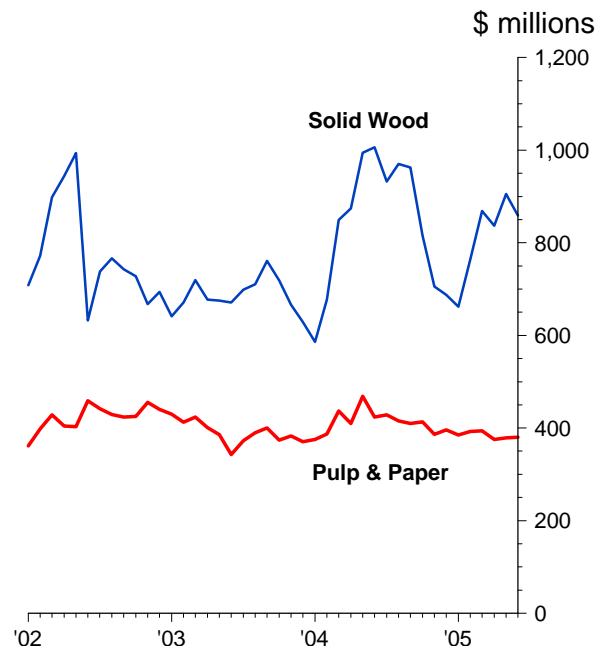


Exports ♦ June 2005

- There was a 5.5% increase in the value of BC origin exports in the first half of 2005 compared to the same period a year earlier. The main contributors to the jump in exports have been metals and energy products, both of which have experienced substantial growth in international shipments.
- Shipments of metallic mineral products climbed 38.5% in the first half of 2005 compared to January to June 2004. Molybdenum exports soared 165.6% vaulting ahead of aluminum to become the province's second largest metal export after copper. Exports of copper ores and concentrates have also experienced strong growth, rising 45.3%.
- Energy exports have risen 29.1% year-to-date. A significant jump in the price of coal combined with higher volumes shipped resulted in a 69.4% increase in coal exports through the first half of 2005. A rise in the price of natural gas has helped boost the value of exports 12.4% despite a slight decline in quantity shipped. A drop in electricity (-8.0%) and other energy (-10.8%) product exports mitigated the increase in coal and natural gas to some extent.
- Forest product exports have fallen over the first six months of 2005 compared to the first half of 2004. Both pulp and paper products (-7.8%) and solid wood products (-1.8%) have experienced a drop in international shipments. However, there was positive

news for the forest sector this week as the final challenge in the softwood lumber dispute was decided in Canada's favour. A NAFTA panel has found that the extraordinary challenge launched by the United States has no merit. This should be the end of the dispute as a previous NAFTA panel found no justification for American duties on Canadian lumber, which means that duties cannot legally be imposed. However, the US has stated that the ruling is irrelevant and the duties will remain in place. The Canadian government has expressed strong objections and is threatening sanctions if the US does not comply with its obligations under NAFTA.

Over the first half of 2005, the value of exports of forest products is down compared to 2004



SEASONALLY ADJUSTED EXPORTS

Energy products helped significantly boost BC exports (adjusted for seasonality) in June

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 7.7% in June, largely due to a 37.1% jump in shipments of energy products. Agriculture and fish products also increased significantly, rising 8.9%.
- These two sectors also led the increase in exports to the United States (+7.3%). Energy exports soared 31.5% from May to June, while agriculture and fish product shipments were 11.5% higher.



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jun 2003	180	397	929	314	347	2,167	1,507
Jul	196	414	972	315	403	2,300	1,572
Aug	187	424	998	312	421	2,342	1,573
Sep	191	417	1,076	308	422	2,414	1,595
Oct	161	398	1,039	308	369	2,274	1,536
Nov	166	310	1,062	298	431	2,266	1,475
Dec	209	355	1,040	320	443	2,366	1,540
Jan 2004	170	330	1,049	310	405	2,264	1,502
Feb	182	347	1,023	330	455	2,337	1,514
Mar	190	353	1,167	322	450	2,482	1,619
Apr	189	341	1,204	308	496	2,539	1,653
May	192	435	1,313	343	537	2,820	1,787
Jun	201	356	1,313	347	494	2,711	1,777
Jul	200	405	1,272	351	508	2,735	1,776
Aug	195	400	1,269	341	535	2,741	1,752
Sep	195	319	1,249	337	504	2,604	1,712
Oct	209	348	1,180	344	501	2,583	1,667
Nov	208	432	1,132	346	500	2,619	1,671
Dec	186	443	1,128	324	528	2,609	1,691
Jan 2005	189	426	1,148	335	552	2,649	1,699
Feb	183	418	1,168	332	565	2,666	1,739
Mar	175	447	1,141	334	528	2,624	1,746
Apr	185	467	1,135	350	532	2,669	1,739
May	193	438	1,123	352	549	2,655	1,667
Jun	210	600	1,126	351	571	2,858	1,789

Removal of Textile Quotas Tailor-Made for Protectionist Fervour

For 30 years, trade in clothing and textiles was restricted by global import quotas that were designed to protect the domestic industry in developed nations such as the United States, the European Union and Canada. On January 1st, 2005, these quotas were finally removed, liberalizing trade in these goods and giving countries such as China and India unlimited access to the lucrative markets of the developed nations. However, this new era of liberalized trade appears to have been short-lived as the United States and the European Union have already introduced measures to curb shipments arriving from China on the heels of a flood of clothing and textile imports from that country. Textile workers in Canada are demanding that the Canadian government follow suit in a bid to protect their jobs.

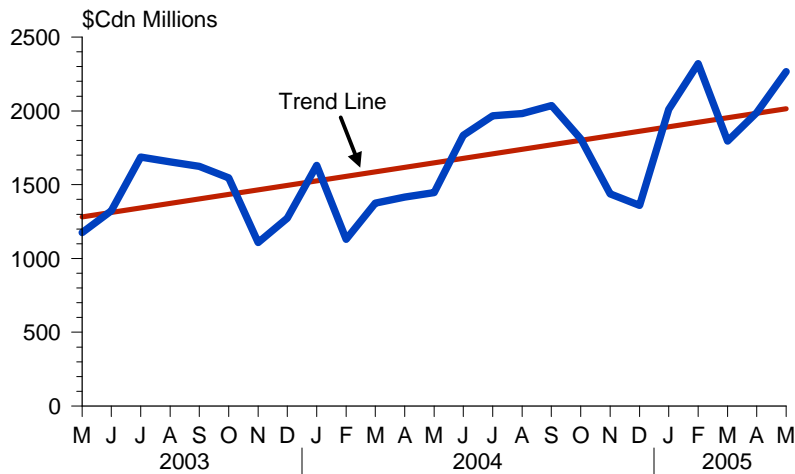
This backlash was anticipated in China even before the quotas were lifted. In order to avert these types of protectionist manoeuvres, China implemented export duties on 78 clothing and textile goods and were planning to bring in 74 more tariffs starting in June in response to concerns expressed by the United States and the European Union. However, both the US and the EU have complained that the measures have not done enough to stem the deluge of Chinese textile products flowing into those regions and both have decided to impose their own import restrictions. Under World Trade Organization rules, they are allowed to limit imports of Chinese clothing and textiles to 7.5% over levels shipped between March 2004 and February 2005 and can apply this barrier until 2008. The restrictions imposed by the US and the EU have prompted China to withdraw the export duties on the 78 goods that were already in place, plus three of those that were planned. China's stance is that if certain products have limits imposed upon them by other countries, China will exclude those products from export tariffs.

Over the first five months of 2005, American imports of clothing and textiles from China (valued in Canadian dollars) have soared 48.3% over the value imported in the same period in 2004, rising to \$10.4 billion from just under \$7 billion. This seems to suggest that the fears of clothing and textile manufacturers in the United States are justified, but a closer look at imports of these goods regardless of origin shows that there has been only a 3.0% rise in the value of overall clothing and textile imports into the US so far this year. In other words, imports of these goods from other countries have fallen (-5.8%) as China has assumed a larger market share.

Global import quotas on clothing and textiles have been removed, which has lobby groups in developed nations calling for protectionist actions

The United States and the European Union have already decided to impose import restrictions on clothing and textiles from China

American imports of clothing and textiles from China are up significantly year-to-date

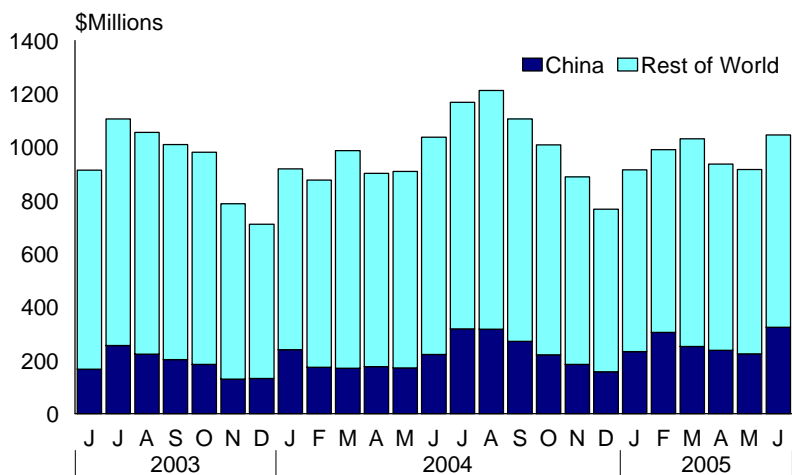


American clothing and textile imports from China are up 48% year-to-date to May compared to 2004, but total clothing and textile imports have climbed only 3%

Source: Industry Canada, US Department of Commerce

The story is similar in Canada. While imports of clothing and textiles from China have risen 36.2% over the January to June period, overall imports of these goods are up only 3.6%. Shipments from countries other than China actually fell 4.8% over the first half of 2005.

Canadian imports of textile products from China have risen significantly year-to-date, but overall imports are only up slightly



It is the same for Canada—imports of clothing and textiles from China are up 36% year-to-date to June, but overall, the increase was only 4%

Source: Statistics Canada

It should be noted that the price of some of these goods has fallen, so looking at only the value of imports hides some of the increase in actual quantities shipped. When growth in quantity of imports is taken into account, the increase is much larger. Since different types of clothing and textiles have different quantity measures, a simple analysis of change in quantity for the entire clothing and textile product category is not possible, but it is clear from looking at the data by individual commodity that the relaxation of import quotas has reaped significant benefits for consumers in terms of

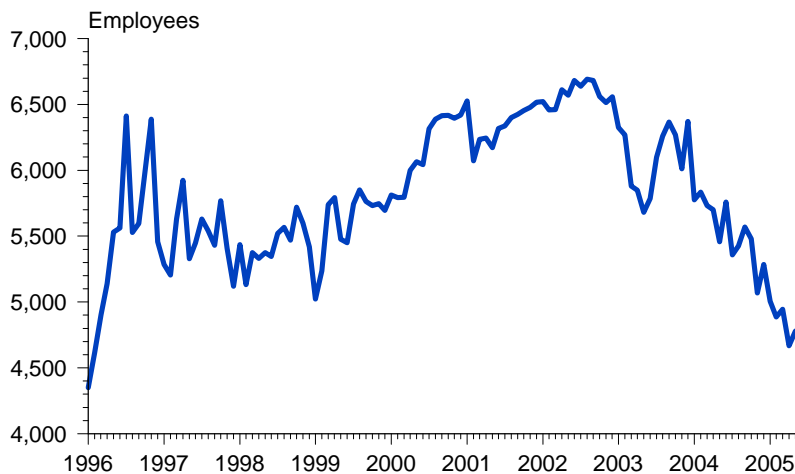
price breaks, while causing headaches for domestic manufacturers due to increased competition as well as the lower prices received for their goods.

For certain goods in particular, the influx from China since the start of the year has been phenomenal. For example, the quantity of Canadian imports of Chinese knitted or crocheted products such as women's or girls' overcoats, cloaks, etc. and men's and boys' underwear, pyjamas, etc. have skyrocketed over 600% and 700% respectively year-to-date. With this in mind, it comes as no surprise that unions representing workers in Canada's apparel manufacturing industry are pressing the government to follow the lead of the United States and the European Union and impose restrictions on Chinese imports.

Quantities of some Chinese clothing imports have jumped 600% to 700% in the first half of 2005

In British Columbia, employment in clothing manufacturing has been slumping since reaching a peak in 2002. From May 2002 to May 2005, there was a 27.2% drop in employment in this industry, from about 6,600 people down to 4,800 workers.¹ For Canada as a whole, the industry has shed over a third (-36.8%) of its workers in that three-year period.

Clothing manufacturing employment in British Columbia has plunged in the last few years



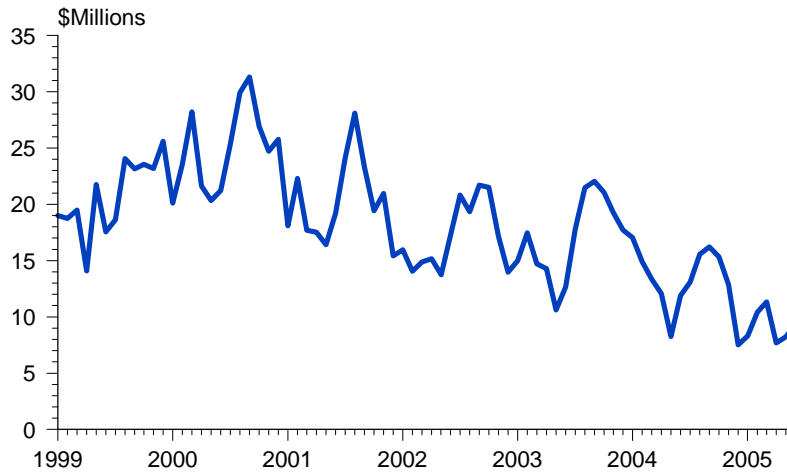
Source: Statistics Canada

Since 2002, BC's clothing manufacturers have shed approximately one quarter of their employees

Exports of clothing from British Columbia have been falling over an even longer period, starting their downward trend in 2001. BC origin exports of apparel and accessories have plunged 56.1% from June 2000 to June 2005. The value of clothing exports in the first half of 2005 are 28.7% lower than that recorded in January to June 2004.

¹ Seasonally adjusted data at this industry detail is not available, so it is difficult to say how much of the decline in employment since the beginning of 2005 is attributable to regular seasonal factors and how much is due to other reasons.

Clothing and apparel exports from BC have been falling for years



Source: Statistics Canada

BC origin exports of apparel and accessories have been on a downward slide since peaking in 2000

It is easy to understand why Canadian, American and European manufacturers of clothing and textiles are calling for limits on imports of these goods from China, but it is more difficult to justify actually imposing these limits. The schedule to remove quotas from clothing and textiles was laid out ten years ago giving the industry ample time to prepare for the new quota-free era, so arguments that domestic industries should be given time to adjust to the increase in competition may not stand up to scrutiny.

A more reasonable case can be made that China offers its industry an unfair advantage because it hasn't allowed its currency to rise in value proportionate to the rise in its trade balance, as it undoubtedly would if it was free floating. As a result, goods purchased from China are not subject to the normal inflationary exchange rate pressures. The recent move by China to revalue its currency and remove the fixed link to the US dollar is seen as a positive first step, but it is still a far cry from the free floating currency that the rest of the world wants to see.

China has recently revalued its currency

The currency revaluation may ease protectionist pressures somewhat, but as long as domestic industries feel threatened by imports, there will be demands for tariffs or quota arrangements. Unless it is proven that China is truly offering its industries unfair advantages, it would be difficult to defend imposing such trade barriers.

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

05-06	<i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour</i> (released August 2005)	04-03	<i>Expanded European Union Could be Both Good and Bad for BC</i> (released May 2004)
05-05	<i>Comparative Trade Numbers Don't Add Up</i> (released July 2005)	04-02	<i>BC's Animal Agriculture Exports Facing Trade Restrictions</i> (released April 2004)
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)
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)

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.