

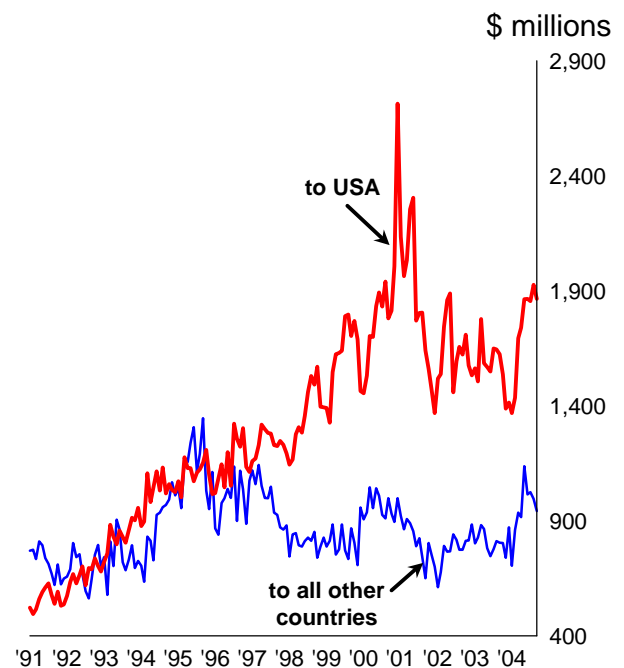
Exports ♦ September 2004

- A combination of climbing commodity prices partially driven by demand from China, and strong demand for building products in the face of hurricanes in the southern US, has helped boost the value of BC origin exports 10.9% in the first three quarters of 2004 compared to the same period a year earlier.
- The value of lumber shipments to the United States has soared (+42.5%) compared to exports in the first nine months of 2003. Shipments in September were a whopping 52.9% higher compared to the same month a year earlier. High demand and correspondingly high prices have been pushing up the value of lumber exports through most of the year. However, lumber prices have more recently started to fall as rising mortgage rates begin to have an effect on North America's housing market. This should result in more restrained growth in lumber shipments throughout the remainder of the year.
- Falling prices for electricity and reduced demand, possibly due to milder weather conditions, have resulted in a decline in the value of energy exports (-7.3%). The value of electricity exports has dropped 25.2%, while natural gas shipments are down 10.5%. However, international shipments of coal have jumped 8.2%.
- Exports of metallic mineral products have experienced a resurgence in 2004.

So far, to September, exports have risen 31.9% over the first three quarters of 2003. Fervent demand from China has helped drive up commodity prices, including prices for metals, and this is likely the main reason for the jump in mineral exports. BC origin exports to China have increased 52.0% so far this year, which has boosted that country's share of total BC exports from 3.6% to 5.0%.

- In addition to China, BC exports to other Asian destinations have also grown compared to last year. Year-to-date, shipments to Hong Kong (+70.8%), South Korea (+24.2%), India (+29.3%), Taiwan (+4.3%) and Japan (+3.4%) have all shown improvement.

The value of BC's exports is well ahead of last year's pace thanks to higher commodity prices and increased demand

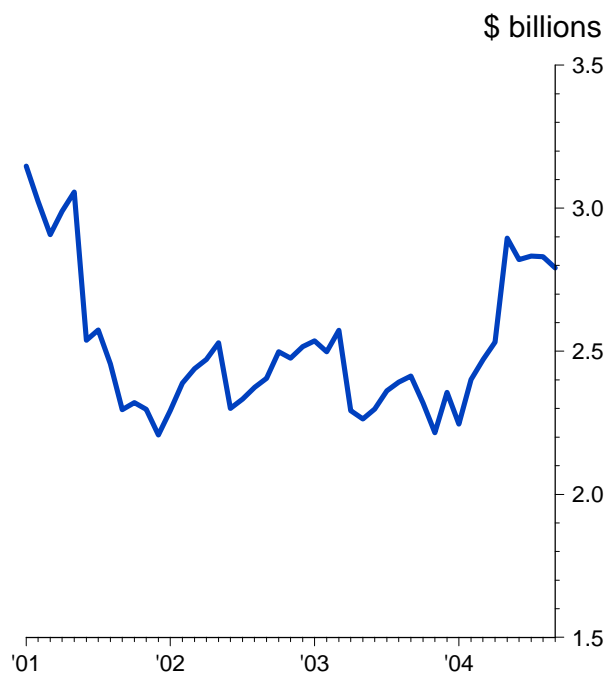


SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- After extremely robust growth from February to May, seasonally adjusted BC exports have regressed somewhat more recently, including a 1.4% drop in September. Declines in shipments of energy products (-11.7%) and machinery, equipment and automobiles (-4.0%) were the main contributors to the overall slump in September.
- Shipments to the United States lost all ground gained in August with a 1.0% drop. Once again, energy (-9.4%) was one of the main reasons for the decline.

After soaring earlier in the year, BC exports (adjusted for seasonality) have slipped in recent months



BC Exports, Seasonally Adjusted

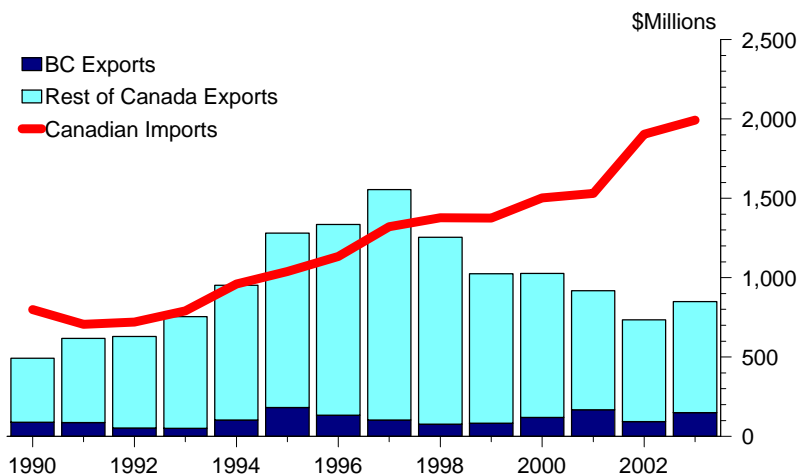
Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Sep 2002	192	313	1,088	373	441	2,406	1,614
Oct	205	382	1,097	350	464	2,498	1,674
Nov	199	392	1,092	349	444	2,476	1,655
Dec	219	372	1,133	361	431	2,516	1,668
Jan 2003	218	401	1,111	349	458	2,536	1,671
Feb	214	394	1,084	343	464	2,498	1,634
Mar	204	564	1,034	334	437	2,573	1,744
Apr	192	377	953	327	442	2,292	1,460
May	178	389	977	329	391	2,263	1,494
Jun	182	446	955	322	394	2,298	1,553
Jul	204	418	978	319	443	2,362	1,594
Aug	189	415	1,017	313	457	2,392	1,577
Sep	186	385	1,082	312	448	2,413	1,584
Oct	168	377	1,039	307	428	2,319	1,518
Nov	171	310	1,025	292	416	2,215	1,464
Dec	204	362	1,003	308	478	2,356	1,513
Jan 2004	167	320	1,019	304	436	2,246	1,473
Feb	182	336	1,037	329	517	2,401	1,513
Mar	177	355	1,149	314	477	2,471	1,607
Apr	180	337	1,175	319	522	2,532	1,638
May	185	436	1,354	347	572	2,895	1,760
Jun	197	396	1,347	353	526	2,820	1,821
Jul	202	431	1,272	360	567	2,833	1,814
Aug	190	468	1,264	341	568	2,831	1,832
Sep	198	414	1,267	328	585	2,791	1,814

Canada is Hoping Trade with Brazil will Take Off

After years of being bogged down in a bitter trade dispute over government subsidies in the aircraft industry, Canada and Brazil will attempt to develop closer trade ties when International Trade Minister James Peterson leads a Canadian trade mission to Brazil starting November 21, 2004. Boasting the largest economy in the southern hemisphere, Brazil has grown into one of the more important economic forces in the world, yet only 0.4% of Canada's two-way trade (i.e., exports plus imports) was with Brazil in 2003. While the value of imports from Brazil has experienced some growth over the last decade, exports to Brazil have actually dropped from their peak in 1997.

James Peterson, the Minister of International Trade, will be leading a trade mission to Brazil in November

Despite its significant market potential, Brazil has not been a significant destination for Canadian goods



Brazil has not historically been a significant market for goods from BC, nor from the rest of Canada

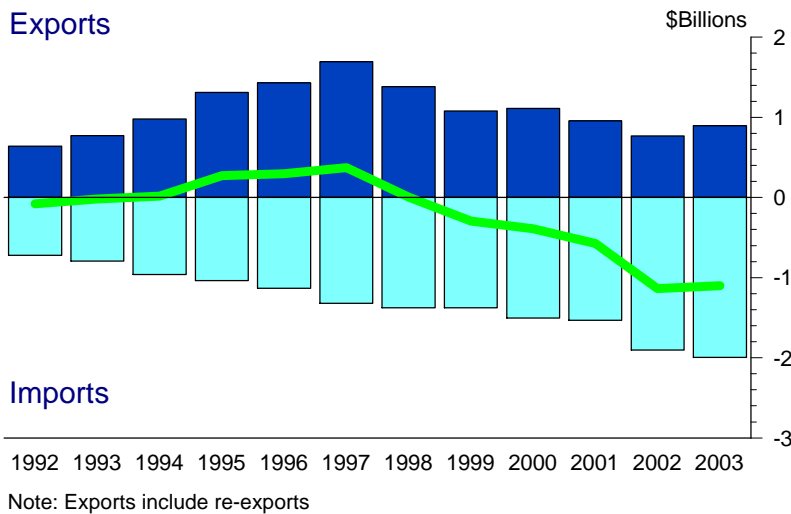
Part of the reason for the lack of growth on the trade front may be the protracted aircraft dispute that has become a textbook example of the limitations of the World Trade Organization (WTO). The battle began in 1996 when Canada requested the establishment of a WTO panel to investigate the legality of state subsidies given to the Brazilian aircraft manufacturer, Embraer. The WTO found that the subsidies were illegal and when Brazil did not comply with the ruling, Canada was granted permission by the WTO to impose countermeasures against Brazilian goods. Instead of proceeding with tariffs, Canada decided to fight the subsidies given to Embraer by essentially giving matching subsidies to its own regional aircraft manufacturer, Bombardier. Proving once again that two wrongs don't make a right, the WTO found Canada's subsidies illegal and granted Brazil permission to impose economic countermeasures against Canada. To date neither country has proceeded with retaliatory duties, preferring instead to continue to negotiate a resolution to the long-standing dispute. The two countries have made some recent progress on the issue, but an agreement has yet to be reached.

The WTO has found that both Brazil and Canada are guilty of illegally subsidizing regional aircraft manufacturers

If Canada and Brazil are to become more significant trade partners, it is crucial that they put their disagreement over regional aircraft manufacturing behind them. In 2003, Brazil ranked 16th as both a destination for Canadian exports and a source of Canadian imports. A meagre 0.2% of Canadian merchandise exports were shipped to Brazil, while only 0.6% of imports into the country originated in the South American country. Brazil is an important market and there is potential for a far more significant trading relationship between the two countries than currently exists.

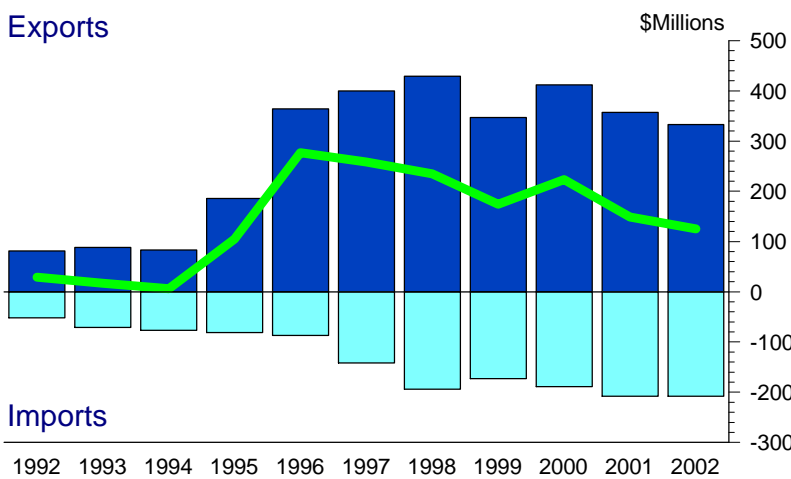
Canada currently has a significant deficit in trade in goods with Brazil with imports valued at more than double that of exports. However, in terms of services, Canada has a trade surplus, although the total value of trade in services is a fraction of the trade in goods.

Canada has a significant commodity trade deficit with Brazil...



Imports from Brazil have been climbing, while exports have slipped, which has resulted in a significant merchandise trade deficit for Canada with Brazil

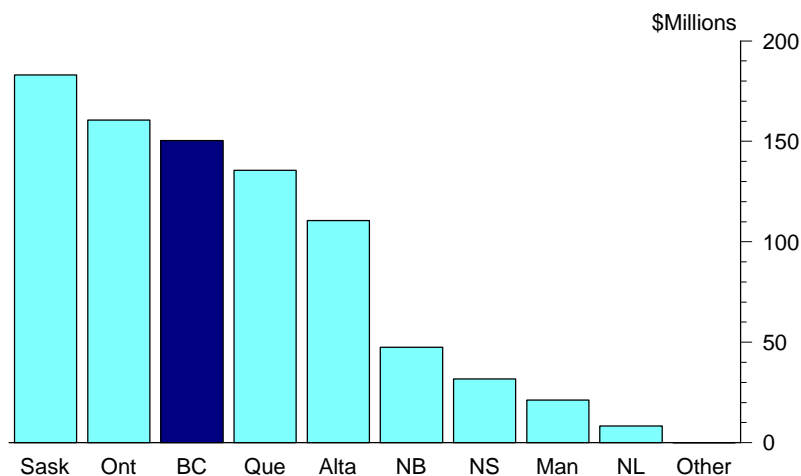
...but has a surplus in trade in services



Although trade in services between Canada and Brazil is sparse, Canada does have a trade surplus

Brazil is a slightly more important destination for BC exports compared to the national average, as 0.5% of BC origin exports were shipped to Brazil in 2003, ranking it as the 14th most significant destination for BC commodity exports. Among the provinces, British Columbia ranked third in terms of value of exports to Brazil, with \$150.5 million worth of goods shipped to the South American destination in 2003, or 17.7% of the Canadian total.

BC ranked third in 2003 as a source for Canadian exports to Brazil



BC was the source of almost 18% of Canadian exports to Brazil in 2003, ranking it third in the country

By far the most significant export from BC to Brazil was coal, with \$107.7 million worth of coal shipped to that country, comprising 72% of total BC origin exports to Brazil. Newsprint and other paper and paperboard was the next largest shipment from BC, making up 12% of total BC exports to Brazil.

Coal is the top product shipped from BC to Brazil

Saskatchewan was the top province with regard to exports to Brazil in 2003, mainly on the strength of \$142.0 million in shipments of potash. Wheat and canary seed were other major exports from Saskatchewan, as well as from Manitoba. Second-ranked Ontario shipped mainly manufactured goods, such as machinery and equipment, while almost half of Quebec's exports to Brazil consisted of newsprint.

Canadian imports from Brazil are somewhat more diversified than exports to that country. The leading imports in 2003 were iron and steel (13%) and motor vehicles and parts (12%). By comparison, the top Canadian exports to Brazil were potash and other fertilizers (23%) and newsprint and other paper and paperboard (14%).

Although Brazil is by far the largest market for Canadian goods and services in South America, its potential as a trade partner has not been fully realized. However, while trade in goods and services may be below its potential, there is significant Canadian di-

rect investment in Brazil. In 2003, Canadians had almost \$7.6 billion invested in Brazil; however, Brazilian direct investment in Canada was only a fraction of that amount. Direct Brazilian investment in Canada amounted to only \$770 million in 2003, just over 10% of the value invested by Canadians in Brazil.

Canadian direct investment in Brazil was \$7.6 billion in 2003, compared to \$770 million invested by Brazilians in Canada

The Canadian trade mission to Brazil will attempt to highlight the opportunities available in Brazil to Canadian companies and allow them to develop contacts to strengthen the trade relationship between the two countries. In addition to traditional sectors such as pulp and paper, mining, oil and gas, agriculture and energy, the mission will also focus on areas of high technology such as biotechnology, information technologies and telecommunications. Brazil is a growing economy with tremendous potential as a trade and investment partner for Canada. The trade mission is a positive sign that perhaps the adversarial relationship stemming from the aircraft dispute may be softening and the two countries can look forward to a stronger economic relationship in the future.

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

04-09	<i>Canada is Hoping Trade with Brazil will Take Off</i> (released November 2004)	03-06	<i>Natural Gas Heats Up British Columbia's Exports</i> (released August 2003)
04-08	<i>Border Congestion Threatens Trade</i> (released October 2004)	03-05	<i>Value Added Wood Production in BC Lagging Rest of Canada</i> (released July 2003)
04-07	<i>NAFTA Panel Finds in Favour of Canada in Softwood Lumber Dispute</i> (released September 2004)	03-04	<i>Exports and the Rising Dollar</i> (released June 2003)
04-06	<i>Canada's Trade with Greece</i> (released August 2004)	03-03	<i>Canada Talks Trade With Turkey</i> (released May 2003)
04-05	<i>Hollywood North Thrives in 2003</i> (released July 2004)	03-02	<i>Rising Log Exports Fuel Controversy</i> (released April 2003)
04-04	<i>Port of Prince Rupert: Down, But Not Out</i> (released June 2004)	03-01	<i>Review and Outlook for BC Exports</i> (released March 2003)
04-03	<i>Expanded European Union Could be Both Good and Bad for BC</i> (released May 2004)	02-12	<i>Team Canada Returns to Europe</i> (released February 2003)
04-02	<i>BC's Animal Agriculture Exports Facing Trade Restrictions</i> (released April 2004)	02-11	<i>Canada Courts the European Union for Freer Trade</i> (released January 2003)
04-01	<i>China Offers Considerable Opportunities for Trade</i> (released March 2004)	02-10	<i>Lumber Battle Takes an Unexpected Turn</i> (released December 2002)
03-12	<i>Rising Commodity Prices Could Signal Turnaround for BC Exports</i> (released February 2004)	02-09	<i>Canada Looking to Shed Light on Trade With the Dark Continent</i> (released November 2002)
03-11	<i>The Lows of High Tech Trade</i> (released January 2004)	02-08	<i>Canada's Share of US Softwood Lumber Market Slipping</i> (released October 2002)
03-10	<i>Is Global Free Trade Possible?</i> (released December 2003)	02-07	<i>FTAA: Free Trade for the Western Hemisphere?</i> (released September 2002)
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)

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.

The **European Union** is the membership as of May 1, 2004: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta,

Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'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

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.