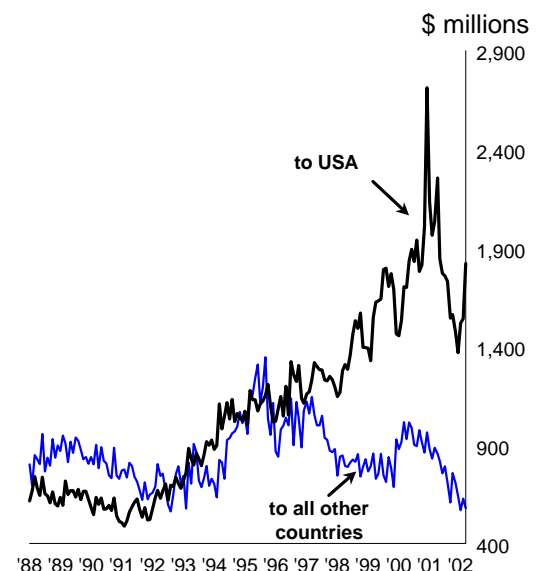


## Exports ♦ March 2002

- The value of BC origin exports are down 24% year-to-date compared to the first quarter of 2001. Significant price reductions for energy products and other commodities are the main reason for the decline. The value of exports of both natural gas (-60%) and electricity (-95%) have dropped sharply due to the fall in price. Record high prices recorded in late 2000 and early 2001 are giving way to prices closer to historical levels.
- BC origin exports of pulp and paper are down 32% in the first quarter of 2002 compared to the same period last year. Shipments to the United States (-20%), Japan (-61%) and the European Union (-45%) are all well below last year's levels.
- The value of exports of metallic mineral products have fallen 33% year-to-date compared to the first three months of 2001. Copper ores and concentrates dropped 45% and unwrought aluminum declined 34%. The bulk of the decline in exports of metallic mineral products was due to reduced shipments to Japan (-65%).
- Exports of solid wood products continue to rise, increasing 13% over the value recorded in the first quarter of 2001 with exports to the US leading the way, jumping almost 28%. Despite the softwood lumber dispute, BC origin exports of softwood lumber to the US are up 37%. This is mainly due to low demand for lumber in the first quarter of 2001 and correspondingly low lum-

ber prices. Part of the low demand was due to an expectation on the part of traders that there would be a "wall of wood" headed South once the softwood lumber agreement expired. When this did not occur and building season started up in the US, inventories were suddenly tight, causing a spike in demand and prices. In more recent months, the effects of tariffs being added to the lumber has further pushed up prices. The 37% increase in BC exports of softwood lumber to the US is a combination of hikes in both price and quantity. In terms of quantity, BC shipments of softwood lumber to the US are up 26%, compared to only 15% for Canada as a whole.

*Energy prices have returned to normal, resulting in a drop in the value of exports to the US*



## Chile Warms up to Trade with Canada

In addition to the North American Free Trade Agreement, Canada also has bilateral free trade agreements with other countries. One such country is Chile, which signed a free trade agreement with Canada in July 1997. The benefits to Canada included the immediate elimination of an 11% duty on the majority of Canadian resource-based and industrial products. The remaining tariffs will be phased out by this year.

In terms of commodity trade, exports to Chile make up a very small part of Canada's overall exports (0.1%) and only a slightly higher proportion (0.2%) of BC origin exports. However, there is significant trade in services with Chile. For example, there are several Canadian mining companies operating in Chile using knowledge gained from developments in Canada.

Chile is regarded as an attractive location for foreign direct investment. The political and social climate is stable and there is an effective justice system and therefore little threat of corruption. Chile's population is well educated, negating the need to import qualified workers. The economy is healthy with a modern technological infrastructure and there are few bureaucratic impediments to investment. In fact, laws prohibiting discrimination and insuring equal treatment for national and foreign investors protect foreign investment. Chile is also seen as a gateway to other markets in South America.

Canada's direct investments in Chile have dramatically increased, such that Canada now ranks second only to the United States in terms of approved investment in Chile.<sup>1</sup> Although the mining sector is where the majority of foreign investment is directed, there are other emerging areas, such as energy, communications and financial services.

Unfortunately, there is very little data available with regard to trade in services, mostly due to the intangible nature of services and the measurement difficulties this creates. In terms of commodity trade, although exports to Chile make up only a small percentage of total BC and Canada exports, it is still the most important South American destination for BC products with the exception of Brazil. For Canada as a whole, exports to Venezuela also exceed those to Chile.

In 1999, the most recent year for which world trade data is available, Canadian goods represented 2.9% of Chile's imports, ranking Canada as the 11<sup>th</sup> most significant origin for imports into Chile. Canada ranked 20<sup>th</sup> in terms of destinations for exports from Chile, taking in 1.2% of Chilean exports. The main products Canada imports from Chile are ores and fruit. In fact, Chile has become Canada's second largest supplier of fruit after the United States. Chile's main commodity export is copper, which comprises about 40% of total international

### PROFILE OF CHILE

- **Capital** Santiago
- **Government** Republic
- **Language** Spanish
- **Currency** Chilean peso (ChP)
- **Area** 756,945 sq. km
- **Population** 15.3 million (2001)
- **Work force** 5.9 million
- **GDP** US\$73.4 billion (2001)
- **Annual real GDP growth** 2.8%
- **GDP Per Capita** US\$4,800

Source: U.S. Department of State

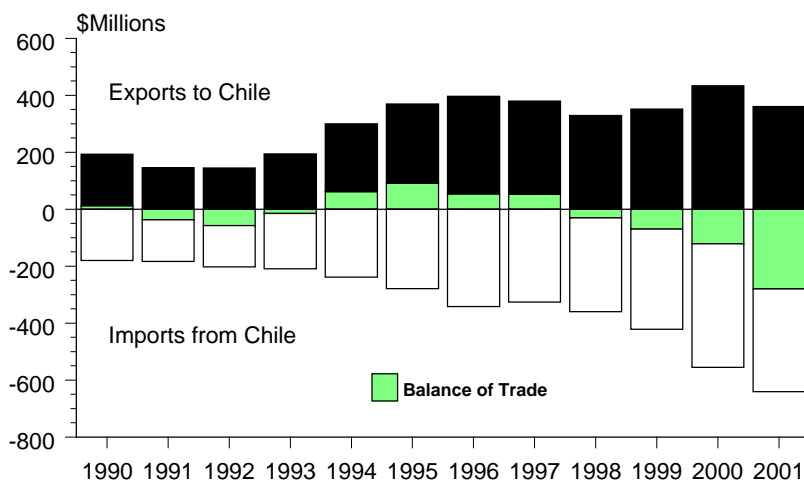
*Canada is behind only the United States for the amount of foreign investment in Chile*

*Chile is the second largest supplier of fruit to Canada*

<sup>1</sup> Canada Department of Foreign Affairs and International Trade.

exports. Imports vary from year to year, but oil, motor vehicles and high technology equipment usually top the list.

Since signing the free trade agreement with Canada, the balance of trade has shifted in Chile's favour



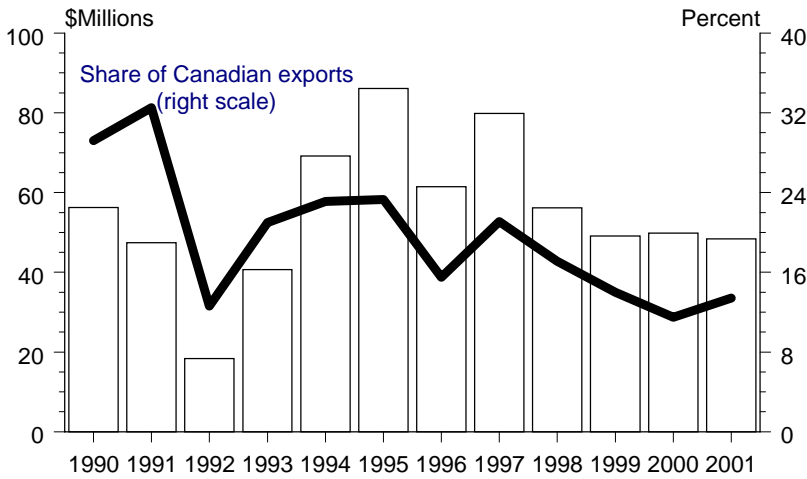
*Canada's trade balance with Chile has shifted into a deficit position since the signing of the bilateral free trade deal*

From 1990 to 2001 two-way trade between Canada and Chile has grown substantially, increasing 169% to just over a billion dollars. Although exports from Canada to Chile almost doubled in that period (+87%), it was imports of Chilean products that were responsible for much of the growth in trade. Imports from Chile grew 256% from 1990 to 2001. The growth in the value of products imported from Chile into Canada has accelerated since the signing of the trade deal in 1997, while exports have been relatively flat. As a result, the balance of trade, which was in Canada's favour in the mid-nineties, has shifted toward Chile and the trade deficit for Canada continues to grow.

For British Columbia, exports to Chile have actually declined since the trade deal was signed. In fact, BC's share of Canadian exports to Chile, which was at over 30% in 1991, has slipped to less than half that in recent years. Exports of coal to Chile were unusually high from 1995 to 1998 and have fallen back to pre-1995 levels, which is responsible for part of the drop. Another significant change in BC exports to Chile is in shipments of molybdenum, which have dropped from around \$10 million in the early nineties to zero from 1996 onward. Chile has the world's largest deposits of molybdenum, as well as substantial coal deposits, so presumably, the drop-off in imports of these products from BC is due to an increase in mining of its own domestic reserves. There is also the fact that these products are used in steel production and the demand for steel has fallen off in recent years, particularly in markets in Asia where the economy has sputtered for several years now.

*BC origin exports to Chile have actually declined since the signing of the free trade agreement*

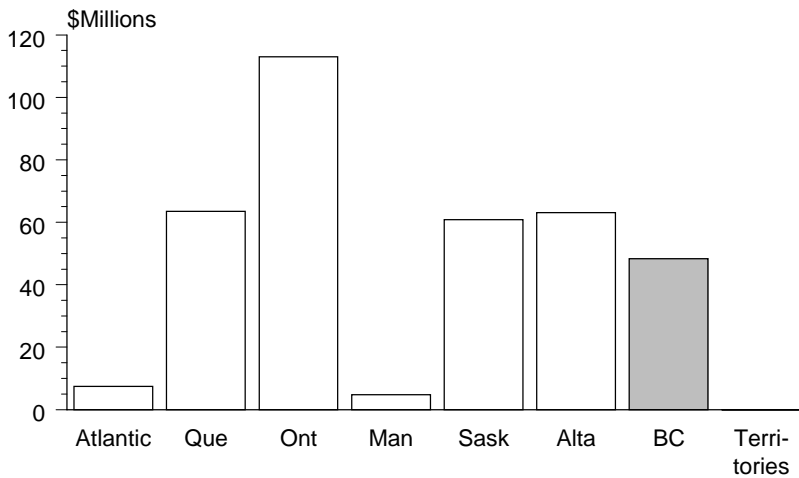
**BC's exports to Chile have actually fallen since signing the free trade agreement**



*BC's share of Canada's exports to Chile has fallen significantly since 1991*

In 2001, British Columbia was responsible for just over 13% of Canada's total commodity exports to Chile, ranking fifth among the provinces. This is compared to 1990 when BC ranked second with 29% of Canada's exports to Chile, compared to 30% for Ontario.

**BC ranks fifth among provinces for value of exports to Chile**



*BC was the origin of 13% of Canadian commodity exports to Chile in 2001, down from 29% in 1990*

Coal is the one of most significant exports to Chile from Canada, and is also the top BC origin export. Of all Canadian coal shipped to Chile, approximately 30% is from BC. Other large exports from BC are forest products such as pulp, paper and wood. Machinery and equipment, particularly related to mining, is another product in high demand in Chile, and is supplied from both BC and other provinces. Other significant exports from the rest of Canada include wheat and fertiliser.

**2001 Exports to Chile  
- Selected Commodities -**

	<b>BC</b>	<b>% of</b>	<b>Canada</b>	<b>% of</b>	<b>BC Percent of</b>
	<b>(\$,000)</b>	<b>Total</b>	<b>(\$,000)</b>	<b>Total</b>	<b>Canadian Exports</b>
<b>SOLID WOOD PRODUCTS</b>	<b>3,450</b>	<b>7%</b>	<b>4,676</b>	<b>1%</b>	<b>74%</b>
Lumber (softwood)	1,125	2%	1,131	0%	99%
Plywood (softwood)	83	0%	83	0%	100%
Selected Value Added Wood Products other	131 2,111	0% 4%	1,192 2,270	0% 1%	11% 93%
<b>PULP AND PAPER PRODUCTS</b>	<b>15,576</b>	<b>32%</b>	<b>46,584</b>	<b>13%</b>	<b>33%</b>
Pulp	3,918	8%	3,918	1%	100%
Newsprint	244	1%	2,566	1%	10%
Paper, Paperboard - exc. Newsprint other	8,191 3,222	17% 7%	35,906 4,193	10% 1%	23% 77%
<b>AGRICULTURE AND FOOD OTHER THAN FISH</b>	<b>331</b>	<b>1%</b>	<b>74,853</b>	<b>21%</b>	<b>0%</b>
Fruit and Nuts	0	0%	44	0%	0%
Vegetables	101	0%	6,685	2%	2%
other	229	0%	68,123	19%	0%
<b>FISH PRODUCTS</b>	<b>0</b>	<b>0%</b>	<b>32</b>	<b>0%</b>	<b>0%</b>
<b>METALLIC MINERAL PRODUCTS</b>	<b>0</b>	<b>0%</b>	<b>883</b>	<b>0%</b>	<b>0%</b>
<b>ENERGY PRODUCTS</b>	<b>9,478</b>	<b>20%</b>	<b>31,746</b>	<b>9%</b>	<b>30%</b>
Coal	9,319	19%	31,144	9%	30%
other	159	0%	602	0%	26%
<b>MACHINERY AND EQUIPMENT</b>	<b>14,010</b>	<b>29%</b>	<b>116,563</b>	<b>32%</b>	<b>12%</b>
Motor Vehicles and Parts	805	2%	9,607	3%	8%
Electrical/Electronic/Communications other	3,147 10,059	7% 21%	40,325 66,631	11% 18%	8% 15%
<b>PLASTICS AND ARTICLES OF PLASTIC</b>	<b>462</b>	<b>1%</b>	<b>12,080</b>	<b>3%</b>	<b>4%</b>
<b>APPAREL AND ACCESSORIES</b>	<b>0</b>	<b>0%</b>	<b>42</b>	<b>0%</b>	<b>0%</b>
<b>ALL OTHER COMMODITIES</b>	<b>5,053</b>	<b>10%</b>	<b>73,446</b>	<b>20%</b>	<b>7%</b>
<b>GRAND TOTAL</b>	<b>48,359</b>	<b>100%</b>	<b>360,904</b>	<b>100%</b>	<b>13%</b>

It may appear that Chile has benefited to a larger degree than has Canada from the free trade agreement, at least in terms of commodity trade. However, the lack of increased exports to Chile following the implementation of the trade agreement is probably due to the continuing appreciation of the Canadian dollar against the Chilean Peso, which has made Canadian products less attractive in terms of price compared to domestic alternatives. In the long run the free trade deal with Chile should prove beneficial to both countries, but Canada has a window of opportunity now, while its main competitors like the United States are without a free trade deal, to make inroads into Chile's marketplace.

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

<b>02-02</b>	<i>The Threat of American Protectionism (released April 2002)</i>	<b>00-09</b>	<i>Trade Growth Tied To Transportation Infrastructure (released November 2000)</i>
<b>02-01</b>	<i>Canada Seeks to Increase Trade With India (released March 2002)</i>	<b>00-08</b>	<i>Some Familiar Patterns Developing In Trade Between China and British Columbia (released October 2000)</i>
<b>01-12</b>	<i>Is "Runaway" Film Production in Canada Harming the U.S. Industry? (released February 2002)</i>	<b>00-07</b>	<i>International Trade In Services Produces B.C.'s Only Trade Surplus (released October 2000)</i>
<b>01-11</b>	<i>Team Canada Scouts Russia and Germany for New Trade Ties (released January 2002)</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>01-10</b>	<i>Exploring China as a Market for BC's Wood Products (released December 2001)</i>	<b>00-05</b>	<i>What Has Free Trade Meant For B.C.'s International Trade? (released July 2000)</i>
<b>01-09</b>	<i>Is Trade Threatened by Security? (released November 2001)</i>	<b>00-04</b>	<i>British Columbia Shipping Smaller Portion of Canadian Forestry Products (released June 2000)</i>
<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>		

## 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.