

## Feature: British Columbia Still a Natural Resource Economy

More than any for other province except Newfoundland, British Columbia is an exporter of natural resource products.

Forestry, mineral and energy commodities together made up 71% of the total value of British Columbia exports in 1995. While these were also important commodities in the export mixes of other provinces, in most they amounted to less than half the total value shipped. Only British Columbia, Alberta, New Brunswick and Newfoundland could still be said to be exporters mainly of forestry, mineral and energy products.

Set against the size of the overall economy, natural resource exports are of about the same relative size in British Columbia as they are in Alberta or Newfoundland. For all three provinces forest, mineral and energy exports amounted to about 20% of the value of gross domestic product in 1995. In all other provinces the ratio was smaller. For the large manufacturing based economies of Ontario and Quebec, natural resource exports amounted to no more than 2% and 6% respectively. For the Maritimes, they were 12%.

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<b>Forest, Mineral &amp; Energy Products - 1995</b>		
	<b>Forest, Mineral &amp; Energy Exports As % Total Exports</b>	<b>Forest, Mineral &amp; Energy Exports As % GDP</b>
B.C.	71.0%	19.7%
Alberta	64.2%	19.9%
Saskatchewan	41.3%	13.8%
Manitoba	18.4%	4.4%
Ontario	5.3%	2.1%
Quebec	20.4%	5.8%
New Brunswick	62.7%	17.9%
Nova Scotia	29.9%	5.3%
Prince Edward Is.	2.5%	0.4%
Newfoundland	75.7%	19.6%
Canada	24.6%	8.0%
<b>BC STATS</b>		

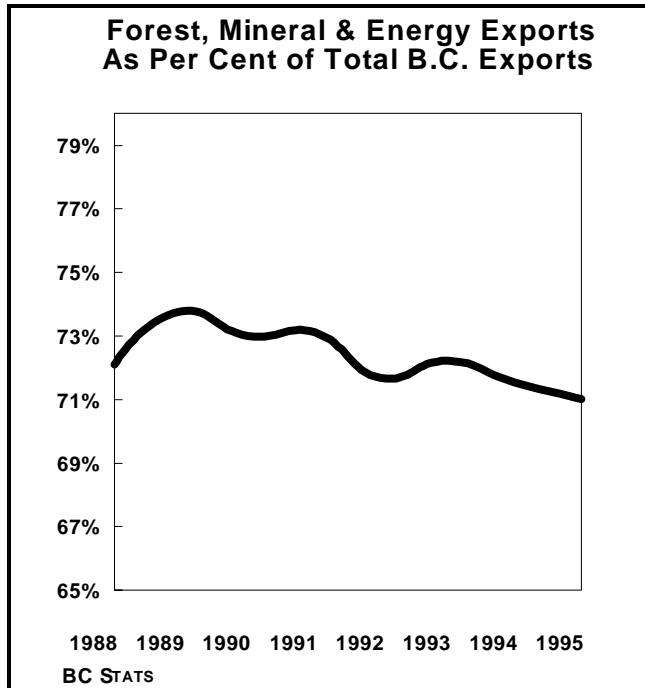
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The relative importance of natural resources in provincial economies is also indicated by the portion of gross domestic product (GDP) concentrated in industries **directly** involved in producing resource products. These industries accounted for 11% of British Columbia's gross domestic product in 1995, down from 13% in 1984. For the rest of Canada together, the 1995

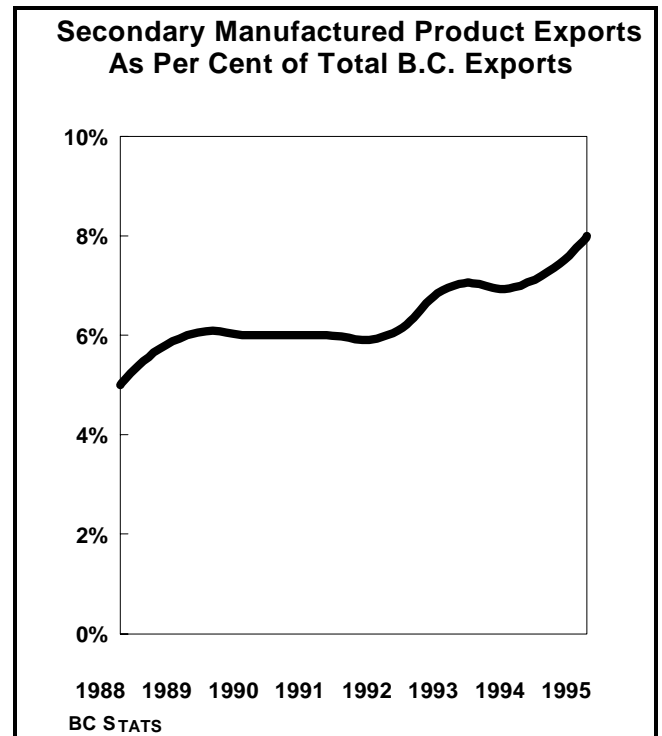
figure was 8%, virtually unchanged from 1984.

Considering indirect business generated by these industries through the market they create for their suppliers and service support industries, it is certain that their total impact on the economy will extend considerably further.

Although forestry, mineral and energy resources still provide the basis for a very large part of business activity in British Columbia, and most of its international exports, new industrial developments have been slowly changing that focus. The 71% of total exports in natural resource products in 1995 was the lowest proportion on record, and down significantly from the high of 74% in 1989.



Secondary manufacturing products are one example of the new type of goods that have come to account for a larger part of provincial exports. Consisting mainly of machinery and equipment, secondary manufactured exports expanded steadily from 5% of total exports in 1988, to 8% in 1995. Much of this growth is linked to the expansion of electronics manufacturing in the province.



### World Markets for Natural Resource Products

Estimates of British Columbia's share of world trade for particular commodities have been calculated using the World Trade Database, compiled by Statistics Canada from information supplied by the United Nations. Combined with information from other sources, the World Trade Database has been used here to determine how much of total world trade for natural resource products (forest, mineral and energy) is supplied by British Columbia; who are the main competitors in these markets; and what have been the important changes between 1970 and 1994.

In general, the conclusion is that British Columbia exporters continue to supply a considerable portion of world markets for natural resource products. However, new natural resource exporting countries have emerged over the past twenty-five years, so that the province faces growing competition from abroad, as well as competition from other Canadian provinces.

British Columbia's share of the world market for **coniferous lumber products** increased from 22% in 1970, to 32% in 1994. It would be difficult to sustain this rate of growth in market share, or even to retain it, in the face of new international competition.

Competition has traditionally come from the United States, Scandinavia and Central Europe. Sweden, Finland and Austria have been, and still are the strongest competitors for the European market. In 1994 their shares of the European Union market were 31%, 20% and 10%, respectively. Since then, all three countries have gained entry into the European Union and may use their membership to increase their shares in that market.

Russia has been gaining an expanding share of the European lumber market. Total Russian exports of coniferous lumber products reached \$US 836 million in 1994, 4% of the world total. Seventy-nine per cent of this (\$US 663 million) went to the European Union.

Other competitors for lumber exports to markets around the globe include NAFTA partner Mexico, which sold \$US 167 million in 1994 (virtually all in the U.S. market), Chile (\$US 227 million), and New Zealand, (\$US 320 million).

While supply has been shifting, so has demand. The inability of U.S. lumber suppliers to keep up with the rapid expansion of their own domestic demand was a key factor in the increase of U.S. imports of lumber products from \$US 469 million in 1970, to \$US 3.1 billion in 1985. This boosted the U.S. bound portion of world lumber exports from 21% to 40%. By 1994, it was down to 35%, as Japanese imports grew even faster. Japanese imports of lumber products accounted for only 6% of the world total in 1970, but climbed to 16% by 1994. During the same period, the combined shares of the United Kingdom and Germany (the two largest national markets within the European Union) fell from 29% to 16%. British Columbia's share of the world market for **pulp** has remained at roughly about 17% since 1970. Other Canadian provinces together claim another 17%. In

1994 the main international competition was still from the United States and Scandinavia, both traditional sources of pulp for international markets. New competition had begun to appear from Portugal, Spain, France, Brazil, Chile, South Africa, Russia and New Zealand. It seems likely that in the late 1990's and beyond, still more countries will emerge as important pulp producers. This could be encouraged by the wider acceptance of alternative fibres, such as hemp, straw, or fast growing tropical plants. It is also likely that demand will continue to grow, boosted by continued rapid industrialisation of resource poor countries in Asia.

Asia has already become well established as the most important growth market for pulp during the past quarter century — with demand growing at faster rates than in the U.S. or Europe. Japanese imports increased from 6% of the world market in 1970 to 12% in 1994. Korea, Taiwan, China, Indonesia and Thailand together claimed 13% of all imports in 1994, up from a negligible portion in 1970. The U.S. portion of total world pulp imports fell from 20% in 1970 to 17% in 1994. The combined shares of the United Kingdom and Germany, again the main European importers, fell from 27% in 1970 to 20% in 1994.

Most **newsprint** on the world market still originates in North America or Scandinavia. But new supplies are becoming available from Chile, New Zealand, South Africa, Russia and other countries. British Columbia's share stayed more or less fixed at about 10% between 1970 and 1994, as the share of other Canadian provinces fell from 62% to 47%. Sweden was the next largest supplier after Canada, providing 12% of total world exports in 1994, up from 6% in 1970.

The United States was the destination for 43% of international newsprint shipments in 1994. This still constituted easily the largest single share claimed by any single newsprint importing country, however, it is down considerably from the 60% U.S. share in 1970. Between 1970 and 1994, demand grew strongly both in Asia and Europe. Japanese imports rose from 1%

to 6% of internationally trade newsprint in this period, and the combined imports of the United Kingdom and Germany rose from 13% to 16% of the market.

British Columbia's shrinking share of the world market for **metal ores** (from 8% in 1970 to 3% in 1994) has been caused as much by stronger international competition, as it has by depletion of the province's natural resources. High grade deposits of metal ores have been developed in many parts of the world — increasing supply, depressing prices, and sometimes rendering existing deposits commercially non-viable. For copper, the province's most valuable ore export, competition has come mainly from Chile, which shipped 27% of world exports in 1994. Indonesia, Papua New Guinea and the United States together shipped another 41%. British Columbia's share of the world market for imported copper ore (or concentrate) was 9%.

The principal world importers of ore have changed relatively little since 1970. Japan was the most important buyer of metal ores in 1970, and still is today. But her share of internationally traded ores fell from 30% in 1970, to 24% in 1994. The United States, with substantial mineral resources of its own, has purchased a large, but not dominant, share of world imports. In 1970 the United States was the destination for 18% of international ore shipments. By 1994, this had fallen to 8%. Germany and the United Kingdom, once again the main European importing countries, together claimed 22% of the world total in 1970 and 16% in 1994. Several of the newly industrialising Asian countries have become established as important importers of ores. In 1994 China and Korea both imported 5% of the world total. Most of the remainder is shipped to other European, Asian and South American destinations.

Most of British Columbia's exports of **coal** are shipped to Asia, where they compete primarily with exports from Australia, the United States and South Africa. The province's share of the world market for imported coal has remained at about 7%

or 8% since the mid 1980's, when it rose to this level as extensive coal fields were brought into production in the North East. In 1994 Australia supplied 31% of the world market, the largest portion held by any exporting country. The U.S. and South Africa followed with shares of 19% and 11%, respectively.

Japan is well established as the world's major importer of coal. However, its share of the world market has been falling as demand has grown faster in other parts of Asia. Japanese coal imports fell from 34% of the world total in 1970 to 29% in 1994. The important growth markets have been South Korea, which purchased 9% of the world total in 1994, and Taiwan, which purchased 5%.

**Electricity and natural gas** have also been important natural resource exports for the province. Because electricity must be exported by transmission line, British Columbia international power exports are restricted to the United States. The main competition comes from other Canadian provinces. Similarly for natural gas, geographic and technical factors have so far determined that the main competitors are other Canadian provinces. However, this may change if Mexican gas begins to be piped north in significant volumes. Between 1989 and 1995, the British Columbia share of American natural gas imports rose from 6% to 10%, as the share of other provinces (mostly Alberta) fell from 91% to 89%. Over the same period British Columbia's share of U.S. electricity imports fell from 19% to 5%, as other provinces increased their collective share from 81% to 95%. Mexican exports to the U.S. of both energy products have so far been negligible.