

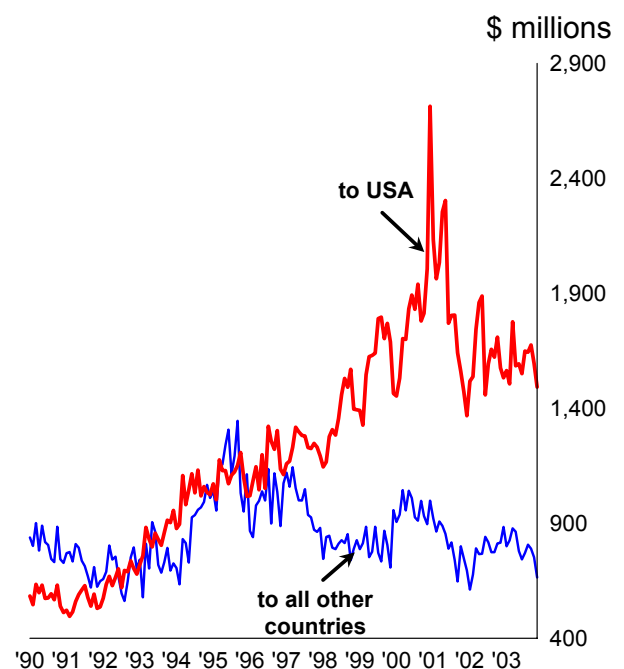
## Exports ♦ November 2003

- The value of total BC origin exports plunged in November (-10%) compared to the same month a year earlier, which has driven year-to-date totals below those experienced in the first 11 months of 2002 (-1%). The combination of the continuing dispute over softwood lumber, the impact of the “mad cow” crisis and the appreciating Canadian dollar are having a negative effect on BC exports as well as Canadian exports overall. In fact, Canada’s overall commodity trade surplus (i.e., exports minus imports) for the January to November period of 2003 was down almost \$1.9 billion from the same period in 2002.
- The one bright spot in the export picture has been the energy sector. Natural gas exports were 74% higher year-to-date in November compared to the first 11 months of 2002. Most of that increase is due to the jump in price, although quantities shipped were also greater. Electricity exports have also increased substantially (+38%), but the growth is due entirely to price inflation as quantities have actually dropped.
- The ongoing dispute with the United States over softwood lumber has seriously affected BC’s industry. Softwood lumber exports to the United States were 22% lower over the January to November period in 2003 compared to the same period a year earlier. The industry may be in for some relief soon as the US Department of Commerce

has proposed dropping the counter-vailing duties against Canadian lumber by just over five and a half percentage points. However, a negotiated settlement may be far off as the federal government, with support of the provincial governments, has rejected the agreement reached in December.

- Year-to-date figures for 2003 have been mixed with respect to exports to Asian destinations. BC origin exports to Japan (-6%) and Hong Kong (-17%) are well off the pace set in 2002, but shipments to China (+27%), Taiwan (+30%) and South Korea (+8%) have improved significantly. Exports to the Pacific Rim have climbed 2%.

*Declining trade in resource commodities is dragging down total BC origin exports*

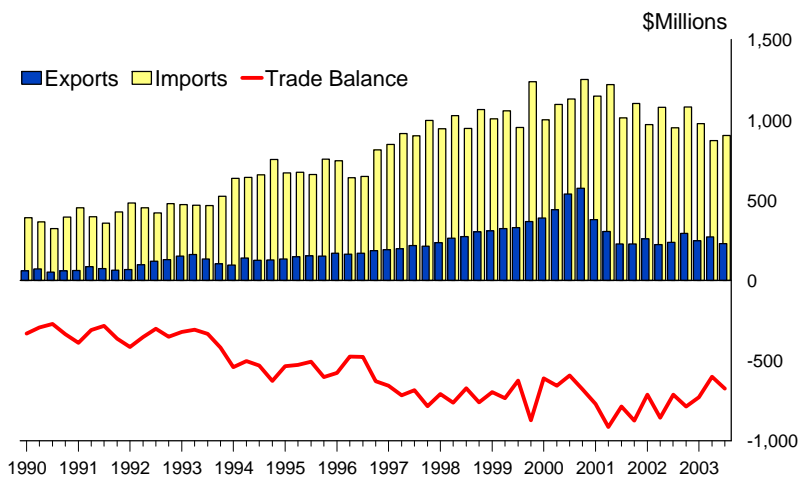


## The Lows of High Tech Trade

Since reaching a peak in 2000, British Columbia's international trade in high technology commodities has experienced a significant decline. The flood of dotcom failures in 2001 and the general malaise experienced by high tech industries was reflected in BC's high tech trade, particularly BC exports of high tech goods. The bursting high tech bubble, combined with a rising Canadian dollar and a general decline in BC exports overall, has contributed to a 38% drop in the value of high tech exports from the third quarter 2000 to the same period in 2003. Most of the fall occurred early in 2001 and exports have been relatively flat since, occasionally showing signs of recovery in one quarter, only to slip back in the next. The value of high tech exports in the third quarter of 2003 was the lowest since the first quarter of 1997.

*Since 2000, BC's trade in high tech commodities has been slipping*

After peaking at the end of 2000, trade in high tech commodities has slowed considerably



*BC's high tech exports dropped sharply in 2001 before levelling off*

Imports of high technology goods into British Columbia have also slowed, although more gradually than exports. As a result, the deficit in the balance of trade in high tech goods (i.e., exports minus imports) jumped significantly in 2001 before slipping back down over the last couple of years. Nevertheless, in the third quarter of 2003, British Columbia had a \$675 million deficit in trade in high tech commodities.

*Imports of high tech goods into BC have also declined*

The high tech sector has developed into an important component of the British Columbia economy, accounting for just under three percent of total BC gross domestic product in 2002. The domestic market for high technology goods does not have sufficient volume to achieve the economies of scale necessary to remain competitive, which makes access to international markets critically important. Accordingly, the falling value of high tech commodity exports is of some concern.

## Some commodity groups are experiencing export growth

The high technology commodity definition used by BC Stats is based on the United States Bureau of the Census' Advanced Technology Products (ATP) list.<sup>1</sup> From that list there are four major commodity groups that make up the bulk (90-95%) of BC high tech commodity exports. At the top of the list is Computers & Telecommunications (approximately 38% of high tech exports), followed by Life Sciences (33%), Aerospace (14%) and Computer Integrated Manufacturing (9%).

### BC High Technology Exports by Commodity Group (\$ Millions)

Advanced Technology Product	Q1-Q3 2002	Q1-Q3 2003	% Change
Computers & Telecommunications	182.2	171.5	-5.9
Life Sciences	124.2	156.4	26.0
Aerospace	76.8	67.2	-12.5
Computer Integrated Manufacturing	33.2	44.6	34.0
Opto-Electronics	64.0	21.1	-67.0
Electronics	3.7	2.9	-21.0
Weapons & Nuclear	3.4	1.7	-2.5
Biotechnology	1.1	0.9	-66.8
Material Design	2.8	0.2	-88.3
Total	491.4	467.8	-4.8

*Although high tech exports from BC have been falling overall, shipments of some goods have experienced significant growth*

The life sciences group, which basically comprises scientific advances to medical sciences, has experienced the most rapid growth over the last few years with the value of exports almost doubling between 2001 and 2002. The increase was concentrated in certain types of medical equipment, particularly specific varieties of electro-diagnostic apparatus, mechano-therapy appliances and psychological aptitude-testing apparatus. Data for the first three quarters of 2003 indicate that this strong growth is continuing.

At the other extreme, commodities in the material design category have plummeted from a peak of \$178.6 million in 2000 to only \$3.2 million in 2002. The erratic growth patterns exhibited by this commodity group are due to one-time sales of optical fibres and optical fibre bundles and cables. Over the first three quarters of 2003, exports of goods in the material design group were only a fraction of the value shipped over the same period in 2002.

<sup>1</sup> For more information on ATP commodity groups, see Appendix B of *Profile of the British Columbia High Technology Sector - 2003 Edition* available online at:  
[http://www.bcstats.gov.bc.ca/data/bus\\_stat/busind/hi\\_tech/HTP2003.pdf](http://www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech/HTP2003.pdf)

## The US is the primary destination for BC high tech exports

Over 80% of British Columbia's international shipments of high technology goods are destined for the United States. This is a far greater proportion than overall commodity exports, of which only 68% was shipped to the US in 2002. The sluggish economy experienced by the United States over the last couple of years is likely part of the reason for the decline in BC's high tech exports.

### BC High Technology Exports by Destination (\$ Millions)

Destination Country	Q1-Q3 2002	Q1-Q3 2003	% Change
United States	401.9	373.8	-7.0
Pacific Rim	39.5	29.8	-24.5
European Union	36.0	36.9	2.3
Rest of the World	14.0	27.3	94.5
Total	491.4	467.8	-4.8

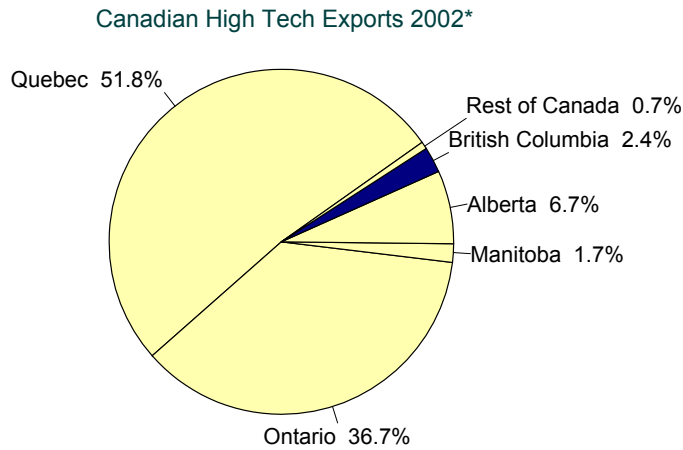
*The United States is by far the most significant destination for high tech goods shipped from BC*

Over the first three quarters of 2003 BC's high tech exports to the US have continued to drop, falling 7% compared to the same period a year earlier. Exports to the Pacific Rim (which includes Japan) have also fallen significantly (-25%). A modest increase in exports to the European Union (+2%) and a near doubling of exports to the rest of the world (+95%) has only partially offset the decline in exports to the US and the Pacific Rim.

## BC ranks fourth in the country in exports of high tech goods

With domestic exports totalling \$684.6 million in 2002, high technology represents a significant portion of BC's international trade. However, British Columbia's share of total Canadian high tech exports is relatively small, measuring only 2.4% in 2002, ranking it fourth in the country. Quebec is the top province in terms of international shipments of high tech goods, with over half (52%) of all Canadian high tech commodity exports originating in *la belle province*. Ontario, at 37%, is the source of the bulk of the remainder of Canadian high tech goods exports, followed by Alberta with 7%.

## British Columbia is the source of only a small portion of total Canadian high tech exports

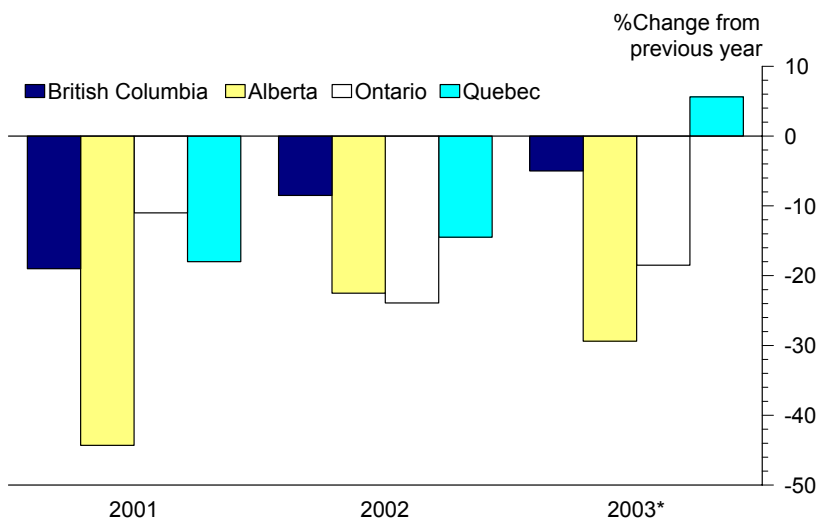


*BC ranks fourth in the country in terms of value of high tech exports*

\* Excluding re-exports

Similar to British Columbia, high tech exports from other provinces have also experienced significant slumps over the last couple of years. Quebec experienced back-to-back double-digit declines in 2001 (-18%) and 2002 (-14%), although over the first three quarters of 2003, exports from that province are up almost 6% compared to the same period in 2002. Ontario also saw two consecutive years of double-digit decreases (-11% in 2001 and -24% in 2002) and is on pace for another in 2003 (-18% over the first three quarters). Alberta has fared the worst of all, with high tech exports plummeting 44% in 2001, followed by a further 23% drop in 2002 and 2003 is looking no better with a 29% decline over the first three quarters.

## High tech exports are down across the country



*Exports of high technology goods have fallen in most provinces over the last couple of years*

\*Change from first three quarters compared to same period in 2002

Based on the declining fortunes of BC's high tech exports, one might think that high tech in BC is on the decline; however, this is not necessarily the case. While the goods sector may be struggling at the moment, the service sector is booming. Although GDP in the high tech sector has posted declines for two years running, it was the poor performance of the goods sector causing the slump. Between 2000 and 2001, high tech manufacturing GDP fell 23%, followed by a further 16% drop in 2002. Meanwhile, the service sector experienced growth of 17% in 2001 and 5% in 2002. This pattern has continued through the first three quarters of 2003, with GDP in the goods sector almost flat (+0.8%, constant dollars, seasonally adjusted), while GDP in the services sector has jumped 15% compared to the first three quarters of 2002.<sup>2</sup> Although current data for exports of high tech services are not available, figures up to 2001 indicate that high tech service exports have been steadily increasing.

*Although the high tech goods sector is struggling, high tech services are booming*

High technology is a quickly evolving sector that is almost certain to be of ongoing importance to the economy. The current slump in the goods sector is likely a cyclical event that will pass in time, whereupon the high tech sector in British Columbia should take off once more.

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<sup>2</sup> See BC Stats' new quarterly publication, *High Tech Quarterly*, available online at: [http://www.bcstats.gov.bc.ca/pubs/pr\\_htq.htm](http://www.bcstats.gov.bc.ca/pubs/pr_htq.htm) for more information.

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Listed By Statistical Reference Date of Issue**

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<b>03-10</b> <i>Is Global Free Trade Possible?</i> (released December 2003)	<b>02-07</b> <i>FTAA: Free Trade for the Western Hemisphere?</i> (released September 2002)
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## 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).

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**Dan Schrier - Trade Statistics****BC STATS**

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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.