

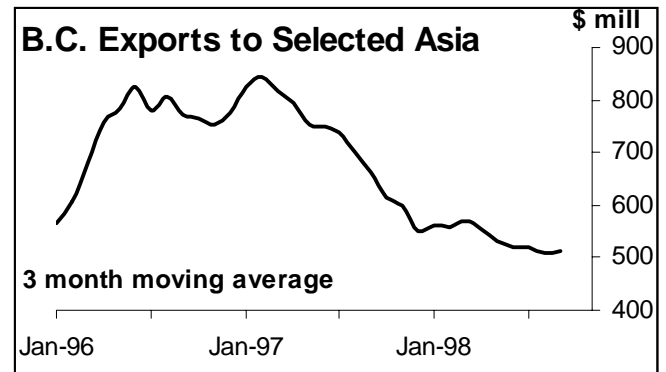
## Offsetting Export Losses In Asia With Gains In U.S. Market

**Note:**

'Asia', as referred in this report includes the following countries: Japan, China, Hong Kong, Taiwan, South Korea, Indonesia, Thailand, Singapore, Brunei, Malaysia, Philippines.

All provinces experienced sharp drops in the value of their exports to Asia in 1998, caused mainly by the 'Asian Flu' economic crisis. The crisis first began when the Thai baht was sharply devalued during the late summer of 1997. This triggered a series of problems throughout the region, throwing one country after another into economic crisis. As more Asian countries became caught up in the crisis, their economies slowed or went into recession, and their demand for imported commodities dwindled.

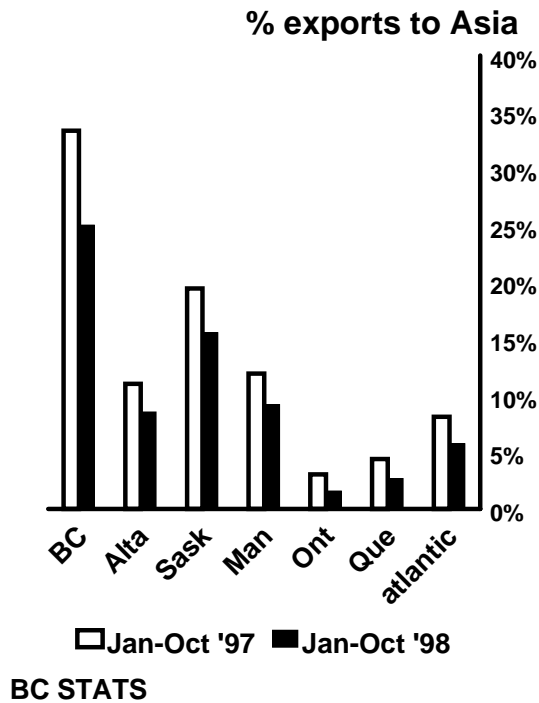
Some provinces have been more affected by these events than others. British Columbia suffered the most because it has more of its export trade concentrated in Asian markets than any other province. British Columbia exports to Asia fell by \$2,228 million in October year to date from the same months of 1997. (October is the most recent month for which export statistics are available at time of writing.) This was 37 per cent of the drop in all Canadian exports to Asia, and by far the largest dollar value drop for any province.



Fortunately the Asian flu has not been the only factor determining export levels in 1998. Strong gains in shipments to the United States have helped offset the negative effect of British Columbia's declining exports to Asia. This has meant that British Columbia did not suffer the worst overall export setback of any province, in spite of having to absorb the biggest losses in Asian trade. When shipments to all countries are considered, British Columbia's exports fell by a moderate 6 per cent in October year to date, considerably less than the 10 per cent drop for Saskatchewan exports and the 9 per cent drop for Alberta exports.

Saskatchewan's reliance on Asia for its export markets has been second only to British Columbia's. Not surprisingly, the size of its October year to date export losses in Asia was also the second highest in Canada, after British Columbia's.

**Exports to Asia Smaller Part of Total  
In October Year to Date**



The decline in Saskatchewan exports to Asia was 28 per cent in October year to date, amounting to a \$463 million drop in export revenues. Like British Columbia, Saskatchewan saw its exports to the United States grow over this period, although only by 3 per cent, amounting to an increase of just \$138 million. Unlike British Columbia, Saskatchewan was also confronted with a serious (\$93 million) drop in the value of its exports to the European Union.

British Columbia and Saskatchewan were at least able to offset big drops in exports to Asia with substantial increases in exports to the United States. Alberta was not

so fortunate. Heavily dependent on oil and gas exports to the United States, the Alberta economy has had to cope with a price driven decline in U.S. bound exports simultaneously with a decline in the value of exports shipped to Asia.

Further east the 1998 export picture has been much more positive. Manitoba, Ontario, Quebec and the Atlantic provinces have all posted export gains in October year to date over the same months of 1997. The key to their export successes has been the ability to capitalise on the export opportunities presented by a fast expanding United States economy and a low valued Canadian dollar.

**Export Mix Key To Success**

The sharpest increases in exports to the United States during October year to date have been for secondary manufactured products.

For Canadians, Asia has primarily been a market in which to sell resource and agricultural commodities such as coal, metal ores, lumber, pulp and grains. This has meant that the resource rich provinces close to the Pacific trade routes have enjoyed special advantages in Asian trade.

The United States has also been an important market for many resource commodities. But increasingly its key importance to Canadians has been as the only major world market open to Canada for exports of secondary manufactured products.

**Change In Value of Exports  
Jan-October 1997 to Jan-October 1998**

	to Asia		to US		to EU		to World	
	(\$ millions)	(%)	(\$ millions)	(%)	(\$ millions)	(%)	(\$ millions)	(%)
<b>BC</b>	-2,228	-30%	1,027	8%	-25	-2%	-1,388	-6%
<b>Alta</b>	-899	-29%	-1,087	-5%	6	1%	-2,406	-9%
<b>Sask</b>	-463	-28%	138	3%	-93	-19%	-854	-10%
<b>Man</b>	-120	-17%	717	16%	33	11%	439	7%
<b>Ont</b>	-1,550	-44%	12,330	12%	235	6%	11,124	10%
<b>Que</b>	-608	-33%	4,226	13%	389	11%	4,119	10%
<b>Atlantic</b>	-209	-27%	656	9%	52	5%	328	3%
<b>Canada</b>	-6,101	-32%	18,010	10%	485	4%	11,214	5%

**BC STATS**

Ninety per cent of Canadian exports of secondary manufactured products went to the United States in 1997. For British Columbia the U.S. bound portion was 69 per cent. This was smaller than for some other provinces because of British Columbia's more diversified international trading patterns. But even for British Columbia the United States is still the most important market by far for secondary manufactured goods.

1998 has been a boom year for exports of secondary manufactured products across Canada. Canadian producers have had most of the decade to adjust to competitive realities under the North American Free Trade Agreement (NAFTA). In 1998, they have enjoyed the advantages of a rapidly expanding U.S. economy, a Canadian dollar at record lows, and a huge continental market opened up under NAFTA.

This has been apparent in growing volumes of exports shipped to the United States.

No province has benefited more from favourable conditions for exporting to the United States than Ontario. Ontario exports to the United States jumped by \$12,330 million in October year to date. A key component in this was the \$4,539 million increase in Ontario exports of motor vehicles. Increases in exports of electronic goods (including computers) added another \$1,163 million.

Manitoba enjoyed the biggest percentage increase in exports to the United States of any province. Its \$717 million jump in exports to the United States during October year to date amounted to a rise of 16 per cent. Gains were based in large part on shipments of aircraft parts, tractors, and other motor vehicle products.

Quebec's exports to the United States increased by \$4,226, or 13 per cent, in October year to date. This included important increases in exports of secondary manufactured products such as a \$696 million rise in exports of aircraft equipment, a \$138 million rise in motor vehicle equipment exports, a \$611 million rise in electronic equipment exports, and a \$266 million rise in exports of furniture products.

Secondary manufactured products were also featured in British Columbia's \$1,027 million of export gains to the United States during October year to date. These included, for example, a \$521 million increase in the value of machinery and equipment of all types, and a \$75 million increase in shipments of plastic products.