legal actions initiated by the U.S. sawmill industry. However, the Agreement

does appear to have produced more open trade at least for secondary manufactured products.

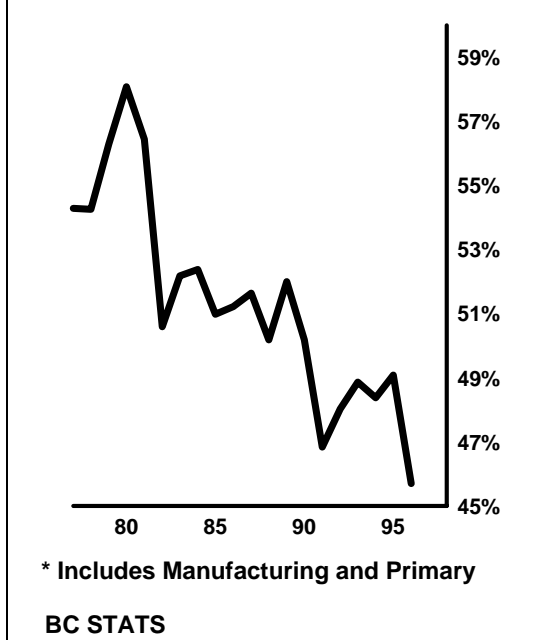
British Columbia's exports to the United States of most goods have grown rapidly during the 1990s, along with the healthy expansion of the United States economy. But growth has been stronger for the wide variety of products not derived from natural resources than it has been for resource

commodities. Most of these products are in the secondary manufactured category. Exports to the United States of goods not based on natural resources jumped 67 per cent between 1990 and 1996, while resource product exports to the United States rose 49 per cent. There was a correspondingly stronger employment increase in the industries producing these non-resource based goods. Employment in

goods producing industries not based on natural resources rose 21 per cent between 1990 and 1996, while employment in resource industries moved up a scant 1 per cent.

This suggests that the North American Free Trade Agreement has probably produced a certain amount of new employment in British Columbia by encouraging investment in non resource based production facilities. By eliminating most U.S. tariffs faced by Canadian exporters of processed or manufactured products, and re-

**Resource Jobs As % of Employment  
In Goods Producing Industries \***



ducing the risk that exporters could face new trade barriers in the future, it has broadened the range of goods and services that can be profitably exported to the United States.

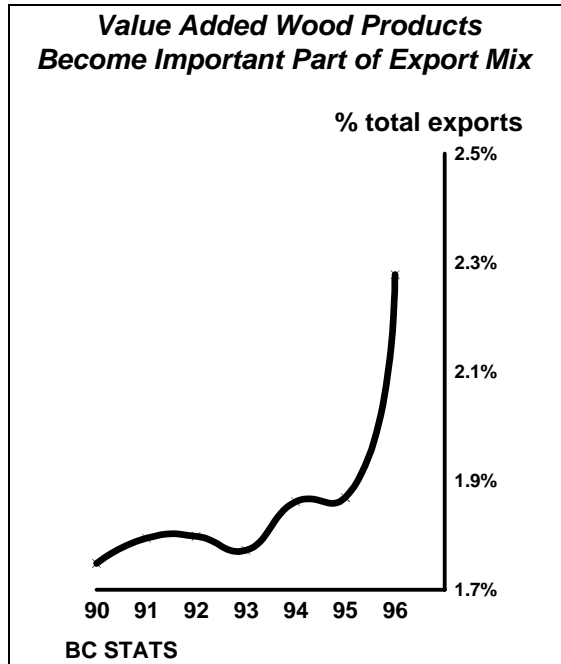
It has also, in effect, increased the province's trade reliance on the United States. Between 1990 and the first six months of 1997, the portion of British Columbia's exports destined for the United States expanded from 42 per cent to 55 per cent. Most of this was likely caused by the U.S. economy being in an expansionary phase as the economies of the province's other major trading partners, Japan and the European Union, have experienced weak growth. However, at least some of it reflects the trade stimulating affects of the North American Free Trade Agreement.

Increased exports to the U.S. and to other trading partners have tied the provincial economy more firmly than ever to international trade. Merchandise exports grew from 23 per cent of gross domestic product in 1990, to 28 per cent in 1996. The increase implies that more jobs have become directly or indirectly dependent on export industries.

As exports have increased, so have imports, with their own implications for provincial employment. International merchandise imports, including both industrial supplies and consumer goods, expanded from 25 per cent of provincial gross do-

mestic product in 1990 to 35 per cent in 1996.

Rising imports of industrial supplies suggest that more of domestic production, and the jobs associated with it, rely on imported components or materials. The new secondary manufactured products that account for a steadily expanding portion of provincial export revenues in the 1990s, and which have provided an important source of new employment, demand a steady flow of imported components. Exports of electronic equipment, steel products and plastic goods, for example, have drawn in imports of electrical components, steel and plastics.



### Searching For New Forest Jobs, As Annual Timber Cut Reaches Limit

Forest industries are still the most important source of export-related jobs in the province. But in the 1990s, production in forest industries has begun to be constrained by the limits of the natural resource base. The volume of timber scaled (log production) in the province shrank 4 per cent between 1990 and 1996, from 78.3 million cubic metres to 75.2. Earlier it had reached a high of 90.6 million cubic metres in 1987. The smaller cut has coincided with increased pressure to improve operating efficiencies, as international and interprovincial competition has stiffened. Both factors have acted to constrain employment growth in the industry.

In the pulp and paper industry, employment shrank 9 per cent between 1990 and 1996, reflecting a loss of 1,456 jobs. This industry downsizing took place as the tonnage of pulp produced climbed 5 per cent and paper production remained virtually at the same level. Similarly for chip mills, production doubled between 1990 and 1996, while employment fell 8 per cent.

In the lumber industry, employment grew by a modest 2 per cent, while production fell by the same percentage. This may reflect the additional labour needed to produce lumber from a declining quality of timber stock that is increasingly located in less accessible parts of the province.

With limited employment growth to be expected from the traditional forest industries, provincial policy-makers have naturally looked to value wood production as a means of extracting more jobs from the forest resource through diversification of the industry.

Diversification of the forest industry is one of the main objectives established for Forest Renewal British Columbia (FRBC), a crown corporation set up in 1994 and funded through stumpage rates paid by forest companies for trees cut on provincial crown land. Its broad mandate is to plan and implement a program of investments to renew the forest economy of British Columbia by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and strengthening (more than 200) local communities that depend on the forest industry.

Activities in the 1997–1998 fiscal year to promote the development of value added wood processing include:

- a \$9.7 value added training program finding skills training for value added workers and employers. This is expected to result in training for 1,385 workers in 1997-98.
- a \$4 million Value Added Finance Program providing financing for value added firms through existing commercial lending institutions, at arms length from the corporation. Financing arranged in 1997-98 is expected to create 65 person years of employment.
- a \$1.2 million Wood Supply Program funding initiatives to improve access for value added firms to a stable supply of wood. The most important of these to date has been the electronic bulletin board, BC Wood Fibre Network, connecting buyers and sellers of logs and lumber. The Network is expected to post information on the sale of 50 million board feet of lumber and a million cubic metres of logs in 1997-98, and to create 20 person years of direct employment.
- a \$6.2 million Value Added Marketing Program assisting the province's value added producers to jointly market their products. The program is expected to create 80 person years of employment.
- a \$1 million Value Added Industry Diversification Program funding special analysis, conferences, and other activities, and creating 15 person years of direct employment.
- a \$7 million Forest Innovation Development Program supporting development of innovative products and processes. Investments made under this program are expected to yield 115 person years of direct employment.

Another government effort to promote value added wood processing is the Jobs and Timber Accord, announced by the provincial government and representatives

of the forest industry in June this year. The accord sets a target of 22,400 direct jobs and 17,400 indirect jobs to be created from its various initiatives.

One of these initiatives took the form of an agreement signed on September 17 between the Province and the British Columbia Council of Value Added Wood Processors. In this agreement the specific target is to create direct 6,500 new jobs, and an equal number of indirect jobs, through redirecting up to 700 million board feet of sawn lumber to small value added wood manufacturers. These companies presently number about 130 and employ 5,000 people. The new lumber allocation will increase their supply by 70 per cent.

### Beyond Resource Exports

Many of the province's fastest growing exports have been agricultural products or secondary manufactured goods that are not derived from the province's natural resource commodities. Apparel exports, for example grew 246 per cent between 1990 and 1996. Plastic product exports grew 176 per cent and electronic product exports grew 323 per cent. Natural resource commodities, taken as a whole, grew 49 per cent.

The faster growth of exports of secondary manufactured products not based on natural resources has already brought the province a long way from a mainly resource based economy. In 1990 machinery and equipment exports ranked sixth behind lumber products, pulp and paper, fish and agriculture products, metallic mineral products, and energy products. By 1996 they ranked fourth behind lumber, pulp and paper, and energy products. In the first half of

1997, they ranked behind only lumber products and pulp and paper.

Per Cent of Total British Columbia Exports			
	1990	1996	Jan.-June 1997
<b>machinery and equipment</b>	5.5%	8.6%	9.6%
<b>fish &amp; farm products</b>	7.6%	6.6%	6.1%
<b>metallic mineral products</b>	11.3%	6.2%	6.3%
<b>energy products</b>	12.5%	10.5%	8.8%
<b>lumber products</b>	28.4%	36.5%	38.9%
<b>pulp &amp; paper</b>	27.8%	22.2%	20.2%
<b>other</b>	6.9%	9.4%	10.1%

Service exports are another growing source of international trade earnings, expanding from 5 per cent of gross domestic product in 1990 to 6 per cent in 1996. They now account for 17 per cent of all international export revenues and are an important source of new employment.

Most service 'export' functions are performed by British Columbians working in British Columbia, but paid for by non-residents. Transportation service exports, for example, are mainly provided through the shipping and handling of goods or transport of people at British Columbia seaports or airports. Education services are exported when fees are paid by foreign students attending schools in British Columbia. In addition to these services within British Columbia borders are others performed by British Columbians who are

temporarily working in other countries. Engineering, architectural work, educational services, and airport management are among the most noteworthy.

Trade liberalisation and British Columbia's location along Canada's entire Pacific seaboard guarantees that service exports will

continue to grow. For transportation services in particular, the province is assured of a growing source of new employment as Canada's trade focus shifts steadily toward the rapidly developing economies of the Pacific Rim.