

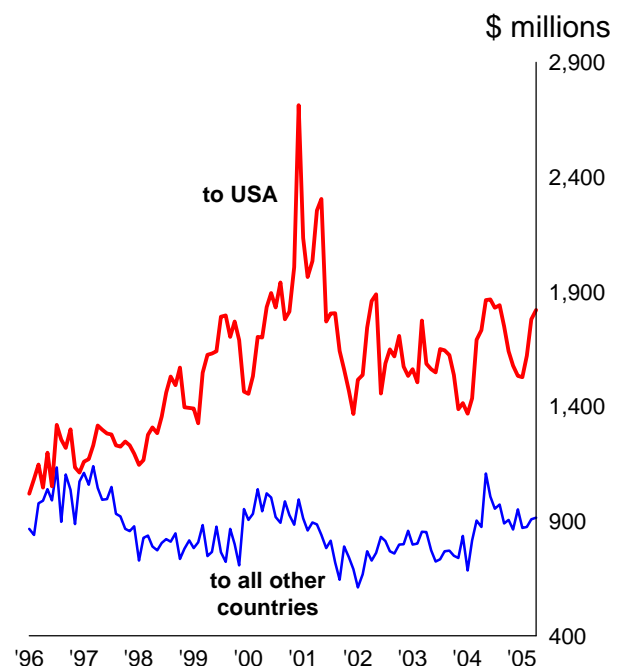
Exports ♦ April 2005

- Through the first four months of 2005, the value of BC origin exports was 8.6% higher compared to the same period in 2004. The value of exports continues to be positively affected by strong commodity prices, particularly for metals and energy products.
- International shipments of metallic mineral products have increased 52.5% in the January to April period of 2005 compared to the same period a year earlier. The value of molybdenum exports has tripled (+203.4%), while shipments of copper ores and concentrates have risen 64.8%.
- Energy product exports have climbed 28.0% in the first four months of 2005, mainly on the strength of a 59.2% jump in shipments of coal and a 19.4% rise in exports of natural gas. However, electricity exports slipped 3.6%. The boost in natural gas exports was entirely due to price inflation as the quantity shipped actually declined. For coal, both price increases and rising demand contributed to the substantial increase. Declining electricity transmissions are likely a result of reduced supply available for export.
- The two main types of forest product exports continued to head in opposite directions as shipments of solid wood products were up 4.9%, but shipments of pulp and paper products dropped 5.7%. Pulp (-12.4%) was the main culprit driving the decline of pulp and

paper as newsprint shipments increased 10.8%.

- Fish product exports have edged down 2.6% year-to-date in 2005. Rising shipments of whole salmon (+29.1%) were not enough to offset falling exports of processed salmon (-28.8%) and whole fish excluding salmon (-24.3%).
- Exports to India have soared, climbing 143.8% in the first four months of 2005. Other Asian destinations are also seeing more exports, including China (+11.8%), Hong Kong (+8.2%), Taiwan (+5.3%), Japan (+3.9%) and South Korea (+5.7%).

BC origin exports have experienced significant year-over-year increases



SEASONALLY ADJUSTED EXPORTS

*BC exports (adjusted for seasonality)
edged up in April*

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.

- BC origin exports adjusted for seasonality climbed 2.2% in April, mostly on the strength of a 9.6% rise in the value of energy exports. Forest sector exports dipped (-0.9%) for the second month in a row, but there was strong growth in shipments of machinery, equipment and automobiles (+4.2%).
- Exports to the United States rebounded (+1.2%) to recover all the ground lost in March. Energy (+3.3%), and machinery, equipment and automobiles (+5.0%) led the way.



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Apr 2003	194	380	975	326	441	2,315	1,460
May	177	371	937	324	383	2,192	1,474
Jun	182	408	938	315	351	2,193	1,519
Jul	196	412	980	316	403	2,306	1,572
Aug	187	422	1,004	311	421	2,345	1,572
Sep	191	416	1,050	308	422	2,387	1,595
Oct	161	398	1,042	307	370	2,278	1,537
Nov	167	310	1,060	297	431	2,266	1,471
Dec	211	357	1,034	321	443	2,365	1,543
Jan 2004	169	332	1,030	308	405	2,244	1,504
Feb	181	344	1,080	329	454	2,387	1,505
Mar	190	360	1,168	321	449	2,488	1,629
Apr	186	335	1,188	307	494	2,511	1,653
May	190	420	1,317	346	534	2,807	1,760
Jun	205	375	1,341	349	499	2,769	1,801
Jul	200	402	1,257	350	508	2,717	1,779
Aug	196	398	1,265	342	535	2,736	1,753
Sep	196	318	1,247	338	505	2,605	1,708
Oct	208	348	1,175	342	501	2,575	1,665
Nov	211	433	1,108	346	500	2,598	1,673
Dec	186	445	1,129	323	529	2,612	1,690
Jan 2005	189	427	1,137	333	551	2,637	1,698
Feb	182	434	1,156	330	566	2,668	1,752
Mar	172	432	1,132	330	528	2,594	1,733
Apr	182	473	1,121	344	532	2,652	1,755

South Korea Seeks Trade Deal with Canada

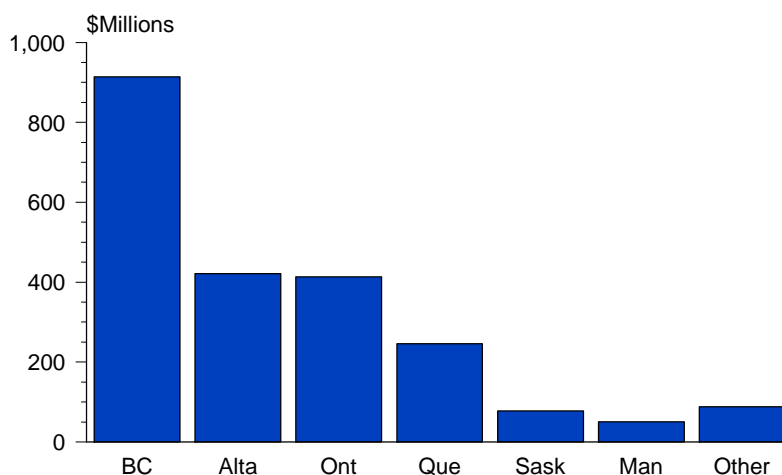
South Korea is aggressively pursuing free trade deals with more than 20 countries around the world, including Canada. Its goal is to have 15 agreements in place by the end of 2007. While this may be an overly optimistic target, South Korea already has an agreement with Chile and has signed a deal with Singapore that is almost ready for ratification. The free trade agreement with Chile sparked considerable controversy in South Korea and resulted in mass protests by South Korean farmers who feared the deal would hurt them. Nevertheless, one year later the agreement has proven a success for both countries with a significant boost in commodity trade going both ways.

South Korea is interested in developing a free trade agreement with Canada

South Korea's zeal for trade deals is mainly in response to the rapid economic growth of regional competitors, particularly China. The Chinese juggernaut has reduced South Korea's market share with many of its trading partners and the Koreans want to shore up their presence in the global market and fuel growth at home.

The Korean desire to strike a deal with Canada also fits into Canada's strategy of developing stronger relationships with emerging markets in Asia. There have already been two preliminary discussions between Canada and South Korea and the Koreans are pushing to fast track the process toward formal discussions regarding a free trade pact. Canada's abundance of natural resources makes it a perfect fit for South Korea, which has limited resources needed to fuel its industrial production.

BC was the origin of over 40 percent of Canadian commodity exports to South Korea in 2004



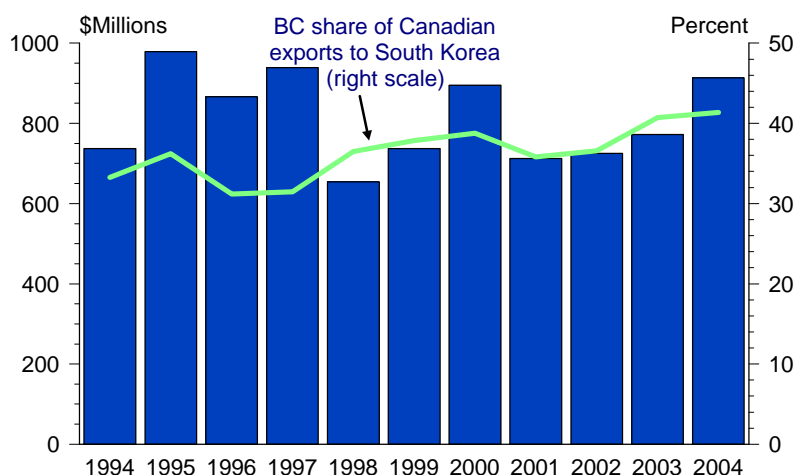
Source: Statistics Canada

Over 40 percent of Canadian exports to South Korea originate in British Columbia

British Columbia stands to gain the most of any province if a free trade agreement is reached with South Korea, as it is the primary source of Canadian commodity exports to that country. In 2004, 41.3% of all goods shipped from Canada to South Korea origi-

nated in BC. Second-ranked Alberta shipped 19.1% of total Canadian exports to South Korea, followed by Ontario at 18.7%. British Columbia's share has increased slightly over the last decade, even as the value of Canadian exports to South Korea declined. The so-called "Asian flu" had a significant impact on South Korea's trade with Canada and the level of exports from Canada has yet to fully recover. BC's exports were equally affected and, with the exception of a one-time jump in 2000, until recently they have remained well below the values recorded in the mid-nineties. In 2004, exports from BC to South Korea increased 18.4% over 2003 and exceeded \$900 million for the first time since 1997. However, total Canadian exports are still well below the levels seen prior to the economic downturn in Asia.

BC origin exports to South Korea are finally starting to recover from the effects of the "Asian flu"



Source: BC Stats and Statistics Canada

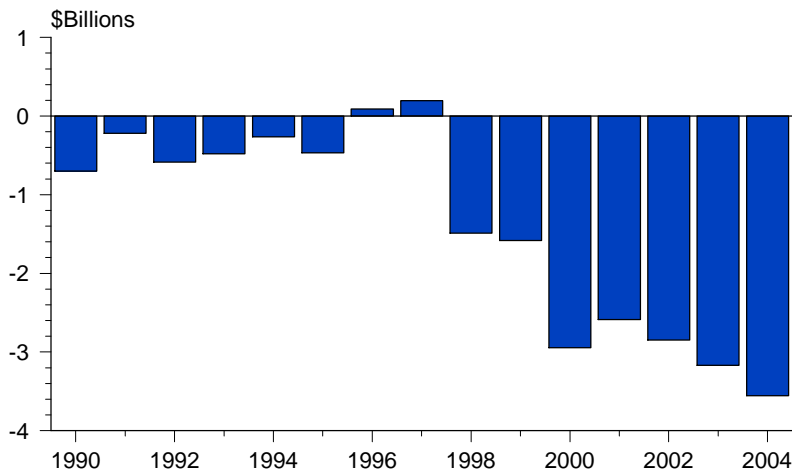
The onset of the "Asian flu" had a significant impact on Canadian exports to South Korea

Meanwhile, merchandise imports from South Korea have been growing, resulting in a substantial jump in Canada's trade deficit with that country. In 2004, the deficit climbed to almost \$3.6 billion. In other words, Canada imported \$3.6 billion more worth of goods from South Korea than it exported there.¹ Part of the reason why the pace of exports has not kept up to that of imports is the

¹ Note that this figure is likely overstated. Statistics Canada performed a trade reconciliation study that compared data reported by South Korea to that reported by Canada and found a substantial discrepancy [Bohatyretz, Sandra. (Nov. 2004). "Tiger by the Tail? Canada's Trade with South Korea." *Statistics Canada Catalogue no. 65-507-MIE - no. 001*]. Using Korean data on imports from Canada, Statistics Canada estimated that Canada's trade deficit with South Korea in 2002 was just under \$2 billion, rather than the published figure of \$2.9 billion. The discrepancy is likely due to a combination of factors, such as indirect trade (e.g., shipments travelling through the United States may incorrectly be classified as exports to the US instead of South Korea), export undercoverage or other reasons.

increasing competition from China and other regional competitors that has resulted in fewer opportunities for Canadian businesses.

Canada's merchandise trade deficit with South Korea has grown substantially since the onset of the "Asian flu"

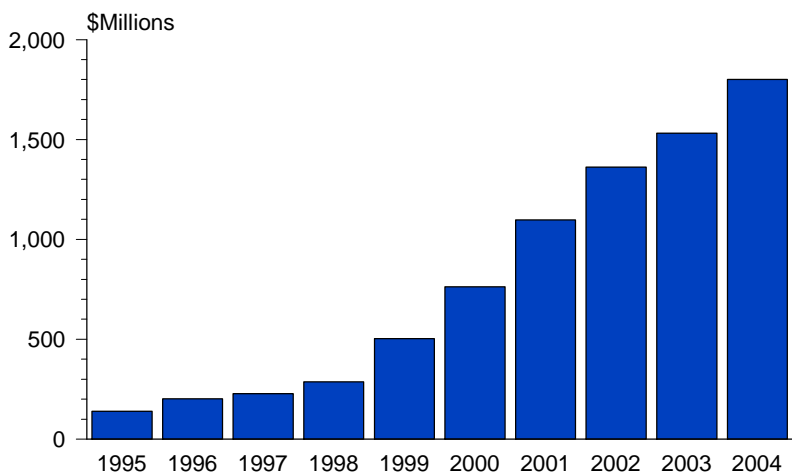


Declining exports and growing imports have resulted in a massive rise in Canada's trade deficit with South Korea

Source: BC Stats and Statistics Canada

However, the main driver of the rising trade deficit has been the growth in Canadian imports of South Korean automobiles and parts. In the last decade, automobile imports have skyrocketed by over 1,000 percent, rising from less than \$179 million in 1995 to \$1.8 billion in 2004. Vehicles and parts comprised 31% of Canada's total imports from South Korea in 2004. There were also significant imports of electrical machinery, equipment and parts, which represented a quarter (25%) of all imports from South Korea. Machinery and mechanical appliances (14%) ranked third.

Imports of vehicles and parts from South Korea have soared over the last decade, fuelling the increase in Canada's trade deficit with that country



Imports of vehicles and parts are the main contributor to the rising trade deficit

Source: Statistics Canada

The main exports to South Korea are natural resource products such as pulp, coal and metals. Chemicals, such as ethylene glycol

manufactured in Alberta are also a significant export. The top goods shipped from BC are coal, which comprised 25% of the total value exported from this province to South Korea in 2004, wood pulp (22%), aluminum and articles thereof (14%) and copper, zinc and molybdenum ores and concentrates (14%).

BC's main exports to South Korea are coal, wood pulp and metals

The Canadian government has identified traditional resources such as wood pulp, mineral fuels, agricultural products, shellfish and metals as areas where there are opportunities for growth in trade with South Korea, but there is also potential for more exports of value added goods, such as automobile parts and electrical machinery. Trade in services is another area where Canada can benefit from a free trade agreement. Currently, Canada has a significant, growing surplus in trade in services with South Korea. In 2002, Canada had a surplus of \$435 million, which was largely composed of tourism services, although there was a significant commercial services surplus as well and exports of transportation services also exceeded imports.

Canada has a surplus in trade in services with South Korea

In addition to trade in goods and services, Canada and South Korea also have well-established investment ties. Canadian direct investment in South Korea amounted to \$609 million in 2003, while South Korean investment in Canada was \$280 million. These figures could expand with a trade agreement in place.

There are some roadblocks to overcome in order to come to an agreement on a free trade deal. Tariffs on Canadian agricultural goods and the current ban on imports of Canadian beef will be sticking points for Canada, while anti-dumping measures taken against Korean exports of steel products could prove to be a contentious issue for South Korea. However, both sides seem eager to make a deal, which should help move negotiations along. With competition for global markets getting more intense, it is in the best interest of both countries to make it happen.

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

05-04	<i>South Korea Seeks Trade Deal with Canada</i> (released June 2005)	04-01	<i>China Offers Considerable Opportunities for Trade</i> (released March 2004)
05-03	<i>Any BC Port in a Trade Storm</i> (released May 2005)	03-12	<i>Rising Commodity Prices Could Signal Turnaround for BC Exports</i> (released February 2004)
05-02	<i>American Protectionism: Backfiring on All Cylinders</i> (released April 2005)	03-11	<i>The Lows of High Tech Trade</i> (released January 2004)
05-01	<i>Commodity Prices, Exchange Rates and Exports</i> (released March 2005)	03-10	<i>Is Global Free Trade Possible?</i> (released December 2003)
04-12	<i>The Internet Pharmacy Debate</i> (released February 2005)	03-09	<i>Relatively Few Small Businesses in BC are Exporters</i> (released November 2003)
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)
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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)

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.