

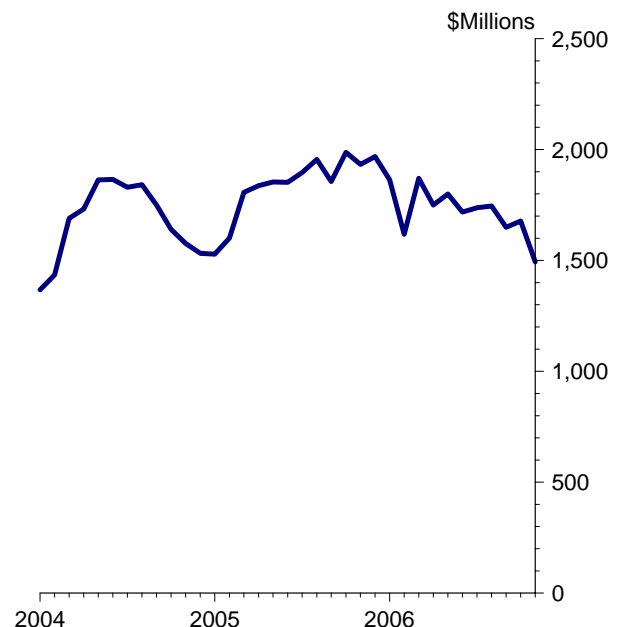
## Exports ♦ November 2006

- The slump in exports of forest and energy products resulted in a 1.0% drop in the value of exports over the first eleven months of 2006 compared to the same period a year earlier.
- Falling prices for softwood lumber have been the main factor driving down exports of solid wood products (-6.6%). While the volume of lumber shipments was virtually the same as in 2005, the value dropped 5.8% due to lower prices received for the goods. The one bright spot in the forest sector is pulp, as exports of that good climbed 10.3%, offsetting the drop in shipments of paper products and helping propel overall pulp and paper exports up 3.4%.
- Exports of energy products declined 13.7% compared to the January to November period a year earlier. The drop is due to a combination of both lower prices and less demand. Electricity exports plunged 51.4%, while shipments of natural gas slumped 19.5%. Coal exports also declined (-1.7%).
- Some of the impact of the drop off in exports of wood and energy products was offset by a 30.8% jump in shipments of metallic mineral products. Copper ores and concentrates (+70.9%) and unwrought zinc (+67.3%) experienced the largest increases in exports, but shipments of unwrought aluminum (+11.3%) and other metallic mineral products (+27.0%) also saw significant growth. However, molybdenum ores and concentrates bucked the

trend, with exports falling 30.8% after hitting record highs in 2005.

- Increased exports of machinery and equipment (+7.7%) also helped mitigate the slump in exports of other commodities. Strong growth in shipments of electrical, electronic and communications equipment (+4.4%) and other machinery and equipment (+10.4%) offset a 2.0% drop in exports of motor vehicles and parts.
- Exports to the United States fell 5.9% over the first eleven months of 2006, which resulted in a drop in share of BC exports from 64.9% in 2005 to 61.7% in 2006. A 10.1% rise in shipments to the Pacific Rim has helped pick up some of the slack.

*BC exports to the United States have been falling*



## 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 exports dropped sharply in November as all major commodity groups experienced declines. The largest drops were for energy (-13.2%), industrial and consumer goods (-11.4%) and machinery, equipment and automobiles (-8.7%).
- Exports to the US fell 3.9% due mainly to slumping shipments of energy (-10.3%) and forest (-4.3%) products. Exports to countries outside of the US plunged 11.5% in November.

*Exports (adjusted for seasonality) slumped in November as all major commodity groups experienced declining shipments*



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

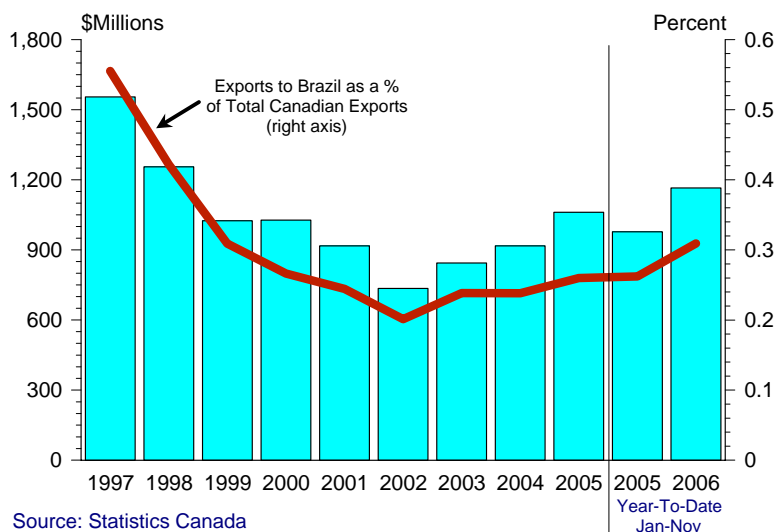
Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Nov 2004	195	410	1,131	339	492	2,568	1,669
Dec	183	432	1,114	325	505	2,560	1,657
Jan 2005	188	454	1,118	334	553	2,646	1,664
Feb	182	453	1,182	338	528	2,683	1,766
Mar	177	454	1,123	334	508	2,596	1,722
Apr	185	545	1,120	358	515	2,723	1,798
May	186	552	1,141	357	522	2,759	1,737
Jun	212	623	1,115	362	559	2,871	1,803
Jul	174	726	1,003	363	471	2,737	1,834
Aug	199	804	1,058	369	541	2,971	1,850
Sep	188	811	1,036	358	569	2,961	1,850
Oct	193	818	1,142	372	482	3,007	2,005
Nov	203	676	1,139	378	580	2,976	1,995
Dec	196	861	1,190	388	578	3,213	2,051
Jan 2006	193	687	1,173	363	535	2,951	1,947
Feb	190	594	1,119	373	547	2,822	1,782
Mar	192	597	1,115	432	584	2,920	1,810
Apr	183	542	1,077	364	543	2,710	1,698
May	191	524	1,071	344	573	2,702	1,677
Jun	186	553	1,097	373	716	2,925	1,680
Jul	193	487	1,040	347	662	2,728	1,664
Aug	194	490	1,062	339	585	2,670	1,631
Sep	208	522	1,024	380	601	2,735	1,636
Oct	201	503	1,007	392	666	2,769	1,636
Nov	197	436	995	358	590	2,576	1,573

## Brazil-Canada Trade Getting Over Jet Lag

With most of the attention these days being doled out to China and India, Brazil is often overlooked in terms of its potential as an economic force and trading partner. However, with the fifth largest population in the world (188 million)<sup>1</sup> and the ninth largest economy (\$1.6 trillion in 2005, purchasing power parity),<sup>2</sup> Brazil offers significant opportunities for trade and investment. This has not been lost on Canada, which has made Brazil one of eleven priority countries for Canadian foreign policy (the G-8 countries, China, India and Mexico are the others). However, despite its attraction as a trade partner, Brazil has not been a significant destination for Canadian goods with less than 0.4% of total Canadian exports destined for the South American country. Since peaking in 1997 at just over \$1.5 billion, exports have stagnated, settling at around one billion dollars.

*Brazil is one of the top economic powers in the world*

There has been little growth in the value of Canadian commodity exports to Brazil over the last decade



*Canadian shipments to Brazil have seen little growth in the last decade and represent a small fraction of overall Canadian exports*

There has been a great deal of friction between Canada and Brazil in recent years, which could at least partially explain the unrealized potential for trade between the two nations. The main crux of the friction is a protracted dispute regarding aircraft subsidies. In 1996, Canada asked the World Trade Organization (WTO) to investigate the legality of state subsidies given to the Brazilian aircraft manufacturer, Embraer. The WTO found the subsidies to be illegal and when Brazil refused to comply with the ruling, Canada was granted permission to impose countermeasures against Brazilian goods. Rather than proceed with tariffs, Canada chose to more or less offer matching subsidies to its own regional aircraft manufacturer, Bombardier. Brazil appealed to the WTO, which

*Friction between Canada and Brazil over aircraft subsidies may have harmed trade between the two countries*

<sup>1</sup> Source: CIA.

<sup>2</sup> Source: The World Bank. Note that Canada ranked 12<sup>th</sup>.

found Canada's subsidies to also be illegal and gave Brazil permission to impose tariffs on Canadian goods.

Although neither country ever proceeded with retaliatory tariffs, the dispute left both countries with bitter feelings. When Canada briefly placed a ban on beef from Brazil in January 2001, allegedly due to concerns over the potential for Mad Cow Disease, Brazilians accused Canada of using beef to strike back over the aircraft dispute. Canada maintained that the ban was due to legitimate safety concerns that cattle from European countries affected by the disease had been imported into Brazil and could end up in the food chain. The ban was lifted after only three weeks when Brazil agreed to certify that beef exports would come only from cattle born in Brazil, but not before more bitter feelings were created among Brazilians who demonstrated their anger with Canada by refusing to buy Canadian-made goods and by pouring Canadian whiskey down drains. Canada's actions were subject to questioning from the international community, particularly since there was criticism of the ban even from within the Canadian Food Inspection Agency, seeming to confirm that perhaps the ban had more to do with political motives than safety concerns.

*Canada's short-lived ban on Brazilian beef also created animosity*

Given that Canada didn't import any beef from Brazil in the year previous to the ban and generally does not import very large amounts, one might think the impact on Brazil would be negligible. However, under NAFTA, Canada has the responsibility of inspecting beef from South America that is destined for the United States and Mexico. Since Canada banned Brazilian beef, that meant that the US and Mexico also had to ban beef imports from Brazil.

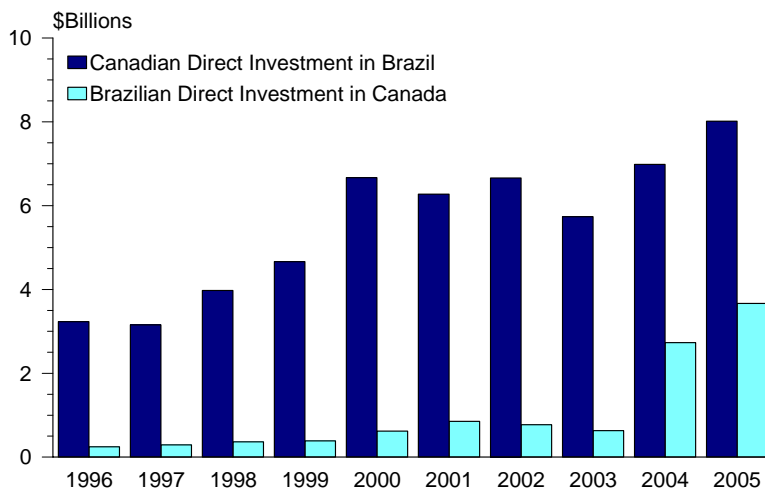
While the quarrels over aircraft and beef have been the main irritants between the two countries, Canada and Brazil have had other areas of disagreement as well. Canada's attempts to develop free trade agreements with blocs of South America, either through a bi-lateral deal with the MERCOSUR countries (Brazil, Argentina, Paraguay and Uruguay) or through the more ambitious Free Trade Area of the Americas encompassing North and South America, have been foiled, at least in part, due to Brazil's reluctance. There is fear in Brazil that the NAFTA countries would have too much of an advantage in free trade negotiations and they would prefer to see a South America free trade deal completed first, such that the South American bloc of countries would then have greater influence when dealing with the NAFTA countries.

*The two countries also do not see eye-to-eye on free trade negotiations, but they do share similar views on foreign policy*

Despite these differences, Canada and Brazil share similar objectives when it comes to foreign policy and have participated on international panels and showed co-operation in achieving mutual goals. This, combined with a Canadian trade mission in late-2004 and a significant increase in imports from Brazil in the last few years, may be a sign that relations between the two countries are beginning to thaw. Another signal that Canada and Brazil are

willing to put aside their differences is the growing level of investment, both in terms of Canadian investment in Brazil and Brazilian investment in Canada. In 2005, Canadian direct investment in Brazil surpassed \$8 billion. While Brazilian direct investment in Canada was less than half that figure, the \$3.7 billion invested in Canada in 2005 was almost six times that invested just two years earlier.

**Although there is relatively little trade between Canada and Brazil, investment between the two countries is significant**



Source: Statistics Canada

*There is significant direct investment in Brazil by Canadians and Brazilian investment in Canada has been growing as well*

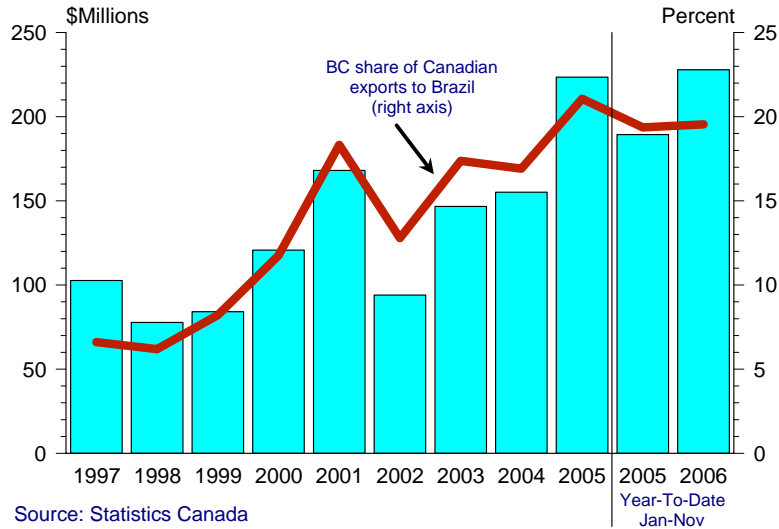
If Canada can translate this newfound goodwill into increased exports to Brazil, it could have a significant impact on overall trade in Canadian goods. With about a fifth of Canadian exports to Brazil originating in British Columbia, there is potential for the province to reap some of the benefits of improved relations as well. Brazil ranked 11<sup>th</sup> as a destination for BC exports in 2005, with \$223.5 million worth of BC origin goods shipped to the South American country. BC's share of Canada's exports to Brazil has been increasing over the last decade with the value of shipments climbing by 68% between 1996 and 2005.

Coal comprises the vast majority of BC's goods shipments to Brazil (81% in 2005), with various sulphur products making up over half the remainder. Canadian shipments to Brazil are far more diversified, with potash and other fertilizers leading the way at 20% of total exports, followed by coal and other mineral fuels at 17% and newsprint and other paper and paperboard at 14%.

*Most of BC's exports to Brazil are comprised of coal*

Imports from Brazil are reasonably varied as well with, ironically, aircraft and aircraft parts at the top of the list, comprising 17% of total imports in 2005. Iron and steel (14%) and machinery and mechanical appliances (11%) are also significant imports from Brazil.

Although overall Canadian shipments have been stagnant, BC's exports to Brazil have been rising



*BC's exports to Brazil have increased significantly in the last decade, even as growth in overall Canadian exports has been flat*

The Canadian government has targeted some specific areas in which there are potential for growth in exports to Brazil. High technology products such as computer applications and pharmaceuticals and other medical products are one example. Another area where opportunities abound is the transportation sector. According to a Federal government report, only 10% of Brazil's highway system is paved.<sup>3</sup> These highways, as well as the country's sea ports, will need to be upgraded to accommodate economic growth. There are also opportunities for Canadian exporters in a large number of hydroelectric projects planned for Brazil.

The sheer size of Brazil's economy and the pace of its economic development place it among the most important players in the global economy and Canada cannot afford to let past disagreements linger. Increased trade and improved relations between Brazil and Canada would benefit both countries and could help pave the way for better results in future free trade negotiations.

<sup>3</sup> Source: Jones, Dennis and Sandi Jones, "Brazil: On the Move Again." Extracted from ExportSource.ca on August 25, 2006.

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

<b>06-11</b>	<i>Brazil-Canada Trade Getting Over Jet Lag</i> (released January 2007)	<b>05-08</b>	<i>Booming Energy Sector May Give Rise to "Dutch Disease" for Other Exporters</i> (released October 2005)
<b>06-10</b>	<i>Plan B: An APEC Free Trade Region?</i> (released December 2006)	<b>05-07</b>	<i>Laying on the Lumber</i> (released September 2005)
<b>06-09</b>	<i>Success of BC's Mining Industry Helps Boost Exports</i> (released November 2006)	<b>05-06</b>	<i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour</i> (released August 2005)
<b>06-08</b>	<i>Provincial Export Profile</i> (released October 2006)	<b>05-05</b>	<i>Comparative Trade Numbers Don't Add Up</i> (released July 2005)
<b>06-07</b>	<i>Has Doha Gone the Way of the Dodo?</i> (released September 2006)	<b>05-04</b>	<i>South Korea Seeks Trade Deal with Canada</i> (released June 2005)
<b>06-06</b>	<i>Will BC Miss the Boat on Port Expansion?</i> (released August 2006)	<b>05-03</b>	<i>Any BC Port in a Trade Storm</i> (released May 2005)
<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)

## 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.