

## highlights

a weekly digest of recently released British Columbia statistics

### Labour Force

- **British Columbia employment (seasonally adjusted) edged up slightly in September by 1,300 jobs, or 0.1% from August.** There were 9,100 additional workers in the labour force—working or seeking work—an increase of 0.4% to the total. The participation rate, which has trended up for seven consecutive months, added 0.2 percentage points to reach 65.4%, a rate it has not bettered since April of 1999. The unemployment rate, having fallen for 3 consecutive months from its May high of 9.5%, rose to 8.1% in September from 7.8% in August.

Total employment growth in September was split pretty much evenly between full-time (+600) and part-time (+700) jobs. Men gained 4,400 additional jobs as women lost 3,100. But for men this resulted from growth in part-time (+7,200) work as full-time jobs were squeezed (-2,800). Job losses for women came as fewer part-time (-6,500) jobs overshadowed gains of 3,400 full-time positions.

*Source: Statistics Canada*

- **BC seasonally adjusted unemployment rose (+4.6%), cancelling the improvement of last month by adding 7,800 persons.** Joblessness grew for both men (+1,900) and women (+8,700) aged 25 and over but spared younger men (-100) and women (-2,800).

*Source: Statistics Canada*

- **Goods producing industries (+0.1%), led by Agriculture (+6.1%), all showed job growth, with the exception of Construction (-1.1%).** Overall service industry growth (-0.1%) was relatively flat as strong gains in transportation and warehousing (+6.7%), professional, technical and scientific services (+4.2%), and public administration (+3.6%), were swamped by declining employment in the larger workforces in other services (-5.6%)

and health and social services (-0.9%).

*Source: Statistics Canada*

- **Private sector employment (-0.1%) and self-employment (-0.2%) declines were more than offset with public sector employment growth (+1.1%) in the last month.** However, year-to-date, self-employment (+3.8%) is the only cylinder firing job growth as private (-0.0%) and public (-0.5%) sector employment creation has been flat.

*Source: Statistics Canada*

### The Economy

- **There were 797 consumer bankruptcies registered in the province in August, down (-3.6%) from 827 in the same month last year.** Consumer bankruptcies declined in most parts of the country, falling 5.2% (to 6,358) at the national level. Alberta (+10.0%), Newfoundland (+8.7%) and New Brunswick (+6.8%) were the only provinces where there were more consumers in financial trouble this August than in the same month last year.

The number of business bankruptcies registered in the province totalled 88 in August, down marginally from 87 in August 2001. Most (70) of the bankruptcies were in service industries, primarily personal, amusement and recreation and miscellaneous other services (36). Nine retail operations, and seven business service establishments, also filed bankruptcy papers in August. On the goods-producing side construction (10) and manufacturing (6) were the industries with the largest numbers of bankruptcies in August. The total liabilities of insolvent firms in BC were \$25.7 million in August.

*Source: Industry Canada*

- **The value of building permits issued by BC municipalities fell 4.6% (seasonally adjusted) between July and August, as builders held back on planned non-residential construction projects.** Overall, permits for non-residential building were down 27.6%. Plans for new industrial

### **Did you know...**

**In 1941 there were 3,200 independent telephone networks in Canada.  
By 1985, this had dwindled to less than 100.**

(-54.0%), commercial (-19.8%) and institutional/government (-16.6%) buildings were all down substantially from July levels. However, residential permits rose 8.8%. In Vancouver, the value of permits dropped 3.5% between July and August. In the Victoria area the drop was 7.1%.

Permits were down in virtually every region of the country, falling 2.1% at the national level despite continued strength in the residential sector (+3.7%). Quebec (+4.0%), Ontario (+6.2%), PEI (+28.6%) and two of three territories were the only regions where permits were up in August.

*Source: Statistics Canada*

- **Year-to-date, the value of building permits (unadjusted) was up 6.7% over the first 8 months of 2001.** The increase in permits was primarily due to building intentions in the Mainland/Southwest (+9.5%) and Vancouver Island (+22.5%) regions. With the exception of Nechako (+27.0%), permits were down in all other parts of the province, largely because the value of planned non-residential projects declined (-25.9%). On a regional basis, North Coast (+2.8%) and Nechako (+54.2%) were the only parts of the province to see an increase in the non-residential sector. However, most parts of the province are experiencing a boom in planned residential construction. The value of residential permits issued in the province advanced 32.6% during the first eight months of this year, with all regions except North Coast (-30.9%), Nechako (-18.0%) and Northeast (-13.7%) posting an increase in planned residential construction.

*Source: Statistics Canada & BC STATS*

### **Housing**

- **The cost of new housing in BC's two largest cities continued to climb in August, rising 2.1% (year-over-year) in Vancouver, and 4.7% in the Victoria area.** New housing prices in the province have been increasing since early last year, after spending the latter half of the 1990s in the doldrums. The Canadian housing index also increased, rising 4.2% during the twelve-month period ending in August. New house prices were up in every region of the country. Residents of Ottawa-Gatineau (+8.3%) and Edmonton (+7.9%) saw the biggest increase in the cost of new housing during the last year.
- **Housing starts in the province continued to be volatile in September, dropping 38.5% (seasonally adjusted) after posting a gain of almost-**

*Source: Statistics Canada*

**equal magnitude (+40.7%) in August.** The latest decline brought the level of starts down to their lowest value since the spring. Starts were down in most parts of the country, falling 6.6% at the national level. Ontario (-5.8%) Alberta (-2.9%) Quebec (-2.8%), and parts of Atlantic Canada also experienced slowdowns in new housing construction in September. However, Saskatchewan (+69.0%), Manitoba (+60.0%), Newfoundland (+23.5%) and New Brunswick (+21.4%) all posted substantial gains.

*Source: CMHC*

- **Despite the downturn in September, housing starts in BC made solid gains in the third quarter, rising 18.4% (seasonally adjusted).** The third quarter increase was among the strongest in the country, second only to Saskatchewan, where starts were up 45.2%. Manitoba (+16.5%) and Quebec (+14.5%) were the only other provinces to post double-digit gains. Nationally, the number of starts rose 4.8% between the second and third quarters.

*Source: CMHC*

### **Youth Custody**

- **The number of BC youth sentenced to secure and open custody fell 11% (to 1,209) in 2000/01.** The sentenced custody rate (number in custody per 10,000 youth) dropped from 42 to 38 during the same period. BC and Quebec, where the rate was also 38, had the lowest custody rates in the country. The national average for the jurisdictions reporting youth custody statistics was 60. The probation rate for BC youth (105) was also below the national average (149).

The incarceration rate (number of youth in custody on an average day in relation to the number in the population) in BC was the lowest in the country, at 9 young offenders for every 10,000 youth. Saskatchewan (36) had the highest youth incarceration rate in the country

Property offences accounted for 39% of sentenced admissions to secure and open custody in Canada during 2000/01. Twenty-seven percent were for violent offences, 14% for offences under the Young Offenders Act and 15% for other criminal code offences such as mischief, failure to appear, and disorderly conduct. Three percent of sentenced admissions were for drug-related offences.

*Source: SC, Catalogue 85-002, Vol 22, No 8*

**highlights, Issue 02-41  
October 11, 2002**

## **Free Trade for the Western Hemisphere?**

### **FTAA Pros and Cons**

The proposal to create a Free Trade Area of the Americas (FTAA) has lost some momentum over the last year, but it appears that the United States, under the direction of President Bush, is eager to advance negotiations to the next step. The FTAA would encompass 34 countries,<sup>1</sup> including Canada, and would basically cover the entire Western Hemisphere (excluding Cuba). This agreement is an enormous undertaking that has both strong support and vehement opposition.

*The FTAA would cover virtually the entire Western Hemisphere*

Supporters of the agreement are generally of the opinion that free trade is always preferable to forms of protectionism. They argue that free trade offers lower prices and greater choice for consumers, and new markets, technology and lower-cost inputs for producers. In addition to these benefits, free trade promoters suggest it creates employment, helps poorer countries develop and promotes democracy.

Some detractors of the agreement discount these claims, arguing that free trade arrangements like the North American Free Trade Agreement (NAFTA) have resulted in less employment and have done nothing to help countries like Mexico further develop. These kinds of arguments are often the result of misinformation and fear of changing the status quo. While it may be true that some people were displaced from their jobs by NAFTA, on the whole employment did increase and Mexico's GDP has been experiencing strong growth over the last several years.

Perhaps the most significant concern is how these free trade agreements will affect a country's culture, its social services, and environment. Many opponents of the FTAA point to the provisions in Chapter 11 of NAFTA that protect investors against legislation that limits their profits, allowing them to sue the government that invokes these new regulations, suggesting that these provisions limit the ability of governments to set environmental standards. This may be a legitimate concern, as the Chapter 11 provisions have had some unforeseen consequences. This section of NAFTA was originally intended to protect investors from expropriation of private property; however, it has been used for completely different reasons. All three member

*The Chapter 11 provisions of NAFTA protecting investors against new regulations that limit their profits is one of the primary concerns of FTAA opponents*

---

<sup>1</sup> The countries that would be covered by the FTAA are: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Columbia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, United States, Uruguay, and Venezuela.

countries have been involved in lawsuits that put into question the desirability of these kinds of provisions. Examples include a California-based company's successful challenge of a Mexican municipality's refusal to grant a construction permit to build a toxic waste facility. Canada's ban of the gasoline additive MMT because of its toxicity was overturned due to a Chapter 11 complaint. In the US, a Canadian funeral chain is attempting to reverse a Mississippi jury's ruling of breach of contract. The company argues that rules requiring it to post a bond when filing an appeal, which are designed to prevent the company from liquidating its assets if an appeal was unsuccessful, amount to expropriation.

These cases are certainly causes for concern and point to the need for careful consideration of what is to be included in any agreement; however, this does not mean that the FTAA should be dismissed outright. Some detractors point to the draft of the agreement that was made public<sup>2</sup> as proof that their concerns are legitimate, since similar provisions to those in Chapter 11 are included. However, virtually the entire document is enclosed in square brackets indicating that no consensus has been reached on any of these issues. This means that the public can express their concerns to the negotiators and make it clear that these types of provisions should not be included, or, at least, should be clarified such that they cannot be used for unintended purposes as they have in the NAFTA.

### **Will Protectionism Derail the FTAA?**

In economic theory at least, free trade is always a good thing, which is why there has been a rush in recent years to create new economic unions around the globe. Whether we like it or not, the world is becoming smaller every day as technology brings nations closer and creates a more global economy. The FTAA would create the largest economic union on the planet affecting approximately 650 million people, but that distinction would likely be short-lived. China and ten Southeast Asian nations recently agreed to create a free trade zone within ten years that would cover nearly 30 percent of the world's population.

Canada has been actively pursuing free trade agreements and in addition to NAFTA has bilateral agreements with Chile, Costa Rica and Israel. Just last month, Canada began talks on a proposed free trade agreement with the Andean countries of Bolivia, Columbia, Ecuador, Peru and Venezuela. This indicates recognition on the part of the federal government that Canada cannot afford to be left out of the free trade loop. If Canada stood by while other countries formed agreements it would have a seriously detrimental effect on Canada's trade.

*In addition to NAFTA, Canada has free trade agreements with Chile, Costa Rica and Israel and is pursuing other agreements*

---

<sup>2</sup> This draft document is available online at:  
[http://www.ftaa-alca.org/ftaadraft/eng/draft\\_e.asp](http://www.ftaa-alca.org/ftaadraft/eng/draft_e.asp)

The Americans have also come to this realisation, which is why President Bush has been pushing for Fast Track legislation to give him the power to more easily negotiate free trade agreements. Basically, this legislation, renamed Trade Promotion Authority (TPA), will limit the Congress and Senate's input to a simple "yes" or "no" vote on the trade agreement. President Bush feels this agreement is crucial if there are any hopes of ever achieving the FTAA.

*President Bush is hoping that Trade Promotion Authority will hasten the negotiations for the FTAA*

This legislation did not come without a price, however. Critics suggest that in order to secure the TPA, the President had to offer some political payoffs, some of which were, ironically, of a protectionist nature.

The example of this most familiar to Canadians is the imposition of duties on Canadian softwood lumber. The US imposed duties averaging 27.2% on imports of Canadian softwood lumber in May. Since then, the World Trade Organisation (WTO) has made two rulings in Canada's favour. In one ruling the WTO found that Canadian provincial stumpage programs are not equivalent to subsidies and that American preliminary duties on Canadian softwood imports were in violation of international trade rules. In another ruling, the WTO found that the so-called "Byrd amendment," which directed the receipts of anti-dumping tariffs to go to the companies allegedly affected by the dumping, to be inconsistent with international trade rules. Despite these rulings, the Americans are persisting with the tariffs.

Another trade action that sparked outrage in Europe and Japan, in particular, was the American imposition of tariffs on steel. This action may have backfired on the US, to some extent, as domestic manufacturers are suffering. The high tariffs have led to a significant drop in imports and combined with earlier closures of steel mills in the US, this has tightened supply considerably. As a result, prices have shot up and users of steel are facing higher input costs and potential layoffs, as well as losing market share to foreign competitors.

*Despite its stated commitment to free trade, the United States has recently embraced several measures of protectionism*

One action that has the potential for worldwide repercussions is the farm bill legislation enacted by the US. The legislation guarantees American farmers a minimum price for certain crops. This means that the farmer can sell the crops at whatever price the market will yield, then the government will kick in the difference. The consequence of this bill will likely be increased production by US farmers, thereby flooding the market with cheap grain and further reducing prices. This could seriously affect the Canadian agricultural industry, as well as that of other countries around the world.<sup>3</sup>

---

<sup>3</sup> It should be noted that Canada is not entirely innocent with regard to agricultural subsidies. The WTO recently deemed Canadian dairy subsidies to be inconsistent with WTO rules and the US is threatening to bring a challenge before the WTO alleging unfair trading practises by the Canadian Wheat Board.

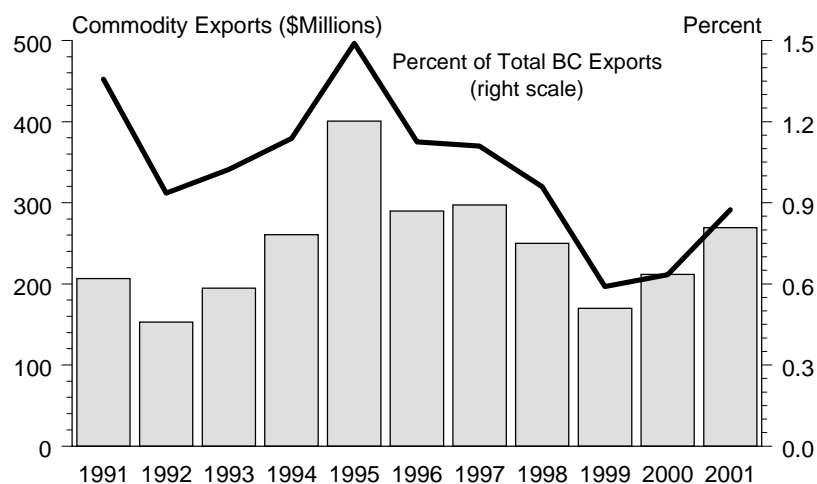
Although these measures may have ultimately helped get the TPA passed, they may have harmed the United States' credibility with regard to free trade negotiations and could seriously hamper efforts to negotiate the FTAA. For this reason, it may be wise for Canada to pursue agreements on its own as it is doing with the Andean community.

**What would the FTAA mean for British Columbia?**

When NAFTA was signed British Columbia's trade patterns were forever altered. It is doubtful that the FTAA will have as profound an impact as did NAFTA, but it will definitely offer new opportunities for BC investors and exporters, as well as consumers. On the other hand, BC companies may face increased competition from other members of the FTAA.

Over the last decade, the share of BC origin exports shipped to countries involved in the FTAA negotiations (excluding Mexico and the United States) has ranged from about 0.7% to 1.7%. In 2001, just under \$350 million worth of goods were shipped to these countries. By comparison, the United States was the destination for \$21.4 billion worth of goods; almost 50 times the amount shipped to all other FTAA destinations, including Mexico, combined.

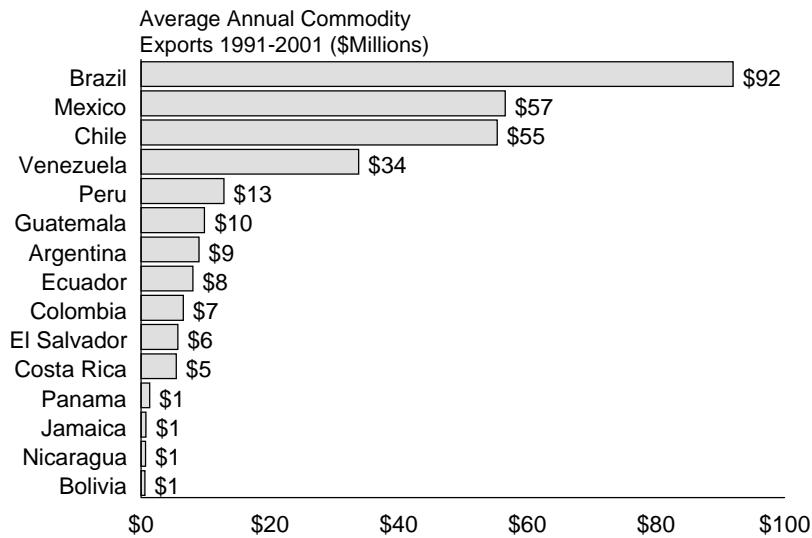
**The non-NAFTA FTAA countries have been a relatively insignificant destination for BC origin exports**



*To date, the FTAA countries outside of NAFTA have been a relatively insignificant destination for BC goods*

The United States is by far the most significant destination for BC origin exports with almost 70% of all product exports from BC shipped to the US in 2001. The next most significant destination for BC goods within the FTAA group of countries is Brazil, followed by Mexico and Chile, with which Canada already has free trade agreements.

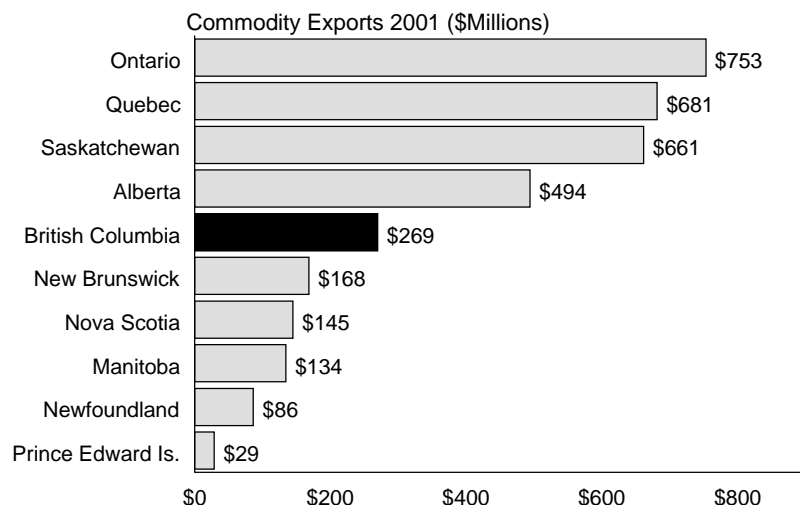
Excluding the United States, Brazil is currently the most significant FTAA destination for BC origin exports



*After the United States, Brazil leads the way as the most significant destination among FTAA nations for BC origin exports*

British Columbia's top commodity exports to the non-NAFTA FTAA countries tend to be resource-based goods. Pulp and paper products and coal were the top exports to these destinations in 2001. BC shipped \$89.5 million worth of pulp and paper and \$80.6 million of coal to countries within the FTAA (excluding Mexico and US), that combined to make up 63% of the value of all goods exported to these countries in 2001.

British Columbia is ranked fifth in exports to potential FTAA member countries (excluding Mexico and the United States)



*BC is in the middle of the pack with respect to provincial ranking of exports to non-NAFTA FTAA countries*

British Columbia was ranked fifth among the provinces in shipments to FTAA countries outside the NAFTA agreement in 2001. Ontario led the way, exporting mainly machinery, equipment and vehicles. Quebec's substantial paper exports helped give it a second place ranking. Saskatchewan and Alberta were the other two provinces ranked


ahead of BC. Wheat was the most significant commodity shipped from these provinces, although fertiliser (potash) was also very significant for Saskatchewan.

The figures quoted above for BC may not be very impressive and this raises the question of whether or not the FTAA would have much of an effect on the province. Some might argue that it could hurt BC because it will open the door to other nations to compete on equal footing with BC in the United States. This is unlikely because, for the most part, resource-based goods already have low US tariffs on them, such that BC companies have been competing in a global arena with regard to these products for some time. Also, for secondary manufactured goods, BC companies have already had to adjust to competing head to head with established American competitors and low-wage Mexican producers since the signing of NAFTA. They should be well prepared to face the challenge of duty-free competition from South and Central American manufacturers.

While the FTAA may not suddenly cause a shift in BC commodity exports to South and Central American destinations, it could have some important benefits for BC companies. One of the most important advantages of a free trade deal with these countries is a new consistency to the rules governing trade. This will reduce the risk of doing business within these countries and will also make them more palatable destinations for Canadian investors. The agreement with Chile is a good illustration of how free trade can make foreign direct investment more attractive. Canada's direct investments in Chile have increased dramatically since the signing of the free trade agreement and with this investment, exports of services have also risen.

*The FTAA may not have a dramatic effect on BC exports, but it could have some important benefits*

The FTAA will likely not result in dramatic changes to BC trade such as were experienced with NAFTA, but if Canada remains on the outside of a deal while others join in free trade, Canadian companies will be at a significant disadvantage.

 **fax** transmission information service from **BC STATS**

 **Email** transmission information service from **BC STATS**

 also on the **Internet** at [www.bcstats.gov.bc.ca](http://www.bcstats.gov.bc.ca)

## BC at a glance . . .

<b>POPULATION (thousands)</b>		% change on one year ago
	Jul 1/02	
BC	4,141.3	1.0
Canada	31,414.0	1.0
<b>GDP and INCOME</b>		% change on one year ago
<i>(BC - at market prices)</i>	2001	
Gross Domestic Product (GDP) (\$ millions)	130,396	2.2
GDP (\$ 1997 millions)	125,534	0.9
GDP (\$ 1997 per Capita)	30,648	-0.1
Personal Disposable Income (\$ 1997 per Capita)	19,177	0.8
<b>TRADE (\$ millions)</b>		
Manufacturing Shipments (seas. adj.) Jul	2,858	0.3
Merchandise Exports (raw) Jul	2,440	-4.8
Retail Sales (seasonally adjusted) Jul	3,345	5.2
<b>CONSUMER PRICE INDEX</b>		% change on one year ago
<i>(all items - 1992=100)</i>	Aug '02	
BC	118.7	2.2
Canada	120.1	2.6
<b>LABOUR FORCE (thousands)</b>		% change on one year ago
<i>(seasonally adjusted)</i>	Sep '02	
Labour Force - BC	2,180	4.1
Employed - BC	2,003	3.8
Unemployed - BC	178	8.0
	Sep '01	
Unemployment Rate - BC (percent)	8.1	7.8
Unemployment Rate - Canada (percent)	7.7	7.2
<b>INTEREST RATES (percent)</b>	Oct 9/02	Oct 10/01
Prime Business Rate	4.50	5.25
Conventional Mortgages - 1 year	5.30	5.15
- 5 year	6.70	7.05
<b>US/CANADA EXCHANGE RATE</b>	Oct 9/02	Oct 10/01
<i>(avg. noon spot rate) Cdn \$</i>	1.5931	1.5679
<i>US \$ (reciprocal of the closing rate)</i>	0.6258	0.6378
<b>AVERAGE WEEKLY WAGE RATE</b>		% change on one year ago
<i>(industrial aggregate - dollars)</i>	Sep '02	
BC	668.84	3.6
Canada	654.18	2.3

### SOURCES:

Population, Gross Domestic Product, Trade, } Statistics  
 Prices, Labour Force, Wage Rate } Canada  
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics  
 For latest Weekly Financial Statistics see [www.bankofcanada.ca](http://www.bankofcanada.ca)

### New on our site

***The Profile of the High Technology Sector – 2002*** is part of an ongoing project to monitor the growth and evolution of the high technology sector in British Columbia. This publication evaluates the economic contribution of the sector, covering the GDP, revenue, employment, wages, exports, etc. generated by firms in selected high technology industries. The latest edition contains information up to the end of 2001, and is based on the new "NAICS" system of industrial classification.

***Input Indicators of the British Columbia High Technology Sector – 2002*** (delayed: coming next week) is the third annual report prepared by BC STATS in conjunction with the Science, Technology and Telecommunications Division to assess conditions that affect the growth of the high technology sector in British Columbia. This report tracks thirty-two business and economic climate indicators for the province, and provides comparisons to other provinces for twenty-eight of them. The indicators cover key aspects of the educational, business, government, external, and labour sectors from the point of view of their impact on high technology firms. The indicators, which might be termed "input" measures, are chosen for their relevance and general acceptance, as well as their availability on an ongoing basis. This is the ideal companion volume to the Profile of the High Technology Sector, providing the background behind the latest economic developments in high technology in the Province.

### Released this week by BC STATS

- No subscription releases

### Next week

- Labour Force Statistics, September 2002
- Immigration Highlights, Second Quarter, 2002
- Earnings & Employment Trends, August 2002