

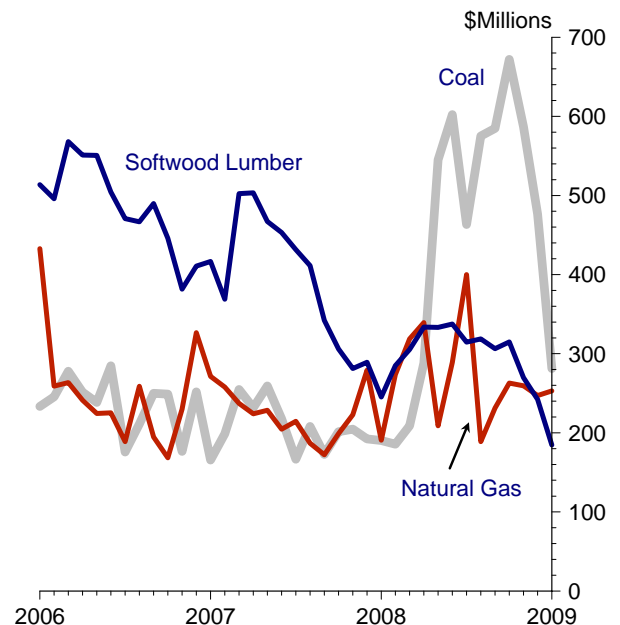
## Exports ♦ January 2009

- There was a 6.5% decline in the value of BC origin exports in January compared to the same month a year ago. Reduced exports of forest products, metallic mineral products and machinery and equipment were mainly responsible for the drop.
- The forest sector continues to suffer from a downturn with wood product exports falling 24.0% in January compared to the same period a year earlier and pulp and paper products slumping 21.6%. Softwood lumber, which was BC's top export not too long ago, ranked below both coal and natural gas in January.
- Coal continues to benefit from high prices, but this situation will likely be short-lived as demand for coal has fallen and new contract prices will be negotiated soon. Quantities of coal shipped from BC to international destinations fell 43.7% in January, but due to higher prices, the value of coal exports shot up 47.8%. Elsewhere in the energy sector, natural gas (+32.6%) and electricity (+68.1%) exports experienced substantial increases.
- The value of metallic mineral exports slumped 32.8% in January as shipments of copper ores and concentrates (-76.9%), unwrought zinc (-46.6%) and molybdenum ores and concentrates (-30.7%) all plunged. Exports of fabricated metal products also dropped sharply in January (-28.8%). However, unwrought aluminum bucked the trend with exports of that good more than doubling (+126.9%).
- Exports of machinery and equipment fell 11.8% in January. Slumping shipments of mo-

tor vehicles and parts (-32.0%) and scientific, photographic and measuring equipment (-25.8%) were the main contributors to the decline.

- Exports of agriculture and food dipped 2.3% in January, but shipments of fish products climbed 24.2%.
- Exports to BC's main trading partner, the United States, fell 6.9% in January. Shipments to Western Europe dropped 6.0%, despite a 61.8% jump in exports to Germany. Commodity shipments to the Pacific Rim climbed 3.8%, including an 85.5% rise in exports to Hong Kong, a 29.4% increase in exports to South Korea and a 5.3% bump in shipments to Mainland China.

Softwood lumber has been supplanted as BC's top export by both coal and natural gas

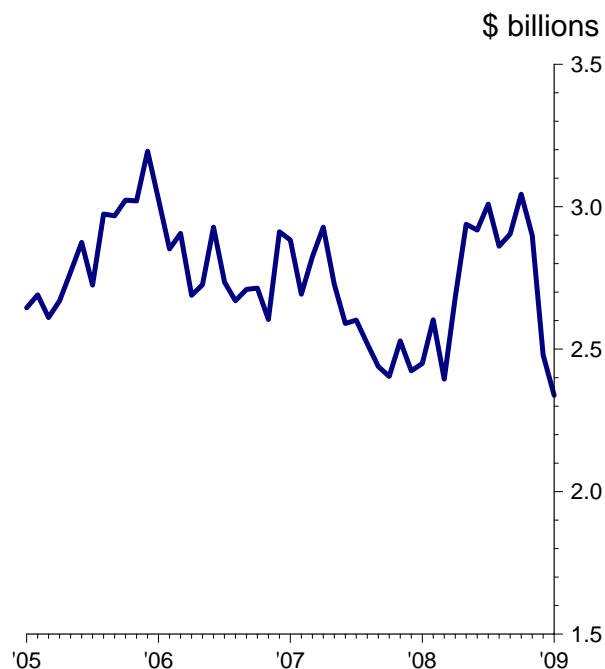


## SEASONALLY ADJUSTED EXPORTS

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.

- The value of BC exports fell for the third straight month in January (-5.8%). Forestry goods (-9.5%) and energy products (-8.7%) were the main contributors to the decline, although machinery and equipment exports (-5.0%) also experienced a significant drop.
- Exports to the United States actually climbed 1.7% and the overall decline was due to a 13.7% plunge in shipments elsewhere. The main reason for the turnaround in exports to the US was a 23.0% jump in shipments of energy products.

*Exports (adjusted for seasonality)  
continued to fall in January*



**BC Exports, Seasonally Adjusted (\$Millions)**

| Month    | Agriculture & Fish | Energy | Forest Products | Machinery & Equip, Auto | Industrial, Consumer | Total | Exports to USA |
|----------|--------------------|--------|-----------------|-------------------------|----------------------|-------|----------------|
| Jan 2007 | 206                | 522    | 1,128           | 371                     | 656                  | 2,883 | 1,763          |
| Feb      | 198                | 576    | 985             | 369                     | 565                  | 2,693 | 1,670          |
| Mar      | 209                | 540    | 1,087           | 382                     | 606                  | 2,824 | 1,732          |
| Apr      | 197                | 553    | 1,121           | 379                     | 678                  | 2,928 | 1,714          |
| May      | 188                | 559    | 1,015           | 340                     | 624                  | 2,727 | 1,634          |
| Jun      | 183                | 483    | 999             | 344                     | 581                  | 2,590 | 1,597          |
| Jul      | 168                | 516    | 963             | 348                     | 607                  | 2,602 | 1,587          |
| Aug      | 179                | 480    | 985             | 345                     | 529                  | 2,519 | 1,565          |
| Sep      | 196                | 468    | 817             | 360                     | 598                  | 2,439 | 1,494          |
| Oct      | 170                | 489    | 854             | 327                     | 563                  | 2,404 | 1,444          |
| Nov      | 165                | 518    | 873             | 339                     | 633                  | 2,529 | 1,451          |
| Dec      | 188                | 493    | 862             | 317                     | 564                  | 2,424 | 1,440          |
| Jan 2008 | 182                | 508    | 827             | 344                     | 588                  | 2,450 | 1,398          |
| Feb      | 195                | 583    | 867             | 326                     | 631                  | 2,603 | 1,515          |
| Mar      | 182                | 574    | 786             | 315                     | 538                  | 2,395 | 1,464          |
| Apr      | 190                | 749    | 819             | 317                     | 608                  | 2,682 | 1,513          |
| May      | 186                | 812    | 843             | 324                     | 773                  | 2,938 | 1,414          |
| Jun      | 188                | 914    | 793             | 323                     | 700                  | 2,918 | 1,515          |
| Jul      | 180                | 1,061  | 816             | 328                     | 625                  | 3,009 | 1,635          |
| Aug      | 197                | 826    | 740             | 344                     | 754                  | 2,861 | 1,400          |
| Sep      | 200                | 953    | 809             | 320                     | 623                  | 2,904 | 1,481          |
| Oct      | 219                | 973    | 832             | 357                     | 664                  | 3,044 | 1,539          |
| Nov      | 212                | 956    | 756             | 349                     | 626                  | 2,899 | 1,461          |
| Dec      | 207                | 771    | 705             | 328                     | 469                  | 2,480 | 1,278          |
| Jan 2009 | 209                | 704    | 639             | 311                     | 474                  | 2,338 | 1,300          |

## Twenty Years of Free Trade with the United States

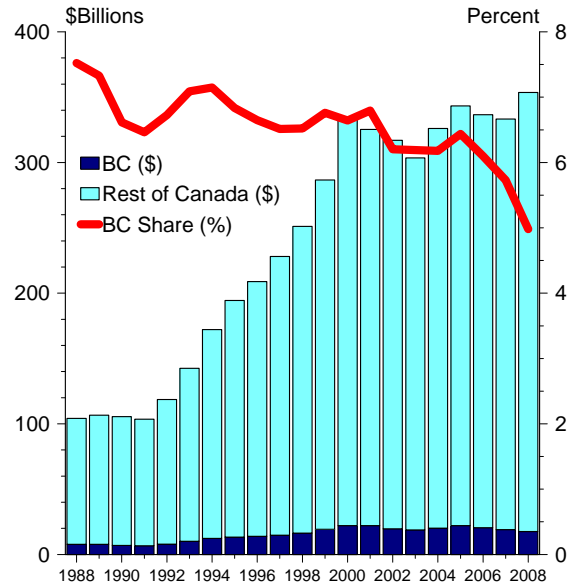
January 1, 2009 marked the twentieth anniversary of free trade between Canada and the United States. The signing of the Canada-United States Free Trade Agreement (CUSFTA) in 1988 marked the first time since 1866 that the two countries had a comprehensive free trade agreement in place. Between 1854 and 1866, the Reciprocity Treaty between pre-Confederation Canada and the United States dictated the terms of free trade between the two regions, but the United States backed out of the treaty because they felt that Canada was the only beneficiary of the deal.

The next foray into free trade for the two countries was in 1911, when the Liberal government negotiated a deal with the US, but before it could be ratified, the Liberals were defeated in the national election and the incoming Conservative government killed the deal. It wasn't until 1965 before another major trade agreement was in place: the Auto Pact, which eliminated tariffs on cars, trucks, buses, tires and automotive parts.

The more comprehensive CUSFTA entered into force on January 1, 1989 and while there was not an immediate impact on trade, as tariffs were phased out trade between the two countries rose dramatically. Not only did trade in goods experience a substantial increase, but so too did trade in services, as well as foreign direct investment, both by the US in Canada and Canada in the US.

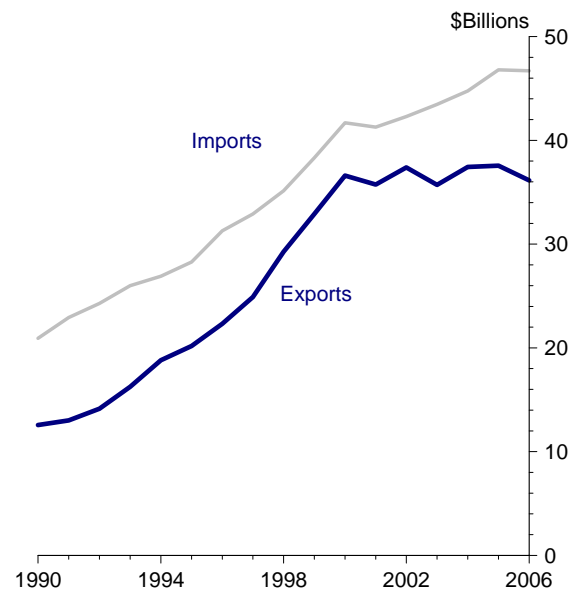
On the goods side, BC appears to have benefited less than some of the other provinces as the province's share of Canadian exports to the US has trended down slightly over the last couple

Since the Canada-US Free Trade Agreement was signed, BC's share of Canadian exports to the US has been trending down slightly



Source: Statistics Canada

Trade in services between Canada and the United States has significantly increased since the signing of the free trade agreement



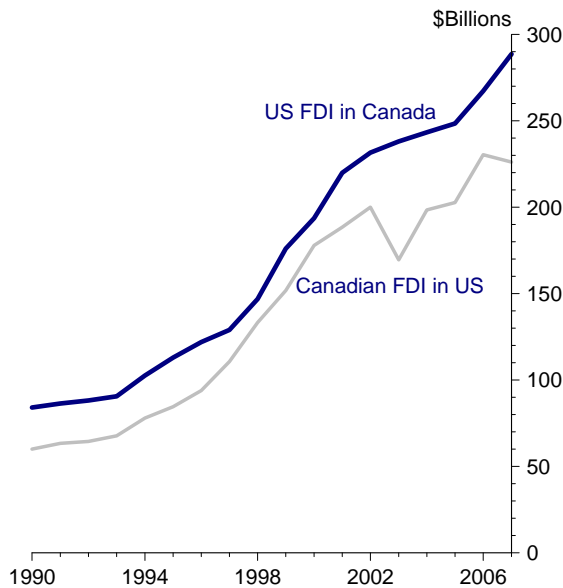
Source: Statistics Canada

of decades. British Columbia's commodity export market is more diversified than most other provinces, with a smaller percentage of the province's trade destined for the United States. Nevertheless, BC's exports to the US experienced strong growth in the wake of the free trade agreement.

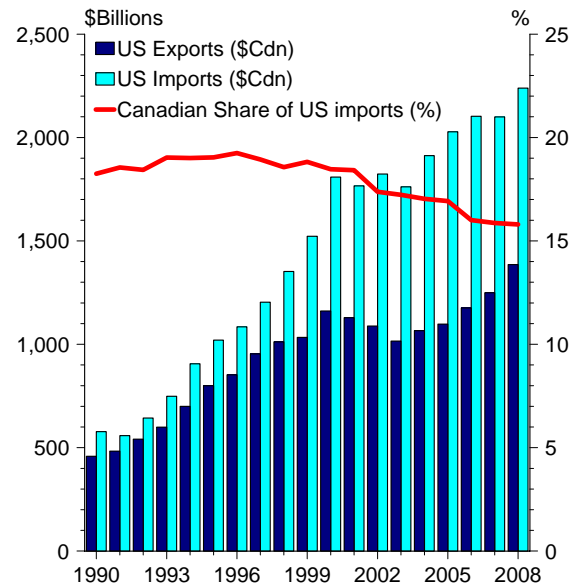
services from the US also increased. However, there was significant growth in imports from the rest of the world as well.

Canada's share of US imports did not increase significantly with the signing of CUSFTA, rather it has actually dropped over the last decade

Foreign Direct Investment between Canada and the United States has experienced a dramatic increase in the last two decades



Source: Statistics Canada



Source: Industry Canada

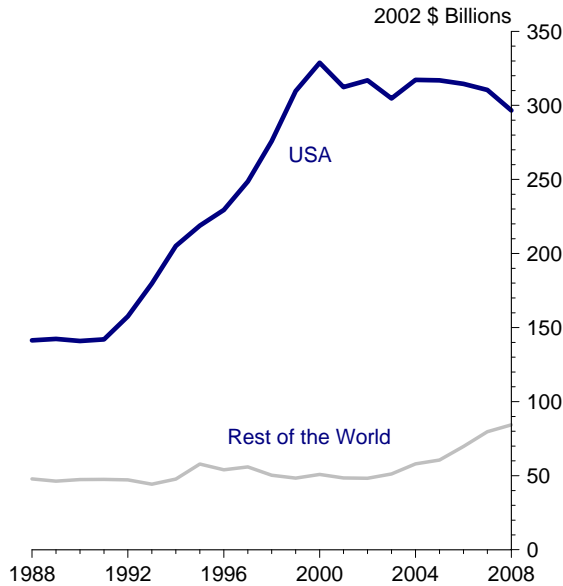
There is some debate over whether the increased trade that has occurred since the signing of CUSFTA is a result of the trade agreement, or whether it may have happened regardless. Critics point to the fact that Canada's share of US commodity imports did not experience a significant increase with the free trade agreement in place and has actually declined over the last decade. The low value of the Canadian dollar relative to its American counterpart through the 1990s may have been the primary driver of the growth in exports to the United States, rather than the trade agreement, although Canadian imports of goods and

One problem with attempting to evaluate the increase in trade flows since the signing of CUSFTA is that it is difficult, or perhaps even impossible, to isolate the changes that occurred due to the implementation of the free trade agreement and those that would have occurred even in the absence of such an agreement.

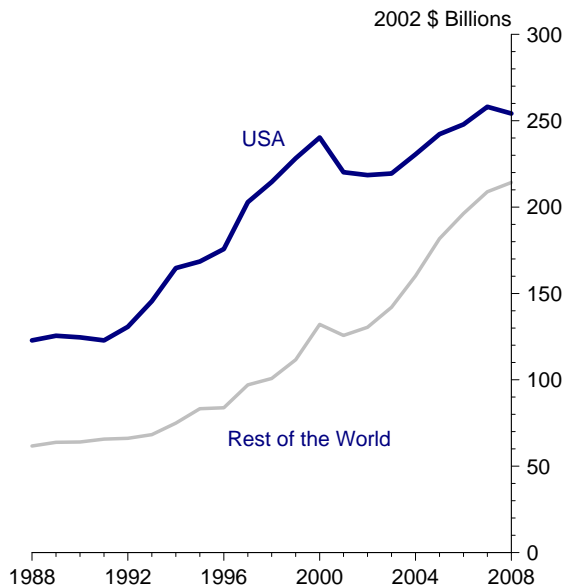
However, regardless of whether it was the free trade agreement or other forces, it is undeniable that trade between Canada and the United States has experienced a substantial increase over the last two decades. Even when adjusted for price inflation, the value of both Canadian commodity exports to the United States and imports from the US have more than doubled in the last 20 years. It is likely that the trade

agreement played at least some part in that expansion.

Canadian exports to the United States increased dramatically in the wake of the Canada-US Free Trade Agreement



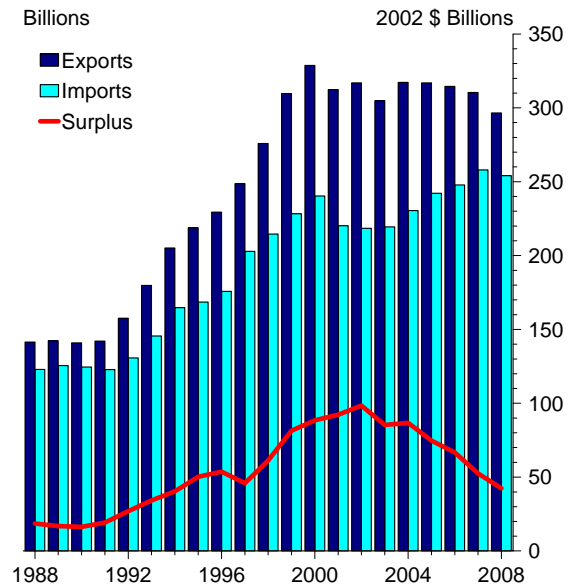
Canadian imports have also increased, both from the United States as well as the rest of the world



Source: BC Stats

Note: All constant dollar figures quoted in this report and shown in the charts are calculated using a simplistic method of taking an overall export (or import) price deflator and applying it to the customs-based trade data produced by Statistics Canada. A specific United States deflator was used to deflate exports and imports to and from the US and an all countries deflator was used to deflate the remainder of the export and import data. A more rigorous procedure would have been to take deflators for individual commodity groups and apply those to the data, but the complexity of such a methodology is beyond the scope of this report. Nevertheless, the constant dollar figures quoted here give a reasonable indication of the true growth in trade between the two countries.

Canada has maintained a trade surplus with the United States since the FTA was signed



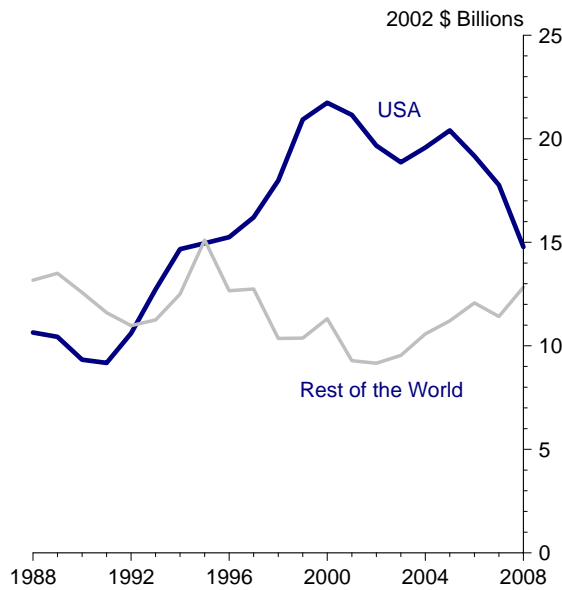
Source: BC Stats

While imports from the US increased in lock-step with imports from the rest of the world, Canadian commodity exports to the US grew at a much more rapid rate than exports to other

destinations. The swift rise in exports through the late-nineties and the early part of this decade resulted in an expanding trade surplus with the United States. While the gap has diminished in recent years, the commodity trade surplus is still more than double what it was 20 years ago.

British Columbia’s commodity trade with the United States also took off after CUSFTA entered into force, although, as mentioned earlier, BC’s share of Canada’s exports to the US has actually been declining over the last two decades.

British Columbia exports to the United States also increased after the trade deal was signed



Source: BC Stats

Nevertheless, the share of BC’s goods exports that is destined for the United States is significantly higher than it was before the trade agreement was in place. Only 44% of BC’s exports were shipped to the US in 1988, but that ratio grew to a peak of 69% in 2001 before falling back down to 53% last year. The rapid rise

in the Canadian dollar is likely the main reason for the decline and the ratio could rise again now that the value of the loonie has dropped back to below 80% of the American dollar.

Most other provinces also saw proportionately more of their exports shipped to the United States after CUSFTA came into force. The Prairie and Atlantic provinces in particular have become more dependent on trade with the US, although the biggest change by far was for Yukon, which shipped only about 4% of its goods to the US in 1988, but saw approximately 97% of its commodity exports destined for the US in 2008. In 1988, Yukon exports were dominated by lead and zinc shipments to various overseas destinations, whereas in 2008, copper exports to the United States constituted the bulk of Yukon’s commodity exports.

Share of Domestic Exports Destined for the US (%)

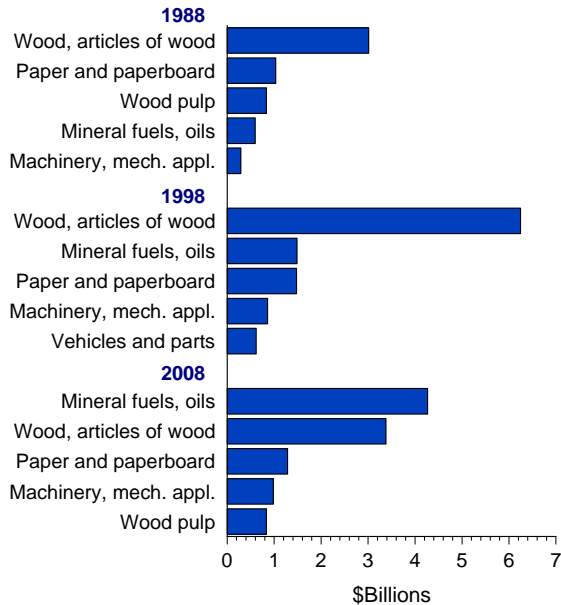
| Province | 1988 | 1998 | 2008 |
|----------|------|------|------|
| BC       | 44   | 63   | 53   |
| Alta     | 73   | 82   | 88   |
| Sask     | 37   | 54   | 64   |
| Man      | 61   | 75   | 69   |
| Ont      | 87   | 92   | 82   |
| Que      | 77   | 84   | 74   |
| NB       | 67   | 81   | 83   |
| NS       | 67   | 73   | 79   |
| PEI      | 64   | 80   | 75   |
| NL       | 64   | 65   | 72   |
| Yuk      | 4    | 98   | 97   |
| NWT*     | 2    | 3    | 1    |
| Canada   | 74   | 84   | 78   |

\* Includes Nunavut

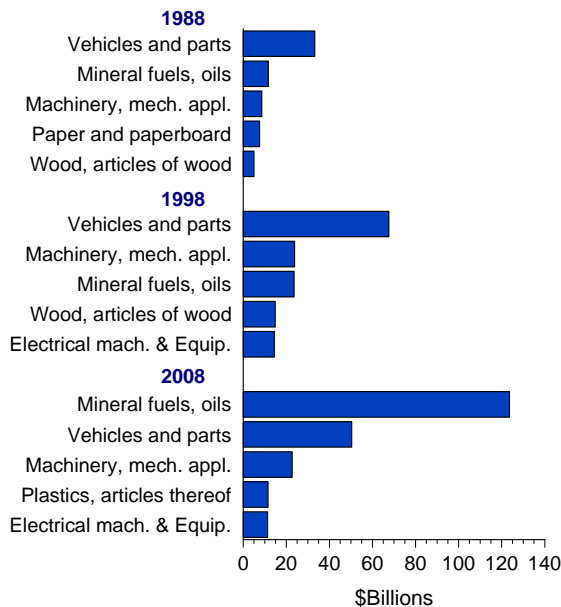
For British Columbia, there have only been marginal changes in the types of goods shipped to the US in the last twenty years. Mineral fuels and oils (including electricity) have become a much larger part of BC’s goods exports to the

US, but otherwise the commodity mix remains fairly similar.

The top 5 commodities exported from BC to the US have changed marginally over the last two decades...



...whereas for Canada as a whole, there have been far more significant changes to the commodity mix



Source: Statistics Canada

On the other hand, Canada's top exports to the United States have changed much more dramatically. Like BC, mineral fuels and oils have become more important, but unlike in BC, they dominate other goods exports, comprising over a third of overall shipments to the US in 2008. Crude petroleum and natural gas are the top goods in this category. Plastics and electrical machinery and equipment are a much larger component of Canadian exports to the US than they were 20 years ago.

While it is impossible to determine just how much of an impact CUSFTA has had on Canada-US trade, the data show that there have been substantial changes in the economies of both countries over the last twenty years. Levels of productivity have increased, two-way trade between the two countries has grown substantially and the types of goods produced and traded have also changed.

Bearing in mind the economic importance of the United States to Canada and vice versa, it is more critical than ever to ensure that free trade between the two nations is maintained. Given the global economic meltdown and the protectionist sentiment that such economic downturns tend to foster and considering the anti-NAFTA rhetoric that was a staple of the recent US elections, free trade could be threatened unless Canada remains vigilant at defending its interests.

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

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|---|---|
| <p><b>09-01</b> <i>Twenty Years of Free Trade with the United States</i><br/>(released March 2009)</p> <p><b>08-12</b> <i>Canada Seeks Trade Deal with the European Union</i><br/>(released February 2009)</p> <p><b>08-11</b> <i>Adversity Leads to Diversity</i><br/>(released January 2009)</p> <p><b>08-10</b> <i>Import Content of BC's Exports</i><br/>(released December 2008)</p> <p><b>08-09</b> <i>BC's Trade in High Technology Goods</i><br/>(released November 2008)</p> <p><b>08-08</b> <i>Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?</i> (released October 2008)</p> <p><b>08-07</b> <i>Charting BC's Exports</i><br/>(released September 2008)</p> <p><b>08-06</b> <i>Bad News for Newsprint Exports</i><br/>(released August 2008)</p> <p><b>08-05</b> <i>Asia Offers Potential as a Destination for BC Exports</i><br/>(released July 2008)</p> <p><b>08-04</b> <i>The Price is Right for Coal Producers in BC</i><br/>(released June 2008)</p> <p><b>08-03</b> <i>Border Line Threats to Trade</i><br/>(released May 2008)</p> <p><b>08-02</b> <i>Call of the Loonie: American Film and Television Productions Shun BC in 2007</i><br/>(released April 2008)</p> <p><b>08-01</b> <i>BC Commodity Exports: Year in Review 2007</i><br/>(released March 2008)</p> <p><b>07-12</b> <i>Canada and Peru Agree on Free Trade</i><br/>(released February 2008)</p> | <p><b>07-11</b> <i>Over 100 Years of Canadian Exports</i><br/>(released January 2008)</p> <p><b>07-10</b> <i>BC's Commodity Exports Are Still Largely Forest-Based</i><br/>(released December 2007)</p> <p><b>07-09</b> <i>Is Cross-Border Shopping Making a Comeback?</i><br/>(released November 2007)</p> <p><b>07-08</b> <i>Prince Rupert Container Port Open for Business</i><br/>(released October 2007)</p> <p><b>07-07</b> <i>Canada Weighs Anchor on Free Trade with EFTA</i><br/>(released September 2007)</p> <p><b>07-06</b> <i>BC's Trade with California</i><br/>(released August 2007)</p> <p><b>07-05</b> <i>Appreciating Dollar Not Appreciated by Exporters</i><br/>(released July 2007)</p> <p><b>07-04</b> <i>The Greening of BC's Exports</i><br/>(released June 2007)</p> <p><b>07-03</b> <i>BC's High Tech Trade</i><br/>(released May 2007)</p> <p><b>07-02</b> <i>Canada-USA Corn Row</i><br/>(released April 2007)</p> <p><b>07-01</b> <i>Is the Sun Rising on Trade With Japan?</i><br/>(released March 2007)</p> <p><b>06-12</b> <i>Year in Review: 2006</i><br/>(released February 2007)</p> <p><b>06-11</b> <i>Brazil-Canada Trade Getting Over Jet Lag</i><br/>(released January 2007)</p> <p><b>06-10</b> <i>Plan B: An APEC Free Trade Region?</i><br/>(released December 2006)</p> |
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## 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) as well as with the release of the January and February data.

### 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.