

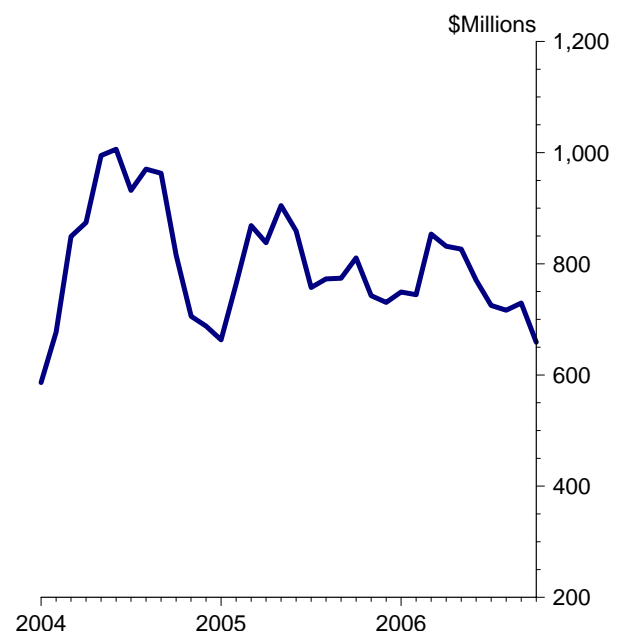
Exports ♦ October 2006

- Declines in exports of forest and energy products have offset most of the gains elsewhere as BC origin exports were only marginally higher (+0.6%) over the first ten months of 2006 compared to the same period a year earlier.
- Shipments of solid wood products have dropped 5.1% year-to-date, mostly as a result of falling prices for softwood lumber. Although the volume of exports of softwood lumber has climbed 2.3%, the value has declined 4.8%.
- Energy product exports have slumped 10.3% compared to the first ten months of 2005 due to price reductions and a drop in demand. The biggest declines were for exports of electricity (-48.9%) and natural gas (-14.0%), but even shipments of coal have now slipped below last year's levels (-1.1%).
- A 31.7% jump in shipments of metallic mineral products has helped mitigate the decline in energy and forest product shipments. Exports of copper ores and concentrates (+75.7%), unwrought zinc (+59.3%) and unwrought aluminum (+12.5%) all experienced strong growth. On the other hand, shipments of molybdenum ores and concentrates (-32.7%) have fallen significantly from record highs in 2005.
- Machinery and equipment exports increased 9.1% from 2005 as robust growth in shipments of electrical, electronic and communications equipment (+6.3%) and other machinery and

equipment (+11.9%) offset a 2.0% drop in exports of motor vehicles and parts.

- Pulp continues to be a bright spot in the forest sector as pulp exports have climbed 9.2% year-to-date. The rise in pulp shipments has offset declines in paper products, such that overall pulp and paper exports are up 3.2%.
- Exports to the United States are down 3.9% year-to-date driven by drops in shipments of solid wood (-6.6%) and energy (-17.8%) products. BC commodity shipments to the European Union are also down (-7.8%) mainly as a result of falling pulp and paper (-28.3%) and coal (-4.4%) exports. However, exports to the Pacific Rim have climbed 14.4%.

BC exports of solid wood products have slumped



SEASONALLY ADJUSTED EXPORTS

Exports (adjusted for seasonality) continued to climb in October on the strength of industrial and consumer goods

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.

- There was a 2.1% rise in BC exports in October as robust growth in exports of industrial and consumer goods (+11.8%) helped offset a 1.7% drop in shipments of forest products.
- Exports to the US were fairly flat in October, inching up 0.9%. A 12.5% jump in exports of energy products offset declines in most other commodity groups. Exports to countries other than the US grew 3.9% led by a 22.9% boost in shipments of industrial and consumer products.



BC Exports, Seasonally Adjusted (\$Millions)

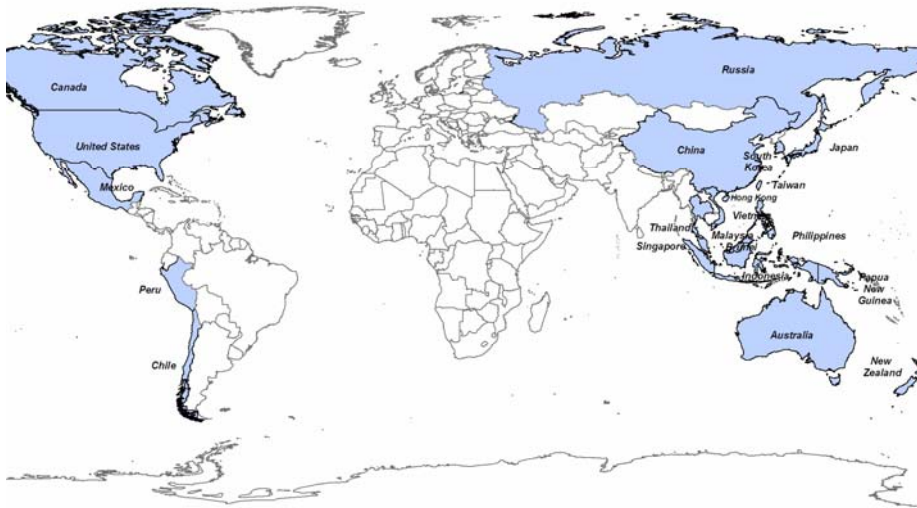
Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Oct 2004	205	336	1,186	337	498	2,563	1,660
Nov	195	410	1,124	339	487	2,554	1,661
Dec	183	434	1,111	325	509	2,562	1,654
Jan 2005	188	454	1,116	334	541	2,633	1,663
Feb	182	452	1,181	339	537	2,691	1,765
Mar	177	452	1,123	334	494	2,580	1,721
Apr	185	541	1,120	357	514	2,717	1,794
May	186	550	1,143	357	518	2,754	1,736
Jun	212	620	1,116	362	564	2,873	1,801
Jul	174	729	1,007	364	469	2,743	1,838
Aug	199	808	1,062	369	553	2,992	1,859
Sep	188	805	1,040	360	593	2,986	1,854
Oct	193	819	1,145	370	490	3,016	2,010
Nov	202	680	1,127	376	562	2,947	1,986
Dec	196	865	1,186	389	572	3,208	2,048
Jan 2006	193	686	1,173	364	529	2,945	1,947
Feb	190	589	1,118	373	557	2,828	1,778
Mar	192	587	1,115	431	584	2,909	1,801
Apr	183	537	1,077	364	526	2,687	1,694
May	191	513	1,072	343	579	2,699	1,667
Jun	186	547	1,099	373	735	2,939	1,676
Jul	193	488	1,042	346	662	2,731	1,664
Aug	194	493	1,065	340	578	2,669	1,640
Sep	208	544	1,029	383	621	2,785	1,670
Oct	201	547	1,011	390	695	2,844	1,686

Plan B: An APEC Free Trade Region?

The likely demise of the Doha round of the World Trade Organization (WTO) trade talks has countries such as Canada and the United States looking for other options and once such option that has been proposed is a free trade zone encompassing the APEC nations.¹ APEC, or Asia-Pacific Economic Cooperation, consists of 21 nations bordering the Pacific. The region comprises about 41% of the world's population and generates approximately 57% of global GDP.

It has been proposed that a free trade zone be established among the APEC nations in the event that a WTO agreement cannot be reached

APEC covers about 41% of the world's population and generates 57% of global GDP



APEC, or Asia-Pacific Economic Cooperation, is comprised of the following countries:

Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, United States and Vietnam

At a meeting of the APEC member countries in Hanoi, the idea of pursuing a Free Trade Area of the Asia-Pacific (FTAAP) was floated as a backup plan in case the WTO trade talks cannot be restarted; however, it was agreed that this "Plan B" should be studied as a long-term objective and that a global trade agreement under the WTO should be the current trade priority. Discussion on the possibility of a FTAAP agreement has consequently been postponed until the next APEC meeting a year from now in Australia.

Those who support the idea of an APEC free trade zone point to the proliferation of bilateral and sub-regional deals among APEC members (21 at last count, with at least another 20 being negotiated) and suggest that FTAAP would provide some standardization to the chaotic mishmash of trade arrangements currently in place. Of the current trade deals among APEC nations, Canada has partnered in agreements with the United States and Mexico (NAFTA) and with Chile. Canada is also negotiating with Singapore and South Korea.

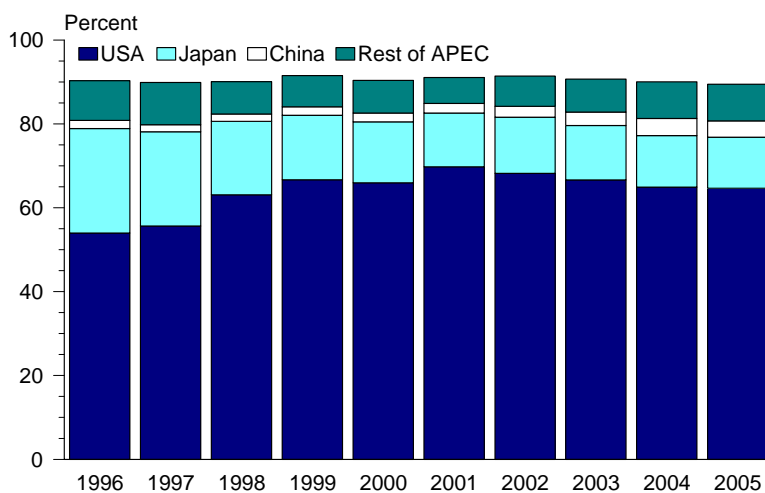
¹ For more information on the collapse of the Doha round, see the July 2006 issue of *Exports*, "Has Doha Gone the Way of the Dodo?"

Some of those who oppose a FTAAP are concerned about the American desire to use the current US free trade agreement template as a basis for a new regional agreement. The complaint about the US model is that it does not take into account farm subsidies offered by developed nations, particularly the US itself, and this could result in dumping of subsidized agricultural products into the markets of developing countries where agriculture is a critical part of the economy. Such a move may make it more difficult for these countries to develop, as their farming sectors will not be able to compete with those of the developed nations.

As with the Doha trade talks, agriculture could also be an impediment to an APEC free trade agreement

Almost 90% of British Columbia's commodity exports are shipped to APEC countries, which means that any trade deal involving this region could have a substantial impact on BC's trade picture. This share of BC's goods exports has remained reasonably stable over the last decade, although the share by country has undergone more dramatic changes. Japan's share of BC exports has fallen significantly, halved from 25% in 1996 to just over 12% in 2005. Shipments to the United States took up most of the slack, although countries such as China and Mexico have also seen strong growth in imports of BC goods. The US share of BC commodity exports peaked at almost 70% in 2001, but has since dropped to 65% in 2005 and has slipped even further so far in 2006.

APEC's share of BC's exports has been fairly stable over the last decade despite shifts in shares of countries within the region



Source: Statistics Canada

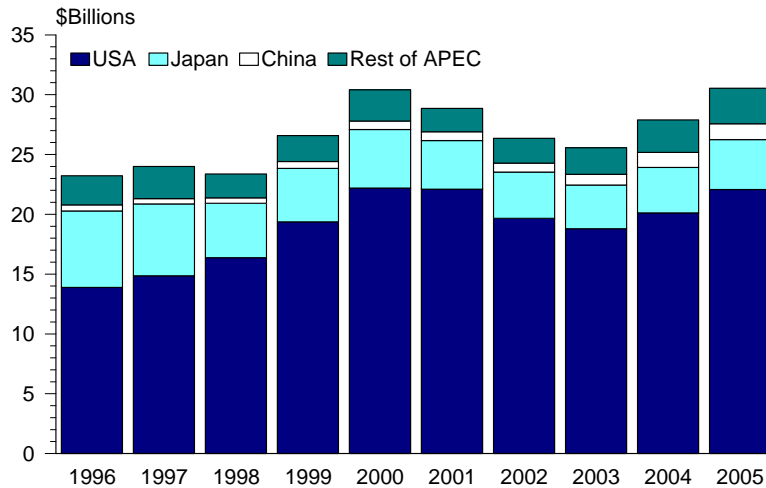
Approximately 90% of BC's commodity exports are shipped to APEC countries

In 2005, British Columbia exported \$30.5 billion worth of goods to the other 20 APEC countries out of a total of \$34.1 billion in commodity exports. Canada as a whole shipped \$372.7 billion in goods to APEC countries in 2005 and exported \$43.2 billion in services to APEC countries² in 2004, the last year for which data is

² This excludes Brunei, Papua New Guinea and Peru, for which data on service exports is not available.

available. That amounts to about 91% of international shipments of goods from Canada and just over two-thirds of Canadian service exports.

BC commodity exports to APEC nations amounted to \$30.5 billion in 2005



BC shipped \$30.5 billion in goods to APEC countries in 2005

Source: Statistics Canada

With these kinds of percentages, it is clear that the APEC region is of critical importance in terms of trade for both BC and Canada as a whole. While the nations of APEC have stressed that a global trade deal is the preferred course of action, the recent collapse of the Doha round of talks and the intransigence among some countries when it comes to making concessions around agricultural tariffs and subsidies suggest that a new WTO agreement may be a long way off. If there is a better chance of success for a FTAAP, an agreement covering 41% of the world’s population and 57% of its economy is certainly nothing to sneeze at. Its acronym may look like a comic book sound effect, but if FTAAP ever comes to pass, it could have serious implications for Canadian trade.

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

06-10	<i>Plan B: An APEC Free Trade Region?</i> (released December 2006)	05-07	<i>Laying on the Lumber</i> (released September 2005)
06-09	<i>Success of BC's Mining Industry Helps Boost Exports</i> (released November 2006)	05-06	<i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour</i> (released August 2005)
06-08	<i>Provincial Export Profile</i> (released October 2006)	05-05	<i>Comparative Trade Numbers Don't Add Up</i> (released July 2005)
06-07	<i>Has Doha Gone the Way of the Dodo?</i> (released September 2006)	05-04	<i>South Korea Seeks Trade Deal with Canada</i> (released June 2005)
06-06	<i>Will BC Miss the Boat on Port Expansion?</i> (released August 2006)	05-03	<i>Any BC Port in a Trade Storm</i> (released May 2005)
06-05	<i>Breaking the Interprovincial Trade Barrier</i> (released July 2006)	05-02	<i>American Protectionism: Backfiring on All Cylinders</i> (released April 2005)
06-04	<i>Deal or No Deal for Softwood Lumber?</i> (released June 2006)	05-01	<i>Commodity Prices, Exchange Rates and Exports</i> (released March 2005)
06-03	<i>Will Canada-India Trade Spice Up?</i> (released May 2006)	04-12	<i>The Internet Pharmacy Debate</i> (released February 2005)
06-02	<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)

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.