

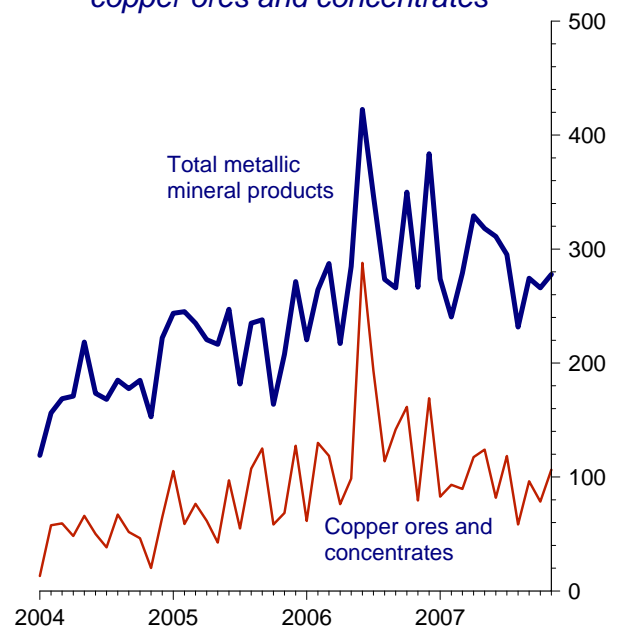
Exports ◆ November 2007

- Over the first 11 months of 2007, the value of BC origin exports fell 5.5% compared to the same period in 2006 as the appreciation of the Canadian dollar against its American counterpart and the downturn in the US housing market put the bite on demand for BC goods.
- Solid wood product exports plunged 17.6% in the January to November period, compared to the first 11 months of 2006. The drop in US housing starts has affected demand for building products, which is driving the decline in wood exports. Most of the major wood product groups saw double-digit declines, except exports of cedar shakes and shingles, which actually experienced an 8.2% increase.
- Elsewhere in the forest sector, exports of newsprint slumped 25.3%, but a surge in shipments of pulp (+16.1%) more than offset the drop in newsprint such that overall pulp and paper product exports climbed 6.8%.
- Shipments of energy products fell 5.8% in the first 11 months of 2007 as both coal (-12.0%) and natural gas (-14.7%) experienced double-digit declines in exports. For coal, the drop was entirely due to lower prices as volumes shipped actually jumped 7.6%. On the positive side, exports of electricity more than doubled (+114.9%) and shipments of other energy products also increased (+25.1%).
- Exports of metallic mineral products were down 3.2% year-to-date to November, driven by a 28.4% dive in shipments of copper ores and concentrates. Strong increases in exports of unwrought zinc (+44.9%), unwrought aluminum (+17.4%) and molybdenum ores

and concentrates (+5.7%) were not enough to entirely offset the slump in copper. Exports of fabricated metal products edged up 0.7%.

- Some commodity groups bucking the overall downward trend include machinery and equipment (+2.0%) and agriculture and food (+2.3%).
- BC's commodity exports to the United States fell 7.0% over the first 11 months of 2007 and the share of total BC exports shipped to the US dropped by a full percentage point from 61.6% for the same period in 2006 to 60.6% in 2007. A 23.6% rise in shipments to Mainland China has partially offset the drop to the US, but there have also been large declines in exports to India (-31.2%), Hong Kong (-17.4%), Taiwan (-15.4%) and Japan (-13.3%).

Overall metallic mineral product exports tend to follow the same pattern as copper ores and concentrates



SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- After straight six months of decline, exports rebounded slightly in November with a 3.9% increase. The change in direction was entirely due to a 9.9% jump in shipments to countries other than the United States as exports to the US inched down 0.1%, the fifth consecutive month that shipments to the US have fallen.
- Industrial and consumer goods led the way with a 10.4% increase, while energy exports also experienced robust growth (+4.9%). Only agricultural and fish product exports saw a decline (-3.5%).

Exports (adjusted for seasonality) rebounded slightly in November



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Nov 2005	207	674	1,158	379	575	2,993	2,022
Dec	192	803	1,181	384	559	3,120	1,976
Jan 2006	188	692	1,163	364	536	2,943	1,934
Feb	187	584	1,140	369	570	2,850	1,787
Mar	185	588	1,097	416	586	2,873	1,772
Apr	181	538	1,069	357	516	2,661	1,695
May	193	518	1,076	350	580	2,717	1,709
Jun	190	559	1,104	379	717	2,949	1,688
Jul	199	490	1,039	349	665	2,742	1,668
Aug	197	490	1,058	338	601	2,684	1,631
Sep	205	521	1,053	376	603	2,758	1,645
Oct	205	452	1,047	397	687	2,788	1,624
Nov	201	435	1,013	357	610	2,616	1,600
Dec	212	529	1,032	377	683	2,832	1,710
Jan 2007	213	508	1,094	363	619	2,798	1,719
Feb	207	566	989	369	556	2,687	1,678
Mar	213	546	1,055	377	594	2,786	1,714
Apr	202	538	1,114	375	654	2,883	1,691
May	190	550	1,010	332	620	2,702	1,593
Jun	183	506	991	338	607	2,625	1,605
Jul	169	507	978	347	606	2,606	1,580
Aug	181	481	986	350	558	2,556	1,570
Sep	195	449	844	357	597	2,442	1,480
Oct	177	453	869	342	573	2,415	1,436
Nov	171	475	883	348	632	2,510	1,434

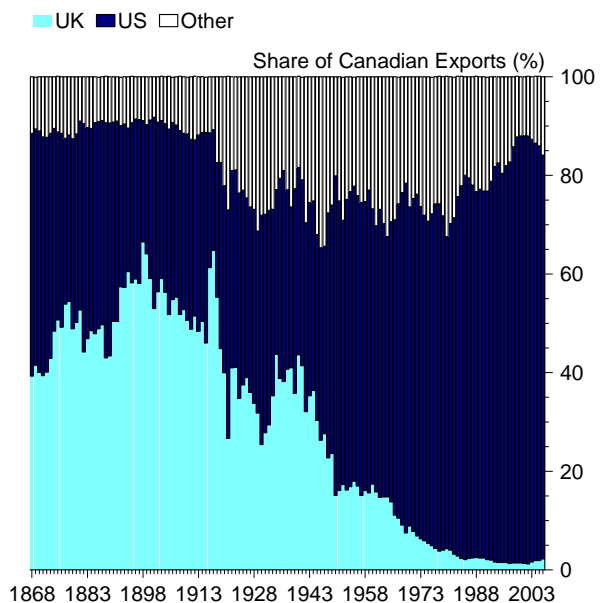
Over 100 Years of Canadian Exports

Since Confederation, the volume and destination of Canadian merchandise exports have been influenced by a combination of geopolitical and economic events, ranging from the two world wars to Canada's international trade agreements.¹ From the beginning, the United States was one of the most significant trade partners for Canada, which, given its proximity and the size of its economy, should not come as much of a surprise. However, the American abrogation of the reciprocity treaty (a free trade agreement between Canada and the US) in 1866, just before Confederation, put pressure on Canada to find new markets for its goods.

Through much of the first 50 years of Canadian Confederation, the United Kingdom was the top destination for Canadian commodity exports, often importing more than half the value of all goods shipped out of Canada. In the early years of World War I, shipments to the United Kingdom climbed to over 60% as Canada helped supply war-torn Europe with grain, clothing, weapons and metal manufactures. The total value of Canadian exports almost quadrupled from the beginning of the war in 1914-15 to a few years later in 1917-18, but once the war was over, demand from Europe fell and so too

did the value of goods exported from Canada. There was also a shift in the destination of Canadian goods, back to the United States, which hit an all-time low of less than 30% of Canadian exports during the war period, but recovered its share to around 35%-40% once the war ended.

The United States has been a significant trade partner for Canada since Confederation



Source: Canada Year Book / Statistics Canada

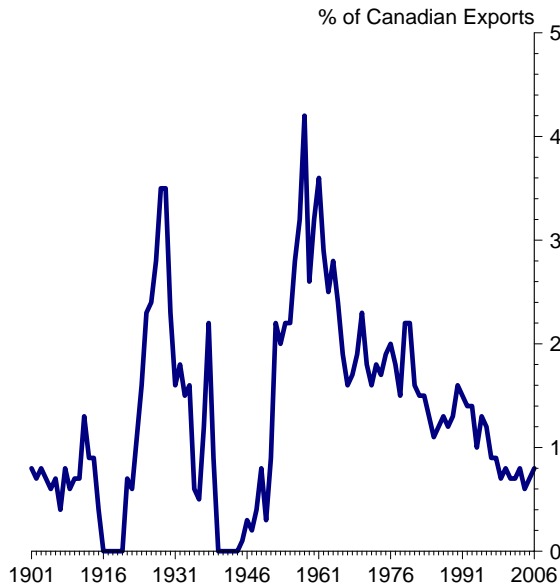
While the United States received a similar share of Canadian exports before and after the war, the same was not true of the United Kingdom. Following World War I, shipments to the UK slipped below 40% for the first time in 50 years and never really recovered to their previous lofty levels.

The effect of the two world wars on Canadian trade can most clearly be seen by examining trade with Germany. Prior to the First World

¹ Note that export data prior to 1988 are extracted from annual editions of the *Canada Year Book* and may include some unrevised data. Data prior to 1937 were reported on a fiscal year basis, rather than by calendar year. In earlier years not all countries were reported and some were grouped together, so figures reported by world region may not be exact. Total Canadian exports include Newfoundland prior to 1901, but Newfoundland has been subtracted from the total thereafter. Similarly, the United States includes Hawaii and Alaska from 1901 onward.

War, Canada shipped around one percent of its exports to Germany. During the war, since Germany was an enemy to Canada, naturally exports fell to zero. Between the two world wars, trade with Germany not only recovered, but grew significantly, peaking at 3.5% in the late 1920s. With World War II, Canada and Germany were once again enemies and trade fell to zero once more. It took a little longer for exports to Germany to recover after World War II, but by the 1950s, Canada was exporting more goods than ever to Germany, peaking at 4.2% in 1958. Since that time, the share of Canadian exports to Germany has been trending down, to less than one percent of total shipments, although Germany remains one of Canada's top 10 export destinations.

Canada's trade with Germany has fluctuated dramatically over the last century

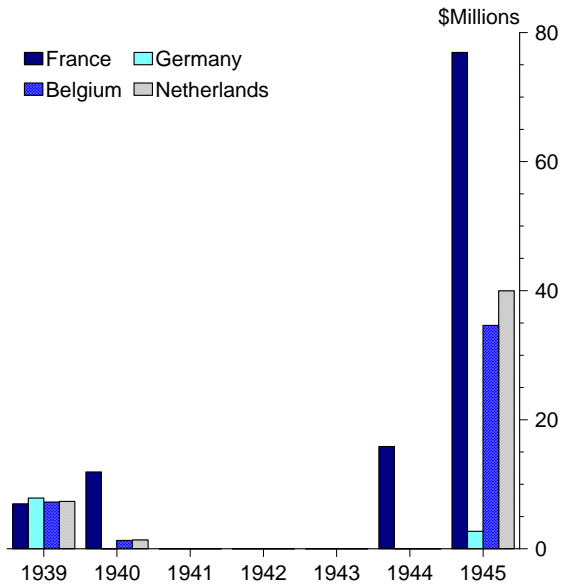


Source: Canada Year Book / Statistics Canada

As with World War I, the end of World War II resulted in a substantial drop in the value of Canadian exports as demand from Europe fell for goods not available domestically during the conflict.

The Canadian trade data provides an interesting record of the events of the war. By examining the value of exports to countries in Europe, one can plainly see the timeline of German occupation (i.e., when Canadian exports to those countries fell to zero).

Canadian export data tells the story of occupation during World War II



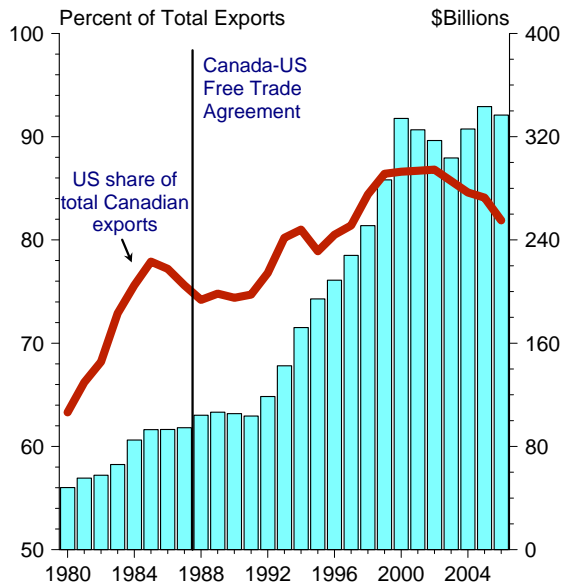
Source: Canada Year Book

While post-war reconstruction played a significant role in the volume and destination of Canadian exports following World War II, nevertheless the shift towards the United States was underway. The United Kingdom was far less influential on Canadian trade and its share of Canadian commodity exports trended down from 30% at the end of the war to less than 2% by the 1990s. At the same time, the share of exports to the US climbed to 60% through the 1950s and early 1960s, then rose to close to 70% through the 1970s and inched up further to 75% in the 1980s.

The signing of the Canada-US Free Trade Agreement (CUFTA) in late 1987 was the catalyst for a burst of growth in Canadian exports.

Although there was little change for the first few years of the agreement, once the tariff walls came down in accordance with the agreement's schedule, exports to the United States began to climb and the share of Canada's exports headed south rose to as high as 87% by 2000.

The share of Canadian exports shipped to the United States climbed to over 80% once the Canada-US free trade deal came into full force

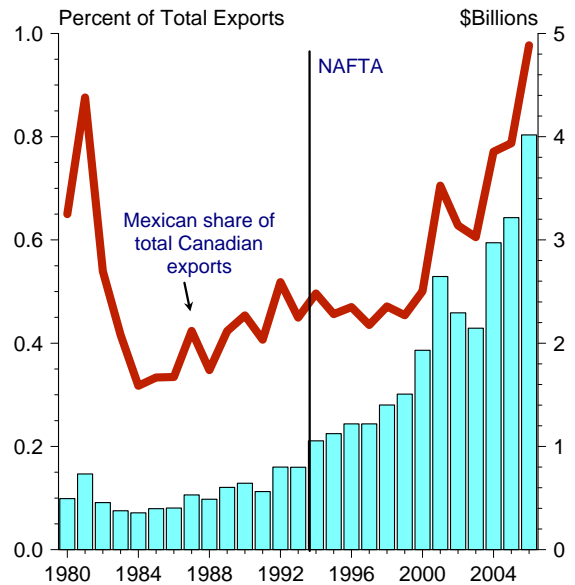


Source: Statistics Canada

The subsequent addition of Mexico to the trade agreement (NAFTA) helped boost Canada's trade with that country with the value of exports to Mexico quintupling from \$799 million in 1993 to over \$4 billion in 2006. Mexico's share of total Canadian exports doubled in that period from less than half a percent to almost one percent in 2006. While exports to Mexico are still dwarfed by trade with the United States, Mexico has now moved up to rank fifth as a destination for Canadian goods. Canada's other free trade deals, with Israel, Chile and Costa Rica, have been far less successful in boosting exports with those countries. The aggregate value of exports to those three countries to-

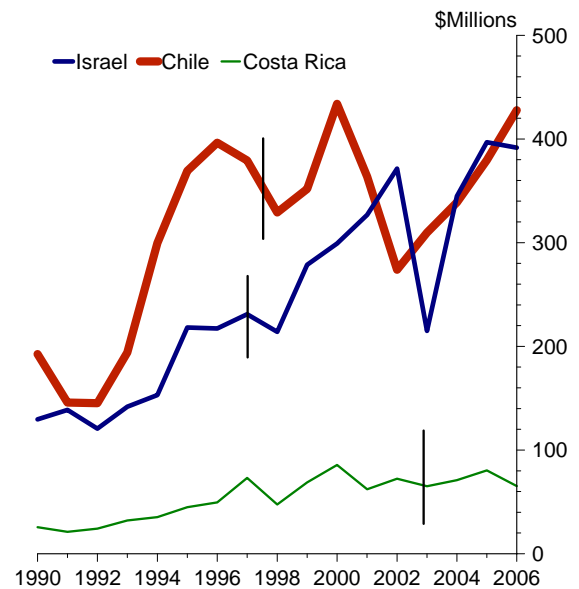
talled was less than \$0.9 billion in 2006 with only Israel showing any appreciable growth.

The value of Canadian exports to Mexico has quintupled since NAFTA was signed and the share of total exports has doubled



Source: Statistics Canada

Canada's other free trade deals have not appeared to have much of an effect on the volume of exports



Source: Statistics Canada

Vertical bars represent dates of free trade agreements

Top 10 Canadian Commodity Export Destinations, 1906

Country	Export Value (\$Millions)	% of Total
United Kingdom	\$127.5	54.8%
United States	\$83.5	35.9%
British West Indies ²	\$2.7	1.2%
France	\$2.1	0.9%
Australia	\$2.1	0.9%
Argentina	\$1.9	0.8%
British Africa ³	\$1.8	0.8%
Germany	\$1.7	0.7%
Cuba	\$1.2	0.5%
Belgium	\$1.2	0.5%

Top 10 Canadian Commodity Export Destinations, 2006

Country	Export Value (\$Millions)	% of Total
United States	\$336,706.7	81.9%
Japan	\$9,221.1	2.2%
United Kingdom	\$9,219.0	2.2%
Mainland China	\$7,182.8	1.7%
Mexico	\$4,017.8	1.0%
Germany	\$3,482.2	0.8%
South Korea	\$3,188.3	0.8%
Netherlands	\$2,786.3	0.7%
France	\$2,411.3	0.6%
Belgium	\$2,335.7	0.6%

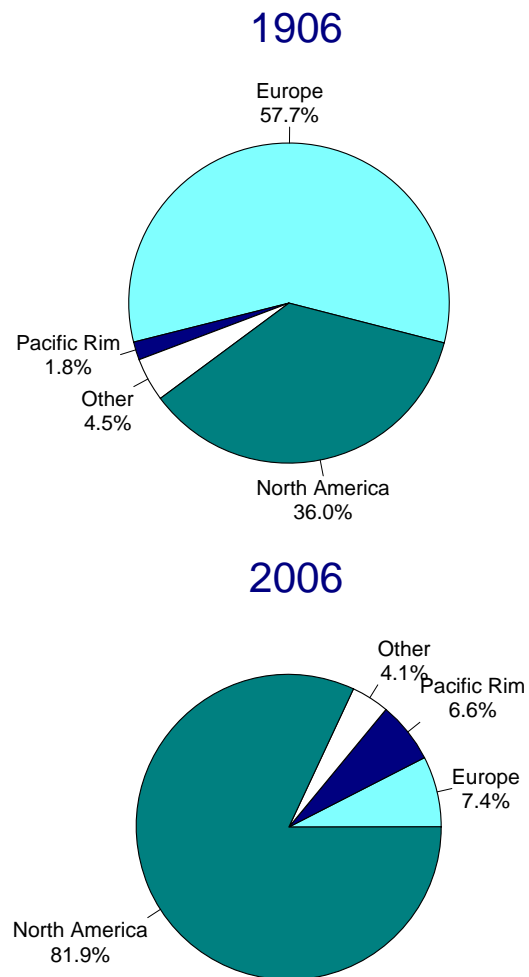
The changing political and economic structure of the world has altered the face of Canadian exports dramatically in the last century. A look at the top ten destinations for exports from Canada in 1906 compared to 2006 gives a very different picture of the market for Canadian goods. In 1906 the United Kingdom was the top destination for goods from Canada with almost 55% of Canadian exports shipped there, fol-

² British West Indies included Barbados, Bermuda, Jamaica, Leeward and Windward Islands, Trinidad and Tobago.

³ British Africa would have roughly included the regions that today represent Botswana, Gambia, Ghana, Kenya, Malawi, Mauritius, Namibia, Nigeria, Sierra Leone, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

lowed by the United States at 36%. Other British territories were important destinations for Canadian goods as evidenced by the aggregate of British West Indies countries ranking third and British African countries ranking seventh. Some countries, such as France, Germany and Belgium were top ten destinations then and have remained top ten destinations, but Argentina and Cuba were far more significant to Canada's export picture in 1906 compared to today. Cuba ranked 37th as a destination for Canadian exports in 2006 and Argentina came in at 54th.

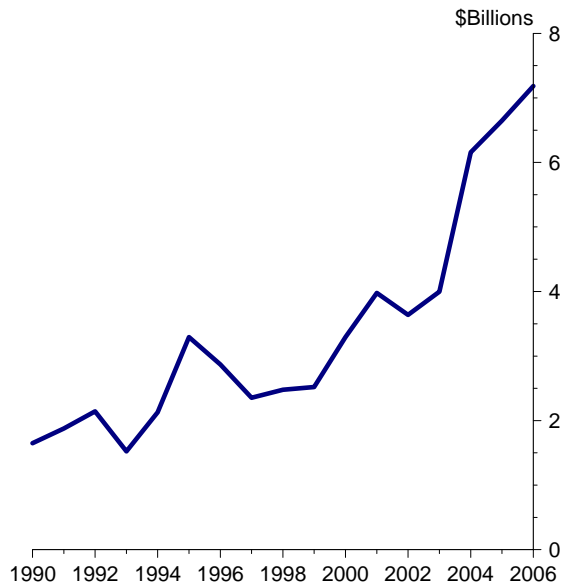
Canada's Trade has shifted away from Europe and toward North America and the Pacific Rim



One can easily see from the pie charts above that there has been a definite shift in exports away from European destinations and toward North America (mostly the United States) and the Pacific Rim. Three Asian countries were among the top ten destinations for Canadian exports in 2006: Japan, Mainland China and South Korea. Japan has been a significant destination for Canadian exports since the 1920s (except for the World War II period where exports fell to zero after the bombing of Pearl Harbour), but China and South Korea are a much more recent development. China's exploding economy has resulted in a surge in demand for goods, particularly raw materials, and Canada's exports to that country have risen as a result.

could see the stranglehold that the US has on Canadian goods start to erode. Nevertheless, given the proximity of the United States to Canada, the common language, similar customs and the established trade relationships that already exist, it is unlikely that the US share of Canadian exports will drop all that far any time soon.

Canadian exports to Mainland China have grown dramatically in the last decade



Source: Statistics Canada

The last hundred years has witnessed a shift away from Canada's Commonwealth roots and toward the United States in terms of destination of exports. In more recent years, Asian destinations have taken in a greater share of Canadian goods. As China continues to develop, we

Recent Feature Articles in Exports Release Listed by Statistical Reference Date of Issue

07-11	<i>Over 100 Years of Canadian Exports</i> (released January 2008)	06-09	<i>Success of BC's Mining Industry Helps Boost Exports</i> (released November 2006)
07-10	<i>BC's Commodity Exports Are Still Largely Forest-Based</i> (released December 2007)	06-08	<i>Provincial Export Profile</i> (released October 2006)
07-09	<i>Is Cross-Border Shopping Making a Comeback?</i> (released November 2007)	06-07	<i>Has Doha Gone the Way of the Dodo?</i> (released September 2006)
07-08	<i>Prince Rupert Container Port Open for Business</i> (released October 2007)	06-06	<i>Will BC Miss the Boat on Port Expansion?</i> (released August 2006)
07-07	<i>Canada Weighs Anchor on Free Trade with EFTA</i> (released September 2007)	06-05	<i>Breaking the Interprovincial Trade Barrier</i> (released July 2006)
07-06	<i>BC's Trade with California</i> (released August 2007)	06-04	<i>Deal or No Deal for Softwood Lumber?</i> (released June 2006)
07-05	<i>Appreciating Dollar Not Appreciated by Exporters</i> (released July 2007)	06-03	<i>Will Canada-India Trade Spice Up?</i> (released May 2006)
07-04	<i>The Greening of BC's Exports</i> (released June 2007)	06-02	<i>Log Exports Becoming More of a Private Affair</i> (released April 2006)
07-03	<i>BC's High Tech Trade</i> (released May 2007)	06-01	<i>BC Exports: 2005 in Review</i> (released March 2006)
07-02	<i>Canada-USA Corn Row</i> (released April 2007)	05-12	<i>Electricity Puts a Charge into BC Exports</i> (released February 2006)
07-01	<i>Is the Sun Rising on Trade With Japan?</i> (released March 2007)	05-11	<i>Pulp Friction: Challenging Times for BC's Pulp Industry</i> (released January 2006)
06-12	<i>Year in Review: 2006</i> (released February 2007)	05-10	<i>Japan Aims for Free Trade with Canada</i> (released December 2005)
06-11	<i>Brazil-Canada Trade Getting Over Jet Lag</i> (released January 2007)	05-09	<i>China's Growth Both an Opportunity and a Threat for Exporters</i> (released November 2005)
06-10	<i>Plan B: An APEC Free Trade Region?</i> (released December 2006)	05-08	<i>Booming Energy Sector May Give Rise to "Dutch Disease" for Other Exporters</i> (released October 2005)

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania,

Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc).

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

Dan Schrier
BC STATS
 P.O. Box 9410 Stn Prov Govt
 Victoria, B.C. V8W 9V1
 (250) 387-0376

This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.