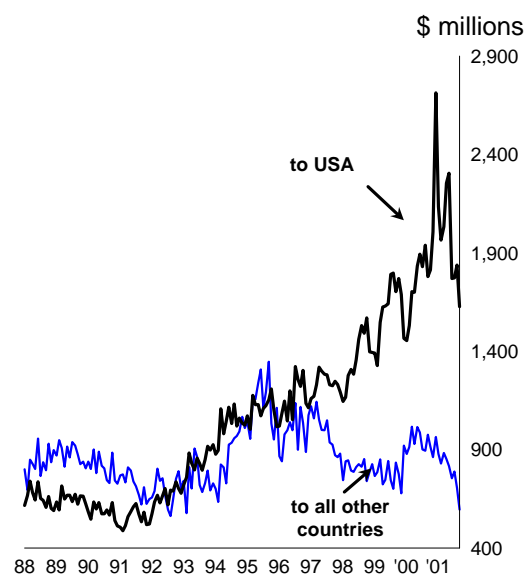


## Exports ♦ September 2001

- The combination of falling commodity prices, the softwood lumber trade dispute and the events of September 11<sup>th</sup> contributed to a 19.4% drop in the value of exports in September from the same month in 2000. Year-to-date, the value of total BC exports still exceeds the January to September period of 2000 by 2.6%, due largely to the phenomenal growth in the value of energy exports earlier in the year.
- Although the year-to-date value of natural gas exports is still more than double that of the first nine months of 2000, and electricity exports are still over 70% higher, price declines have resulted in significant reductions in energy exports in recent months.
- The value of exports of pulp and paper products is a fifth lower year-to-date compared to the first three quarters of 2000. The 20% drop is due mostly to reduced shipments to Japan (-42%) and the European Union (-21%). The recent announcement of pulp mill closures in Powell River and Chetwynd indicate that these numbers may deteriorate even further.
- In the first nine months of 2001, exports of metallic mineral products are about 20% off the pace set in the first three quarters of 2000. The most significant drop is in exports of unwrought zinc, which could be due, in part, to the impending closure of the Sullivan lead-zinc mine in Kimberley and the corresponding slowdown in production.
- The value of exports to the Pacific Rim (including Japan) is down 20% year-to-date compared to the same period in 2000 and exports to the European Union have fallen over 10%. However, trade within the Americas has risen substantially over the same period. BC exports to the United States are 13% higher year-to-date. The value of exports to Mexico (+35%), South America (+23%) and Central America and the Caribbean (+50%) is significantly greater than the January to September period of 2000. Although the value of exports to these Latin countries is still relatively small, continuing negotiations for a Free Trade Area of the Americas could result in further expansion of trade with these countries in the future.

*Falling energy prices, trade disputes and terrorist attacks have moderated export growth*



## Is Trade Threatened by Security?

Canada and the United States share the longest undefended border in the world, but after the September 11<sup>th</sup> terrorist attacks in Washington and New York there has been a considerable increase in security measures related to movement between the two countries of both people and goods. This has resulted in long line-ups at border crossings and significant delays in the movement of merchandise. A recent anti-terrorist bill enacted by the United States that pledges to triple border patrols and customs and immigration officials at the Canada/United States border may help speed movement through customs, but crossing the border will inevitably be slower compared to the time prior to the attacks. This slowdown could have serious consequences for trade between the two countries.

*Increased border security in the wake of the events of September 11<sup>th</sup> could threaten cross-border trade*

Canada exported \$334.1 billion of commodities to the United States in 2000, and imported \$229.6 billion of goods from the US, for a gross trade value of \$563.8 billion. The British Columbia portion of this was \$22.2 billion in exports and \$13.3 billion in imports,<sup>1</sup> for a gross trade value of \$35.5 billion. For both BC and Canada as a whole, the United States is by far the largest trading partner, both for exports and imports.

### Top 5 Export Destinations, 2000 (\$Cdn Billions)

From BC		From Canada	
United States	\$22.2	United States	\$334.1
Japan	\$4.8	Japan	\$9.1
South Korea	\$0.9	UK	\$5.4
China	\$0.7	China	\$3.3
Italy	\$0.6	Germany	\$3.0
<b>TOTAL</b>	<b>\$33.4</b>	<b>TOTAL</b>	<b>\$385.4</b>

*The United States is the largest destination for BC and Canada exports...*

### Top 5 Import Origins, 2000 (\$Cdn Billions)

Through BC		To Canada	
United States	\$13.3	United States	\$229.6
Japan	\$6.4	Japan	\$16.6
China	\$3.0	UK	\$13.0
South Korea	\$1.5	Mexico	\$12.1
Taiwan	\$1.0	China	\$11.3
<b>TOTAL</b>	<b>\$30.8</b>	<b>TOTAL</b>	<b>\$356.8</b>

*...and the largest source of BC and Canada imports*

<sup>1</sup> Imports to BC are goods entering the province, whether or not they are eventually consumed in BC.

The United States was the destination of 66% of British Columbia's goods exports in 2000. For Canada as a whole, the figure is even greater; 87% of commodity exports went to the United States. Imports from the US accounted for 43% of all imports into BC and 64% of all imports into Canada. Although British Columbia is not quite as reliant on trade with the United States compared to Canada as a whole, clearly transactions with the Americans are critically important to the economy of the province.

And contrary to President Bush's proclamation that Mexico is the United States' most important trading partner, Canada is the most significant destination for American exports and the largest source of imports into the US. In 2000, 23% of American exports were shipped to Canada and 19% of imports originated in Canada. In short, the United States is Canada's most important trade partner and Canada is the United States' most important trade partner.

*The President got it wrong—Canada is the United States' most important trade partner*

**Top 5 US Export Destinations & Import Origins, 2000  
(\$US Billions)**

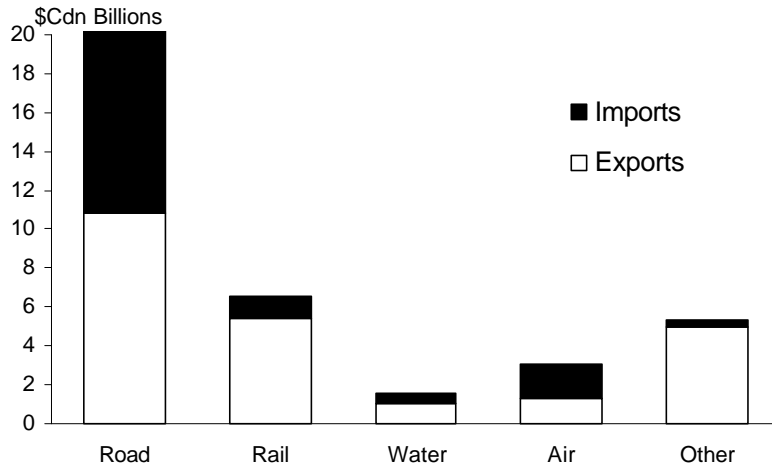
Exports		Imports	
Canada	\$176.4	Canada	\$229.2
Mexico	\$111.7	Japan	\$146.6
Japan	\$65.3	Mexico	\$135.9
UK	\$41.6	China	\$100.1
Germany	\$29.2	Germany	\$58.7
<b>TOTAL</b>	<b>\$780.4</b>	<b>TOTAL</b>	<b>\$1,216.9</b>

The scope of trade between Canada and the United States underscores the importance of keeping traffic at the border moving. There have been suggestions that the two countries should co-ordinate their immigration and trade policies thereby creating a North American perimeter and eliminating the need for enhanced security at the Canada/US border. There are fears in Canada that this would take away from Canada's sovereignty and that many of the decisions pertinent to this country would then be made in Washington, rather than Ottawa. It is more likely that Canada and the United States will continue to have separate policies in these areas, but that in future, there will be much more co-operation and further co-ordination of security measures.

It is crucial that something is done to prevent the border from becoming a significant hurdle to trade. In British Columbia, in 2000, almost \$20.4 billion worth of merchandise was shipped to and from the United States by road (\$10.8 billion in exports and \$9.5 billion in imports), representing over half (55%) of the

province's trade in commodities with the United States. However, it is not only goods shipped by truck that are being affected. Delays at airports and seaports are also a problem as increased security concerns are affecting these entry points as well.

**Most goods traded between BC and US travel by road**



*Over half of all goods traded between BC and the US travel by road*

In 2000, the types of goods exported to the United States from British Columbia were mostly energy products and forest products. The leading commodity exported from BC to the US was softwood lumber with exports valued at \$4,619.9 million. Natural gas was second at \$2,590.2 million, and electrical energy, at \$1986.6 million, was third. Since the energy commodities are transported via pipeline and transmission wires, trade is unlikely to be affected by increases in security at the border. In fact, the desire of the United States to move away from its reliance on OPEC nations for fuel and to find alternative energy sources may actually result in increased trade in these commodities. However, lumber and other commodities that have to be transported by land, water or air could definitely be affected by tighter border security.

It is not only trade in goods that is a cause for concern, but also trade in services. Tourism is a prime example of an industry that exports services and is suffering negative repercussions from enhanced security measures at the border. Long line-ups are discouraging people from making the trip north or south. This has particularly affected those businesses on both sides of the border that depend on cross-border shoppers and people making day-trips. Another service that could experience a downturn is the transportation and storage sector, which could lose business if the volume of goods traded across the border declines.

*Trade in services could also be disrupted by enhanced security measures*

While security is of paramount concern at a time like this, there has to be some trade-off to ensure that it does not result in a crippling of the economy. Canada and the US will need to work together to ensure both the free movement of goods and a secure environment for their citizens.

## Trade dispute updates

### *"The Softwood Lumber Dispute"* **Exports** (March 2001)

On August 10, the US Department of Commerce ruled that a 19.3 percent countervailing duty should be applied to imports of softwood lumber from Canada. Shortly thereafter, Canada initiated a challenge of the decision with the World Trade Organisation. Since the ruling, the forest industry in British Columbia has suffered thousands of layoffs, with some industry experts suggesting that approximately half the industry's workforce could face unemployment if the dispute is not settled. An additional blow to the Canadian industry was the decision to apply the duty on the value of the wood as it enters the United States, rather than the value as it leaves the sawmill. This means that the duties will also affect remanufacturers. In an effort to come to a resolution over the dispute, both British Columbia and Quebec have stated a willingness to look at making some changes to their respective stumpage practices, possibly moving toward a more market-based system.

On October 31, the Department of Commerce announced additional anti-dumping charges ranging from 5.94% to 19.24% on four BC companies and two in Quebec. The average of these six rates (12.58%) will be applied to the rest of the industry as an additional duty on top of the 19.3% determined earlier. This additional cost to lumber companies operating in Canada could further devastate an industry already reeling from mill closures and layoffs. Some relief will come on December 17 when the preliminary countervailing duty of 19.3% expires, leaving only the anti-dumping duty in effect. By May 2002 the US International Trade Commission should make a final determination on what the countervailing duty rate will be, retroactive to May 2001. Until the final rate is set, companies must post bonds or make cash deposits to cover the dumping rate. In response to the countervailing and anti-dumping duties, Canfor Corporation has filed a claim against the US government saying that the US has violated NAFTA provisions by setting the duties. Other companies have suggested they may follow suit.

### *"Attack of the Canadian Tomatoes"* **Exports** (April 2001)

In a preliminary decision, the United States Department of Commerce ruled that US imports of Canadian greenhouse tomatoes should be assessed antidumping duties ranging from 0 to 33.95 percent. The highest duty of 33.95 percent was charged to BC Hot House Foods Inc. This decision could have devastating implications for the BC greenhouse industry if it stands. In a related issue, in June, Canadian tomato growers launched a similar complaint against US field tomato growers, alleging they were dumping their produce in Canada at 30 to 50 percent below the price of production. The Canadian growers argue that the low price of field tomatoes is driving down the price of the greenhouse variety. A decision is not expected until next year.

**Recent Feature Articles In British Columbia Origin Exports Release  
Listed By Statistical Reference Date of Issue**

<b>01-08</b>	<i>Thirst for Energy Powers British Columbia's Exports (released October 2001)</i>	<b>00-03</b>	<i>1990s Brought New Markets and New Products For B.C. Exports (released June 2000)</i>
<b>01-07</b>	<i>International Trade in High Technology Goods and Services (released September 2001)</i>	<b>00-02</b>	<i>United States Continues Substantial Log Exports In 1999 (released April 2000)</i>
<b>01-06</b>	<i>Interprovincial and International Trade in Goods and Services (released August 2001)</i>	<b>00-01</b>	<i>B.C. Goods Export Growth Among Lowest In Canada During 1990s (released March 2000)</i>
<b>01-05</b>	<i>Buy Low, Sell High: Trade in Electricity (released July 2001)</i>	<b>99-12</b>	<i>British Columbia Trade Becoming More Continental Than Global (released February 2000)</i>
<b>01-04</b>	<i>Attack of the Canadian Tomatoes (released June 2001)</i>	<b>99-11</b>	<i>Growing Cross Border Trade In Agricultural Food Products (released January 2000)</i>
<b>01-03</b>	<i>The Softwood Lumber Dispute (released May 2001)</i>	<b>99-10</b>	<i>Trade Imbalances Growing Within NAFTA (released December 1999)</i>
<b>01-02</b>	<i>(no article)</i>	<b>99-09</b>	<i>B.C. Exports Recovering In Some Asian Markets, Still Declining In Others (released November 1999)</i>
<b>01-01</b>	<i>(no article)</i>	<b>99-08</b>	<i>British Columbia Exports to United States Move Increasingly By Truck (released October 1999)</i>
<b>00-12</b>	<i>(no article)</i>	<b>99-07</b>	<i>Export Changes During 1990s Reduce Resource Dependency (released September 1999)</i>
<b>00-11</b>	<i>After Much Economic Diversification, B.C. Exports Are Still Mainly Resource Based (released January 2000)</i>	<b>99-06</b>	<i>British Columbia Losing Dominant Position In World Lumber Markets (released September 1999)</i>
<b>00-10</b>	<i>Ambitious Western Hemisphere Trade Agreement Could Help Shape Canadian Trade In the New Decade (released Dec. 2000)</i>	<b>99-05</b>	<i>September Team Canada Mission To Visit Japan and Australia (released July 1999)</i>
<b>00-09</b>	<i>Trade Growth Tied To Transportation Infrastructure (released November 2000)</i>	<b>99-04</b>	<i>New Export Industries Depend Heavily On Air Freight Services (released July 1999)</i>
<b>00-08</b>	<i>Some Familiar Patterns Developing In Trade Between China and British Columbia (released October 2000)</i>	<b>99-03</b>	<i>United States Log Exports (released May 1999)</i>
<b>00-07</b>	<i>International Trade In Services Produces B.C.'s Only Trade Surplus (released October 2000)</i>	<b>99-02</b>	<i>British Columbia Losing Ground In United States Lumber Market (released Apr 1999)</i>
<b>00-06</b>	<i>Value Added Wood Exports Grow Fast In B.C., But Faster In Rest of Canada (released August 2000)</i>	<b>99-01</b>	<i>British Columbia Export Reliance On U.S. Market Highest Since Early 1960s (released March 1999)</i>
<b>00-05</b>	<i>What Has Free Trade Meant For B.C.'s International Trade? (released July 2000)</i>	<b>98-12</b>	<i>(no article)</i>
<b>00-04</b>	<i>British Columbia Shipping Smaller Portion of Canadian Forestry Products (released June 2000)</i>		

## NOTES

### Countries Included Within World Regions:

- (1) Western Europe:** United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.
- (2) Eastern Europe:** other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.
- (3) South East Asia:** Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.
- (4) Africa:** continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.
- (5) South America:** continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.
- (6) Central America and Caribbean:** from Guatemala and Belize to Panama, plus Caribbean Islands.
- (7) Pacific Rim (including Japan):** Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.
- (8) Pacific Rim:** as above, but excluding Japan.
- (9) Middle East:** from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

### Service Offered for Detailed Trade Statistics

For B.C. government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

#### Dan Schrier - Trade Statistics

#### BC STATS

553 Superior Street, Victoria, B.C. V8V 1X4

(250) 387-0376

This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for British Columbia, Canada, the United States and other countries. Tabulations can include information on commodities, countries, U.S. states, years, months, mode of transport, etc.