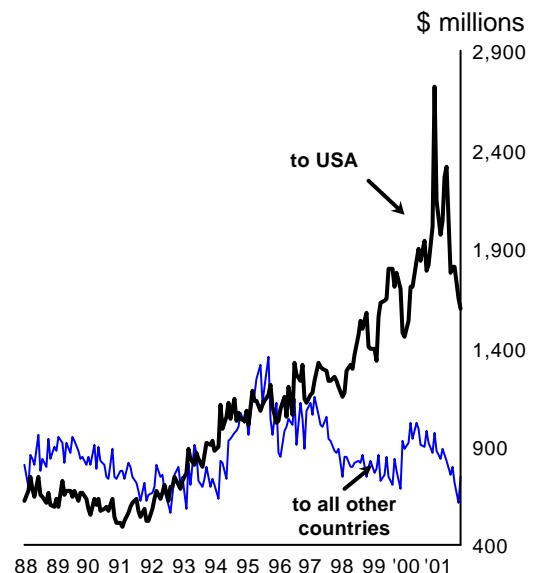

Exports ♦ October 2001

- The continuing influence of the events of September 11th combined with the softwood lumber trade dispute and falling commodity prices contributed to a 15% drop in the value of exports in October from the same month in 2000. Year-to-date, the value of total BC exports still exceeds the January to October period of 2000 by 1%, mostly on the strength of the tremendous spike in growth in the value of energy exports earlier in the year.
- Price declines have further eroded the value of energy exports; however, year-to-date the value of energy exports is still 49% higher than the first 10 months of 2000. Natural gas exports lead the way, 86% over the value of the previous year and electricity exports are up 61%.
- The value of exports of pulp and paper products is down 21% compared to the January to October period of 2000. The significant decline is due mostly to reduced shipments to Japan (-44%) and the European Union (-26%). Recent pulp mill closures in the province could result in further reductions.
- In the first ten months of 2001, exports of metallic mineral products are about 24% off the pace set in the same period in 2000. The most significant drop is in exports of unwrought zinc (-53%). With the Sullivan lead-zinc mine in Kimberley shutting down at the end of 2001, zinc exports will likely decline further.
- The value of exports to destinations outside the Americas has experienced a

significant decline in 2001 compared to the previous year. Exports to the Pacific Rim (including Japan) have dropped almost 22% year-to-date compared to the same period in 2000 and exports to the European Union have fallen over 14%. However, trade within the Americas has risen substantially over the same period. BC exports to the United States are 10% higher year-to-date. The value of exports to Mexico (+45%), South America (+25%) and Central America and the Caribbean (+44%) is significantly greater compared to the January to October period of 2000.

BC monthly exports to October 2001



Exploring China as a Market for BC's Wood Products

China is often seen as a huge, largely untapped market for trade and China's recent accession to the World Trade Organisation (WTO) should make it an even more desirable trade partner. With a population estimated at approximately 1.3 billion,¹ the world's most populous country offers a tremendous market for exports. In British Columbia there is a keen interest in finding a market in China for forest products, particularly in light of the current softwood lumber dispute with the United States that has resulted in substantial layoffs of forest sector employees. In November, Premier Campbell led a trade mission accompanied by several forest industry representatives with the goal of marketing BC wood in the country where they are expected to build almost as many homes annually as currently exist in all of Canada.

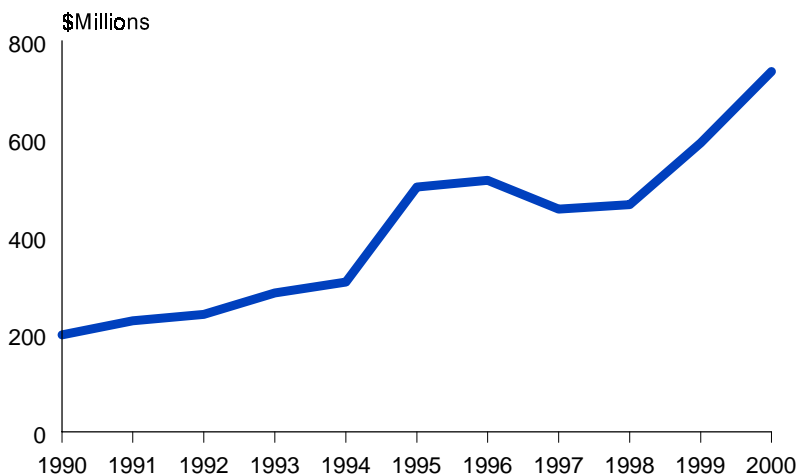
China's housing boom could make that country a significant buyer of BC wood

Profile of Canada/China trade

Even though China was the fourth most significant destination for Canadian commodity exports and the fifth largest source of imports into Canada in 2000, Canadian goods represent less than 1% of China's imports and Canada imports only about 1.4% of products exported from China. There is a tremendous potential for expanded trade with China.

In the last decade the value of Canada's exports to China has almost doubled, but they still make up less than 1% of Canada's total exports. British Columbia increased the value of its exports to China by 279% between 1990 and 2000. Shipments to China accounted for 2.3% of all BC origin exports in 2000.

BC Origin Exports to China

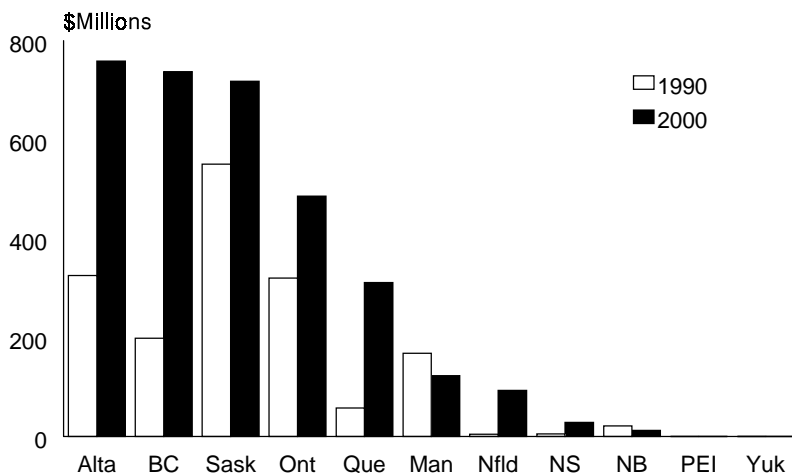


BC origin exports to China have grown substantially over the last decade such that China now ranks as the fourth most significant importer of BC commodities

¹ United States Census Bureau, International Database.

In 2000, Alberta, British Columbia and Saskatchewan each exported over \$700 million worth of goods to China ranking them one-two-three among the provinces. The tendency toward trade with the western provinces probably has less to do with China's closer proximity to them than with their product mix. The majority of commodities traded to China are resource-based, particularly agricultural products, although other inputs to China's increasingly industrialised economy are also in demand. China imports very few manufactured products from Canada, which is why Ontario and Quebec lag behind the more resource-oriented western provinces. BC was the origin of 23% of all Canadian goods shipped to China in 2000.

The three western-most provinces exported the most to China in 2000



BC ranks second among the provinces in the value of exports to China

Alberta and Saskatchewan have evolved from primarily exporting wheat to China to shipping products such as potash from Saskatchewan and chemicals and plastics from Alberta. Although British Columbia's export mix to China has significantly diversified over the last 10 years, wood pulp still comprised over half (55%) the value of BC origin commodity exports to China in 2000, down from 65% in 1990. Copper ores and concentrates were the next most significant export, accounting for over 15% of the value of BC exports to China.

Wood pulp is by far the most significant BC export to China

Approximately 26% of all imports of Chinese goods into Canada in 2000 were cleared through British Columbia; however, this does not mean that this merchandise was consumed in the province. Due to British Columbia's location on the West Coast, most of the goods shipped from Asia arrive in BC before being transported east. Shipments of toys represented the largest value of imports from China, comprising about 16.5% of the total. Electrical equipment and appliances were the next most popular import making up about 15% of all goods shipped through BC.

Toys and electronics are the items most often imported from China through BC ports

Wood to China: an untapped niche?

The BC forest industry is reeling from the dispute with the United States that has resulted in punishing duties on Canadian softwood lumber exports. Several mills have closed, possibly for good, putting thousands of British Columbians out of work. The forest sector is looking for alternative markets for its goods and China is one possibility. Currently wood products used in construction of houses make up a very small portion of BC origin exports to China.

There is a simple reason for the lack of demand in China for BC wood. Most housing in China is built of steel and concrete. The building standards are designed with those materials in mind and are not suitable for wood frame construction. There is some hope that this may change, however.

Historically, most housing in China was owned by the state and it was part of the government's mandate to provide housing for its citizens. As China underwent reform and took steps toward a more market-driven system, it developed policies to encourage more privately owned housing. As a result, investment in housing has become more of a priority.

In the last few years interested parties from countries in the West, including Canada, have been leading a campaign to revise China's building codes such that they will encompass wood frame construction and to train Chinese builders to these new standards. This is not the first time that North American interests have pushed for new building standards in Asia to accommodate construction of wood frame homes. Japan is another example where this occurred and Canadian exports to Japan of wood products used in house construction² amounted to just over \$2 billion in 2000, of which almost \$1.9 billion (93%) originated in BC. This is compared to only \$18.8 million worth of these products exported to China, of which \$14.5 million (77%) originated in BC.

China comprises about a fifth of the world's population, which makes it a potentially enormous market for wood products used in house construction. However, it could take years for Chinese building codes to be transformed. The experience in Japan was made easier because, traditionally, Japanese houses were built of wood, whereas that was never the case in China. Even now, in Japan, less than 50% of housing starts are of wood frame construction.³ In China it is about 1%.

² All figures quoted related to wood used in house construction are comprised of the following 4-digit HS codes: 4407, 4408, 4409, 4410, 4411, 4412, 4418 and 9406 (this last code being prefabricated buildings). By far the largest component (over 80% of exports to Japan and China) is 4407, which is comprised of softwood lumber. The other components include plywood, veneer, OSB, shakes and shingles, doorframes, etc.

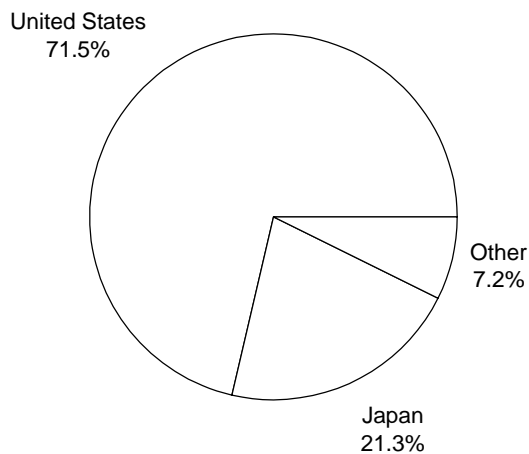
³ US Department of Agriculture, Foreign Agricultural Service. In 1999, wood frame construction was 47% of housing starts in Japan and 1% of starts in China.

Housing in China is mostly built of steel and concrete, which is why there has been very little demand for BC wood products

Very little of BC's wood products are exported to China

The United States is by far the most significant destination of BC wood products used in housing construction, taking in about 72% of the value of BC exports falling in that category. Japan is the destination for 21% of those wood products with the other 7% distributed to almost 70 countries.

The United States takes in most of BC's wood



The US and Japan are the main destinations for BC wood products

The overwhelming share of the BC wood market held by the United States gives one an idea of the kind of obstacle the forest industry is facing with regard to the current trade dispute with the Americans. It will likely take time and effort to increase China's share of that market, which means the BC forest industry's dependence on the United States will probably continue for some time to come. However, that doesn't mean that BC companies shouldn't pursue more trade with China. While it may not be the answer to the current crisis in the forest sector, China could prove to be a lucrative trade partner for wood exports. It is important that BC companies get in the game early because their competitors are also looking to exploit this vast market.

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

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