

B.C. Exports Recovering In Some Asian Markets, Still Declining In Others

British Columbia exports to Asia fell steadily through 1997, bottoming out in early 1998. Asia as defined here includes Japan, China (with Hong Kong), South Korea, Taiwan, and the ASEAN countries.

It is noteworthy that the decline began early in 1997, months before the Asian economic crisis was triggered by the collapse of the Thai baht in August of that year. Through all of 1998 and through 1999 up to September at least (September is the latest month available at time of writing), monthly exports to Asia have remained at levels well below those of early 1997.

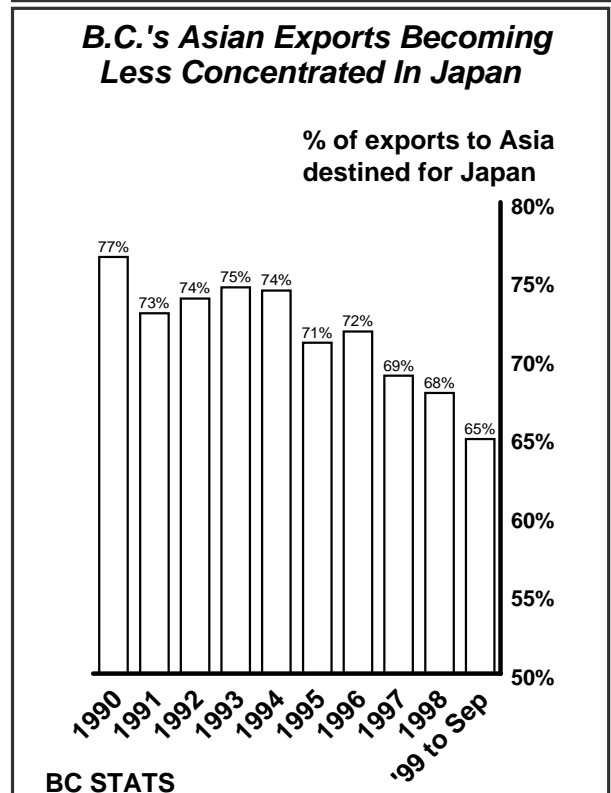
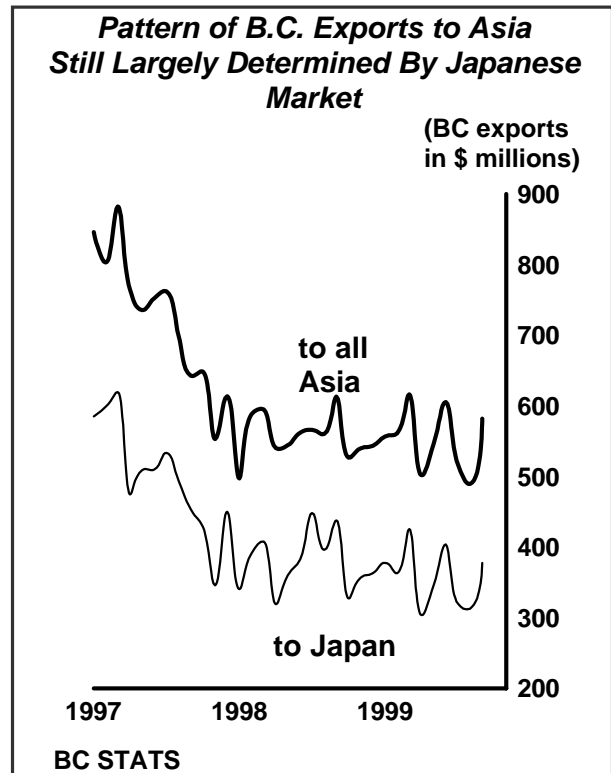
But while monthly exports to Asia as a whole have yet to show consistent signs of recovery, exports to some individual markets within Asia have been rising more or less steadily. Unfortunately, the effects of these gains has been largely nullified by declines in exports to other Asian destinations, and particularly to Japan.

Long Decline In Exports to Japan

Japan accounted for over two thirds of all British Columbia exports to Asia in 1998, so that developments in the Japanese market still largely determine the trend for exports to Asia as a whole.

But exports to Japan have grown more slowly than exports to other Asian destinations, leading to a steady diversification of British Columbia's Asian export destinations in the second half of the 1990s.

In 1994, 74 per cent of British Columbia's Asian exports were destined for the Japa-



nese market. This ratio dropped to 68 per cent in 1998, and to 65 per cent in September year to date of 1999.

Much of this has been the result of poor economic conditions in Japan. As the Japanese economy posted weak or negative growth, other Asian economies were rapidly expanding, at least up to the 1997 Asian economic crash. Now that the crisis is behind them, some Asian economies have once again begun to post strong growth rates, while Japan still shows limited signs of economic recovery.

International Monetary Fund figures released in May 1999 projected Japanese real gross domestic product (gdp) growth at -1.4 per cent in 1999, and 0.3 per cent in 2000. By contrast, Korean growth was put at 2.0 per cent in 1999 and 4.6 per cent in 2000. Taiwanese growth was put at 3.9 per cent in 1999 and 4.8 per cent in 2000.

The effects of weak Japanese growth are reflected in exports to that market. Shipments to Japan have continued to decline this year, falling 7 per cent in September year to date. In dollar terms, British Columbia exports to Japan were down \$253,560 million from September year to date 1998. This year's declines have followed a 1997 to 1998 drop in annual exports of 25 per cent, and a 1996 to 1997 drop of 6 per cent.

The long trend of declining exports to Japan may be the result of more than just a languid Japanese economy and low world prices for resource products. Another possible factor could be a shift of primary in-

dustrial production out of Japan to countries where labour costs are lower - the de-industrialisation process that necessitated such painful adjustments in North America during the 1970s, 1980s, and early 1990s. Such a process would account for at least some of the apparent weakness in Japanese markets for coal and metallic mineral products.

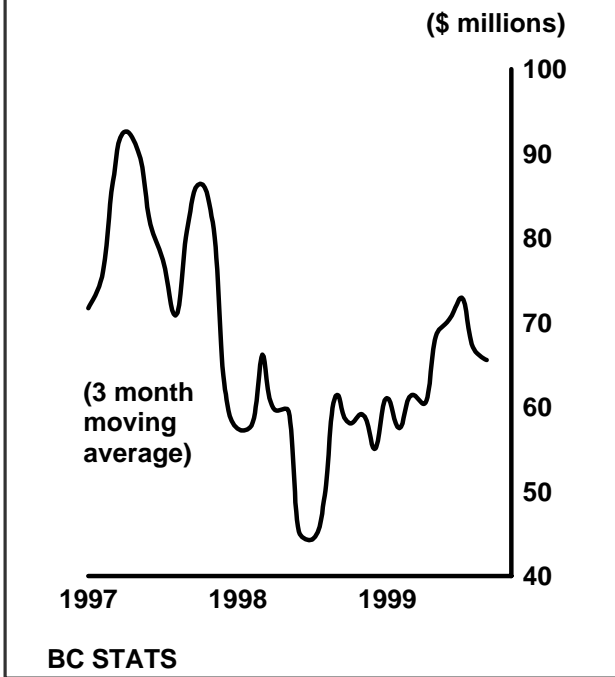
Declining coal exports have produced the single most important recent drop in exports to Japan. Coal shipments to Japan fell by \$257 million (minus 34 per cent) between September year to date 1998 and the same months of this year. Declines in metallic mineral exports to Japan have also been considerable, amounting to a \$161 million (29 per cent) drop in September year to date.

Exports to Japan of most other products suffered less severe year to date declines. Pulp exports to Japan were down \$ 16 million (4 per cent), and fisheries exports were down \$22 million (12 per cent). On the positive side, there were rises of \$249 million (21 per cent) for solid wood products and \$14 million (13 per cent) for agriculture and food products.

Exports to South Korea Recovering With Strong Gains In Pulp Shipments

September year to date exports to South Korea were up a substantial 16 per cent from the same months of 1998.

**B.C. Exports to South Korea
Generally Rising Since Mid 1998**



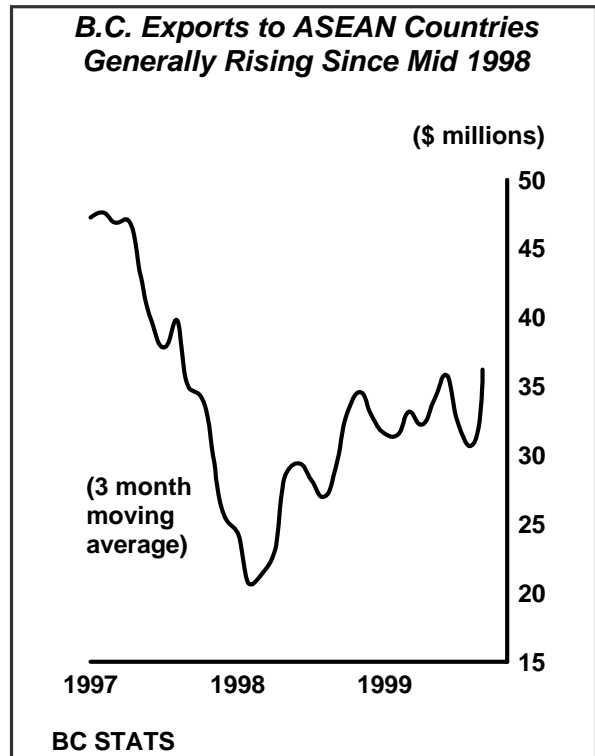
Almost half (47 per cent) of British Columbia exports to South Korea in 1998 were coal, with most of the rest concentrated in metallic mineral products and forest products. Pulp accounted for 19 per cent. Another 14 per cent was aluminum; and metallic ores accounted for another 6 per.

The value of pulp exports South Korea jumped 129 per cent in September year to date, providing much of the boost behind the 16 per cent jump in overall exports to that market.

Metallic mineral exports to South Korea also rose slightly, edging up 7 per cent to reach \$99 million in September year to date. On the negative side, coal exports dropped 32 per cent from \$250 million in September year to date of 1998 to \$170 million in the same months of 1999.

Exports to South East Asia Climbing Back

British Columbia exports to the Association of South East Asian Nations (ASEAN) countries were among the worst affected by the Asian economic crisis, dropping sharply through most of 1997 and into early 1998. Since then, they have improved considerably. September year to date exports to ASEAN countries rose 26 per cent, extending a recovery trend that began in April 1998.



Pulp is the main British Columbia export to ASEAN countries, accounting for 44 per cent of the total in 1998. Pulp exports to ASEAN destinations climbed 29 per cent in September year to date to reach \$121 million.

Metallic mineral products were another major component of British Columbia exports to ASEAN, accounting for another 24 per cent of the total in 1998. They rose 5 per cent in September year to date this year, to \$60 million.

Exports of non-newsprint paper were also important, accounting for 4 per cent of the total in 1998. Shipments jumped 70 per cent in September year to date this year, raising the non-newsprint paper portion of total exports to ASEAN to 6 per cent.

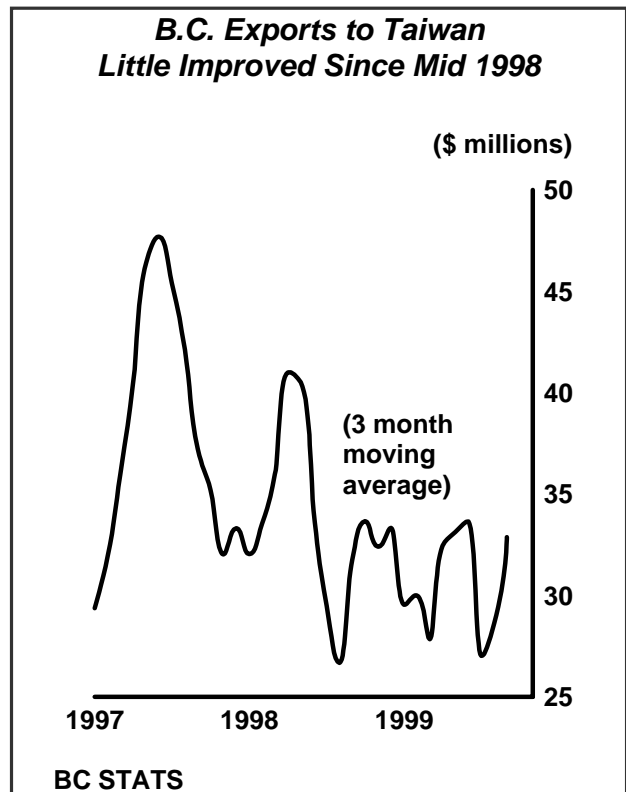
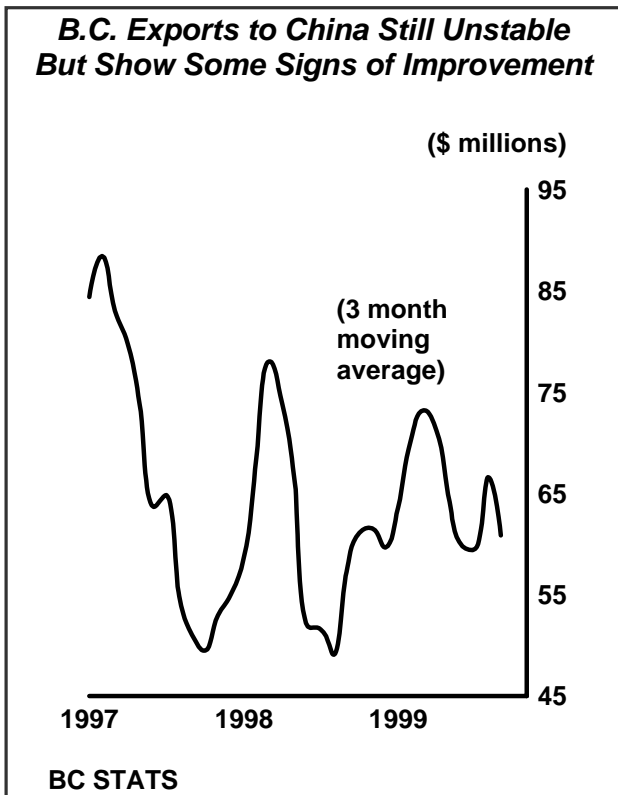
Recovery Less Certain For Exports to Other Asian Destinations

British Columbia exports to China (including Hong Kong) rose 10 per cent in September year to date. The improvement is still too modest and recent to be taken as proof of a sustained export recovery.

Exports to China are generally liable to more extreme changes in value and commodity mix from month to month and year to year than are exports to other major Asian destinations.

Pulp is the largest single component, accounting for 38 per cent of the total in 1998. Monthly pulp exports to China dropped sharply in late 1997 falling as low as \$6 million in November of that year. Since then they have recovered, but still vary considerably on a more or less seasonal basis. The rising trend for pulp exports has continued into 1999, producing a 40 per cent rise in September year to date of this year.

Taiwan is the only major Asian country other than Japan for which British Columbia exports appear to be still dropping. September year to date exports to Taiwan were down 9 per cent.



Pulp and paper products are among the most important items in British Columbia's exports to Taiwan, accounting for about 35 per cent of the total in 1998. The value of pulp and paper products shipped to Taiwan has been generally declining since 1997.

During 1999, exports of all categories of pulp and paper products have continued to decline. In September year to date pulp exports to Taiwan fell 5 per cent; newsprint exports fell 26 per cent; and exports of non-newsprint papers fell 37 per cent.