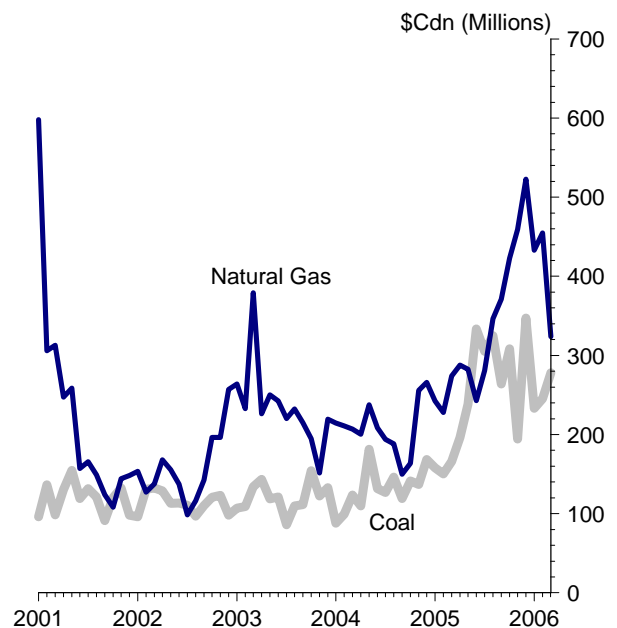


Exports ♦ March 2006

- The value of BC origin exports climbed 12.5% in the first quarter of 2006 compared to the same period a year earlier, driven mainly by soaring exports of energy products as price inflation helped pushed energy exports up 56.4%.
- International shipments of natural gas jumped 62.7% in the first quarter, while exports of coal increased 59.7%. Price inflation was entirely responsible for the growth in coal shipments, as the quantity exported actually fell. Higher prices were also responsible for most of the growth in natural gas exports, although the quantity shipped also increased. Electricity was the one energy commodity to buck the trend, as the value of electricity exports slumped 50.6%.
- A tentative deal has been reached that could put an end to the softwood lumber dispute between Canada and the United States. Meanwhile, shipments of softwood lumber to the US are up 2.6% in the first quarter compared to the January to March period in 2005. Overall, solid wood shipments to international destinations have risen a modest 2.2%, but elsewhere in the forest sector, pulp and paper product exports fell 3.3%.
- Exports of metallic mineral products increased 2.8% in the first quarter, despite a 25.0% slump in exports of molybdenum ores and concentrates. Shipments of copper ores and concentrates (+18.1%), unwrought aluminum (+8.5%) and unwrought zinc (+7.5%) all rose significantly.
- A 29.0% surge in shipments of electrical, electronic and communications equipment helped boost machinery and equipment exports 18.6% in the first quarter.
- Exports to the European Union climbed 18.2% in the first quarter, with particularly strong increases in shipments to the UK (+40.0%) and Germany (+23.5%). BC exports to its top trading partners were well up over last year as shipments to the US rose 13.3% and exports to Japan jumped 15.9%. Growth in exports to China slowed to only 3.1%.

Rising values of natural gas and coal shipments have been driving up overall BC origin exports



SEASONALLY ADJUSTED EXPORTS

Exports (adjusted for seasonality)
dipped slightly in March

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.

- A 14.7% slump in exports of energy products drove overall exports down 1.5% in March, despite increases in all other major commodity groups. Shipments of forest products remained fairly flat (+0.1%).
- A 22.5% drop in energy exports also was the main driver for falling shipments to the United States (-4.6%), although shipments of agriculture and fish products (-3.5%) and forest products (-0.5%) also dropped.



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Mar 2004	189	366	1,157	316	452	2,481	1,627
Apr	190	347	1,186	315	498	2,536	1,652
May	196	446	1,335	340	532	2,848	1,770
Jun	198	388	1,307	344	491	2,729	1,792
Jul	206	390	1,277	354	496	2,722	1,773
Aug	187	380	1,275	341	519	2,701	1,764
Sep	199	302	1,261	340	490	2,592	1,717
Oct	209	341	1,184	341	501	2,575	1,661
Nov	196	418	1,114	340	490	2,557	1,667
Dec	184	443	1,122	326	512	2,588	1,670
Jan 2005	192	460	1,118	336	556	2,662	1,679
Feb	186	429	1,188	342	561	2,706	1,761
Mar	182	477	1,122	335	507	2,623	1,748
Apr	184	507	1,110	352	516	2,670	1,752
May	186	550	1,119	357	534	2,746	1,734
Jun	206	623	1,105	359	590	2,884	1,783
Jul	176	691	993	358	479	2,697	1,820
Aug	201	809	1,070	363	548	2,992	1,850
Sep	196	792	1,044	365	582	2,980	1,846
Oct	201	851	1,122	375	526	3,075	2,031
Nov	207	695	1,122	376	583	2,983	1,997
Dec	201	892	1,185	391	589	3,258	2,080
Jan 2006	198	731	1,180	367	535	3,010	2,007
Feb	195	758	1,129	376	544	3,002	1,964
Mar	196	646	1,131	420	562	2,955	1,874

Will Canada-India Trade Spice Up?

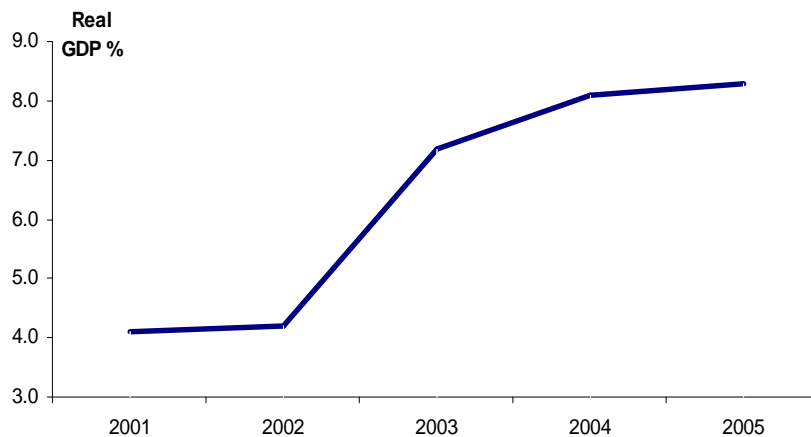
By Jade Norton

As it grows into a major player in the global economy, India has, of late, had a major presence in world news. According to the Department of Foreign Affairs and International Trade, India has a population of nearly 1.1 billion and ranks as having the 6th largest economy in the world.

Its economy has become progressively more dynamic since Prime Minister Manmohan Singh, while acting as Finance Minister, liberalized it in 1991, though its growth in recent years has commonly been overshadowed by China's. Indeed, there are some interesting comparisons to be made between the two countries. Although they differ quite substantially politically, both are in the midst of growth spurts strengthened by an emerging middle class. Demand for raw materials to support the growth of both countries has boosted the prices of many global commodities. According to a new research initiative by the Economist Intelligence Unit (EIU), about 40% of the increase in global GDP in the coming 15 years will come from China (27%) and India (12%).¹ In 2005, India's Real GDP growth rate was 8.3%, the highest in over a decade.

India's economic position is poised to rival that of China in coming years.

India's GDP has grown significantly over the past five years



Source: International Monetary Fund

India's democratic, free-market economy may give rise to more growth, driven by domestic business. Though India would need billions of dollars to achieve a level of infrastructure that rivals that of China, its long-term outlook is nonetheless promising. The U.S. is not the only country strengthening its ties with India; Canada too has attempted to expand its trade and investment ties with the booming South Asian country. With its newly thriving economy, India has potential to become far more significant for both Canada as a whole and BC in particular.

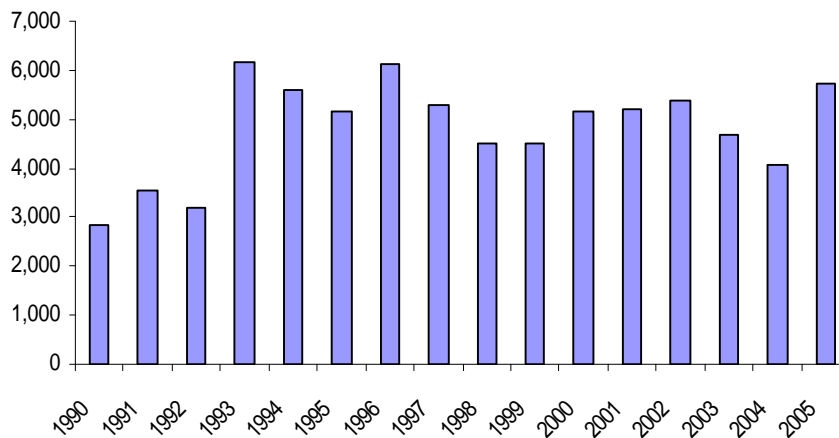
As a democratic country with many domestic businesses and a massive emerging middle class, India offers platforms for potential growth in economic relations with many other countries

¹ EIU press release March 30, 2006: <http://store.eiu.com>

Canada's trade partnership with India is greatly affected by the presence of numerous immigrants from India in many of its provinces. In 2001 (the most recent census data available), India was the third largest source of immigrants to British Columbia after the United Kingdom and Mainland China. In this same year, the province was home to 92,430 immigrants from India, accounting for almost 30% of the 315,000 Canadian immigrants from that country. Most (77%) of the immigrants to BC from India are recent immigrants (arrived after 1990).

BC is home to 30% of Canada's Indo-Canadian immigrant population

The annual number of immigrants from India to BC has grown substantially since 1990



Data Source: Statistics Canada

One of the effects of the high-number of immigrants from India to BC is the considerable expansion of education services in BC tailored to the requirements of Indo-Canadian students. This is significant in terms of BC's trade partnership with India as education can play a vital role in the promotion of public-private sector initiatives for strengthening economic partnerships between trade partners. Recruitment efforts in the Indian market are currently being made through several postsecondary institutions in BC. Kwantlen University College and Malaspina University College are among institutions that are actively recruiting in India while the University College of the Fraser Valley is set to begin offering Applied Business Administration degrees at the Punjab University in Chandigarh. Such initiatives have led to country-to-country research collaboration and many faculty and student exchanges.

Many of the province's universities and colleges are offering educational services catered specifically to the needs of Indo-Canadian students

Indian Diaspora² in Canada is an integral market segment for Indian imports and Canadian exports alike. Just a few months ago, a workshop was held at the 8th National Metropolis Conference in Vancouver, where the interconnectedness of India's, China's and Canada's national Diaspora strategies was discussed. Certain marketing strategies can be planned effectively

² Refers to the spreading of people from one original country to other countries. Indian Diaspora in Canada refers to Indian immigrants settled in Canada.

around Indian Diaspora in Canada and in BC specifically. Given that most immigrants in BC from India are of the “family” class, interpersonal links can prove a very influential factor in two-way trade between the two countries. At a business forum held in Surrey last year, Valli Chettiar, President of the Canada-India Business Council (BC), emphasized in her address the “importance of people-to-people linkages need[ing] to be translated into stronger business-to-business linkages,” while simultaneously urging more BC-Punjab trade missions.³

Indian Diaspora in BC has potential to improve and expand two-way trade partnership

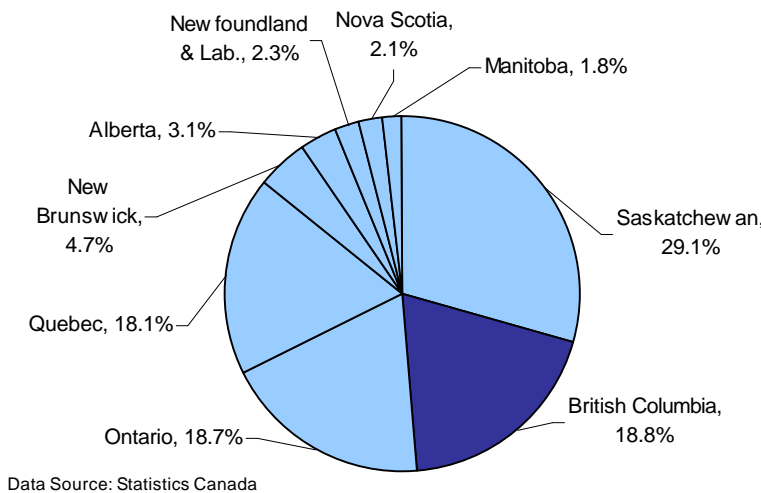
In May 2005, after reviewing BC-India initiatives over the past few years, BC Finance Minister Colin Hansen purported that BC is developing “as the gateway to the Asia-Pacific for North America.”⁴ With India’s booming economy, BC’s geographical location could also prove beneficial for BC-specific trade and not just as a convenient port for the rest of Canada.

Raw material exports have traditionally formed the majority of BC exports to India. Like BC, Canadian merchandise exports to India also tend to be concentrated in raw material exports. BC is a primary source to India for some of the top Canadian exports—namely newsprint and wood pulp.

Raw materials form the majority for both BC and Canadian commodity exports to India.

BC was the source of 19% of Canadian domestic exports to India, second only to Saskatchewan (29%), on par with Ontario (19%) and slightly ahead of Quebec (18%). British Columbia’s exports of goods to India have been increasing at a significant rate in recent years, making the value of BC’s commodity exports to India triple what they were a decade ago.

BC ranked second in Canada in 2005 as a source of exports to India



Among the provinces, BC ranks second as a source for commodity exports to India

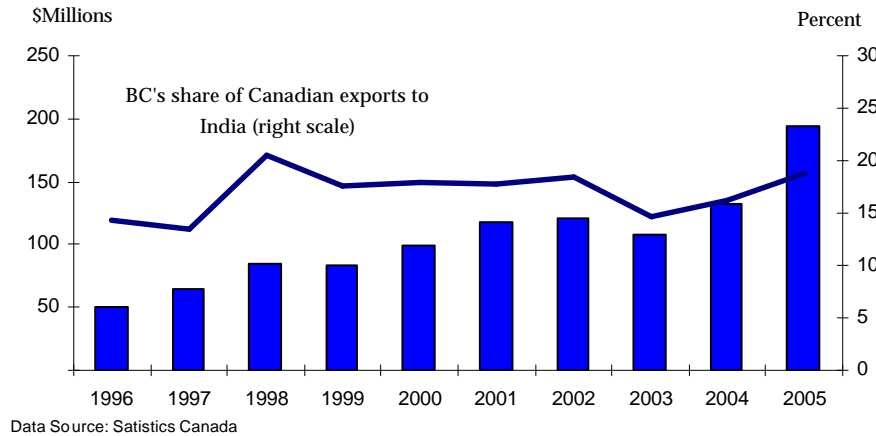
³ University College of the Fraser Valley Newsroom. *BC India Business Forum* May 24, 2005. www.ucfv.bc.ca/MarCom/Newsroom

⁴ University College of the Fraser Valley Newsroom. *BC India Business Forum* May 24, 2005. www.ucfv.bc.ca/MarCom/Newsroom

Forest products, including rolled and sheeted newsprint as well as wood pulp, have customarily been the largest exports from BC to India. In 2005, products in these two categories accounted for 61% of BC shipments to India. Newsprint remained the largest export from BC to India in 2005 at \$66 million (34% of BC exports to India).

Newsprint and copper ores and concentrates comprise almost two-thirds of BC origin commodity exports to India

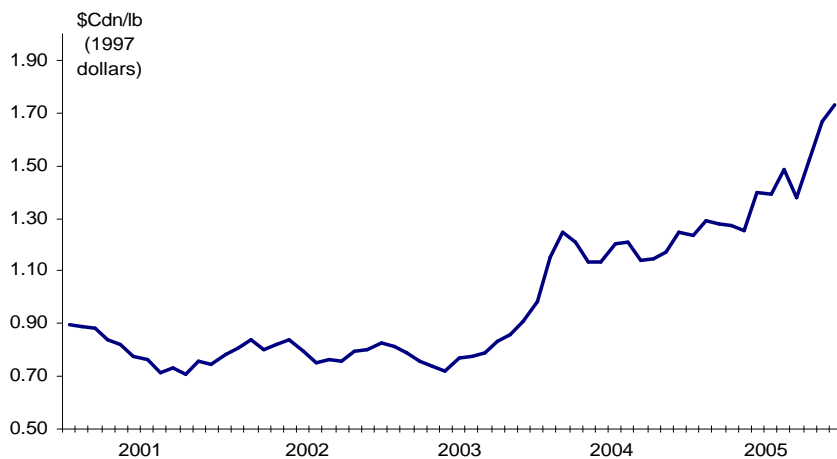
Exports of goods from BC to India have been climbing over the last decade



BC origin exports to India have undergone considerable growth in the past decade

Copper ores and concentrates have also historically been important exports from BC to India. In 2005, BC exported \$49.5 million of copper ores and concentrates to India, comprising 26% of BC exports to that market and making it the second largest BC export to India. As one of the largest consumers of minerals and metals, along with China, India's demand has had an effect on metal prices including copper.

Demand from India has contributed to a rise in copper prices



Copper prices have surged partly as a result of increased demand from India

The top Canadian exports to India differed slightly from those of BC. Peas, chickpeas and lentils made up a significant share of the country's exports to India (16%), as did potash and other fertilisers (14%). However, as in BC, newsprint and other paper and

paperboard accounted for most of Canada's commodity exports to India (19%). Commodity exports to India from Canada surpassed the billion dollar mark for the first time in 2005, while in 2003 (latest data available), Canada exported \$254 million in services to India.

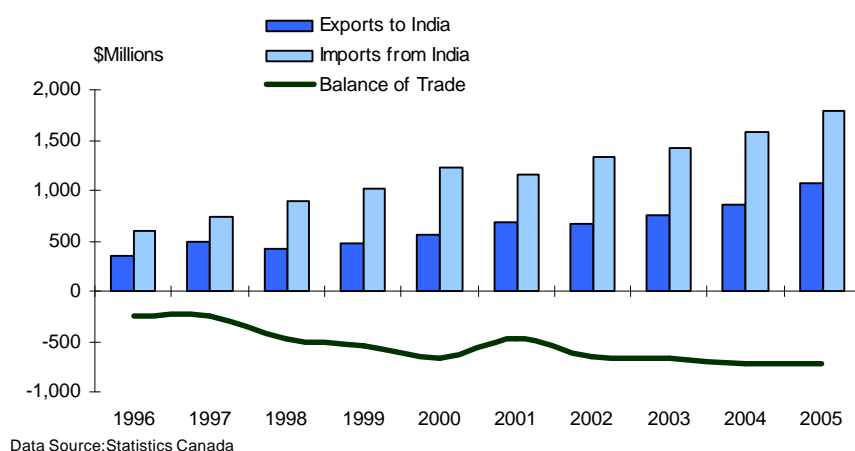
Last year, India ranked 14th as destination for BC origin exports, well ahead of free trade partner Chile (22nd) and only four behind Mexico (10th). This is in contrast to India's rank of 18th as destination for Canadian domestic exports, accounting for 0.3% of the country's overall exports. India ranked as the 22nd country of origin for imports to Canada as 0.5% of Canadian imports came from India.

Although India's exports to Canada have grown steadily over the past five years, its total exports worldwide have grown at a much faster rate. Consequently, Canada has not been one of the more dynamic destinations for Indian exports over this period. However, between 2001 and 2005, the value of Indian imports into Canada grew 55% while imports from other countries increased only 11%.

Canadian imports from India vary a bit more than its exports, with clothing accounting for over 22% of the value of imports from India in 2005. Other top commodities imported include organic chemicals (10%), diamonds, pearls, other precious stones and metals (8%) and machinery and mechanical appliances (7%).

Strong growth in India has fuelled an unexpected demand for raw goods such as base metals and crude oil, which has pushed India's trade deficit to higher levels in recent times. However, over the past decade, Canada has been importing more commodities from India than it has shipped to that country, such that Canada has had a commodity trade deficit with India since 1993.

Canada has a trade deficit with India



India's exports to the rest of the world have grown at a more rapid pace than have its exports to Canada

Canada's trade deficit with India continues to increase

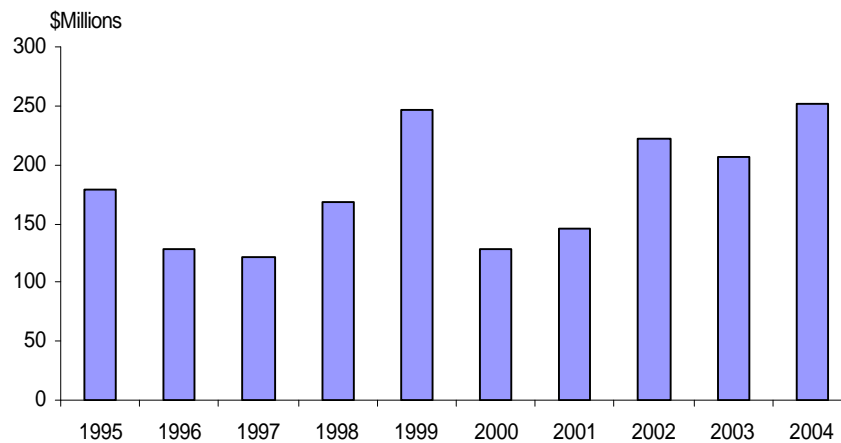
The trade deficit has also been increasing steadily as rising imports and little growth in exports tipped the scales to over \$700 million in India's favour in 2005.

Conversely, Canada's trade balance with India in services has been in surplus over the last few years of available data. In 2003, Canada exported \$254 million in services to India and imported a similar value (\$244). This left the trade balance of services at a mere \$10 million, down from \$81 million in 2000. Although at just under \$500 million the two-way trade in services between India and Canada remains relatively insignificant at this time, it is beginning to show interesting dynamism, increasing almost 125% between 1994 and 2003.

Canada's trade surplus in services with India is diminishing

Though investment in India has increased slightly over the past few years, according to Statistics Canada, Canadian direct investment in India amounted to a rather small \$251 million in 2004. Indian investment in Canada was even less significant (\$62 million). Globally, however, foreign direct investment in India is on the rise, poised to set new records in 2006.

Canadian foreign direct investment in India has shown volatility over the past decade



Data Source: Statistics Canada

Canada's foreign direct investment in India has crept up in recent years but at a mere \$251 million in 2004, remains relatively trivial

Given the size of the economies involved, investment potential is significant. Bhim Asdhir, president and CEO of Excel Funds, who manages the Excel India Fund, posits that the greatest investment opportunities surround the emerging Indian middle-class. Families are taking bank loans, making banking stocks good buys and are spending their borrowed money on consumer items, which opens up investment opportunities in many other industries.⁵

Indo-Canadian communities and businesses are integral to the bolstering of bilateral investment between Canada and India

One of the most recent in a series of trade missions to India, was a visit led by Canadian Trade International Trade Minister Jim Peterson with a 70 member delegation of Canadian business representatives in April of 2005. Peterson described the level of bilateral trade between the two countries as being well below potential. He also announced negotiations with regard to a

⁵ *Opportunities in India* (Toronto), Trade by Numbers Globe Investor: <http://magazine.globeinvestor.com>

Foreign Investment Promotion Agreement with India and stated that India “boasts the largest emerging consumer market in the world” and encouraged India to “think of Canada” as its access to the NAFTA market.⁶

Bilateral investment relations have been on the rise in recent years as Canada, along with other countries, has warmed up to India subsequent to the volatility and wariness that followed the 1998 nuclear explosions at Pokhran. However, along with these positive developments, there do remain areas of concern that continue to pose challenges for Canadian business and investment prospects in India. A country of India’s size and multiplicity is not only full of prospects but can also be potentially precarious. As it stands, even the slightest slip in India-Pakistan relations could impact business and investment climates negatively.

As economic reforms accelerate in India, continued optimism exists for its economic growth prospects. The forecasted annual economic growth rate of 8.2% over the next 20 years⁷ would likely place India as one of the most powerful economies in the world. This growth offers British Columbian and Canada-wide firms opportunity to expand trade and tap into some existing markets as well as establish new ones.

Given the reality of the markets, the overall growth in trade between India and Canada has been reasonable. However, trade improvement has generally been below the optimistic objectives set in recent round table discussions and trade missions.

Canada is still actively engaged in multilateral trade negotiations with India in hopes of addressing some of the trade barriers such as import duties, high tariffs and taxes and the protection of intellectual property rights that impede faster growth in the trade partnership between the two countries.

Scepticism with the Indian market remains prevalent among Canadian investors

BC and Canadian trade with India is below desirable levels for both countries though optimism for potential strengthening of trade partnership remains strong

⁶ Department of Foreign Affairs News Release April 6, 2005 No.61
<http://www.dfait-maeci.gc.ca/>

⁷ Department of Foreign Affairs and International Trade: <http://www.dfait-maeci.gc.ca/>

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

06-02	<i>Will Canada-India Trade Spice Up?</i> (released May 2006)	04-12	<i>The Internet Pharmacy Debate</i> (released February 2005)
06-03	<i>Log Exports Becoming More of a Private Affair</i> (released April 2006)	04-11	<i>Canada's Trade With China</i> (released January 2005)
06-01	<i>BC Exports: 2005 in Review</i> (released March 2006)	04-10	<i>Legitimate Border Threat or Reefer Madness?</i> (released December 2004)
05-12	<i>Electricity Puts a Charge into BC Exports</i> (released February 2006)	04-09	<i>Canada is Hoping Trade with Brazil will Take Off</i> (released November 2004)
05-11	<i>Pulp Friction: Challenging Times for BC's Pulp Industry</i> (released January 2006)	04-08	<i>Border Congestion Threatens Trade</i> (released October 2004)
05-10	<i>Japan Aims for Free Trade with Canada</i> (released December 2005)	04-07	<i>NAFTA Panel Finds in Favour of Canada in Softwood Lumber Dispute</i> (released September 2004)
05-09	<i>China's Growth Both an Opportunity and a Threat for Exporters</i> (released November 2005)	04-06	<i>Canada's Trade with Greece</i> (released August 2004)
05-08	<i>Booming Energy Sector May Give Rise to "Dutch Disease" for Other Exporters</i> (released October 2005)	04-05	<i>Hollywood North Thrives in 2003</i> (released July 2004)
05-07	<i>Laying on the Lumber</i> (released September 2005)	04-04	<i>Port of Prince Rupert: Down, But Not Out</i> (released June 2004)
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)

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.