

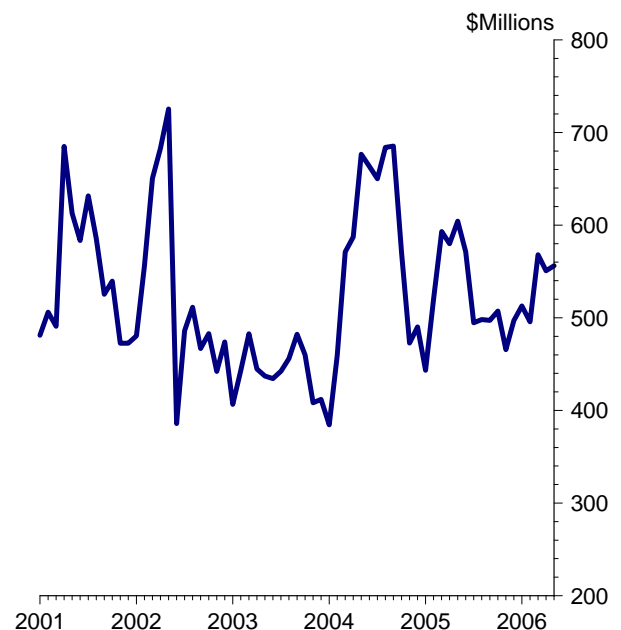
## Exports ♦ May 2006

- The value of BC origin exports climbed 5.8% in the January to May period of 2006 compared to the first five months of 2005. The most significant contributors to the increase were a 25.8% jump in exports of energy products and a 13.1% rise in shipments of machinery and equipment.
- Price inflation has been the primary reason for the surge in exports of energy products. While the value of natural gas exports has risen 20.6% in the first five months of 2006, quantities shipped have actually declined 1.5%. Similarly, higher prices were responsible for the 37.2% jump in shipments of coal as the quantity exported fell 12.0%. Electricity was an exception to the general trend in the energy sector as exports of that commodity slumped 29.0% although quantities exported fell only 2.4%.
- Exports of solid wood products edged down 0.7% in the first five months of 2006 due to declines in shipments of softwood lumber (-2.1%) and value added wood products (-9.1%). The drop in lumber exports was due to falling prices as the volume shipped actually climbed 8.8%. This may be a concern for lumber producers if the tentative softwood lumber agreement with the US goes through, because the level of export tax that companies will have to pay is tied to the price of lumber.
- Elsewhere in the forest sector, pulp and paper shipments were down 2.6%

from last year. Newsprint exports have fallen both in value (-6.3%) and volume shipped (-8.7%). Lower pulp prices are responsible for the drop in the value of shipments of that good (-1.2%) as quantities shipped have actually increased (+5.3%).

- BC has increased the value of its exports to most of its main trading partners so far this year. Shipments to the US are up 4.7% year-to-date, while exports to Japan have surged 13.7% and commodity exports to the European Union have risen 2.3%. Shipments to South Korea (+28.1%) and India (+14.4%) have experienced robust growth; however, exports to China have been flat (-0.5%).

*Exports of softwood lumber have been slipping recently as prices have fallen*



## SEASONALLY ADJUSTED EXPORTS

*A slump in energy exports has helped drive overall exports (adjusted for seasonality) down in recent months*

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 13.4% drop in exports of energy products combined with a 7.2% slump in shipments of machinery, equipment and automobiles resulted in a 3.0% dip in overall BC origin exports in May.
- Energy products (-18.0%) were also behind most of the 4.3% decline in exports to the US. While exports of energy to the rest of the world also fell (-6.6%), it was shipments of machinery, equipment and automobiles (-31.3%) that were responsible for most of the 0.6% drop in exports outside the US.



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

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
May 2004	197	458	1,340	340	528	2,862	1,789
Jun	198	390	1,313	345	485	2,731	1,801
Jul	206	396	1,279	354	502	2,737	1,782
Aug	187	372	1,274	341	520	2,694	1,759
Sep	199	310	1,263	340	491	2,603	1,723
Oct	208	339	1,183	341	515	2,585	1,659
Nov	195	417	1,112	339	486	2,549	1,661
Dec	183	429	1,119	326	506	2,563	1,659
Jan 2005	193	454	1,114	334	576	2,670	1,669
Feb	186	466	1,175	339	545	2,711	1,771
Mar	181	457	1,116	335	520	2,609	1,730
Apr	188	517	1,121	359	519	2,704	1,765
May	186	556	1,125	357	523	2,747	1,742
Jun	207	619	1,111	360	577	2,874	1,790
Jul	176	701	995	358	486	2,715	1,831
Aug	201	812	1,070	363	532	2,979	1,858
Sep	196	815	1,045	365	581	3,001	1,863
Oct	200	843	1,123	374	537	3,076	2,024
Nov	206	688	1,120	376	579	2,969	1,982
Dec	200	850	1,182	390	598	3,220	2,058
Jan 2006	193	696	1,178	365	549	2,982	1,966
Feb	190	610	1,119	374	529	2,822	1,784
Mar	191	592	1,124	435	562	2,903	1,811
Apr	182	635	1,075	364	509	2,766	1,779
May	190	550	1,077	338	528	2,683	1,702

## Breaking the Interprovincial Trade Barrier

The federal government's announcement in April of a potential agreement to end the softwood lumber dispute with the United States overshadowed another trade deal that could potentially offer BC significant economic benefits. British Columbia and Alberta signed a free trade agreement aimed at eliminating barriers to trade, investment and labour mobility between the two provinces. Specific elements of the deal include the streamlining of business registration and reporting requirements, open access to government procurement, and the recognition of occupational certifications across the two provinces. The agreement is set to begin in April 2007 with a two-year transition period before it comes into full effect.

*BC and Alberta are moving toward barrier-free trade*

The deal struck by BC and Alberta has raised interest among the other provinces, signalling that it may be the beginning of the end of interprovincial trade barriers in Canada. These trade barriers do not come in the form of tariffs (which are expressly prohibited under Canada's constitution), but rather result from rules and regulations that differ across provinces. These differences often lead to duplication, such as the requirement for businesses to register in more than one province, or restrict labour mobility such as through the need for different certifications in different provinces. These are the types of situations that the BC-Alberta agreement attempts to address.

Interprovincial trade comprises a substantial portion of BC's economy. In 2005, the value of BC exports of goods and services to other countries was almost \$48 billion, while BC exports to other provinces were valued at more than half that, at almost \$26 billion.<sup>1</sup> BC also imports a significant amount of goods and services from other provinces. In fact, BC has a trade deficit in both goods and services with the rest of Canada. In other words, a higher value of goods and services are imported into the province from elsewhere in the country than are exported from BC to the rest of Canada. While the deficit in interprovincial trade in goods has been declining over the last several years, the services trade deficit has been climbing. Over the last three years, BC has also had a deficit in merchandise trade with other countries; however, the province has a solid surplus in international trade in services.

*BC has a deficit in trade with the rest of Canada, both in goods and in services*

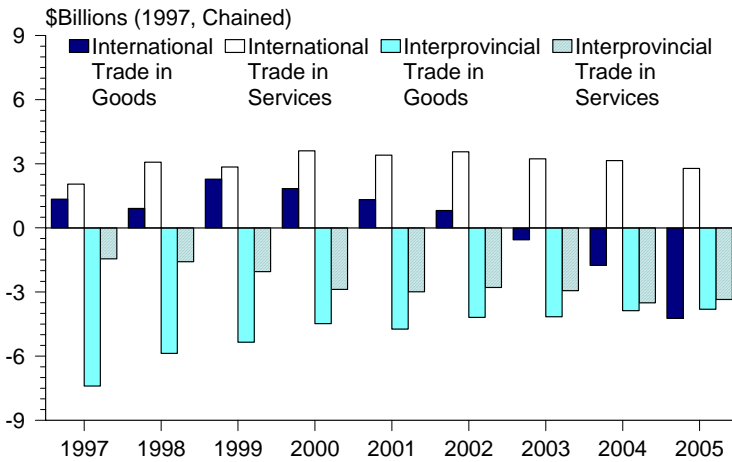
One of the primary reasons for the surplus in trade in services with other countries is BC's location, since a substantial share of BC's service exports is derived from the transportation, storage and handling of goods. A large portion of the merchandise traded between Canada and countries of the Pacific Rim is moved through BC via its ports, railways, highways and airports and the

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<sup>1</sup> Note that these data are from the Economic Accounts and are on a balance of payments basis and therefore do not match international trade data in the tables of this report, which are on a customs basis.

transportation and storage of these goods constitutes a service export.

With the exception of trade in services to other countries, BC's trade balance is usually in deficit



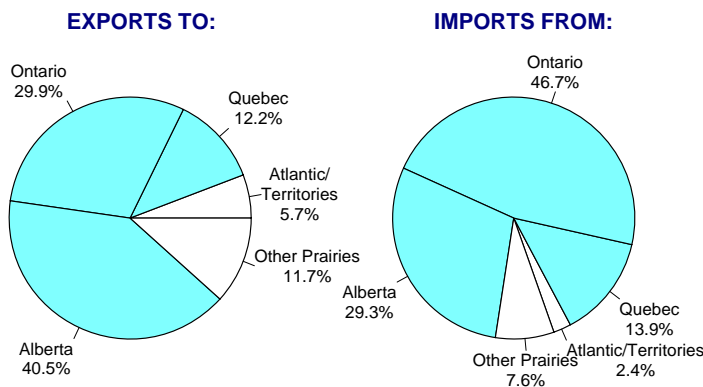
BC's only trade surplus is in international trade in services

Source: Statistics Canada

The bulk of BC's interprovincial trade is with just three provinces: Ontario, Alberta and Quebec. Between 1997 and 2002, about 83% of BC's interprovincial exports and 90% of interprovincial imports were traded to and from these three provinces. Approximately 30% of BC's exports to other provinces were destined for Ontario, while just under half (47%) of imports of goods and services originated in Ontario. Alberta was the destination of 40% of BC's interprovincial exports and the origin of 29% of imports. Given that central Canada is the country's manufacturing hub and Alberta is right next door, it is not all that surprising that these provinces dominate the interprovincial trade picture with BC. The significant value of trade with Alberta should be enhanced even further when the new trade agreement comes into effect.

Ontario, Quebec and Alberta are responsible for the bulk of interprovincial trade with BC

1997-2002 Average



Most of BC's interprovincial trade is with just three provinces: Ontario, Alberta and Quebec

Source: Statistics Canada & BC Stats

Estimates of how much interprovincial trade barriers cost the Canadian economy vary, but business leaders across the country believe these barriers are seriously damaging to the economy. In a COMPAS poll published in September 2004, 32% of business leaders felt that interprovincial barriers were worse than the barriers to Canada-US trade, with a further 22% feeling they were about the same.<sup>2</sup> Barriers to labour mobility topped the list in terms of causing the most harm to the economy with 72% of respondents ranking restrictions relating to labour as serious or very serious.

*54% of business leaders polled feel that interprovincial trade barriers are at least as serious as barriers to Canada-US trade*

These non-tariff interprovincial trade barriers have been an issue for many years, which is why the provinces signed an Agreement on Internal Trade (AIT) back in 1994. However, the AIT has only had limited success in tearing down the walls to trade within Canada, partly because of a dispute resolution mechanism that is too complicated, but mainly because it is not legally binding. The BC-Alberta agreement may be the first step toward creating a more workable version of a nation-wide agreement.

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<sup>2</sup> Inter-Provincial Trade Barriers: A BDO Dunwoody/Chamber Weekly CEO/Business Leader Poll by COMPAS in the Financial Post for Publication September 13, 2004.

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

<b>06-05</b>	<i>Breaking the Interprovincial Trade Barrier</i> (released July 2006)	<b>05-02</b>	<i>American Protectionism: Backfiring on All Cylinders</i> (released April 2005)
<b>06-04</b>	<i>Deal or No Deal for Softwood Lumber?</i> (released June 2006)	<b>05-01</b>	<i>Commodity Prices, Exchange Rates and Exports</i> (released March 2005)
<b>06-03</b>	<i>Will Canada-India Trade Spice Up?</i> (released May 2006)	<b>04-12</b>	<i>The Internet Pharmacy Debate</i> (released February 2005)
<b>06-02</b>	<i>Log Exports Becoming More of a Private Affair</i> (released April 2006)	<b>04-11</b>	<i>Canada's Trade With China</i> (released January 2005)
<b>06-01</b>	<i>BC Exports: 2005 in Review</i> (released March 2006)	<b>04-10</b>	<i>Legitimate Border Threat or Reefer Madness?</i> (released December 2004)
<b>05-12</b>	<i>Electricity Puts a Charge into BC Exports</i> (released February 2006)	<b>04-09</b>	<i>Canada is Hoping Trade with Brazil will Take Off</i> (released November 2004)
<b>05-11</b>	<i>Pulp Friction: Challenging Times for BC's Pulp Industry</i> (released January 2006)	<b>04-08</b>	<i>Border Congestion Threatens Trade</i> (released October 2004)
<b>05-10</b>	<i>Japan Aims for Free Trade with Canada</i> (released December 2005)	<b>04-07</b>	<i>NAFTA Panel Finds in Favour of Canada in Softwood Lumber Dispute</i> (released September 2004)
<b>05-09</b>	<i>China's Growth Both an Opportunity and a Threat for Exporters</i> (released November 2005)	<b>04-06</b>	<i>Canada's Trade with Greece</i> (released August 2004)
<b>05-08</b>	<i>Booming Energy Sector May Give Rise to "Dutch Disease" for Other Exporters</i> (released October 2005)	<b>04-05</b>	<i>Hollywood North Thrives in 2003</i> (released July 2004)
<b>05-07</b>	<i>Laying on the Lumber</i> (released September 2005)	<b>04-04</b>	<i>Port of Prince Rupert: Down, But Not Out</i> (released June 2004)
<b>05-06</b>	<i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour</i> (released August 2005)	<b>04-03</b>	<i>Expanded European Union Could be Both Good and Bad for BC</i> (released May 2004)
<b>05-05</b>	<i>Comparative Trade Numbers Don't Add Up</i> (released July 2005)	<b>04-02</b>	<i>BC's Animal Agriculture Exports Facing Trade Restrictions</i> (released April 2004)
<b>05-04</b>	<i>South Korea Seeks Trade Deal with Canada</i> (released June 2005)	<b>04-01</b>	<i>China Offers Considerable Opportunities for Trade</i> (released March 2004)
<b>05-03</b>	<i>Any BC Port in a Trade Storm</i> (released May 2005)	<b>03-12</b>	<i>Rising Commodity Prices Could Signal Turnaround for BC Exports</i> (released February 2004)

## 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 BC 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 BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.