

# Monthly Trade Bulletin

Volume 1, Number 2

January 2000

## Highlights

- Exports increased in November, up 1.4% over the previous month. For the first time in 1999, exports to the rest of the world increased at a faster pace than exports to the U.S., which were up 1.2% over the month.
- Imports fell slightly in November, decreasing 0.2%. Imports from all other countries increased while imports from the U.S. fell 1.3%.
- Canada's trade balance improved by \$500 million over the previous month reaching \$3.1 billion in November.
- Commodity prices rose significantly in November, up 5.9% from October. Despite this, the Canadian dollar fell, losing two-tenths of a cent.
- Meanwhile, export prices increased by 0.4%, and import prices fell by 0.8%.

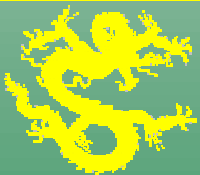
## Key Monthly Trade Indicators (November 1999)

	\$ millions	% change over	
		previous month	previous year
<b>Exports</b>	31,351	1.4	10.5
- U.S. exports	28,224	1.2	10.8
<b>Imports</b>	26,881	-0.2	6.1
- U.S. imports	21,083	-1.3	2.4
<b>Trade Balance*</b>	3,128	2,621	1,770
- U.S. balance*	5,797	5,194	3,667
<b>Commodity Prices**</b>	105.4	5.9	22.4
<b>Canadian Dollar (US¢)*</b>	67.8	68.0	65.2
<b>Export Prices**</b>	117.6	0.4	1.2
<b>Import Prices**</b>	109.6	-0.8	-6.1

\* Data in levels only.

\*\* Index (1992=100)

Source: Industry Canada compilations based on Statistics Canada data.



## This Month's Feature Report: China Export Opportunities for Canada



Team Canada Inc. • Équipe Canada inc

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Canada 

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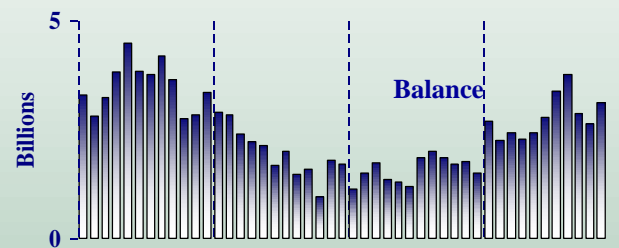
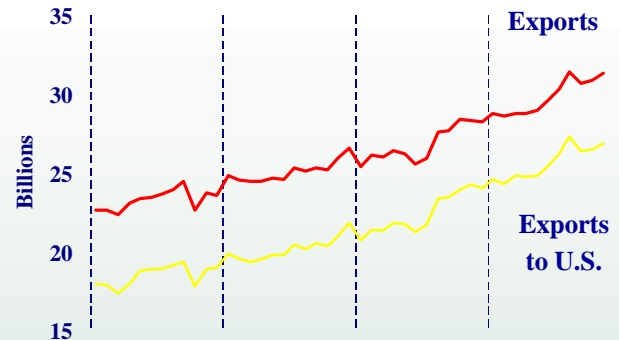
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## Merchandise Trade

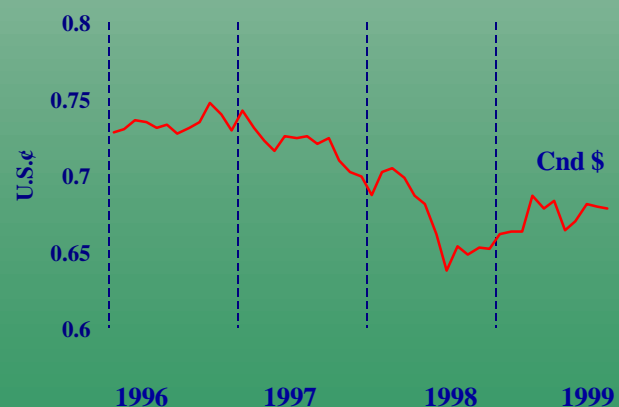
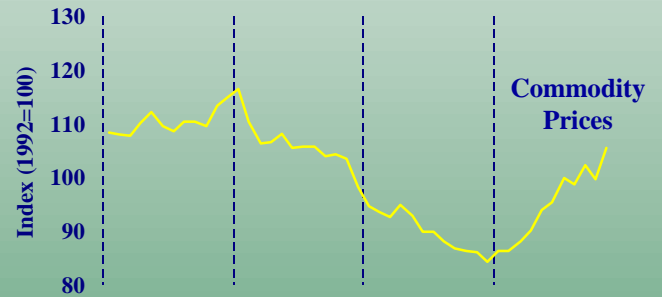
### Exports continue to improve

- Merchandise exports to all destinations improved for the second month in a row, after dipping slightly in September.
- Unlike previous months, exports to destinations other than the U.S. led export growth in November.
- Imports fell slightly in November resulting in an increase in the trade balance.



### Commodity prices and the exchange rate move in opposite directions

- Commodity prices rebounded strongly in November, gaining 0.4% over the previous month and are up 25.0% from the low reached in December of 1998.
- The dollar, on the other hand, slipped somewhat, losing 0.2%.



Source: Statistics Canada, Bank of Canada

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## Import growth outpaces export growth for many Team Canada Sectors

- Import growth outpaced export growth in 7 out of the 10 Team Canada Sectors for the first 10 months of 1999 over the same period in 1998.
- Environmental Products had both the strongest export and import growth and is one of the few Team Canada sectors where exports outpaced imports, 29.6% for exports vs. 19.6% for imports.
- Automotive and Building Products are the other two sectors showing vigorous growth in exports with rates of 20.7% and 12.7% respectively.
- The industrial pattern of trade deficits has deepened during the period under review.
  - ▶ Information and Communications Technologies (ICT) posted the strongest merchandise trade deficit at \$19.7 billion for the first 10 months of 1999, a \$3.0 billion increase over the same period in 1998.
  - ▶ On the other hand, the Automotive sector registered a \$5 billion surplus, an increase of \$4.5 billion.

### Merchandise Trade, (Team Canada Sectors)

Team Canada Sectors	Exports			Imports			Balance	
	Millions	Growth	Millions	Growth	Millions	1998	1999	
	1998 YTD* Jan-Oct.	1999 YTD* Jan-Oct.	1998- 1999	1998 YTD* Jan-Oct.	1999 YTD* Jan-Oct.	1998- 1999	1998	1999
Aerospace & Defence	11,097	11,741	5.8	11,720	13,269	13.2	-624	-1,528
Agri-Food	18,888	17,871	-5.4	13,458	13,579	0.9	5,430	4,293
AMT**	2,813	2,883	2.5	3,352	3,505	4.6	-539	-622
Automotive	61,874	74,661	20.7	61,380	69,605	13.4	494	5,056
Building Products	13,418	15,128	12.7	11,124	12,150	9.2	2,294	2,978
Electrical Power Equipment	4,509	4,782	6.1	7,404	8,783	18.6	-2,895	-4,001
Environmental Products	556	720	29.6	1,030	1,232	19.6	-474	-512
Health Products	2,739	3,056	11.6	5,005	5,658	13.0	-2,266	-2,602
ICT***	21,125	22,311	5.6	37,839	42,015	11.0	-16,714	-19,704
Plastics	6,319	6,802	7.6	5,785	6,329	9.4	535	473
<b>Total Merchandise Exports</b>	<b>262,811</b>	<b>291,744</b>	<b>11.0</b>	<b>247,375</b>	<b>263,910</b>	<b>6.7</b>	<b>15,436</b>	<b>27,834</b>

\* YTD - Year-to-date

\*\* AMT - Advanced Manufacturing Technologies

\*\*\* ICT - Information and Communication Technologies

Source: Industry Canada compilations based on Statistics Canada Data

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## China Export Opportunities for Canada

### China offers great export opportunities

- With a GDP of \$918 billion, China is the seventh largest economy in the World. And with an average annual rate of growth of 13.3% since 1990, it is growing about 2½ times faster than the world average of 5.8%.
  - ▶ Measured in terms of purchasing power parity (PPP), by 2010, China's will have the second largest GDP, after the U.S.
  - ▶ China has nearly one quarter of the world's population. By 2010 it is expected to have in excess of 500 million middle class consumers, the largest consumer market in the world.
- China has nearly quadrupled its share of world merchandise exports since 1980, jumping from 0.9% share in 1980 to 3.4% in 1998, and will need to import intermediate goods if it is to continue its export expansion.
  - ▶ China's import growth, although not as fast as export growth, increased faster than the world average. As a result, China's share of world merchandise imports has increased from 2.1% in 1980 to 2.50% in 1998.

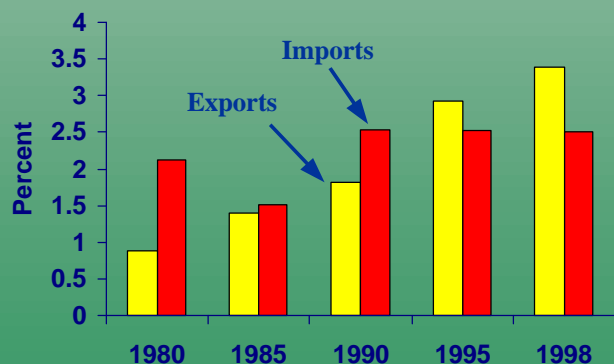
### China — Key Statistics

Population (1998):	1243.7 million
GDP (1997, \$US):	\$917.7 billion
Exports (1998, \$US):	\$183.6 billion
Imports (1998, \$US):	\$140.3 billion
GDP Growth (1990-97):	13.3%
Export Growth (1990-98):	14.5%
Import Growth (1990-98):	12.8%

### Hong Kong — Key Statistics

Population (1998):	6.7 million
GDP (1998, \$US):	\$166.4 billion
Exports (1998, \$US):	\$208.2 billion
Imports (1998, \$US):	\$207.6 billion
GDP Growth (1990-98):	10.5%
Export Growth (1990-98):	9.5%
Import Growth (1990-98):	10.4%

### Chinese Share of World Merchandise Trade



Source: Industry Canada compilations based on data from WTO.

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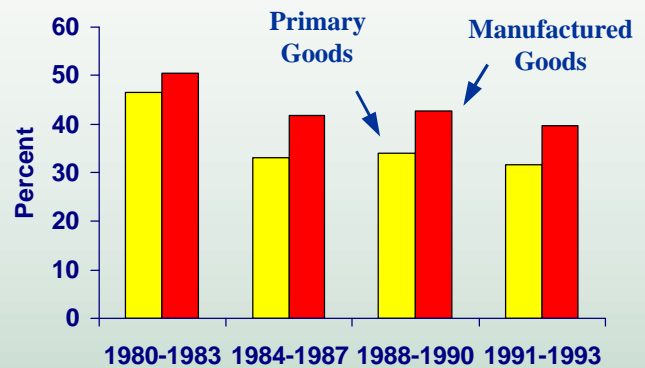
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## China Export Opportunities for Canada

### But, Chinese tariff barriers remain high

- Chinese tariff rates have been declining. But, at a mean rate of 31.7% on Primary Goods and 39.7% on Manufactured Goods, there is still significant room for improvement.
  - ▶ This compares to a mean tariff rate in Canada of 6.7% in 1993.
- The recently signed bilateral trade agreement between Canada and China takes some steps toward lowering trade barriers, particularly for select agricultural and high technology products as well as some services. This agreement will enhance trade opportunities between the two countries.

### Chinese Mean Tariff Rates



Source: APEC

### Canada is a small player in the Chinese market

- At \$10.1 billion, China is our fourth largest trading partner, accounting for 1.6% of our total trade (exports plus imports).
  - ▶ If Hong Kong is included as part of China, China would be our third largest trading partner at \$12.8 billion, or 2.1% of our total trade.
- In 1998, 3 countries accounted for nearly 60% of China's exports; Hong Kong, United States and Japan. Canada was ranked 13th, purchasing 1.2% of Chinese exports.
- Chinese imports were slightly more diversified with 4 countries making up nearly 55% of Chinese imports. Canada ranked 16th.

### China's Top Trading Partners, 1998

Exports to:	Share (percent)	Imports from:	Share (percent)
① Hong Kong	21.1	① Japan	20.2
② United States	20.7	② United States	12.1
③ Japan	16.2	③ Taiwan	11.9
④ Germany	4.0	④ South Korea	10.7
⑤ South Korea	3.4	⑤ Germany	5.0
⑬ Canada	1.2	⑯ Canada	1.6

Source: Chinese Ministry of Foreign Trade and Economic Cooperation

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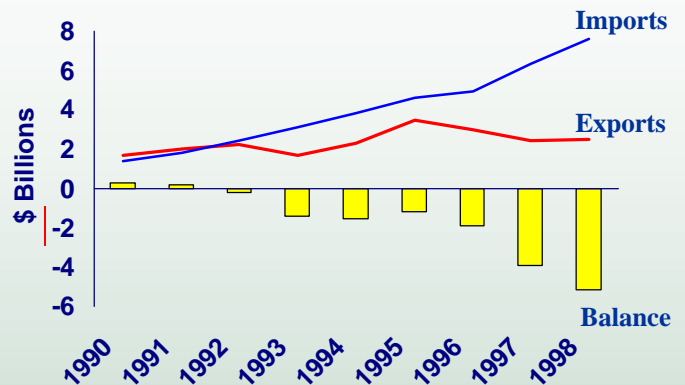
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## China Export Opportunities for Canada

### Our export performance has been poor...

- Growth in Canadian exports to China has been very slow, increasing at an average annual rate of only 4.9% between 1990 and 1998.
- Total Canadian exports increased at an average annual rate of 10.0%.
- Chinese imports from all sources have been growing by 12.8% annually.
- Meanwhile, imports from China have grown 23.7% annually over the same period resulting in a large and quickly increasing trade deficit with China.

### Merchandise Trade with China

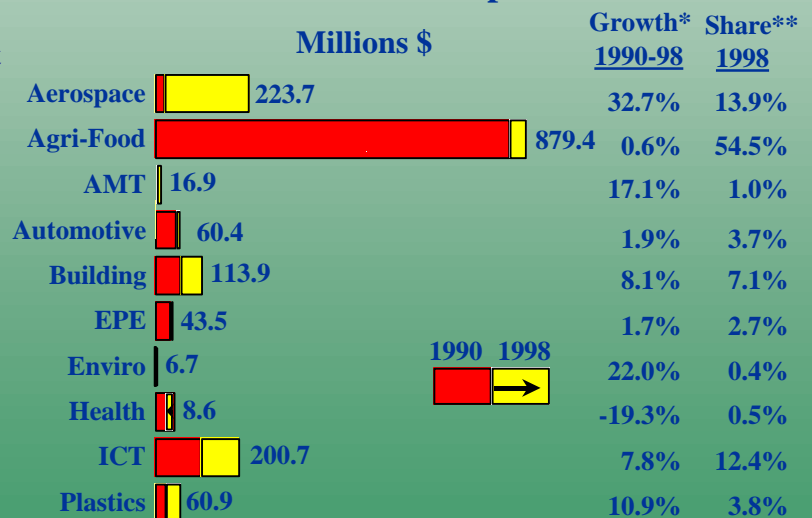


Source: Industry Canada compilations based on Statistics Canada data.

### ...especially in traditional sectors

- Team Canada Sectors account for almost 65% of Canadian exports to China. Agri-food exports alone make up more than half of these exports, but this sector has shown virtually no growth over the decade.
- The next two largest sectors, namely Aerospace and ICT, have demonstrated much stronger growth. Together they represent another one-quarter of Team Canada sector exports to China.
- Four commodities - electrical machinery, toys and sports equipment, machinery and footwear - make up 45% of our imports from China.

### Team Canada Sectors Merchandise Exports to China



\*Average annual growth rate

\*\*Share of Team Canada Sector exports to China

Source: Industry Canada compilations based on Statistics Canada data.

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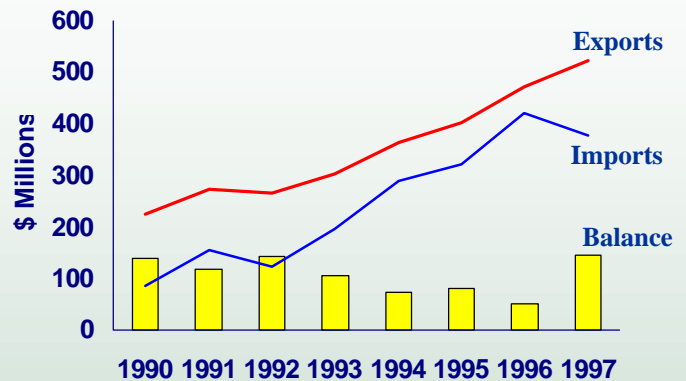
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## China Export Opportunities for Canada

### But, Canadian service exports to China have doubled since 1990

- Trade in services account for a significant portion of Canada's trade with China. In 1997, services accounted for nearly 20% of our total exports to China.
- Services export growth has greatly outpaced that of merchandise exports, growing at an average annual rate of 12.9% between 1990 and 1997, vs. only 4.9% for merchandise exports.

### Services Trade with China

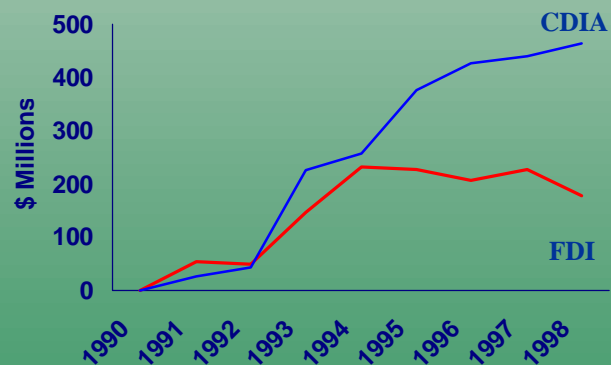


Source: Industry Canada compilations based on Statistics Canada data.

### And our direct investment in China has grown quickly

- Although Canadian Direct Investment Abroad (CDIA) in China has increased substantially from almost nothing in 1990 to \$464 million in 1998, China still accounts for a very small portion of CDIA (about 0.2%).
  - ▶ CDIA in Hong Kong has also increased dramatically between 1990 and 1998 and stood at \$2.9 billion in 1998, more than six times greater than in China.
- In 1998, China accounted for more than a quarter of all FDI inflows into developing countries.
- Chinese investment in Canada is extremely small and has not changed substantially since 1994.

### Two-way Foreign Direct Investment with China



Source: Industry Canada compilations based on Statistics Canada data.