

## Feature: Exporting To Latin America Calls For New Export Mix

British Columbia has been highly successful in exporting overseas, and particularly to Asia, but its trade with Latin America remains relatively undeveloped.

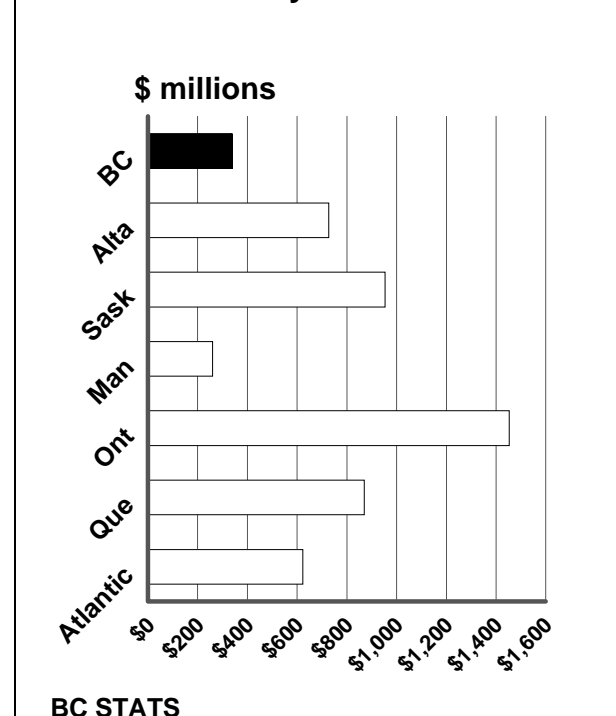
The province accounted for only 7 per cent of Canadian exports to Latin America in 1996. This was in sharp contrast to trade with Asia Pacific, where British Columbia accounted for 40 per cent of total Canadian exports.

It may be that a preoccupation with Asian trade has led British Columbia exporters to neglect export opportunities in Latin America to some extent. If so, they will have a chance to turn their attention south during the upcoming January Team Canada trade mission to Mexico, Brazil, Argentina and Chile. Scheduled for January 10 to January 23, the timing of the mission may be fortuitous, coming as it does when financial and economic difficulties in Asia have underscored the need for diversification of trade to new overseas markets.

But trading with Latin America calls for a different mix of export products than trading with Asia. The forest and mineral commodities that are much in demand among resource poor Asian economies are a harder sell in a region that includes several countries that are themselves important exporters of forest, mineral and fishery products.

Brazilian pulp, Chilean lumber, copper concentrates and fish, for example, all compete with British Columbia exports in Europe and Asia.

**B.C. A Minor Player in Latin America**



Even in the U.S. market, Latin American products are competing with and sometimes nudging out British Columbia exports. The Chilean share of the US import market for fresh or frozen whole salmon rose from 19 per cent in 1990 to 29 per cent in 1996. Over the same period Chile's lumber exports to the United States almost tripled from an insignificant \$US 16 million to \$US 63 million in 1996. Brazilian forest products have also gained a foothold in the United States market. In 1996 U.S bound exports from Brazil included \$US 337 million of lumber and lumber products and \$US 277 of pulp.

The growing strength of Latin American natural resource production suggests that these are not the products upon which an export drive in that region should be based. Yet natural resource commodities still remain as the largest items in British Columbia's export mix to Latin America. For example, forest products accounted for 38 per cent of all British Columbia exports to Latin America in 1996. They were only 9 per cent of exports from the rest of Canada. Mineral fuels (mainly coal) were 28 per cent of British Columbia exports to the region but only 3 per cent of exports from the rest of Canada. Metal ores were 8 per cent of British Columbia exports to Latin America and only 0.3 per cent of exports from the rest of Canada.

With a traditional export mix that is less suited to Latin American markets than that of other provinces, British Columbia's trade in the region has lagged the rest of Canada. Between 1990 and 1996 British Columbia exports to Latin America grew only 29 per cent, while exports from the rest of Canada jumped 115 per cent.

The stronger Latin American export growth of other provinces has been built mainly on agricultural commodities and value added goods.

Agricultural products accounted for \$844 million of Saskatchewan's \$953 million exports to Latin America in 1996, and \$452 million of the \$726 million exported from Alberta to Latin America. British Columbia's agriculture and food exports amounted to only \$10 million of its \$339 million total exports to the region.

Machinery and equipment was by far the most important Central Canadian export category to Latin America. Goods in this category accounted for \$980 of the \$1,452

million total exported from Ontario to Latin America in 1996, and \$283 million of the \$870 million total exported from Quebec. British Columbia exports of machinery and equipment to Latin America were \$47 million.

Chemicals, plastics and rubber products were another important component of Central Canadian exports to Latin America. Over \$100 million worth of these products were shipped from Ontario in 1996; \$37 million from Quebec; but only \$2 million from British Columbia.

An important implication for British Columbia in these figures is that the province should look beyond natural resources to manufactured goods and food products, in its Latin American trade promotion.

On the other hand, the province's natural resource industries provide an important link for expanding its Latin American trade in another way. Machinery and equipment developed and manufactured in British Columbia to process its own natural resources have already been finding good markets in Latin America, suggesting that there may be important trade opportunities yet to discover in this direction.

But British Columbia exporters of industrial equipment face plenty of international competition in Latin America; and have sometimes been handicapped by a weak presence in the region. This is a problem that a Team Canada mission could help to resolve.

Sandy Ferguson, Vice President of the British Columbia Division of the Alliance of Manufacturers and Exporters Canada observes that to do business in Latin America it is necessary to be there 'on the ground,

and demonstrating our commitment to the marketplace’.

This could mean maintaining an office or a sales agent, something that can be difficult for a small enterprise, particularly if it is already stretching its resources to maintain a presence in Asia. A strategy that she proposes for smaller British Columbia firms looking to gain an entry into Latin American markets is to offer goods or services to prime contractors doing large projects in the region.

Ms. Ferguson comments that ‘there are challenges to doing business in Latin America, but British Columbia exporters cannot afford to ignore the region because its increasing industrialisation and economic stability represent good opportunities in the long term.’

An example of a small British Columbia manufacturer of natural resource industrial equipment that has been exporting to Latin America is Nicholson Manufacturing of Sidney. Nicholson’s recent sales have included shipments to Brazil and Venezuela of over \$1.5 million dollars in chip screens and debarkers. The company is pursuing more business in South America, maintaining active agents in Brazil and Chile.

By expanding exports of forest and mining industry production equipment to Latin America, Canadian companies can build experience needed to compete in what could eventually become much bigger world markets for these products. Forestry, mining and petroleum projects taking shape in Russia and other as yet underdeveloped regions have already attracted

Canadian engineering firms and equipment manufacturers. Future growth in these markets may provide an important trade option for the province as it seeks to shift its export mix beyond natural resource commodities.

Latin American service contracts completed by Canadian engineers, accountants, architects, business consultants, airport managers and other service professionals constitute a form of export to the region. British Columbia based service companies are known to be active in Latin America. However it is not possible to present a dollar value for this activity because no comprehensive statistics are available to measure Canadian service exports by country or region.

In some cases British Columbia based corporations have become involved as major investors in Latin America. Among the largest of these is Vancouver based Methanex Corporation. Methanex operates two methanol plants in Chile and expects to open a third by 1999. The company’s operations in Chile, New Zealand, the United States, Alberta, British Columbia, and elsewhere have made it the world’s largest and most globally dispersed producer of methanol.

Methanex’s success is proof that British Columbia based companies can build on their Canadian operational experience to extend their business activities into Latin America and beyond.