

Business Indicators ♦ October 1997

APEC: What does it mean for BC?

On November 24th and 25th, Prime Minister Jean Chretien will host the fifth annual APEC Economic Leaders' Meeting in Vancouver. The event will be the culmination of a series of APEC meetings hosted by Canada in its role as the 1997 APEC chair, at venues ranging from St John's, Newfoundland to Victoria.

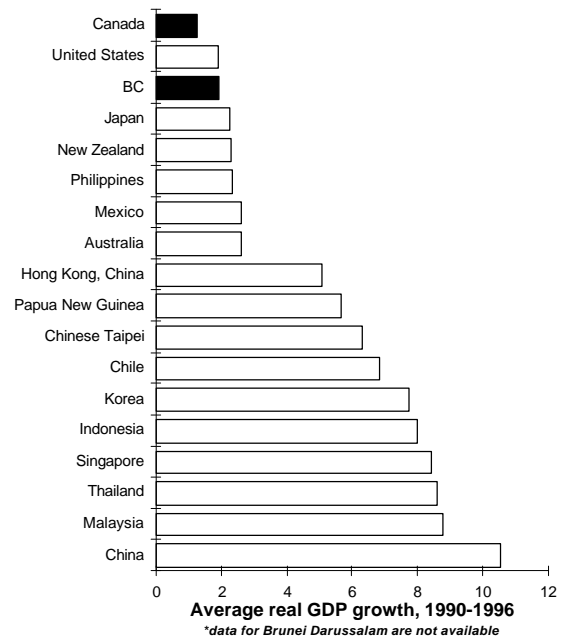
An estimated 8,000 delegates and media will attend the conference in Vancouver. They are expected to include presidents, prime ministers, and other leaders of the member economies which make up APEC: the organization for Asia Pacific Economic Cooperation. APEC is a group of eighteen economies which border on the Pacific Ocean. Its members, who meet on a regular basis to discuss ways to encourage trade and investment, include:

- Australia
- Brunei Darussalam
- Canada
- Chile
- People's Republic of China
- Hong Kong, China
- Indonesia
- Japan
- Republic of Korea
- Malaysia
- Mexico
- New Zealand
- Papua New Guinea
- Republic of Philippines
- Singapore
- Chinese Taipei
- Thailand
- United States

How important is APEC in the world economy?

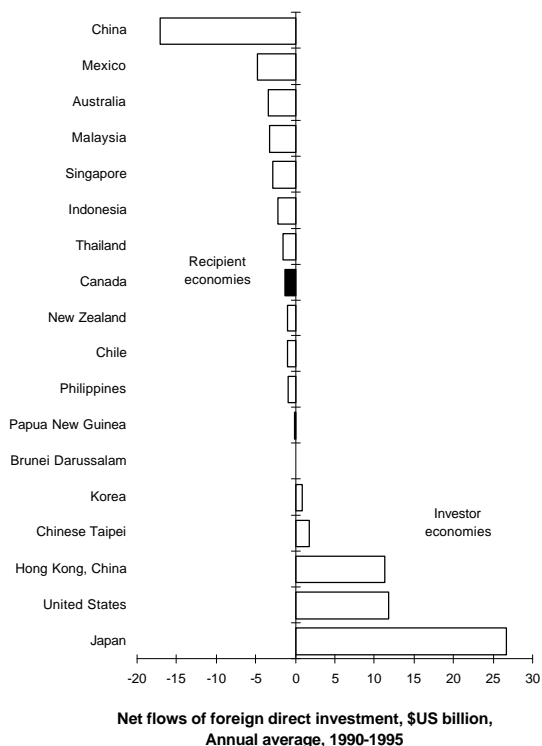
It is estimated that APEC members produced 60% of global gross domestic product (GDP) in 1995, and they were responsible for about half of the world's merchandise trade. APEC's membership includes economies in a wide range of developmental stages. Some are experiencing rapid growth and development, while others, like the United States, Japan and Canada, are already major industrial countries. Most of the developing economies are located in Asia, and have exhibited strong growth averaging more than five per cent a year since 1990.

Most of the developing economies have exhibited strong GDP growth during the 1990s



Source: World Economic Outlook, May 1997

Foreign direct investment provides funding to support economic growth in many APEC economies



These figures include investment flows between member economies and all nations, including those which are not part of APEC

Source: UN World Investment Report, 1996

Foreign investment is an important source of economic growth in developing economies, and many APEC members are net recipients of foreign direct investment from the rest of the world. Between 1990 and 1995, there was a net inflow of foreign direct investment to thirteen of the eighteen APEC members, including Canada. Japan, the United States, Hong Kong, Chinese Taipei and Korea were the only economies where the outflows to other economies exceeded inflows of foreign direct investment from the rest of the world.

About a third of world tourism receipts are earned by APEC economies

APEC economies accounted for an estimated 35% (\$130.4 billion in US funds) of world tourism receipts in 1994. About half (\$60.4 billion) of these receipts were earned by the United States, with Hong Kong (\$8.3 billion) being the next largest earner of international tourism receipts. Canada (\$6.3 billion) ranked sixth behind the US, Hong Kong, China, Singapore and Mexico.

APEC economies were also responsible for about a third (\$122.9 billion) of world expenditures on tourism in 1994. Outbound tourism expenditures from China, Indonesia, and Thailand, in particular, have increased significantly since 1990.

What is the relationship between BC and APEC economies?

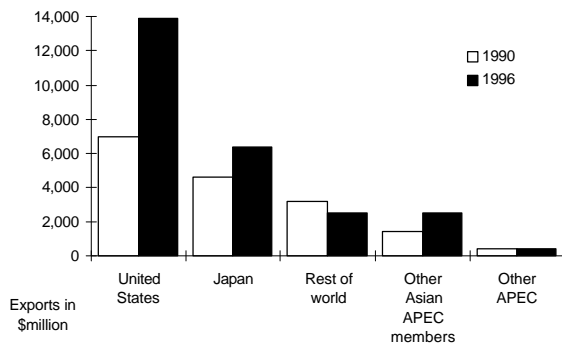
All parts of Canada have strong ties with APEC members like the United States and, to a lesser extent, Mexico. However, BC's position as Canada's gateway to the Pacific leaves the province uniquely reliant on its many links to other APEC economies, especially those located in Asia. As an organization promoting trade and investment with Pacific Asia, APEC is therefore of particular importance to British Columbia.

Together, the Asian APEC economies have already become the province's most important trading market after the United States, and they hold the most promise for expanding trade in the future. APEC economies also provide much of the foreign investment in the province, and are major sources of immigration and tourism to British Columbia.

About 90% of BC's trade is with APEC members

BC's merchandise exports to APEC economies totalled \$23.2 billion in 1996, comprising the lion's share (90%) of the province's international exports (\$25.7 billion).

BC exported more to Asian APEC members than to any other region except the United States in 1996



Source: BC STATS

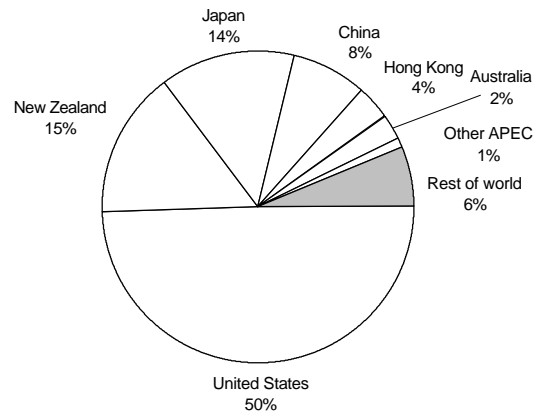
APEC's share of total BC exports has increased, rising from 80% in 1990 to 90% last year. Most of the gain was due to sharp growth in exports to the United States, the province's most important trading partner. More than half (54%) of British Columbia's total exports in 1996 were destined for sale in the United States. However, exports to APEC's Asian economies are becoming increasingly important to BC. Japan is the second largest international market for BC products, and exports to other Asian APEC members have increased more than 75% (from \$1.4 to \$2.5 billion) since 1990. The United States is the only other major market where BC exports have made stronger gains since the beginning of the decade.

BC trades more with Asian economies than any other province. Forty-two percent of Canadian exports to Asian members of APEC originate in BC

BC produced only 10% of Canadian exports to all APEC members, but it accounted for 41% of Canadian exports to Asian members of APEC in 1996. More than a third (35%) of BC's exports last year were sold to Asian APEC members, with the bulk (25%) going to Japan. The Republic of Korea (3%), China (2%), Chinese Taipei (1%) and Hong Kong (1%) were the other major Asian markets for BC products.

In the rest of Canada, Asian markets account for a much smaller share of total exports. Saskatchewan (22%), Manitoba (14%) and Alberta (11%) are the only other provinces which sell more than 10% of their exports to Asian APEC members. Eighty-one percent of Canadian exports are sold to the United States, with sales to Asian APEC economies accounting for only 9% of the total.

Most of the foreign investment in BC is made by APEC members



Source: 1994/95 British Columbia Inbound Investment Survey, KPMG

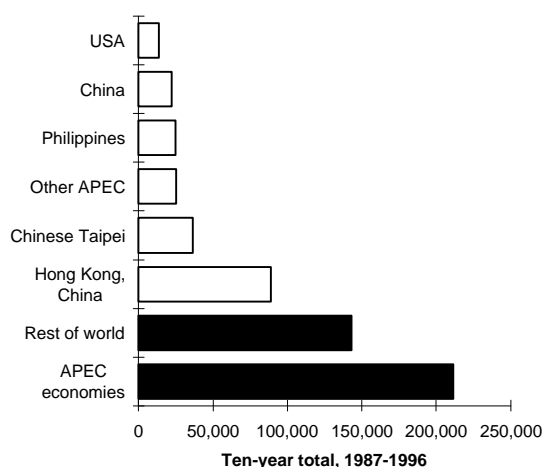
APEC member economies provided \$14.2 billion of an estimated \$15.2 billion of cu-

mulative foreign direct investment in BC, according to data from a KPMG survey published in 1995. While half of the cumulative capital investment in BC was from the United States, Asian APEC members accounted for more than a quarter (27%) of all foreign direct investment in the province. The United States, New Zealand, Japan and China were the four largest investors. Among non-APEC nations, the United Kingdom had invested the largest total amount (\$723 million, or 5% of the total) in British Columbia.

Almost two-thirds of immigrants to British Columbia in 1996 were from APEC economies

It is believed that trade and immigration have a positive influence on each other. Trading and business activities between the province and APEC members increase British Columbia's exposure, especially in Pacific Asia. This in turn tends to promote immigration to the province.

Between 1987 and 1996, BC received 211,495 immigrants from APEC, most of whom were from Asia



Source: BC STATS

British Columbia was the province of destination for 50,473 immigrants from other countries in 1996. Of these, almost two-thirds (32,415) came from APEC member economies. Asian APEC members are the most important source of immigration to British Columbia, with 30,530 new British Columbians coming from the Asia Pacific region in 1996.

BC is the favoured province of destination for immigrants from APEC economies. In 1996, the province's share of total Canadian immigrants from all sources was 23%, but BC attracted a much higher share (37%) of immigrants from APEC members.

Among Asian APEC members, major sources of immigration include Hong Kong (11,921), Chinese Taipei (9,284), China (4,227), and the Philippines (2,988). The United States (1,196) was the fifth most important source of immigration to BC in 1996. These economies, together with the Republic of Korea (999), have consistently been among the top ten sources of immigrants to the province. They accounted for more than 90% of all immigrants from APEC members during the last ten years.

Although Japan is the province's most important export market in Asia, and a leading source of tourism in the province, Japanese immigrants make up a relatively small share of all immigration to British Columbia. In 1996, there were 543 immigrants from Japan, and over the last ten years, a total of 3,117 residents of Japan have moved to British Columbia. This accounts for only one percent of all immigration to BC from APEC economies.

Over the last ten years, a relatively high proportion of immigrants from Chinese Taipei, Republic of Korea, Indonesia and Hong Kong have come to Canada under the Business Immigration Program, which includes entrepreneur, investor and self-

employed classes. On the other hand, more than half of the immigrants from China, USA, Mexico, New Zealand and Thailand were family class immigrants. Skilled worker immigrants made up a higher percentage of immigrants from the Philippines, Singapore, Brunei Darussalam, Malaysia and Papua New Guinea.

Two out of three overseas visitors to British Columbia are from APEC economies

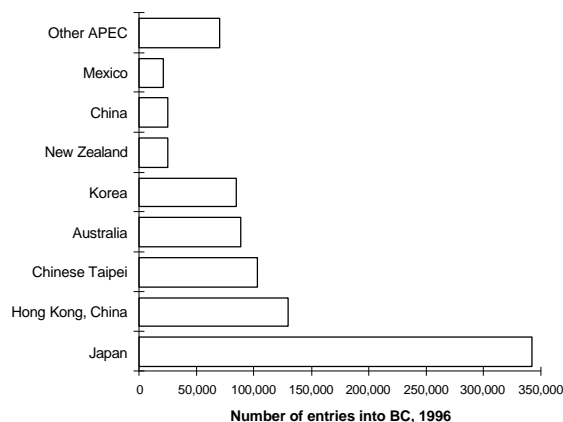
International tourism in British Columbia is dominated by visitors from the United States, which last year supplied 5.5 million visitors to the province. Eight in ten foreign visitors to BC were from the United States. Tourism from the United States plays an even more significant role nationally (89% of all entries) than it does in British Columbia.

Last year, 1.4 million tourists from countries other than the United States entered Canada via British Columbia. Two out of three (889,994) of these visitors were from APEC economies. This was double the number (428,787) at the beginning of the decade. The strongest increase has been in the number of visits by residents of Korea (rising from 10,148 in 1990 to 84,910 last year). Chinese Taipei (from 20,043 to 103,527) is also becoming a more important source of tourists from APEC economies. Other APEC economies where the number of entries has more than doubled include Chile (from 614 to 1,924), Thailand (from 4,174 to 12,603) and China (from 9,771 to 24,514).

Despite these rapid gains, Japan remains the most important source of overseas tourism in British Columbia. There were 342,105 direct entries to BC from Japan last year, more than double the number from any other APEC region other than the United States. Hong Kong and Chinese

Taipei were the second and third most important sources of tourism to British Columbia among APEC members.

After the United States, Japan is by far the most important source of international tourists visiting BC



Source: Statistics Canada

These statistics emphasize the importance of BC's position as Canada's Pacific gateway. At the national level, only about 4% of visitors to Canada came from APEC nations other than the United States. This compares to 13% of all visitors to British Columbia.

What does all this mean for British Columbia?

BC's role as the host province for the APEC Economic Leader's Meeting in November puts it in a unique position to benefit from increased exposure in parts of the world that are becoming more and more important to the province in terms of trade, investment, immigration and tourism. More than any other region of Canada, BC depends on strong ties with its APEC neighbours, especially those in Asia, for its future prosperity.

***Where to find out more about
BC's relationship with APEC
economies***

More detailed information and analyses of trade, immigration and tourism with APEC economies is available on request from BC STATS. These analyses have been published in the following BC STATS releases:

- The second quarter 1997 issue of Immigration Highlights;
- The October 1997 release on Exports; and
- A forthcoming special feature article on tourism (Tourism with APEC Economies).

Contact Data Services at 387-0325 to obtain a copy of these feature articles.