

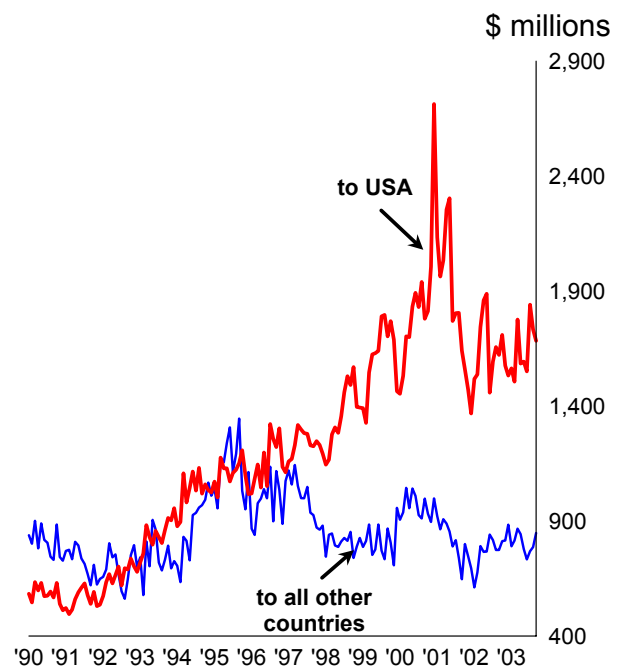
Exports ♦ September 2003

- Total international exports from BC continued to climb in September on the strength of the inflation in the energy sector. So far in the first three quarters of 2003, the value of total BC exports is almost 2% in excess of the value exported in the same period last year. Higher prices, combined with increased volumes, have resulted in a 110% jump in the value of natural gas exports and increased prices have also driven up electricity exports, which have climbed 77% compared to the same period last year.
- The rise in the value of energy exports has offset the decline in softwood lumber exports (-19%) resulting from the softwood lumber dispute with the United States. Efforts by Canadian companies to improve efficiency by increasing volumes produced have contributed to lower prices for lumber as supply has outstripped demand. The recent forest fire crisis resulted in a tightening of supply, which bumped up prices temporarily and increased revenues for softwood lumber exports in September (+3% compared to September 2002).
- "Other panel products," which include oriented strandboard, other particleboard and fibreboard, continue to be the one bright spot in BC's forest sector in terms of exports. The value of exports of these products has risen 31% year-to-date and was 69% higher in

September compared to the same month a year earlier.

- Over the first three quarters of 2003, exports of metallic mineral products have climbed 9% above the values recorded in the first nine months of 2002. Copper (+15%), unwrought aluminum (+6%), zinc (+9%) and molybdenum (+44%) exports have all been climbing.
- Exports to the Pacific Rim excluding Japan have risen 17% year-to-date to September compared to the first three quarters in 2002. China (+38%), Taiwan (+41%), South Korea (+8%) and Australia (+14%) were all significant contributors to the increase.

The volatility of energy prices is reflected in the large swings in value of BC exports



Relatively Few Small Businesses in BC are Exporters

The large majority of British Columbia's businesses are **small businesses**; however, relatively few of these are exporters.¹ In 2001, there were about 337,400 small businesses in British Columbia—approximately 98% of all businesses in the province—and of these, 4,911 were exporters (1.5% of small businesses).² These small exporters shipped \$10.4 billion worth of goods to international destinations. On the other hand, there were 1,268 large businesses in BC that exported in 2001, which is about 18% of all large businesses in the province. These businesses exported almost twice as much as small businesses at \$21.2 billion.

Small business is defined as a business employing fewer than 50 people or a business operated by a person who is self-employed without paid help

Number of British Columbia* Exporters, Employees and Value of Exports, 2001

	Number of Establishments	Number of Employees	Value of Exports (\$millions)
Small business exporters	4,911	67,867	\$10,401.2
Large business exporters	1,268	277,340	\$21,219.6
Total all exporters	6,179	345,207	\$31,620.8

Despite comprising only a quarter of exporters, large businesses exported almost twice the value of goods in 2001 compared to small businesses

*Includes data for the Territories
Source: Statistics Canada's *Exporter Registry*

The reasons for the lack of small business exporters likely include the fact that many of these businesses (approximately 55% of all small businesses) are self-employed persons without paid help who are more likely to be providing a service, rather than manufacturing a good. If data were available on service exports by business size, perhaps more small businesses would be counted as exporters. Also, in order to compete internationally, businesses need to achieve economies of scale and often this means they need

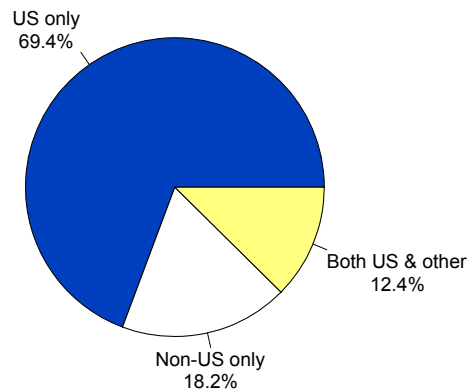
¹ "Exporters" here are defined only as those companies that export commodities to international destinations. Companies that export to other provinces within Canada or export services are not included.

² The source of the number of small businesses is BC Stats. Data on exporters is from Statistics Canada's *Exporter Registry*. The latest data available is for 2001. Data for British Columbia exclusively is not available, rather the data reported here includes exporters in the Territories (Yukon, Northwest Territories and Nunavut). Statistics Canada has grouped the Territories into a region with BC to meet confidentiality requirements; however, based on years where data from the Territories was not suppressed, the inclusion of exporters from the Territories should not significantly influence the numbers. For example, in 1995, the exporting establishments from the Territories represented less than half of a percent of the regional total and for value of exports, the numbers were even less significant, coming in at about 0.1 percent of the regional total.

to hire more employees to increase production, which in turn makes them large businesses. However, as e-commerce continues to develop, small businesses serving niche markets may take up an increasing share of exports. Small businesses are often better suited to produce specialized items and they may be able to compete with larger businesses even on a global scale.

Currently, most small businesses that export do so exclusively to the United States. In 2001, almost 70% of exporters employing fewer than 50 people shipped exclusively to the US, with another 12% shipping to both the US and at least one other country. Only 18% exported only to a non-US destination.

Most BC* small business exporters shipped exclusively to the United States in 2001



*Includes data for the Territories

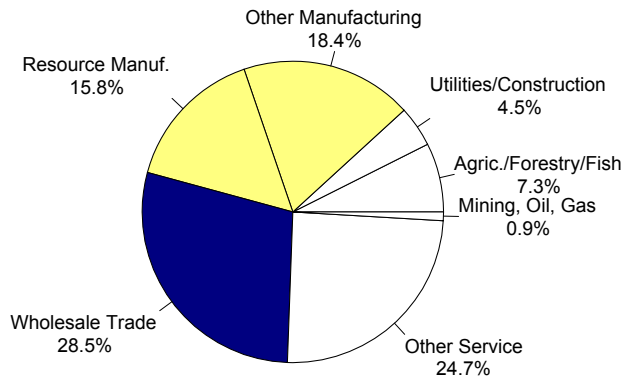
The United States was the primary destination for exports by small businesses in BC in 2001

Since small businesses are less likely to be able to afford high transportation costs, this makes sense. Those businesses that did export to other destinations tended to ship greater volumes, which likely helped defray these costs. Small businesses that shipped only to destinations outside the United States were responsible for 34% of all small business exports despite comprising only 18% of small business exporters.

A large percentage of small business exporters are in wholesale trade industries (29%), which contrasts with large business exporters where only 13% are in wholesale trade. For larger exporters, it is far more common for the manufacturers to directly export their products, rather than to have them go through an intermediary such as a wholesaler or a retail outlet. In 2001, 58% of large business exporters in BC were in a manufacturing industry, compared to only 34% of small business exporters. A greater portion of these large manufacturer exporters were in the resource sector (56%) compared to smaller manufacturers that export (36%). Service industries other than wholesale trade comprise about one quarter of small business exporters and 21% of larger exporters. Note that these are service industries that have exported goods,

since the *Exporter Registry* does not include service exports. For example, computer programmers that have exported software (a good) to another country will be included as exporters. If those same programmers provided only the services of programming and did not export a physical product, they would not be included as an exporter.

Small business exporters in BC* are concentrated in wholesaling and manufacturing

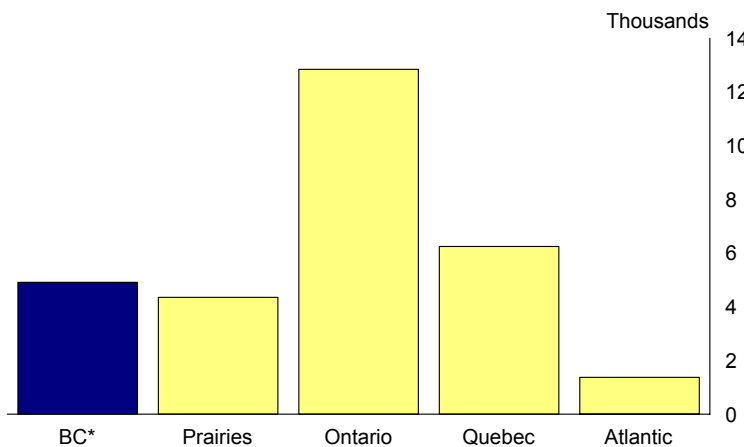


Small businesses that export are concentrated less in manufacturing industries and more in wholesale trade compared to larger exporters

*Includes data for the Territories

A comparison of regions across the country shows that BC had more small businesses that exported than all the Prairie Provinces combined in 2001. Part of the reason for this is that many small farms in the Prairies have their exports handled by large co-operatives such as the Canadian Wheat Board.

BC had more small business exporters in 2001 than all the Prairie Provinces combined...

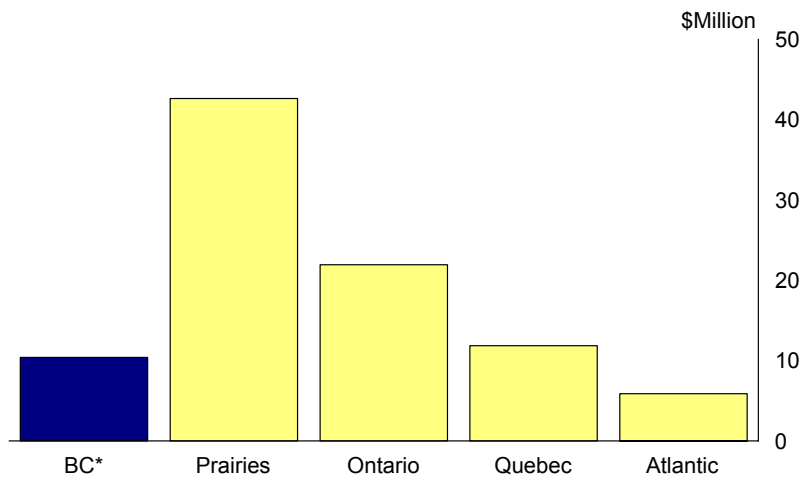


Across Canada, BC has a significant number of small businesses that export...

*BC includes data for the Territories

However, despite having more small business exporters than the Prairies, the value of shipments by BC small business exporters paled in comparison to exports from the Prairie Provinces. In fact, small businesses in the Prairies exported almost twice the value of goods compared to those in Ontario, which exported twice as much again as small business exporters in British Columbia. The large majority of the exports from the Prairies (91%) were non-manufactured goods, which may be an indication that they were mainly agricultural products.

...however, the value of BC's exports by small businesses ranked well below that in the Prairies



*BC includes data for the Territories

...but these businesses tend to export lower values of goods compared to those in the Prairies

Whether or not a business exports and how much it ships depends a lot on the type of products it produces. Some of the regional differences in terms of number of small business exporters and value of exports are likely driven by the types of industries present in each province. Small businesses are less likely than large businesses to export due simply to the nature of economies of scale that allow those larger enterprises to better compete in a global marketplace. However, the continuing growth in electronic commerce through the Internet should help small businesses market their product abroad and may result in a larger proportion of small businesses exporting in the future.

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

03-09	<i>Relatively Few Small Businesses in BC are Exporters</i> (released November 2003)	02-06	<i>The Changing Face of BC Exports</i> (released August 2002)
03-08	<i>Where's the Beef?</i> (released October 2003)	02-05	<i>Japan's Economic Woes Translate to Reduced Trade for BC</i> (released July 2002)
03-07	<i>A Summary of the NAFTA Panels' Decisions on Lumber Duties</i> (released September 2003)	02-04	<i>Team Canada Promotes Trade With Mexico</i> (released June 2002)
03-06	<i>Natural Gas Heats Up British Columbia's Exports</i> (released August 2003)	02-03	<i>Chile Warms Up to Trade With Canada</i> (released May 2002)
03-05	<i>Value Added Wood Production in BC Lagging Rest of Canada</i> (released July 2003)	02-02	<i>The Threat of American Protectionism</i> (released April 2002)
03-04	<i>Exports and the Rising Dollar</i> (released June 2003)	02-01	<i>Canada Seeks to Increase Trade With India</i> (released March 2002)
03-03	<i>Canada Talks Trade With Turkey</i> (released May 2003)	01-12	<i>Is "Runaway" Film Production in Canada Harming the U.S. Industry?</i> (released February 2002)
03-02	<i>Rising Log Exports Fuel Controversy</i> (released April 2003)	01-11	<i>Team Canada Scouts Russia and Germany for New Trade Ties</i> (released January 2002)
03-01	<i>Review and Outlook for BC Exports</i> (released March 2003)	01-10	<i>Exploring China as a Market for BC's Wood Products</i> (released December 2001)
02-12	<i>Team Canada Returns to Europe</i> (released February 2003)	01-09	<i>Is Trade Threatened by Security?</i> (released November 2001)
02-11	<i>Canada Courts the European Union for Freer Trade</i> (released January 2003)	01-08	<i>Thirst for Energy Powers British Columbia's Exports</i> (released October 2001)
02-10	<i>Lumber Battle Takes an Unexpected Turn</i> (released December 2002)	01-07	<i>International Trade in High Technology Goods and Services</i> (released September 2001)
02-09	<i>Canada Looking to Shed Light on Trade With the Dark Continent</i> (released November 2002)	01-06	<i>Interprovincial and International Trade in Goods and Services</i> (released August 2001)
02-08	<i>Canada's Share of US Softwood Lumber Market Slipping</i> (released October 2002)	01-05	<i>Buy Low, Sell High: Trade in Electricity</i> (released July 2001)
02-07	<i>FTAA: Free Trade for the Western Hemisphere?</i> (released September 2002)	01-04	<i>Attack of the Canadian Tomatoes</i> (released June 2001)

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**

P.O. Box 9410 Stn Prov Govt

Victoria, B.C.

V8W 9V1

(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.