

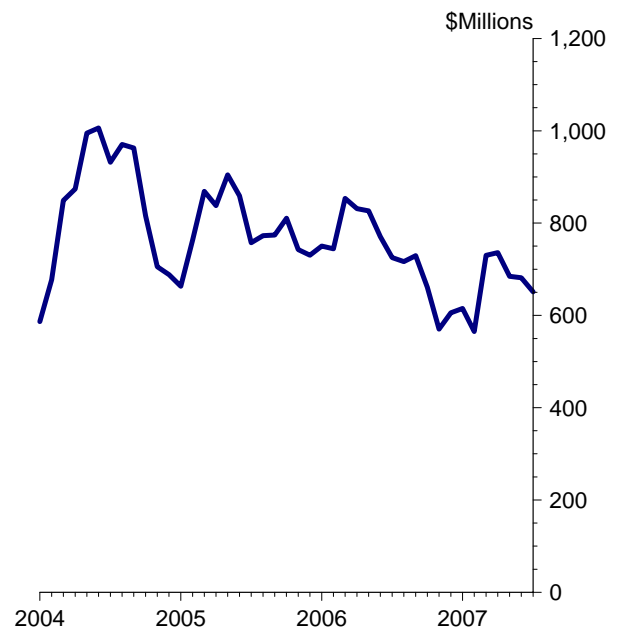
Exports ♦ July 2007

- Lower prices and reduced demand for solid wood and energy products have driven the value of BC origin exports down 3.6% year-to-date to July compared to the same seven month period in 2006.
- Exports of solid wood products have slumped 15.2% in the first seven months of 2007 compared to the same period last year. Most of the drop is due to falling demand from the United States. Shipments of solid wood products to the US have plunged 21.0% year-to-date, which is the main reason why total exports to the US are down 5.9%. The news is not all bad for the forest sector as the value of pulp exports continues to soar, rising 20.3% year-to-date in 2007. The strong growth in shipments of pulp has offset the drop in exports of newsprint and other paper products such that overall pulp and paper product shipments are up 10.2%.
- In the energy sector, a 51.3% jump in exports of electricity was not enough to counteract declines in shipments of both coal (-12.5%) and natural gas (-9.7%). The value of total energy exports is down 5.8% so far this year.
- A 26.8% slump in exports of copper ores and concentrates has offset growth in shipments of unwrought zinc (+73.5%), unwrought aluminum (+19.3%) and molybdenum ores and concentrates (+4.7%), such that overall exports of metallic mineral products have inched up only 0.2% compared to last year. However, shipments of fabricated metal products have risen 2.2%.
- International shipments of machinery and equipment have climbed 2.1%, despite a 3.3%

dip in exports of motor vehicles and parts and a 10.8% decline in shipments of scientific, photographic, measuring equipment, etc.

- Fewer foreigners are eating BC grown vegetables (-6.9%), but exports of fruit and nuts (+22.7%) and other agricultural products (+9.0%) have experienced robust growth, driving overall shipments of agricultural and food products (excluding fish) up 7.4%. Exports of fish products have slipped 4.5% as canned and filleted salmon product shipments are well down (-45.9%) from last year.
- BC exports to Mainland China have soared 36.9% year-to-date, but falling shipments to Japan (-8.7%) and India (-50.2%) have tempered growth in overall exports to the Pacific Rim (+1.9%).

BC's solid wood product exports have been trending down over the last few years



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.

- Exports rebounded slightly in July (+1.0%) as shipments to destinations other than the United States climbed 5.7%, offsetting the 2.0% dip in exports to the US. Robust growth in exports of energy (+36.4%) and machinery, equipment and automobiles (+23.8%) was responsible for the non-US increase.
- The overall decline in shipments to the United States was driven by significant declines in exports of energy (-4.8%), machinery, equipment and automobiles (-3.8%) and agriculture and fish products (-7.9%).

*Exports (adjusted for seasonality)
edged up in July*



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jul 2005	177	706	1,009	368	473	2,734	1,840
Aug	203	789	1,067	372	559	2,991	1,852
Sep	190	797	1,044	357	578	2,965	1,835
Oct	195	855	1,144	371	486	3,050	2,044
Nov	203	697	1,146	379	578	3,003	2,022
Dec	192	802	1,176	383	557	3,110	1,968
Jan 2006	188	709	1,166	364	534	2,961	1,953
Feb	187	579	1,139	370	571	2,846	1,778
Mar	185	589	1,098	416	587	2,876	1,768
Apr	181	549	1,072	359	521	2,681	1,703
May	193	522	1,081	347	584	2,727	1,709
Jun	191	556	1,117	379	727	2,969	1,699
Jul	200	477	1,057	352	671	2,757	1,688
Aug	197	495	1,079	342	588	2,701	1,662
Sep	209	500	1,033	378	609	2,730	1,617
Oct	203	453	1,027	390	677	2,749	1,605
Nov	196	444	999	357	614	2,609	1,583
Dec	211	524	1,025	376	680	2,815	1,698
Jan 2007	213	509	1,095	363	617	2,797	1,722
Feb	207	558	987	369	557	2,678	1,666
Mar	214	543	1,056	377	595	2,784	1,706
Apr	203	547	1,118	376	660	2,903	1,698
May	191	567	1,016	329	623	2,726	1,606
Jun	184	500	997	337	615	2,633	1,613
Jul	169	552	980	347	611	2,659	1,581

Canada Weighs Anchor on Free Trade with EFTA

Canada has reached a free trade agreement with the countries of the European Free Trade Association (EFTA): Norway, Switzerland, Iceland and Liechtenstein. The agreement, reached in June, is the first new free trade deal signed by Canada since the agreement with Costa Rica in 2001 and marks a departure from the strategy of concentrating on achieving a global free trade agreement through World Trade Organization (WTO) negotiations. With the failure to achieve a deal in the Doha round of the WTO talks and the movement by many of Canada's competitors on bilateral free trade deals, the Canadian government felt it could no longer be complacent with regard to seeking its own bilateral deals. The success of the United States, in particular, has put pressure on Canada to protect its interests. The US has approved seven deals with 12 different countries in the last several years.

While this deal may appear to the casual observer to be of little significance, the fact is that EFTA was the tenth-largest trader of merchandise and the fifth-largest trader of commercial services in the world in 2005, and the combined GDP of the EFTA countries was \$704 billion.¹ Two-way commodity trade between Canada and the EFTA members amounted to \$10.7 billion in 2006. Two-way trade in services between Canada and Norway was \$559 million in 2005 (the latest year for which data is available), while \$1,357 million in services were transacted between Canada and

Switzerland. There was also a substantial flow of investment between Canada and the EFTA countries. In 2005, Canadian direct investment in EFTA nations was valued at approximately \$7.4 billion, while foreign direct investment into Canada from EFTA countries was close to \$15 billion.

Canada-EFTA Investment, 2005

\$Millions	Canadian investment abroad	Foreign direct investment in Canada
Iceland	\$1,505	n/a
Liechtenstein	n/a	\$138
Norway	\$691	\$1,759
Switzerland	\$5,212	\$13,048

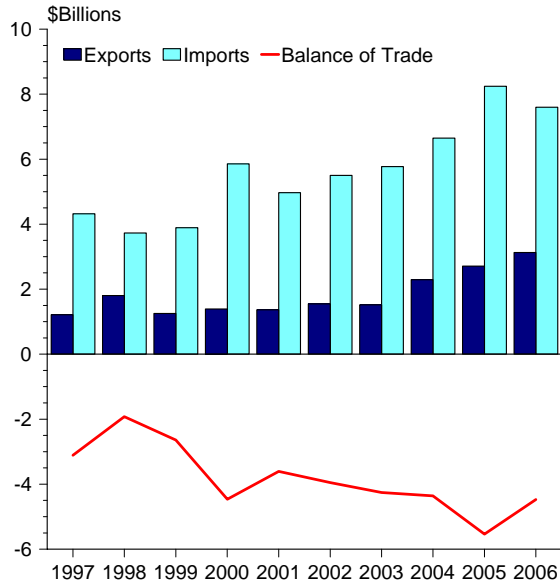
n/a denotes "not available"

Source: Statistics Canada

Trade in both goods and services is weighted more toward imports, such that Canada has a significant trade deficit with the EFTA countries. In 2006, Canada exported approximately \$3.1 billion worth of goods to EFTA (including \$0.2 billion in re-exports) and imported \$7.6 billion from those countries, resulting in a commodity trade deficit of almost \$4.5 billion. In 2005, Canada exported about \$840 million in services to Norway and Switzerland (data for Iceland and Liechtenstein are not available) and imported \$1,076 million, for a trade deficit of \$236 million.

¹ Source: Foreign Affairs and International Trade Canada News Release: "New Free Trade Deal Caps Successful Year for Canada in Global Commerce," June 7, 2007.

Canada imports far more goods from EFTA than it exports



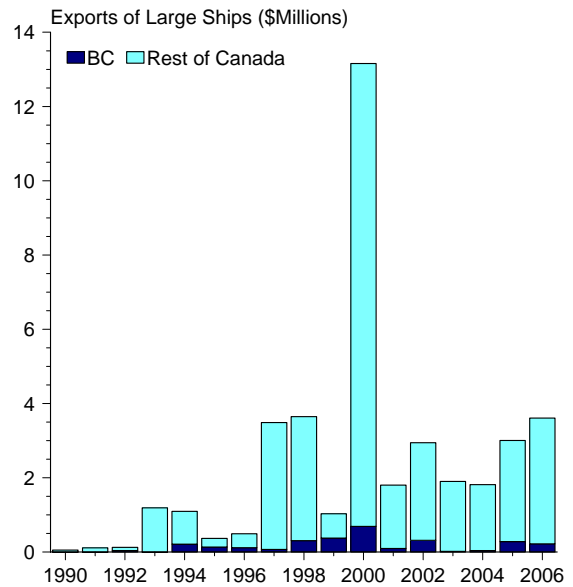
Source: Statistics Canada

The benefits to Canada of the free trade deal with EFTA include the elimination of all tariffs on Canadian industrial exports, better access for Canadian agricultural goods and the removal of EFTA export subsidies on selected agricultural products. One key area where Canada had to make concessions was with regard to the removal of tariffs protecting Canada’s shipbuilding industry. Canada has agreed to start phasing out the 25% tariff over a 15 year period, with the first reductions to begin in three years. Considering that Norway and Iceland are both among the world’s leaders in ship construction, this concession has Canada’s shipbuilding industry concerned.

Canada’s exports of large ships (ferries, tankers, cargo vessels, etc.) are relatively small, but competition from countries with well developed maritime construction industries could affect production for the domestic market as well. In British Columbia, local shipyards have already had to deal with the loss of a

contract for three new ferries to a company in Germany. The prospect of having to face a much larger competitor such as the shipbuilding sectors in Norway and Iceland without the benefit of tariff protection has them worried about the domestic industry’s survival.

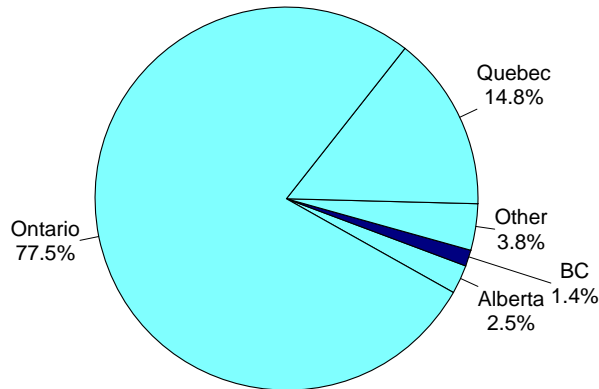
Canada’s shipbuilding industry is worried that the EFTA trade deal will harm the domestic industry



Source: Statistics Canada

At present, British Columbia exports very little to the four nations in the EFTA group. In 2006, only 1.4% of all Canadian goods shipped to EFTA countries originated in British Columbia. This amounted to just over \$40 million, or only 0.1% of the province’s total value of commodity exports. Taken together, the four countries ranked 30th as a destination for BC exports in 2006. British Columbia ranked fourth in the country as an origin of exports to EFTA behind Ontario (77.5%), Quebec (14.8%) and Alberta (2.5%).

Most of Canada's exports to EFTA originate in Central Canada

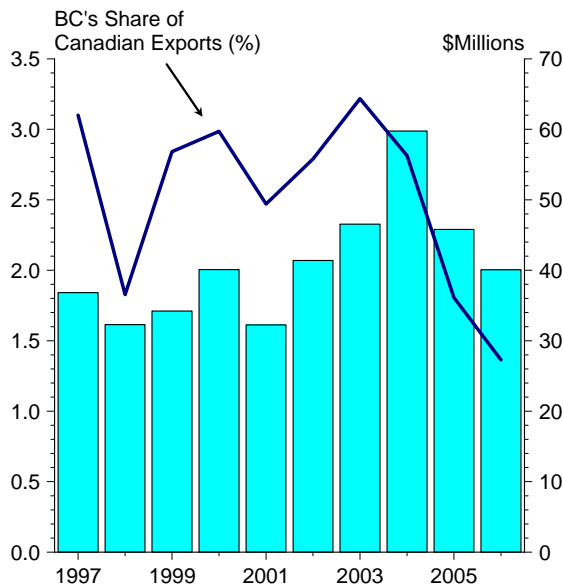


Source: Statistics Canada

However, part of the reason for the lack of exports to this region could be due to the tariffs on Canadian goods. Among the goods slated for tariff removal are forest products and aluminum. The elimination of these tariffs could help boost BC's exports to EFTA for these types of goods.

The Canada-EFTA free trade agreement is just the first of what the federal government hopes will be many more bilateral free trade deals to be negotiated. Canada is deep into talks with South Korea and is pursuing agreements with Singapore, Vietnam and Indonesia. More recently, the federal government launched negotiations with the Dominican Republic and the Andean Community countries of Peru and Colombia and hopes to expand talks to Bolivia and Ecuador. Canada is also interested in a deal with Caricom, the Caribbean group of countries. In absence of a global trade agreement, it is likely Canada will continue to pursue these bilateral deals to protect its markets and develop new ones.

The EFTA countries are not a significant destination for BC exports



Source: Statistics Canada

**Recent Feature Articles in Exports Release
Listed by Statistical Reference Date of Issue**

07-07	<i>Canada Weighs Anchor on Free Trade with EFTA</i> (released September 2007)	06-05	<i>Breaking the Interprovincial Trade Barrier</i> (released July 2006)
07-06	<i>BC's Trade with California</i> (released August 2007)	06-04	<i>Deal or No Deal for Softwood Lumber?</i> (released June 2006)
07-05	<i>Appreciating Dollar Not Appreciated by Exporters</i> (released July 2007)	06-03	<i>Will Canada-India Trade Spice Up?</i> (released May 2006)
07-04	<i>The Greening of BC's Exports</i> (released June 2007)	06-02	<i>Log Exports Becoming More of a Private Affair</i> (released April 2006)
07-03	<i>BC's High Tech Trade</i> (released May 2007)	06-01	<i>BC Exports: 2005 in Review</i> (released March 2006)
07-02	<i>Canada-USA Corn Row</i> (released April 2007)	05-12	<i>Electricity Puts a Charge into BC Exports</i> (released February 2006)
07-01	<i>Is the Sun Rising on Trade With Japan?</i> (released March 2007)	05-11	<i>Pulp Friction: Challenging Times for BC's Pulp Industry</i> (released January 2006)
06-12	<i>Year in Review: 2006</i> (released February 2007)	05-10	<i>Japan Aims for Free Trade with Canada</i> (released December 2005)
06-11	<i>Brazil-Canada Trade Getting Over Jet Lag</i> (released January 2007)	05-09	<i>China's Growth Both an Opportunity and a Threat for Exporters</i> (released November 2005)
06-10	<i>Plan B: An APEC Free Trade Region?</i> (released December 2006)	05-08	<i>Booming Energy Sector May Give Rise to "Dutch Disease" for Other Exporters</i> (released October 2005)
06-09	<i>Success of BC's Mining Industry Helps Boost Exports</i> (released November 2006)	05-07	<i>Laying on the Lumber</i> (released September 2005)
06-08	<i>Provincial Export Profile</i> (released October 2006)	05-06	<i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour</i> (released August 2005)
06-07	<i>Has Doha Gone the Way of the Dodo?</i> (released September 2006)	05-05	<i>Comparative Trade Numbers Don't Add Up</i> (released July 2005)
06-06	<i>Will BC Miss the Boat on Port Expansion?</i> (released August 2006)	05-04	<i>South Korea Seeks Trade Deal with Canada</i> (released June 2005)

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 January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania,

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.