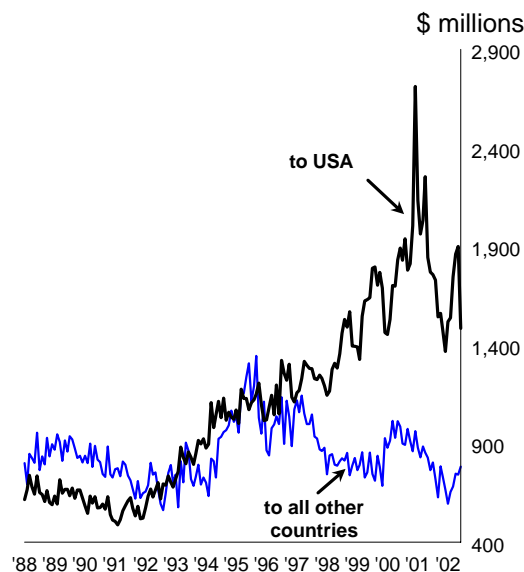


Exports ♦ June 2002

- Over the first two quarters of 2002, the value of BC origin exports is 16% off the pace set in the first six months of 2001. Inflated energy prices early in 2001 are the main reason for the higher value of exports in that year. The value of exports of both natural gas (-51%) and electricity (-94%) has dropped sharply due to the return to more normal prices.
 - The window of opportunity for shipments of softwood lumber to the United States free of an average combined countervailing and anti-dumping duty of 27.2% has ended. Canadian companies were taking advantage of a loophole in American trade law that allowed for a short period of duty-free exports to the US and shipped large quantities of lumber south. With duties being applied, shipments slowed considerably in June; however, year-to-date, the value of softwood lumber exports to the US is still up 13% over the first two quarters of 2001.
 - BC origin exports of pulp and paper products may be starting to recover as shipments in June were up 5% over June of last year; however, year-to-date, they are still 19% lower than the January to June period in 2001. Shipments to the United States (-14%), Japan (-37%) and the European Union (-30%) are all well below last year's levels.
 - Exports of machinery and equipment continue to lag behind shipments in 2001. Year-to-date, exports are down
- over 9%. Shipments to the European Union have dropped 42%.
 - The value of exports to Japan has fallen 21% compared to the first two quarters of 2001. If Japan can get over its economic difficulties, it is likely that Japanese demand for BC products will also recover.
 - BC's exports to countries in the Western Hemisphere have dropped significantly compared to the first six months of 2001. In addition to the United States (-16%), exports to Mexico (-21%), Central America and the Caribbean (-56%) and South America (-25%) have all fallen considerably. Canada is currently involved in the negotiations to unite these regions in a Free Trade Area of the Americas, which could boost trade in the future.

The end of the duty free window for softwood lumber exports to the US is reflected in the sudden drop in exports in June



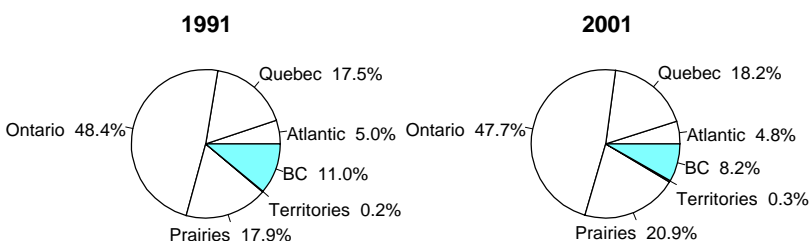
The Changing Face of BC Exports

Exports have always been an important part of British Columbia's economy. The impetus for European exploration of BC was to find alternative routes to Asia through which to move goods. Once these explorers realised the bounty of resources that were available in BC, their emphasis shifted away from exploration of routes to Asia and toward the economic potential of the area itself. In the earliest days of European settlement, furs were the principal export from the region; however, it wasn't long before lumber became British Columbia's major export, as it still is today.

From BC's earliest days as part of the Dominion of Canada, wood exports have been a crucial element of its economy

Over the last 20 years, international exports have become increasingly important to the economy of the province. Exports of goods and services have gone from just over 22% of BC's real Gross Domestic Product (GDP) in 1981 to 30% in 2001. Trade in commodities comprises the majority of international exports and has grown from 18% of constant dollar GDP in 1981 to almost 24% in 2001. Trade in services has risen from 4% of real GDP to over 6% in that 20 year span.

BC's Share of Canadian Exports Has Declined

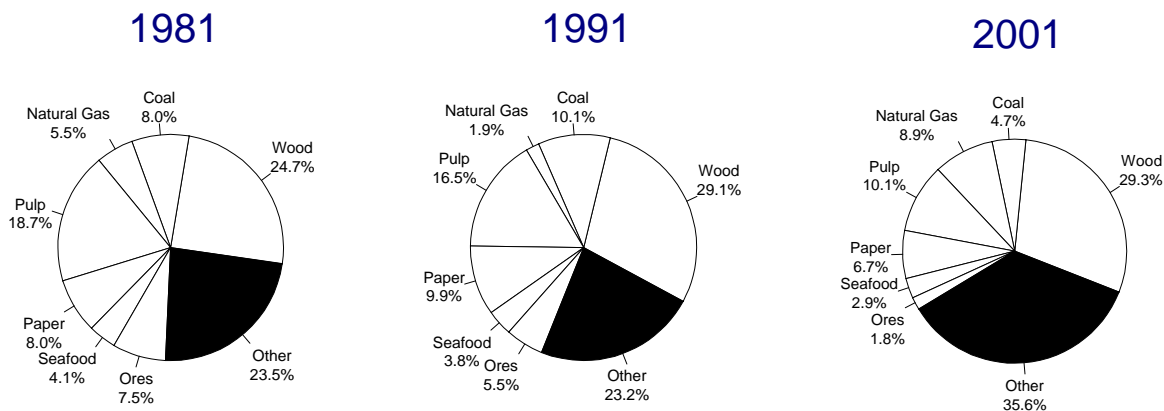


BC's export growth has not kept pace with other regions in the country, particularly Alberta, and as a result its share of total Canadian exports has fallen

Despite the increasing importance of exports to the provincial economy, BC's share of total Canadian exports has slipped over the last ten years. From 1991 to 2001 BC's share has dropped from 11% to just over 8%. The province gaining the most share over that period was Alberta, going from under 12% of total Canadian exports to over 15%. Much of this increase is due to price inflation for energy products, particularly natural gas. In constant dollar measures,¹ Alberta's share has actually slipped slightly.

With the abundance of natural resources available in BC, it is not surprising that, through the years, the bulk of commodity exports has consisted of resource products. Although the province is starting to diversify in terms of goods exported, it is still true that the large majority of BC origin exports are comprised of resource commodities.

¹ Constant dollar measures are available only on a Balance of Payments basis, whereas most of the data here (other than comparisons to GDP) are on a Customs basis, therefore they are not strictly comparable, but the shares should be similar.



The pie charts above indicate that in 1981 over three-quarters of all goods exported from BC were forest products, unprocessed ores, coal, natural gas or seafood. There was not a lot of change between 1981 and 1991, but by 2001 these goods held a diminished share of total BC origin exports. Although wood and articles of wood have actually increased their share of total exports, pulp and paper products have dropped 10 percentage points from 1981 to 2001. Unprocessed ores have fallen from a significant 7.5% of all exports to just under 2%.

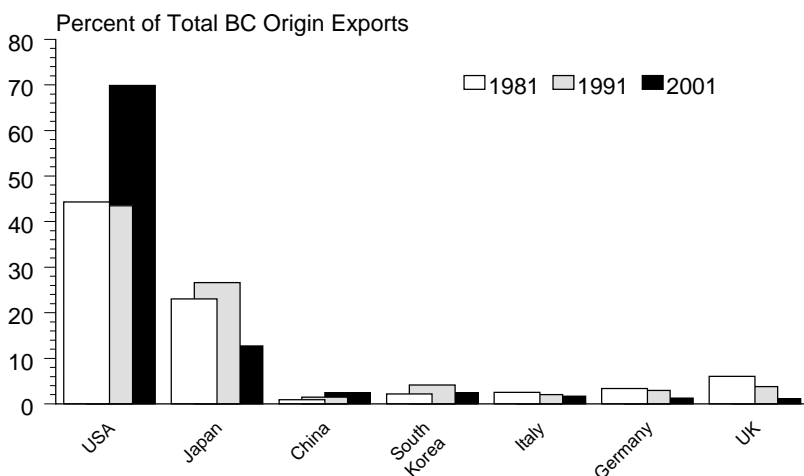
The changes to the commodity mix are a result of several factors. Seafood exports have declined as a result of depletion of stocks and subsequent catch limits and reductions to the fishing fleet. Coal shipments have waned due to economic difficulties in Japan that have reduced demand, as well as global oversupply of the good. Pulp and paper products have also been the victims of supply gluts that have kept prices down. The same can be said of many mineral ores. Some of the export variation is due to not only change in quantity, but also in price. The beginning of a shift to more value added production and high technology manufacturing is also affecting the export mix. Another factor affecting the types of commodities shipped from BC is the destination of the goods.

Over the last 20 years, and particularly the last 10 years, there has been a dramatic shift in the destination of BC product shipments. The United States has been the single most significant destination for goods from Canada over the last half-century, but British Columbia has generally maintained more diverse trade relationships. In 1991, less than half (44%) of BC origin exports were destined for the US compared to 75% for Canada as a whole. Japan took over a quarter (27%) of BC's exports in that year. By comparison, only 13% of BC exports went to Japan in 2001, while almost 70% were destined for the United States. The implementation of the Free Trade Agreement with the United States and the subsequent North American Free Trade Agreement (NAFTA) is possibly the most significant factor, but the erosion of the Canadian dollar compared to its American counterpart has also been a contributor. As the Canadian dollar fell, it made Canadian exports cheaper for Americans and as a result, demand for Canadian goods

The destination of BC origin exports has shifted more and more to the United States

rose. Similarly, free trade with the US has removed previously existing tariff barriers giving Canada more access to the US market. The combination of these two significant factors has resulted in increased trade between the United States and Canada, and BC has been no exception. At the same time that American demand for goods from BC has risen, Japanese demand has diminished. Poor economic conditions in Japan have resulted in a drop in demand for BC's resource products.

Free Trade and a Low-Valued \$ Have Shifted Exports to the USA



The combination of free trade with the US and a comparatively low Canadian dollar has resulted in greater trade between BC and the US

Beyond the US and Japan, there has been a shift in the ranking of other trading partners. China climbed to third in terms of a destination for BC exports in 2001, and South Korea was fourth. Italy rounded out the top five. Ten years earlier, in 1991, South Korea ranked third, the United Kingdom was fourth and Germany was fifth. China was in tenth spot with only 1.5% of BC exports (compared to 2.5% in 2001). In 1981, the United Kingdom was the third ranked destination for shipments of BC goods, with a 6% share (compared to only 1% in 2001). Germany and Belgium/Luxembourg rounded out the top five. Although there has been a shift away from European destinations and some Asian destinations are gaining more prominence, the increase in the United States' share of BC exports overwhelms these other market changes.

Change is inevitable and it is likely that British Columbia's exports will continue to evolve. Trade disputes with the US such as the softwood lumber dispute will drive BC exporters to find other trade partners and it is likely that, in the future, destinations like China and India will take a larger share of BC products. The product mix will continue to change and although forest products will probably continue to represent a substantial portion of BC exports, there will likely be more movement to value added production. In the next few years, Japan will probably come back as a more significant trade partner for BC, although China could challenge it as the most important Asian destination for BC products sometime in the future.

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

02-05	<i>Japan's Economic Woes Translate to Reduced Trade for BC (released July 2002)</i>	00-12	<i>(no article)</i>
02-04	<i>Team Canada Promotes Trade With Mexico (released June 2002)</i>	00-11	<i>After Much Economic Diversification, B.C. Exports Are Still Mainly Resource Based (released January 2000)</i>
02-03	<i>Chile Warms Up to Trade With Canada (released May 2002)</i>	00-10	<i>Ambitious Western Hemisphere Trade Agreement Could Help Shape Canadian Trade In the New Decade (released Dec. 2000)</i>
02-02	<i>The Threat of American Protectionism (released April 2002)</i>	00-09	<i>Trade Growth Tied To Transportation Infrastructure (released November 2000)</i>
02-01	<i>Canada Seeks to Increase Trade With India (released March 2002)</i>	00-08	<i>Some Familiar Patterns Developing In Trade Between China and British Columbia (released October 2000)</i>
01-12	<i>Is "Runaway" Film Production in Canada Harming the U.S. Industry? (released February 2002)</i>	00-07	<i>International Trade In Services Produces B.C.'s Only Trade Surplus (released October 2000)</i>
01-11	<i>Team Canada Scouts Russia and Germany for New Trade Ties (released January 2002)</i>	00-06	<i>Value Added Wood Exports Grow Fast In B.C., But Faster In Rest of Canada (released August 2000)</i>
01-10	<i>Exploring China as a Market for BC's Wood Products (released December 2001)</i>	00-05	<i>What Has Free Trade Meant For B.C.'s International Trade? (released July 2000)</i>
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>		

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.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc).

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.