

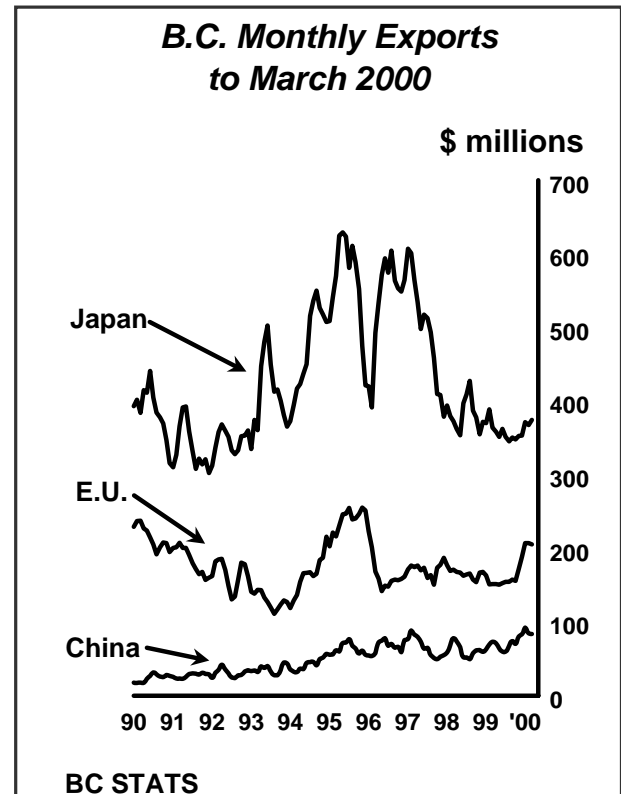
1990s Brought New Markets and New Products For B.C. Exports

After all the economic changes and upsets of the 1990s, at least two long term trends still hold true for British Columbia exports. Trade with Asia is growing. And the value-added component of exports is expanding, particularly for exports shipped to the United States.

The fastest growing international market for British Columbia was China. British Columbia exports to China (including Hong Kong) grew at an average annual rate of 14 per cent between 1990 and 1999, twice the 7 per cent rate of growth for overall exports.

Not all Asian markets grew over the decade. British Columbia's exports to Japan averaged zero per cent growth between 1990 and 1999. If trends of the 1990s continue through the present decade, Japan may be replaced by China as the second most important export destination for British Columbia products after the United States. Weak demand from Japan through the 1990s has already contributed to a reversal of the pre-1990s trend to less reliance on the United States market.

The other main reason for this reversal was that there were unusually strong export gains in the United States market during the 1990s. It is hardly surprising that exports to the United States should have grown extraordinarily quickly during a decade that included a booming U.S. economy, the creation of NAFTA, and a sharp decline in the value of the Canadian dollar against the U.S. currency.



Exports to the United States grew at an average annual rate of 12 per cent, outstripping shipments to all major destinations except China. With the U.S. market the destination for 67 per cent by value of all British Columbia exports in 1999, gains in the U.S. market produced a far greater impact on British Columbia's economic growth than all other international trade factors combined. Although exports to China have been rising very quickly, they still amounted to only 3 per cent of total exports in 1999.

Although NAFTA has undoubtedly done a great deal to encourage British Columbia exports to the United States, it has so far done little to boost exports to Mexico, the other North American trading partner. The \$41 million shipped to Mexico in 1999 was actually less than the amount shipped in 1995, the year in which continental free trade was first expanded to include Mexico. It amounted to just 0.1 per cent of British Columbia's total 1999 exports.

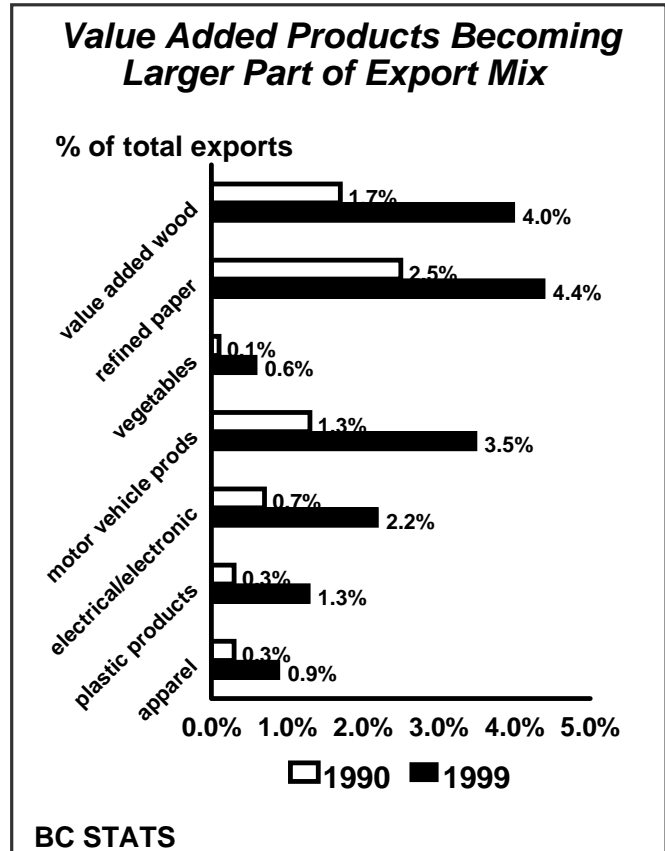
Average annual exports to the European Union fell one per cent between 1990 and 1999. This reflected the loss of some of British Columbia's traditional resource commodity markets in Europe to suppliers in South America, the former Soviet Bloc, or within the European Union itself.

While competition in international resource commodity markets brought down the total value of British Columbia products shipped to Europe over the 1990s, there was some improvement in the value of value-added products shipped to that market.

Electrical and electronic goods shipped to the European Union rose at an average annual rate of 28 per cent, reaching \$45 million in 1999. Value-added wood product exports rose at an average rate of 9 per cent per year, reaching \$10 million in 1999.

Similarly for exports to Japan, sales of value-added products fared better than sales of resource commodities.

Among the declines in British Columbia exports of resource commodities to Japan over the 1990s were a 4 per cent average annual drop for coal exports, an 11 per cent drop for copper concentrate exports, and a 9 per cent drop in exports of fresh and frozen salmon.



These were balanced out by export gains over the decade such as the 73 per cent average annual export growth for electrical and electronic equipment, and 15 per cent growth for miscellaneous machinery and equipment.

Lumber exports to Japan managed a respectable 8 per cent average annual growth between 1990 and 1999, encouraged somewhat by the elimination of certain trade limiting regulations which had been restricting the access of the Japanese construction industry to North American building products.

The elimination of these restrictions also bolstered British Columbia exports of value-added wood products to Japan. These rose at an average annual rate of 20 per cent between 1990 and 1999. They amounted to \$109 million in 1999.

Increases in the value-added component of exports has been perhaps the single most important improvement in British Columbia's international trade during the past decade. While gains in value-added exports to Asia and Europe have been important, by far the most progress has been made in the American market.

For example, exports of motor vehicles and parts to the United States rose at an average annual rate of 27 per cent to reach a value of \$956 million in 1999. Much of this was in shipments of road tractors for semi-trailers from Western Star Trucks of Kelowna, and wheels from the Toyota facility at Delta.

Electrical and electronic exports to the United States rose at an average annual rate of 21 per cent, reaching levels of \$480 million in 1998 and \$467 million in 1999.

Similarly high average annual export growth rates were achieved for plastic products (26 per cent) and apparel (23 per cent).

The best export growth rates for products shipped to the United States from the pulp and paper industry were for refined papers – the most important value-added export shipped from this sector. Exports of refined

paper grew at an average annual rate of 20 per cent, as compared to rates of 4 per cent for pulp and minus 2 per cent for newsprint.

In the solid wood industry, value-added exports to the United States grew at an average annual rate of 19 per cent, significantly faster than the 13 per cent for lumber exports.

Fresh vegetables products are not traditionally categorised as value-added products. But much or most of the growth in British Columbia vegetable exports to the United States over the 1990s could be reasonably listed under this heading because it is mainly greenhouse grown. The value of these crops is produced by capital investment, ingenuity, and skilled labour more than by the consumption of natural resources. To the small extent that natural resources are used, they are almost entirely of a renewable nature. The land base resource is a relatively minor factor.

Vegetable exports to the United States (including both greenhouse and field grown because separate statistics are not available) expanded from \$14 million in 1990 to \$147 million in 1999, growing at an average annual rate of 31 per cent.

Industry specialists have estimated that, under favourable commercial conditions, exports of greenhouse vegetables could be expanded much further, so that this industry could someday account for considerably more than its present 1 per cent share of total provincial exports.