

June 2020

## Making B.C. an Emerging Economy Leader

On May 11, 2020, British Columbia's Emerging Economy Task Force (the "**Task Force**") released its final report (the "**Report**") analysing and advising on the trends that will change the nature of business and society over the next 10 to 25 years in the province of British Columbia. In response to those trends, the Task Force proposes several recommendations to ensure B.C.'s economy stays at the forefront of such emerging economic developments.

We recently published a [bulletin](#) on the B.C. Innovation Commissioner's recommendations on how B.C. can stimulate innovation and growth among local businesses. The Task Force's Report follows a similar tack and covers much of the same ground, though it approaches the issues from a slightly different perspective. In this update, we consider the findings in the Report and offer some insight into how B.C. businesses may be able to position themselves for success in the emerging economy. While the Report was finalized prior to the COVID-19 pandemic and therefore does not specifically address the resulting changes in the business climate, those changes have offered an important insight as to the relevance of the Report's recommendations and the importance to B.C. businesses to become agile and strong leaders in the new business climate.

### The Emerging Economy

In the Report, the Task Force characterizes the emerging economy as having the following attributes:

- *Rapidly evolving*: regular disruption and uncertainty will require nimble, adaptive and flexible business practices and policy, as

well as continuous learning, in order to stay relevant and competitive.

- *Innovation-driven*: as people increasingly trade in ideas and services in an economy that is increasingly information-based and underpinned by digital technology, ingenuity will be required for developing and harnessing intangible capital and intellectual property, and to enhance productivity.
- *Diverse and inclusive*: society will embrace diversity and inclusion, and recognize the value of social capital, creativity and problem-solving, enabling purpose-based leadership and harnessing the full economic potential of people through increased participation in the workforce.
- *Low-carbon, circular and sustainable*: society will exist within its ecological means, avoiding the excessive depletion of natural resources while extracting their maximum value and minimizing pollution and environmental degradation in all its forms.

## Trends Influencing B.C.'s Economy

Understanding and working within the structure of the emerging economy will be critical for businesses that seek to grow economic opportunities while managing risks. Navigating the route to the economy of the future, particularly given the limitations businesses currently face, will pose some challenges, but creative and diligent businesses and leaders should have an opportunity to succeed, especially if the provincial government is able to stimulate the economy to foster innovation and to stay on top of emerging developments.

The Report identified four macro trends which its authors believe will impact B.C.'s economy: (1) technology and innovation; (2) environmental degradation and climate change; (3) social and demographic shifts; and (4) economic inequality.

### 1. *Technology and Innovation*

In order to remain relevant and competitive in the emerging economy, businesses will need to be increasingly entrepreneurial,

nimble and flexible and able to adapt quickly to economic shifts. B.C. businesses will need to invest in and more aggressively adopt new technologies if they are to thrive in the emerging economy. By doing so, businesses should be able to increase productivity and reduce costs to improve the long-term competitiveness and sustainability of operations. However, the rapid digitization of systems also brings potential risks of which businesses need to be aware, including cyber security threats, privacy issues, and job displacement.

As B.C.'s economy becomes increasingly information-based and as people increasingly trade in ideas and services, developing and harnessing intangible assets, such as intellectual property, software and databases, will be critical. Businesses that fail to effectively develop and protect their intellectual assets will lose the opportunity to build on the inherent value of their innovation and capital investments through commercialization.

In particular, B.C. companies should look to capitalize on made-in-B.C. technology, where available, both to increase innovation and stimulate growth and development within their own businesses and to contribute to the development of the emerging market in B.C. as a whole. However, identifying and implementing the necessary technology, whether that technology is sourced within or out of the province, will be key for businesses that wish to stay relevant and competitive, and particularly for those that wish to seize opportunities in specific areas of growth that are likely to have significant impacts on the economy. According to the Report, such areas include the following: artificial intelligence (including machine learning, cognitive computing, autonomous vehicles and advanced robotics), immersive experiences (including virtual and augmented reality, additive manufacturing printing, and connected homes and facilities), digital platforms (including blockchain, the Internet of Things and quantum computing), and biotechnology (including improving human, animal and plant health in areas such as regenerative medicine and genetics).

## *2. Environmental Degradations and Climate Change*

While awareness of climate change is increasing and businesses are prepared to be part of the solution, the impacts of climate change on business are not well understood in B.C. and companies are ill-equipped to adapt to the changing reality. According to the Report, climate change is driving a global shift to a low-carbon economy, new government regulations, changing capital allocations, evolving customer expectations and emerging technologies while simultaneously causing significant losses due to extreme weather events, disrupted supply chains, resource scarcity, stranded assets due to reliance on burning fossil fuels, and broader impacts on human and ecosystem health.

Across all sectors of the economy, and particularly in small- and medium-sized enterprises (“**SMEs**”), developing a greater understanding of the implications of climate change and other sustainability risks, will be essential for success in the economy of the future. The costs for mitigating and adapting to climate change, and addressing environmental risks, are expected to increase exponentially over time. SMEs will need to develop tools, resources and other supports to manage the risks and take advantage of opportunities associated with climate change, including the transition to low-carbon, purpose-led and sustainable business models.

B.C.’s reputation as a leader in policy focused on addressing climate change has contributed to green economy investment and an innovation ecosystem that is one of the strongest in North America. For example, the CleanBC plan, access to low-carbon electricity, and B.C.’s reputation for high regulatory standards provide B.C. companies with a competitive advantage in the low-carbon future. In particular, B.C. has strengths in areas like clean energy, energy management, green building and wood product innovation, and environmental services. In addition, there are untapped opportunities for exporting innovative, knowledge-based, low-carbon and other environmental goods and services to a global market for green economy goods and services that is estimated to be worth more than \$6 trillion. As the global population continues to grow, businesses around the world will be looking for strategies to meet increased demand for these products and services.

Governments and business have also started to adopt a “circular” systems approach where they seek to maximize the value of materials and resources throughout their useful life and reincorporate them into the economy for reuse whenever possible, thereby decreasing demand for new, raw resources and reducing greenhouse gas emissions. Multi-sector collaboration can support the growing opportunities in the circular economy by developing new business models that create more value from each unit of resource. According to the Report, B.C.’s vast natural resource base provides B.C. companies with an opportunity to leverage the circular economy model to drive innovation, growth, investment and export opportunities by rethinking material and product supply chains while extracting the most value from resources and other inputs to the benefit of industry, the environment and consumers.

### *3. Social and Demographic Shifts*

Other important trends impacting economies around the world include population growth, urbanization and aging demographics. These social and demographic shifts will impact the type and magnitude of goods and services demanded globally and the abilities of businesses to produce and deliver them, with particular application to the B.C. natural resource sectors.

B.C.’s demographic shift will impact labour supply for the foreseeable future, despite the fact that the province has had and continues to have high levels of immigration. As the population ages, the ability of many people in B.C. to participate in the workforce may become more limited than ever before due to their caregiver responsibilities for both young and old. In addition, due to increased adoption of technology and accelerating technological change and innovation, future jobs will require increased levels of education and skill.

Human capital will therefore play an increasingly important role in the emerging economy. Businesses will need to be able to provide their workers with the skills, tools and resources they need to improve productivity, capitalize on emerging opportunities, and mitigate the risks of job displacement. According to the Report, B.C. is well-positioned to build a highly skilled and adaptable workforce; however, businesses will need to invest in new and different

approaches to training, developing and re-skilling workers, including work-integrated learning opportunities, as part of lifelong learning process. Enabling under-represented groups to participate in the workforce will also continue to be a critical issue, both for ensuring equity and addressing labour shortages.

#### *4. Economic Inequality*

The final focus of the Report is on identifying the steps that the provincial government can take to enable an emerging economy to be as successful as possible by addressing economic inequalities. Not enough has been done to enhance and enable the necessary infrastructure required to promote economic diversity and prosperity and such actions are fundamental for the creation of a successful emerging economy.

Coordinating long term planning efforts around creating and enhancing major economic hubs, investing in broadband and cellular connectivity to help minimize economic inequities among regions in the province, and continuing to invest in the province's already established trade, transportation and economic growth corridors will all contribute to address the inequalities which persist in B.C. By focusing on these areas, the government will help to create a province which flourishes everywhere due to the support for innovation that all businesses will have irrespective of location, status or demographics.

### Takeaways For Your Business

Recognizing and identifying the ways that investment in innovation can benefit your company will be critical to putting your business on the right footing in the emerging economy. As supported by the Task Force's findings, leveraging currently available resources, such as those from governmental and other sources, by investing in innovation will enable businesses to scale up much more quickly and to be able to withstand many of the bumps they may face on the road to success. In addition, recognizing how your business can support or contribute to industries where innovation will be key will further help you get your business ahead of the competition.

Developing your own technology or supporting the technology of your provincial counterparts will help to build and drive a much stronger local economy which will in turn benefit businesses, industries and communities across B.C. Local innovation will become particularly important for your business in light of the aging population and shifting geographic diversity within the province. Protecting and commercializing such innovation then takes on a much more important role in the growth of B.C.'s businesses.

The COVID-19 pandemic, has resulted in a significant shift in the ways in which work is performed and delivered that is likely to produce important ongoing changes in business practices. In particular, businesses across all sectors of the economy have had to adapt and many have pivoted to some form of remote delivery. This shift has opened the eyes of many business leaders to the fact that investing heavily in office space and capital equipment may not necessarily be the best use of a business' limited resources. Moreover, the opportunity to work remotely may allow workforces to be more diverse, energized and creative, especially in a technologically driven emerging economy. In fact, many businesses have already taken steps in response to the COVID-19 pandemic which are consistent with the several of the Report's recommendations. For example, many B.C. businesses have pivoted to a greater reliance on technology in the delivery of its services, including improving its technology assets and providing greater training and support for its employees on such technology. Similarly, a shift to a primarily (at least temporarily) remote workforce is inline with the Task Force's recommendations around alleviating various geographic and other inequalities within the province.

You can start to position your business for success in the emerging economy by understanding and addressing the underlying economic trends. Your business will need to be flexible and nimble so that it can quickly adapt to and adopt rapidly changing technology and continuously shifting and evolving economic developments. As the Task Force's focus on B.C.'s global leadership in the area of climate change protection indicates, your business will need to be able to pivot quickly to address those areas of innovation and development which will grow in importance as the emerging economy takes hold.

Staying ahead of the pack by maintaining a skilled workforce that is equipped with the tools, training and resources necessary for the emerging economy will allow your business to retain a motivated and energized workforce wherever they are based.

B.C. has a broad mix of businesses from natural resources to technology and everything in between, but the differences in those businesses are lessening as we head down the path to the emerging economy. If the B.C. government can contribute to successfully alleviating some of the economic inequalities in the province, and your business can capitalize on such changes through innovation, technology and leadership, your business and by extension the entire province will be well placed to take a prominent leadership position in the global emerging economy.

by Robert Piasentin and Joshua Sved

For more information on this topic, please contact:

Vancouver	<a href="#">Robert Piasentin</a>	604.893.7636	<a href="mailto:robert.piasentin@mcmillan.ca">robert.piasentin@mcmillan.ca</a>
Vancouver	<a href="#">Josh Sved</a>	604.691.7419	<a href="mailto:joshua.sved@mcmillan.ca">joshua.sved@mcmillan.ca</a>

#### [a cautionary note](#)

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

© McMillan LLP 2020