

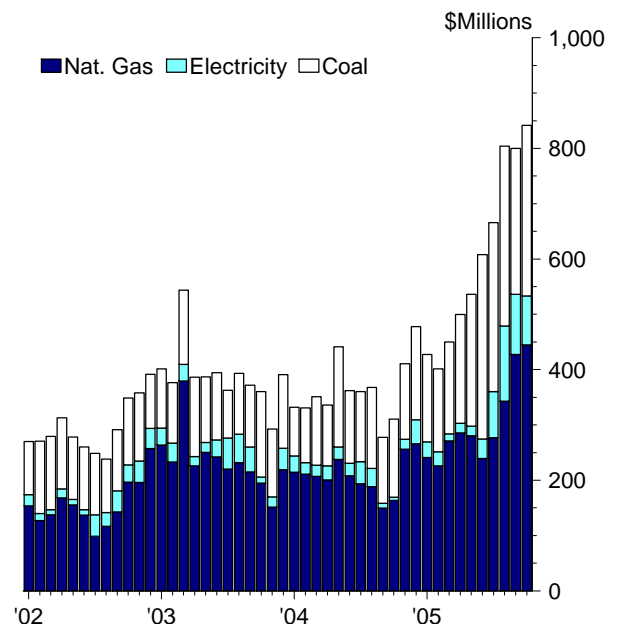
Exports ♦ October 2005

- The value of BC exports jumped 20.6% in October compared to the same month in 2004 mainly on the strength of soaring shipments of energy products (+161.7%) in the wake of Hurricanes Katrina and Rita. Year-to-date, overall exports have climbed 8.5% in the first ten months of 2005 compared to January to October of 2004.
- A combination of price hikes and increased demand has boosted the value of energy product exports substantially (+70.7%) year-to-date compared to the same period in 2004. Electricity exports started the year slow, but in the last few months exports of this good have skyrocketed, including a 1,404.6% jump in October compared to the same month a year earlier. Year-to-date, electricity exports are up 141.7%, while natural gas shipments have risen 53.8% and coal exports have climbed 92.9%.
- International shipments of metallic mineral products have also experienced significant year-to-date growth, rising 29.3% compared to the first ten months of 2004. Molybdenum ores and concentrates have led the way, more than doubling (+116.0%) from the value shipped in the January to October period of 2004. Exports of copper ores and concentrates have also seen a large jump, rising 58.1%.
- The forest sector has experienced a significant drop in year-to-date exports as shipments of solid wood products

have fallen 7.5% and pulp and paper exports are down 8.5%. Exports of softwood lumber have slipped 10.4% despite a 3.6% boost in quantities shipped, as lumber prices have declined significantly.

- Exports of agricultural goods have climbed 8.2% year-to-date, despite a 0.4% drop in shipments of fruit and nuts. Vegetable exports rose 2.1%, while other agricultural product shipments jumped 11.7%.
- Of BC's main export destinations, the most significant rise in exports has been to India, at 71.5%. Other large increases were in shipments to the UK (+26.6%), South Korea (+22.2%) and Mexico (+30.4%).

The value of energy exports has soared in recent months

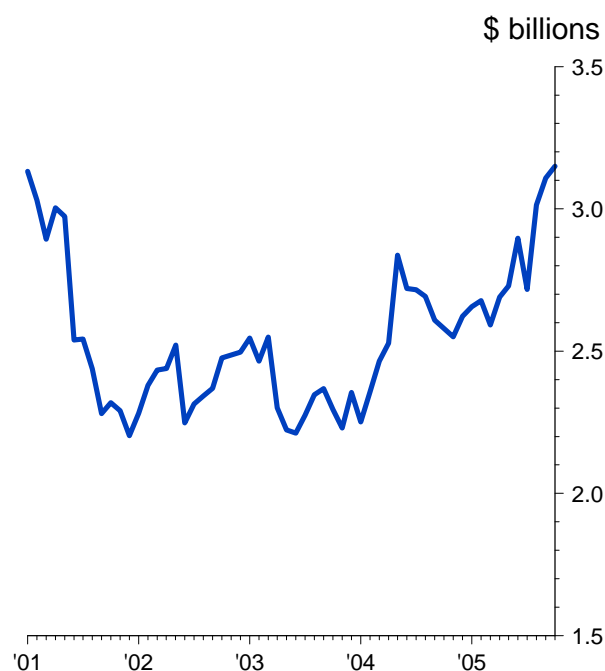


SEASONALLY ADJUSTED EXPORTS

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.

- BC origin exports adjusted for seasonality climbed 1.3% in October, led by increases in shipments of energy (+3.8%) and forest products (+5.5%).
- A 6.8% rise in exports to the US drove the overall increase, as shipments to other destinations slumped 8.2%. All commodity groups contributed to the export growth, but industrial and consumer (+9.7%) and forest products (+9.4%) experienced the largest jumps.

Exports (adjusted for seasonality) climbed for the third straight month in October



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Oct 2003	161	397	1,048	304	385	2,295	1,533
Nov	169	303	1,050	290	418	2,230	1,471
Dec	205	360	1,034	314	442	2,355	1,541
Jan 2004	170	334	1,038	310	399	2,251	1,508
Feb	186	339	1,046	330	456	2,357	1,507
Mar	188	352	1,158	315	452	2,465	1,619
Apr	190	338	1,188	316	497	2,528	1,644
May	196	446	1,328	338	530	2,837	1,768
Jun	198	383	1,309	340	490	2,720	1,787
Jul	203	396	1,271	350	496	2,716	1,770
Aug	188	375	1,272	337	521	2,692	1,755
Sep	201	313	1,268	335	492	2,609	1,734
Oct	207	354	1,181	336	502	2,580	1,663
Nov	202	424	1,098	334	494	2,551	1,668
Dec	186	457	1,144	316	519	2,622	1,699
Jan 2005	190	449	1,142	329	546	2,656	1,707
Feb	185	430	1,180	333	551	2,678	1,753
Mar	182	432	1,137	332	509	2,592	1,731
Apr	186	513	1,124	351	517	2,690	1,775
May	189	527	1,127	351	535	2,729	1,729
Jun	211	617	1,118	355	596	2,897	1,789
Jul	176	703	1,001	355	482	2,717	1,841
Aug	206	822	1,079	354	553	3,014	1,870
Sep	200	896	1,068	357	587	3,108	1,968
Oct	202	930	1,127	363	527	3,150	2,103

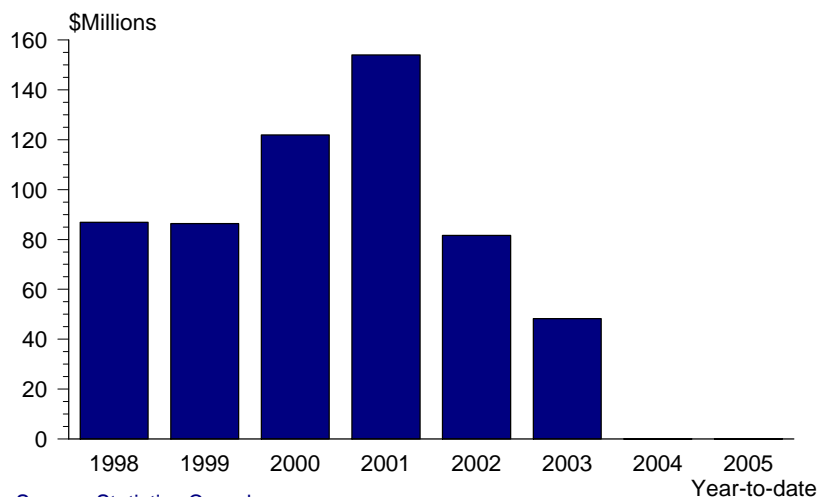
Japan Aims for Free Trade with Canada

Canada and Japan took a step on the path toward free trade in November when they signed an economic framework accord that is designed to reinforce commercial ties and pave the way for new commercial opportunities. Concerned about being overlooked while the rest of the world covets deals with the rising economic powers of China and India, Japan wants to cement its position as a key trade partner with the West. The Japanese feel that a trade deal with Canada will move them in that direction, while benefiting Canada at the same time. They have suggested that a free trade deal with Japan will help give Canada better access to the rest of Asia as well, while for Japan, a deal with Canada is seen as a stepping stone toward developing free trade with the United States.

Canada and Japan are working toward a free trade agreement

One possible barrier to a free trade deal appears to have been removed as the Japanese have declared that beef from younger cattle from Canada and the United States is safe. This has led to a partial lifting of the ban on beef imports. Japan will allow imports of Canadian beef from younger cattle to resume after having been banned since mid-2003. Cattle and beef exports from Canada to Japan peaked at just under \$154 million in 2001, but generally hovered between \$80 and \$90 million per year. The continued ban on Canadian beef, despite increased testing and the discovery of only a few infected cows, has been a sore spot between the two countries and this partial lifting of the ban should ease those tensions.

Japan halted all imports of Canadian cattle and beef after the discovery of a BSE-infected cow in 2003

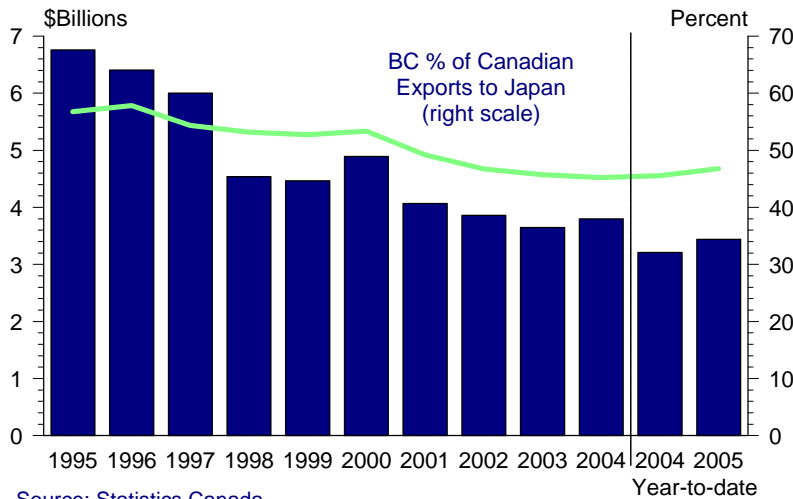


The lifting of Japan's ban on imports of beef from young cows removes one roadblock to free trade between Japan and Canada

The ban on beef has not had much of an effect on British Columbia's trade with Japan, since annual beef shipments from BC to Japan were valued at less than \$1 million. However, BC's overall exports to Japan have slumped considerably in the last decade, falling from a peak of just under \$6.8 billion in 1995 to \$3.8 billion

in 2004. The province's share of overall Canadian exports to Japan has also dropped, from 57% in 1995 to 45% in 2004, although this is still well ahead of second-ranked Alberta, at just under 16%.

British Columbia exports to Japan have dropped considerably in the last decade

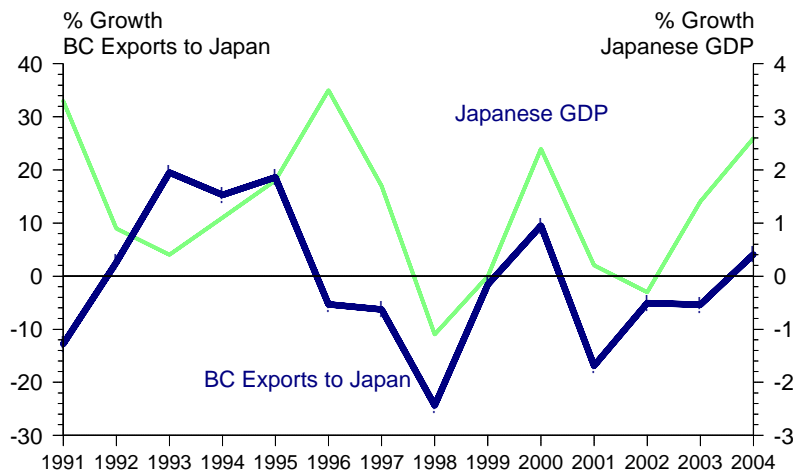


Source: Statistics Canada

Commodity exports from BC to Japan plunged in 1998 and have continued to trend downward until recently

The decline in shipments of goods from BC to Japan is directly related to the economic difficulties experienced in Japan over the last decade. The most precipitous drop in the value of BC exports to Japan occurred in 1998, the same year that Japan's economy first went into recession. A partial recovery in 2000 coincided with a boost in BC exports, but a renewed slump starting in 2001 and carrying through 2002 resulted in falling shipments yet again. In the last couple of years the Japanese economy appears to have kicked back into gear and this has been reflected in an increase in demand for BC-produced goods.

Japan's economic performance has a direct effect on Japanese demand for goods from British Columbia



Sources: Statistics Canada, IMF

The slump in the Japanese economy also had a negative impact on the demand for BC goods and, as a result, BC commodity exports to Japan fell significantly

A significant portion of BC exports to Japan are comprised of raw materials used in Japanese manufacturing, which is why the

slump in Japan's production was so closely tied to the decline in BC exports to that country. Approximately half of BC's commodity exports to Japan in 2004 were comprised of forest products. Wood and articles of wood made up 42% of shipments to Japan while wood pulp accounted for 8% of the total. Another 12% of exports consisted of metal ores and concentrates, such as copper, zinc and molybdenum, while aluminum and articles constructed of aluminum were responsible for a further 10% of shipments. Coal was another significant export, at 8% of the total value shipped to Japan. These five groups of commodities comprised 80% of total exports from BC to Japan in 2004. With the exception of aluminum, these were also the goods that were mainly responsible for the drop in the value of exports to Japan. Shipments of aluminum and aluminum products jumped 10.4% between 1995 and 2004, but the other top exported goods all suffered a substantial decline in shipments.

Top five BC origin exports to Japan, 1995 vs. 2004

Commodity	1995	2004	% Change
Wood and articles of wood	\$2,787.2	\$1,584.3	-43.2%
Ores and concentrates	\$685.6	\$443.7	-35.3%
Aluminum and articles thereof	\$345.7	\$381.7	10.4%
Wood pulp	\$991.6	\$314.4	-68.3%
Coal and other mineral fuels	\$826.3	\$298.6	-63.9%
Total BC exports to Japan	\$6,758.8	\$3,799.5	-43.8%

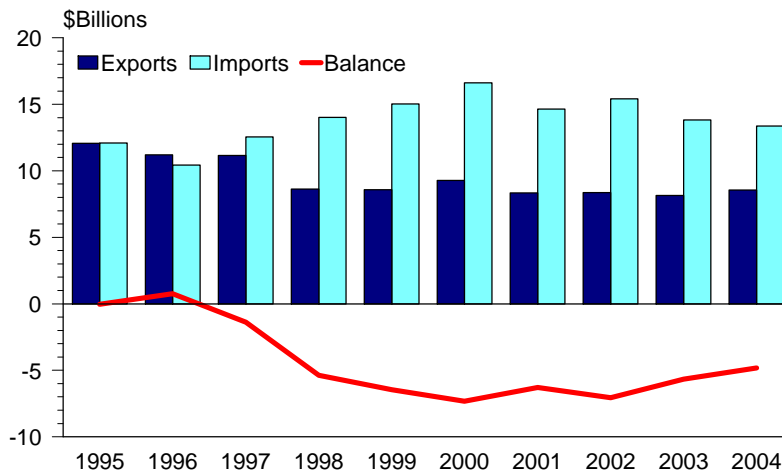
With the exception of aluminum and products made of aluminum, the top commodity exports from BC to Japan all suffered substantial declines between 1995 and 2004

As a result of the large drop in exports to Japan, the share of total BC origin commodity shipments to the Asian destination has slipped from almost 28% in 1990 to just over 12% in 2004. This is still almost three times the value exported from BC to China in 2004 and is good enough to place Japan second behind only the United States as a destination for BC exports. Japan is also the second-ranked destination for Canadian exports as a whole, but in 2004, the \$8.4 billion worth of goods shipped to Japan accounted for only slightly more than 2% of total Canadian commodity exports.

Japan was the fourth most significant origin of imports into Canada in 2004, with just under \$13.4 billion worth of Japanese goods entering Canada. This was only slightly less than the just over \$13.4 billion from Mexico and represented 4% of total Canadian imports. The United States (59%) and China (7%) ranked first and second in terms of the origin of Canadian merchandise imports. With the exception of 1996, Canada has had a significant deficit in trade in goods with Japan in each year in the last decade. The deficit ballooned to over \$5 billion in 1998 and has remained at a high level ever since.

Canada ships about 2% of its commodity exports to Japan and approximately 4% of its imports originate in Japan

Canada imports far more goods from Japan than it exports to that country

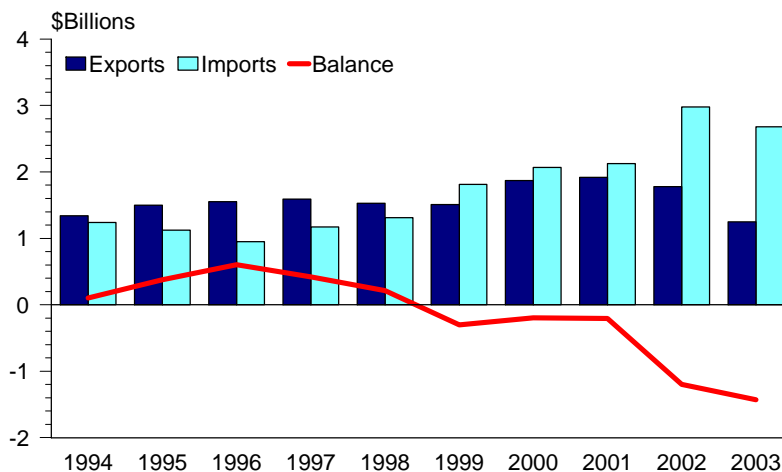


Canada has a substantial deficit with Japan in merchandise trade

Source: Statistics Canada

Traditionally, Canada has had a surplus with Japan in trade in services; however, in 1999 service imports from Japan exceeded exports for the first time and Canada has had a deficit with Japan in trade in services ever since. The one service category for which Canada has a significant trade surplus is tourism. There are far more Japanese tourists that visit Canada than there are Canadians visiting Japan. Since one of the goals outlined in the economic framework signed by the two countries is to promote tourism, it is possible that the number of travellers from Japan will rise and perhaps equal or even exceed the record levels achieved in the mid-nineties. Due to BC's relative proximity to Japan, it is likely that this province would be the largest beneficiary of increased tourism from Japan.

Canada also has a deficit with Japan in trade in services



Canada also has a deficit with Japan in trade in services

Source: Statistics Canada

British Columbia will also likely see the most significant gains if a free trade pact is signed with Japan, not only because of its location on the west coast, but also because of the types of goods that

are produced in BC, which match up nicely with the demand from Japan. However, it may be premature to raise expectations of the benefits to be accrued from a free trade deal as there are plenty of roadblocks to overcome. While the lifting of the ban on Canadian beef is a positive step, there are still protectionist sentiments in Japan's agricultural sector that will have to be assuaged. Some Canadian industries are also sceptical about the benefits of free trade and may set up barriers to achieving a deal. The outcry from the Canadian automobile and shipbuilding industries when Canada started to pursue a free trade deal with South Korea earlier this year demonstrated that not all Canadian industries believe in the benefits of free trade. While it is true that some industries may not fare as well with the increased competition that accompanies free trade, on the whole a deal between Canada and Japan should provide a net benefit to the economies of both countries.

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

05-10	<i>Japan Aims for Free Trade with Canada (released December 2005)</i>	04-07	<i>NAFTA Panel Finds in Favour of Canada in Softwood Lumber Dispute (released September 2004)</i>
05-09	<i>China's Growth Both an Opportunity and a Threat for Exporters (released November 2005)</i>	04-06	<i>Canada's Trade with Greece (released August 2004)</i>
05-08	<i>Booming Energy Sector May Give Rise to "Dutch Disease" for Other Exporters (released October 2005)</i>	04-05	<i>Hollywood North Thrives in 2003 (released July 2004)</i>
05-07	<i>Laying on the Lumber (released September 2005)</i>	04-04	<i>Port of Prince Rupert: Down, But Not Out (released June 2004)</i>
05-06	<i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour (released August 2005)</i>	04-03	<i>Expanded European Union Could be Both Good and Bad for BC (released May 2004)</i>
05-05	<i>Comparative Trade Numbers Don't Add Up (released July 2005)</i>	04-02	<i>BC's Animal Agriculture Exports Facing Trade Restrictions (released April 2004)</i>
05-04	<i>South Korea Seeks Trade Deal with Canada (released June 2005)</i>	04-01	<i>China Offers Considerable Opportunities for Trade (released March 2004)</i>
05-03	<i>Any BC Port in a Trade Storm (released May 2005)</i>	03-12	<i>Rising Commodity Prices Could Signal Turnaround for BC Exports (released February 2004)</i>
05-02	<i>American Protectionism: Backfiring on All Cylinders (released April 2005)</i>	03-11	<i>The Lows of High Tech Trade (released January 2004)</i>
05-01	<i>Commodity Prices, Exchange Rates and Exports (released March 2005)</i>	03-10	<i>Is Global Free Trade Possible? (released December 2003)</i>
04-12	<i>The Internet Pharmacy Debate (released February 2005)</i>	03-09	<i>Relatively Few Small Businesses in BC are Exporters (released November 2003)</i>
04-11	<i>Canada's Trade With China (released January 2005)</i>	03-08	<i>Where's the Beef? (released October 2003)</i>
04-10	<i>Legitimate Border Threat or Reefer Madness? (released December 2004)</i>	03-07	<i>A Summary of the NAFTA Panels' Decisions on Lumber Duties (released September 2003)</i>
04-09	<i>Canada is Hoping Trade with Brazil will Take Off (released November 2004)</i>	03-06	<i>Natural Gas Heats Up British Columbia's Exports (released August 2003)</i>
04-08	<i>Border Congestion Threatens Trade (released October 2004)</i>	03-05	<i>Value Added Wood Production in BC Lagging Rest of Canada (released July 2003)</i>

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.