

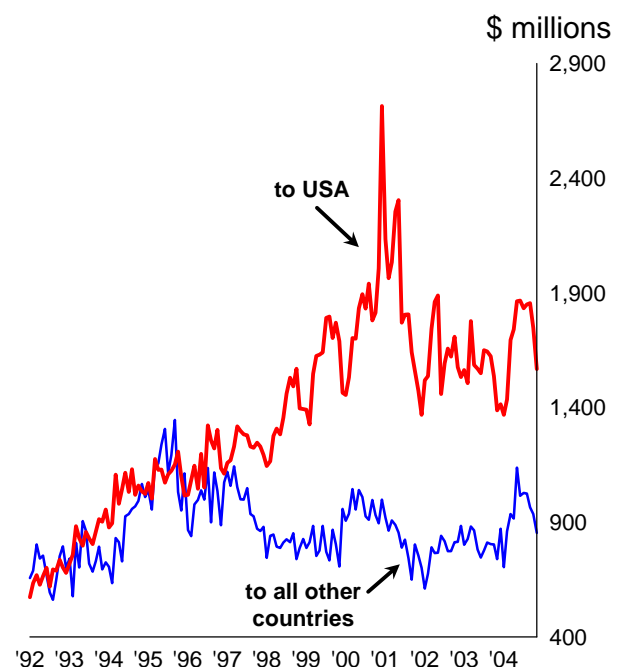
Exports ♦ November 2004

- The value of BC origin exports was 11.3% higher year-to-date to November compared to the same period in 2003. Strong growth in shipments of forest products and metallic minerals more than offset the drop in value of energy exports.
- The forest sector put in a solid performance through November 2004 as exports of solid wood products were up 23.1% compared to the first 11 months of 2003 and international shipments of pulp and paper products rose 5.7%. Even in the face of punishing duties of 27.2%, softwood lumber exports to the United States increased 39.6%. The lumber industry suffered a setback in December when the US Department of Commerce lowered duties only marginally, to 21.21%, despite a preliminary determination in June that suggested they should be lowered to 13%.
- Falling demand for natural gas and electricity resulted in a 4.7% decline in exports of energy products. Natural gas shipments fell 5.8%, while electricity exports dropped 29.4%. On the positive side, a jump in demand and higher prices boosted the value of coal exports 6.6% from January to November 2004, compared to the same period a year earlier.
- Commodity price inflation driven in part by China's thirst for raw materials has helped jump-start BC's mining sector as exports of metallic mineral

products expanded 34.6% in the first 11 months of 2004 compared to January to November 2003. Copper shipments soared 40.2%, aluminum exports climbed 26.7% and zinc shipments rose 14.4%. Exports of molybdenum skyrocketed 141.5%.

- BC origin exports increased to most international destinations in 2004, including 57.3% growth in shipments to China, a 59.9% jump in exports to Hong Kong and a 52.5% leap in merchandise exports to India. BC's largest market, the United States, saw robust export growth of 8.2%, while shipments to the European Union climbed 17.5% and exports to the Pacific Rim were up 16.0%.

Commodity price inflation has helped drive BC origin exports up in 2004



SEASONALLY ADJUSTED EXPORTS

BC exports (adusted for seasonality) fell for the sixth consecutive month in November

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.

- Seasonally adjusted BC exports fell for the sixth consecutive month in November, unable to sustain the level achieved after a substantial jump in May. The only major sector to see a gain was energy (+1.3%) as exports of forestry (-7.6%) and industrial and consumer products (-3.9%) fell significantly.
- Weak forest sector exports (-6.6%) contributed to a 4.3% drop in shipments to the US in November.

**BC Exports, Seasonally Adjusted (\$Millions)**

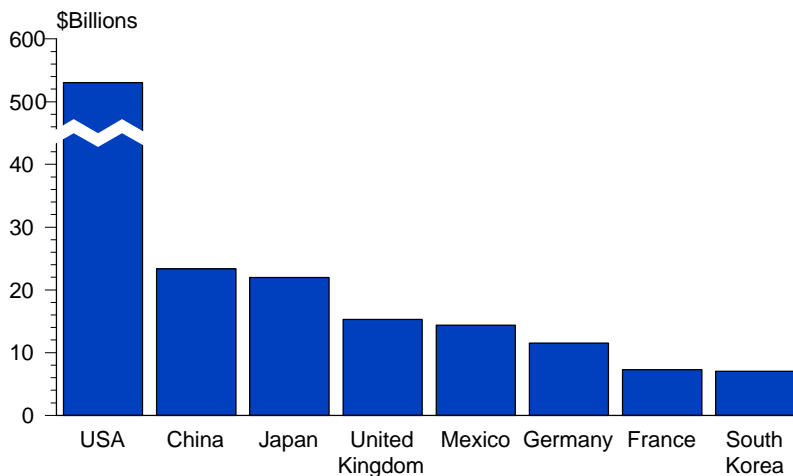
Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Nov 2002	200	393	1,109	351	450	2,503	1,669
Dec	219	376	1,143	361	432	2,531	1,677
Jan 2003	218	401	1,116	349	459	2,543	1,677
Feb	214	394	1,083	343	465	2,499	1,635
Mar	205	566	1,039	334	437	2,582	1,755
Apr	193	376	954	326	442	2,291	1,461
May	178	386	973	329	390	2,256	1,490
Jun	183	440	945	322	393	2,282	1,539
Jul	204	417	973	318	440	2,351	1,587
Aug	188	429	1,005	312	452	2,385	1,580
Sep	186	381	1,068	313	444	2,392	1,571
Oct	164	369	1,042	307	432	2,315	1,509
Nov	171	311	1,044	294	423	2,244	1,479
Dec	205	369	1,015	308	480	2,377	1,525
Jan 2004	167	320	1,028	304	438	2,257	1,482
Feb	182	336	1,036	329	518	2,401	1,512
Mar	177	356	1,159	314	478	2,483	1,619
Apr	180	336	1,177	318	522	2,533	1,640
May	186	433	1,345	347	570	2,882	1,754
Jun	198	390	1,333	353	524	2,798	1,801
Jul	203	405	1,264	359	565	2,796	1,779
Aug	192	402	1,255	345	572	2,766	1,752
Sep	200	396	1,248	341	578	2,763	1,777
Oct	208	431	1,171	341	524	2,675	1,736
Nov	205	436	1,083	336	504	2,564	1,662

Canada's Trade With China

In a move reminiscent of Trudeau's "Third Option," Prime Minister Paul Martin has signalled his intention to pursue expanded trade relationships with countries other than the United States. China is at the top of the list of nations with which Canada would like to see increased trade. Currently, Mainland China ranks second behind only the United States in terms of two-way commodity trade with Canada (i.e., exports plus imports), yet it is still only a fraction (4.4% in 2003) of Canada's trade in goods with the United States. However, there has already been significant growth in Canada's trade with China in just the last year, as year-to-date to November, 2004, two-way trade with China is already 20% over the level recorded in all of 2003 and it now sits at 5.5% of the level of trade with the United States.

With the US recently signing a flurry of free trade deals, concern that Canada will lose some of its advantage in the lucrative US market is behind the push for expanded trade with countries outside the US

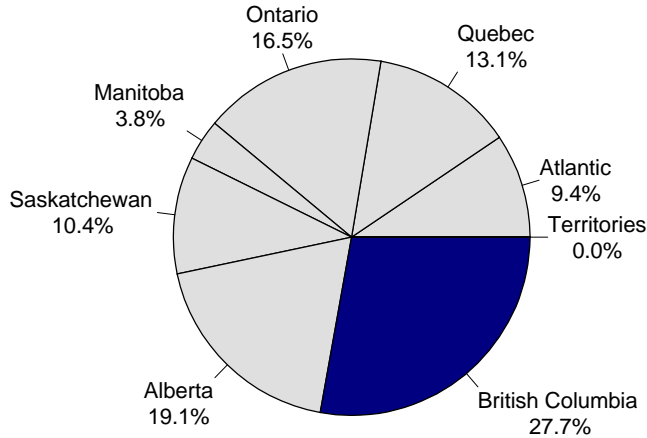
China ranks second in terms of two-way trade with Canada, 2003



With over \$23 billion in two-way trade in 2003, China ranked second behind only the United States in two-way commodity trade with Canada

The strong growth in trade with China has had significant benefits for British Columbia, which ranks first among the provinces as a source of exports to Mainland China. In 2003, almost 28% of all Canadian commodity shipments to China originated in BC. Second-ranked Alberta was well behind at 19%. British Columbia's location on the West Coast gives it an advantage in trade with China as its relative proximity compared to other ports in North America makes it a favourable shipping point for both goods leaving the country, as well as imports entering North America. The types of commodities in demand in China are another big reason for BC's top ranking as a source for goods shipped to that country. China produces a great deal of textiles, clothing, electronics and other manufactured goods, so it has little need for those kinds of goods from Canada's manufacturing hubs in Ontario and Quebec. Rather, it needs raw material inputs, such as those that are in plentiful supply in British Columbia.

BC ranked first in Canada in 2003 as a source of exports to China



Among the provinces, BC ranks first as a source for commodity exports to China

Almost half (49%) the goods shipped from BC to Mainland China are comprised of wood pulp. Pulp is also the top export to China for Canada as a whole, which should come as no surprise since China is the largest consumer of pulp in the world and Canada is the leading producer of pulp. BC was the source of almost two-thirds of the pulp shipped from Canada to China in 2003.

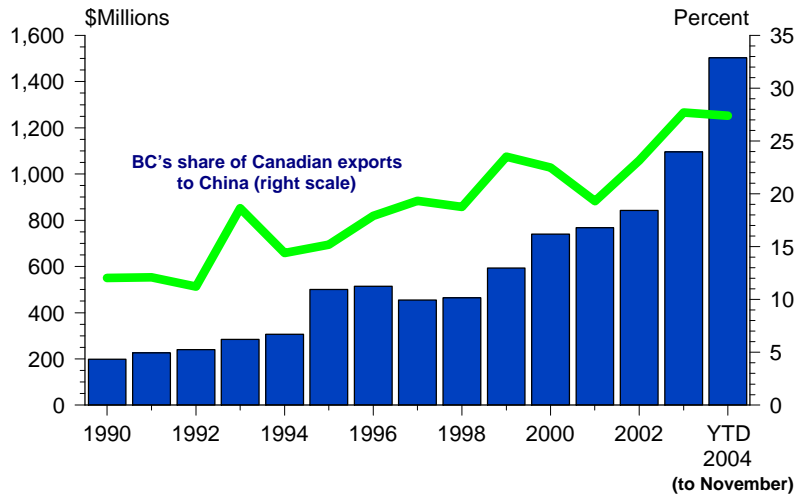
Pulp and organic chemicals comprise over two-thirds of BC origin commodity exports to China

Organic chemicals, consisting mainly of ethylene glycol, are the next most significant export (19%). Ethylene glycol is primarily used as an anti-freeze or in the manufacture of polyester fibre and film, although it also has a number of other applications. Alberta ships almost as much ethylene glycol to China as does BC, which is part of the reason it ranks second in the country as a source of goods to China. Wood pulp and organic chemicals comprised over two-thirds of BC's exports to China and almost a third of Canada's shipments to that country.



Mainland China ranked third in 2003 as a destination for BC commodity exports, trailing only the United States and Japan. Almost 4% of BC exports were shipped to China. Based on data to November 2004, it appears this share has increased to 5%. The value of goods shipped from BC to China has skyrocketed in the last decade, more than quadrupling since 1994 and BC's share of total Canadian exports to China has also been climbing.

Exports of goods from BC to China have been climbing steadily over the last decade



BC origin exports to China have undergone considerable growth in the last decade

China has become one of the world's largest economies in recent years and all signs point to continued economic expansion over the next decade. China recently signed a trade deal with the Association of Southeast Asian Nations (ASEAN) that will create the world's largest free trade region by the end of the decade. In recognition of the fact that Canada needs to get a foot in the door now before getting shut out of the Chinese economic revolution, Prime Minister Martin and International Trade Minister Jim Peterson will lead a trade mission to China and Hong Kong from January 18th to 25th. The emphasis of the mission will be to strengthen relations with China and boost the potential for further growth in trade.

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Ironically, existing trade with China has already caused some problems for British Columbia. A glut of Chinese imports flowing through BC customs ports and a rising quantity of goods shipped from BC to China has resulted in serious congestion at those ports, as well as overloaded rail and truck transportation links. The problem has become enough of a concern that some major retailers are bypassing BC altogether and shipping their freight through Halifax. The additional costs of shipping to the East Coast are discouraging this practise for many retailers, but for others the shipping delays caused by a congested transportation network make Halifax a viable option.

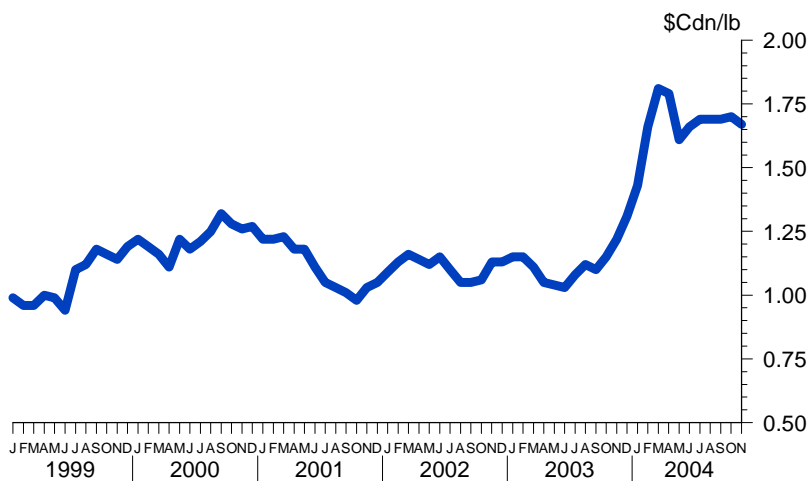
A rapid rise in freight traffic to and from China has caused serious congestion at BC ports

The Port of Vancouver is already working on expanding to handle greater volumes and the Port of Prince Rupert is building a container port so that it will be able to deal with containerized cargo, but the ports are not the only source of the bottlenecks. The rail system is having difficulties in handling the increase in traffic as well. Both CN and CP are working to deal with rising volumes, including arranging to share tracks in order to eliminate delays caused by trains having to move onto side-rails to make way for traffic headed in the opposite direction.

It is likely that further improvements to the ports and transportation system will be needed as China continues to blossom into one of the world's foremost economies. China is already having an effect on the economy of countries around the world and its ravenous demand for raw materials to feed its industrial engine is pushing up prices for a variety of commodities. The inflationary impact on commodity prices has been particularly beneficial for BC's mining industry. Prices for many metals, most of all copper, have risen substantially, which has led to a resurgence of mining activity in the province. Several mines that had been reduced to only maintenance activity have now been re-opened and there has also been an increase in exploration for new mineral deposits. There is also a booming demand for coal, which has led to renewed interest in an industry that not too long ago was suffering setback after setback, including the closures of both the Quintette and Bullmoose mines in North East BC.

China's demand for metals and minerals has benefited BC's mining industry

Demand from China has driven copper prices up



Copper prices have surged as a result of increased demand from China

The effect that Chinese demand has had on metal prices is not all that surprising considering it is one of the world's largest consumers of minerals and metals. It should also come as no surprise that China is interested in ensuring a secure supply of the resources required to maintain its industrial production. As such, China is seeking to invest in resource companies around the world. In Canada, one such attempt to purchase Canadian-owned Noranda has resulted in a public outcry amid fears that Canada will lose control over some of its resources to China. Chinese state-owned companies have also shown interest in Alberta's oil sands. Despite the controversy such potential acquisitions have triggered, the federal government is working on a foreign investor promotion and protection agreement with China aimed at increasing Chinese investment in Canada. Canada's share of global foreign direct investment has fallen significantly over the last 20 years and the federal government wants to see that slide stopped.

The potential for take-overs of Canadian companies by Chinese interests has sparked controversy

With its booming economy, China is a natural source for potential new investment in Canada.

While China's new prosperity has been a boon for many Canadian resource industries, it is seen as a threat by many manufacturers. China's low cost and high volume production is providing insurmountable competition for the manufacturing sector in many countries around the world and Canada is no exception. The recent lifting of the quota system that has governed trade in clothing and textiles over the last three decades has sparked fears that Chinese goods will soon be flooding global markets and putting clothing and textile manufacturers in other countries out of business. Somewhat ironically, the countries with the most to lose from the liberalization of the clothing and textile market are lesser developed nations that will see their guaranteed access to markets in the developed world disappear. China's massive scale of production and the economies arising from that could drive manufacturers in many of those less-developed countries into bankruptcy.

China's low cost production has manufacturers around the world worried

In response to the threat of protectionist measures from developed nations, particularly the United States, China has announced a pre-emptive measure of imposing an export tax on textiles and apparel to allay fears that it will attain global domination over these industries. While this tax will have the same effect of dampening the demand for Chinese goods as would duties, they provide more certainty for the Chinese government and the taxes will stay in China, rather than accrue to the governments of foreign nations.

China's rapid, sustained growth is causing both apprehension and excitement for Canadian exporters. The threat of increased competition is raising fears among some manufacturers, but the potential for a new, vast market for goods could be a major windfall for Canadian companies that are poised to take advantage of the available opportunities.

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

04-11	<i>Canada's Trade With China</i> (released January 2005)	03-08	<i>Where's the Beef?</i> (released October 2003)
04-10	<i>Legitimate Border Threat or Reefer Madness?</i> (released December 2004)	03-07	<i>A Summary of the NAFTA Panels' Decisions on Lumber Duties</i> (released September 2003)
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)
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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)

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.