

## Diversification of Export Mix Accelerates in 1998

With British Columbia trade data now available for the first eleven months of 1998, the year has proven to be one of the best ever for diversification of the provincial export mix. November year to date exports show significantly higher proportions of value added and non-resource products than at any time since statistics have been available.

Some of this is because the values of forestry and metallic mineral product exports have been dropping with weak Asian markets and low world prices. But equally important have been the excellent gains reported for shipments of secondary manufactured products, including many that are independent of the province's natural resources.

The strongest export growth has been reported for agricultural commodities. For example, shipments of fruit products posted a 45 per cent rise in November year to date over the same months of 1997, climbing from \$85 million to \$124 million. Almost all of this went to the United States market, where a high valued U.S. dollar gave Canadian products a boost.

The exchange rate advantage was not the only reason agricultural exports experienced exceptionally fast growth. There was already a well established growth trend for British Columbia fruit and vegetable exports based on innovation and restructuring in the agricultural industry. The more recent commercial advantage presented by a high valued U.S. dollar simply accelerated this trend.

A notable example of change in the agricultural industry has been the greenhouse industry. The total area under greenhouse cultivation in British Columbia grew 164 per cent between 1990 and 1997, from 1.1 million to 2.9 million square metres. It has continued to expand in 1998 and was an important factor behind the 47 per cent jump in British Columbia vegetable exports to the United States between the January to November period of 1997 and the same period of 1998.

The motor vehicle industry has been another source of rapid export growth in 1998. November year to date exports of motor vehicles and parts were up 39 per cent overall, and up 51 per cent to the United States.

The industry in British Columbia is mainly concentrated in two large operations — the Western Star truck manufacturing operation at Kelowna, assembling heavy transport vehicles, and the Toyota wheel manufacturing facility at Delta, producing wheels for shipment to assembly plants in Japan, Canada and the United States. Other British Columbia manufacturers produce recreational vehicles, plastic and electronic part components and refitted or rebuilt vehicles.

When all machinery and equipment exports are taken together, including motor vehicle products, electronic goods, and others, their combined value in November year to date was greater than for any export category except forest products. This is a much different picture than existed at the beginning of the decade.

The importance of machinery and equipment exports has risen steadily through the 1990s, as the portion of total exports concentrated in traditional resource commodities has fluctuated widely with price and volume changes. In 1990 machinery and equipment exports were valued at less than exports of coal, metallic minerals, newsprint, pulp or lumber. Rising steadily throughout this decade, machinery and equipment exports first surpassed newsprint exports in 1992. By 1993, they were greater than exports of both coal and metallic mineral products. November year to date figures indicate that 1998 exports of machinery and equipment have also exceeded the value of pulp exports for the first time.

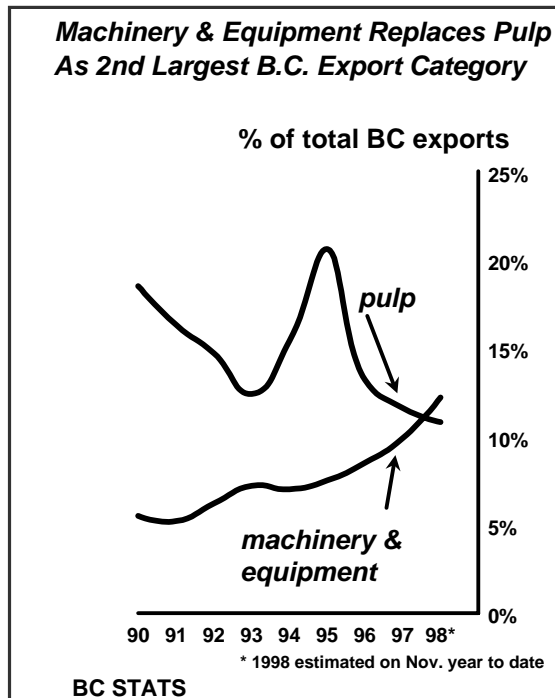
Exports of plastic products and apparel goods also continued their long growth trend through to the last months of 1998. November year to date exports of plastics climbed 32 per cent over 1997, and exports of apparel goods rose 17 per cent.

British Columbia producers in both industries are mainly smaller and more specialised than their more established eastern Canadian counterparts. And in both industries British Columbia producers have been quick to benefit from the more liberalised continental markets under the North American Free Trade Agreement.

Apparel manufacturers in British Columbia have also benefited from links with Asia. Asian countries have been important both as sources of textiles, and as markets for finished products. Despite the downturn in Asia throughout 1998, British Columbia apparel exports have continued to expand at a healthy pace with the strong growth of the American economy.

Contrasting with these international trade success stories have been the sagging exports of the forestry and mineral industries.

Exporters of lumber and pulp faced low world prices for their standard commodities in 1998, and were unable to completely offset losses in Asian markets with gains in the United States market. Because lumber and pulp together still account for about 36 per cent of the province's total exports, their poor showing has dragged down the province's export performance in what otherwise would have been a year of solid export growth.



But even within the forest industry, there has been some good news in the diversification of export product mix. While lumber, pulp and newsprint exports were down significantly in November year to date, exports were up for value added solid wood products and for the more finished varieties of paper products.

While the value of lumber exports fell 20 per cent in November year to date, exports of value added wood climbed 8 per cent. Lumber exports suffered mainly from the collapse of the Japanese market. Trade losses in Japan and other Asian markets could not be made up by increasing sales in the U.S. market because of the quota restrictions of the Canada – U.S.A. Softwood Lumber Agreement.

These restrictions have not applied to value added wood products, which have now grown to account for 11 per cent of all solid wood exports, up from only 6% in 1990. At \$829 million in November year to date, value added wood exports exceeded the value of newsprint exports, traditionally the province's third most important forest export commodity.

Pulp and newsprint exports fell 13 per cent and 11 per cent respectively in November year to date, but were largely offset by a 25 per cent rise in exports of other, more value added forms of paper products. These non-newsprint forms of paper amounted to 25 per cent of the total value of pulp and paper exports in November year to date, up from 9 per cent in 1990.

