

Information Bulletin

NUMBER 80 • SEPTEMBER 2004

ALBERTA'S AND WESTERN CANADA'S EXPORTS: 15 YEARS OF FREE TRADE AGREEMENTS

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The Western Centre for Economic Research gratefully acknowledges the support of Alberta International and Intergovernmental Relations.



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with support from: The George M. Cormie Endowment

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EXECUTIVE SUMMARY

- The report summarizes the export performance of Western Canada and Alberta for the 15 years of free trade with the US and 10 years with Mexico, under the Canada-US Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA).
- Western Canada's export value rose by 167% from 1988 to 2003. Alberta's exports rose by 332%.
- NAFTA countries have been strong markets for Western Canada. In 2003, NAFTA-partners accounted for 80.5% of Western Canada's export markets, vs. 52% in 1988.
- All four Western provinces have increased their reliance on NAFTA countries as markets for their exports. Alberta was the most NAFTA-reliant Western province, with 90.4% of its exports destined for the US and Mexico. Saskatchewan was the least NAFTA-reliant of the four provinces (65.2%), closely followed by British Columbia (66.6%).
- The US was the destination of 99% of Western Canada's NAFTA-exports, and Mexico accounted for the remaining 1% in 2003. The possibility, indeed probability, exists that some exports to Mexico are captured by the trade statistics as exports to the US.
- Other than energy, Alberta's top exports to NAFTA countries were plastic, wood, electrical machinery and meat. Exports of these products tripled or quadrupled since NAFTA's inception.
- The export value of live animals to NAFTA-partners decreased from \$1.8 billion to \$0.8 billion between 2002 and 2003. This decline reflects the BSE-related border closure.
- During 2003, Alberta's exports of mineral fuel and oil increased by nearly \$10 billion over 2002.
- Value added manufacturing exports from Alberta, especially machinery and electrical machinery (HS-chapters 84 and 85), have become much more prominent since 1993. The share of this product group in exports rose from 3.8% to 5.9%.
- In 2003, the US was the destination of 65% of Alberta's coal exports.
- Since the inception of NAFTA the value of Alberta's top 20 manufactured exports to the US and Mexico has increased by 444%.
- Since the inception of the Canada-US-Free Trade Agreement in 1989, Western Canada's exporters have increased their reliance on the US market from 51.9% to 78.7%
- Alberta's exporters have increased their reliance on the US market from 69.2% in 1988 to 89.7% in 2003.
- Export values to free trade partners Chile, Costa Rica and Israel totaled \$165 million in 2003. They represented less than 0.2% of total Western Canadian exports. Due to their low value they are subject to sizeable year-to-year percentage changes. No clear trend is discernible in the changes between 2002 and 2003.

INTRODUCTION

This report examines the export performance of Western Canada and Alberta since the signing of the Canada-US Free Trade Agreement (FTA) in 1988, and the North American Free Trade Agreement (NAFTA) in 1993.

The increasingly dominant role of the US in the trade of all the Western provinces is shown in the first section of this report. It also highlights the importance of Alberta's exports, particularly of energy, for the international trade of the region: in 2003 Alberta accounted for 60.5% of all exports from the region to the NAFTA-partners. In other sections the report focuses on the historical development of major NAFTA exports of each of the four provinces that make up the region.

More recently free trade agreements have also been concluded with Chile, Costa Rica and Israel, and in its final section this report highlights the development of exports to these countries. The basis for the reported findings is the Harmonized System (HS) Code, which classifies products into 99 chapters, each chapter differentiated at the two- or more digit level, depending on the desired degree of detail. In this report we report mostly at the two-digit level, except for Alberta for which the top 20 manufactured and commodity-based export products to NAFTA are shown at the four-digit level of detail.

All export data are reported in Canadian dollars and pertain only to merchandise trade. Services are not included, and the nature of the data at this level of aggregation is such that the value of the goods exported cannot be broken down into quantity and price effects. As a result, it is difficult to separate out the effects on export value of energy price increases on the one hand, and changes in the volume of energy exports on the other.

As well, many Western Canadian exports are raw materials and processed agricultural products, the prices of which are internationally quoted in US dollars. Therefore the value of the Canadian dollar has an impact on the export receipts reported here. Since the Canadian dollar appreciated in the course of 2003, the effect was to decrease export values in Canadian dollar terms for that year.

As a result, export values, especially of energy products and forestry products, were subject to upward pressures from price effects and downward pressures from the exchange rate change during 2003.

1. WESTERN CANADA'S AGGREGATE EXPORT VALUES, 1988 TO 2003

1.1. DOLLAR VALUE OF MERCHANDISE EXPORTS

Western Canada has participated in "globalization": its exports have become a more significant part of total Canadian economic activity. In no small measure this reflects the integration into the North American economic space that resulted from the free trade agreements. In 2003 Western Canada's exports represented 33.8% more of total Canadian GDP than 15 years earlier.

Exports have therefore grown faster than GDP. And the growth in Western Canadian exports has not been evenly distributed over the four provinces that comprise the region. Over the 15 years considered, Alberta's exports increased by 332% and Manitoba's by 188%. By contrast, the increases for Saskatchewan and British Columbia were less spectacular, 82% and 67%, respectively. Difficulties in the forest industry in B.C. and the surge in energy prices and energy activity in Alberta explain at least part of this differential development. The result is that Alberta has become the leader in export value, accounting for more than 50% of the exports of the region.

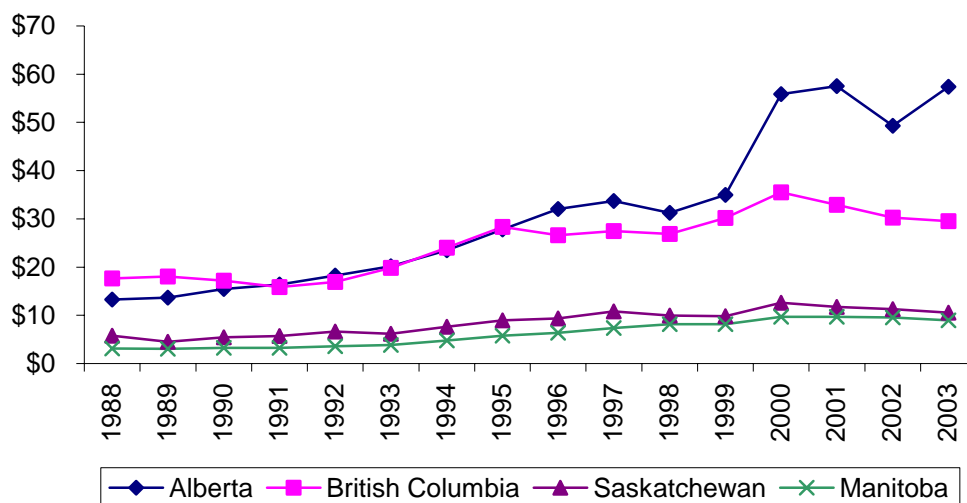
Regarding the most recent year, the aggregate value of merchandise exports from Western Canada in 2003 was \$106 billion, an increase of 6.0% from \$100 billion in 2002. The total value of merchandise exports from the Western provinces and the aggregate exports from Western Canada are summarized in Table 1.1.

The increase in Western Canadian exports from 2002 to 2003 results entirely from an increase in export values in Alberta. The international shipments of British Columbia, Saskatchewan and Manitoba decreased by 2.1%, 7.5% and 6.7%, respectively. Alberta accounted for 53.9% of Western Canada's exports in 2003.

Table 1.1. Western Canada: Value of Exports by Province, 1988-2003 (\$billion)

	Alberta	British Columbia	Saskatchewan	Manitoba	Western Canada
1988	\$13.28	\$17.67	\$5.78	\$3.11	\$39.84
1989	\$13.65	\$18.04	\$4.51	\$3.03	\$39.23
1990	\$15.48	\$17.16	\$5.45	\$3.24	\$41.34
1991	\$16.42	\$15.86	\$5.73	\$3.24	\$41.25
1992	\$18.24	\$16.93	\$6.63	\$3.59	\$45.38
1993	\$20.17	\$19.82	\$6.15	\$3.86	\$50.01
1994	\$23.51	\$24.04	\$7.64	\$4.76	\$59.95
1995	\$27.78	\$28.30	\$8.97	\$5.75	\$70.80
1996	\$32.08	\$26.60	\$9.35	\$6.34	\$74.37
1997	\$33.69	\$27.45	\$10.83	\$7.38	\$79.34
1998	\$31.22	\$26.89	\$9.95	\$8.14	\$76.19
1999	\$34.97	\$30.16	\$9.80	\$8.13	\$83.05
2000	\$55.88	\$35.48	\$12.60	\$9.70	\$113.67
2001	\$57.54	\$32.92	\$11.73	\$9.69	\$111.88
2002	\$49.31	\$30.26	\$11.28	\$9.57	\$100.43
2003	\$57.38	\$29.54	\$10.53	\$8.97	\$106.43
2003 NAFTA	90.4%	66.5%	80.4%	65.3%	80.5%
2003 ROW	9.6%	33.5%	19.6%	34.7%	19.5%

Figure 1.1. Western Canada: Value of Merchandise Exports in 1988-2003 (\$ billion)



1.2. Exports to NAFTA-Partners

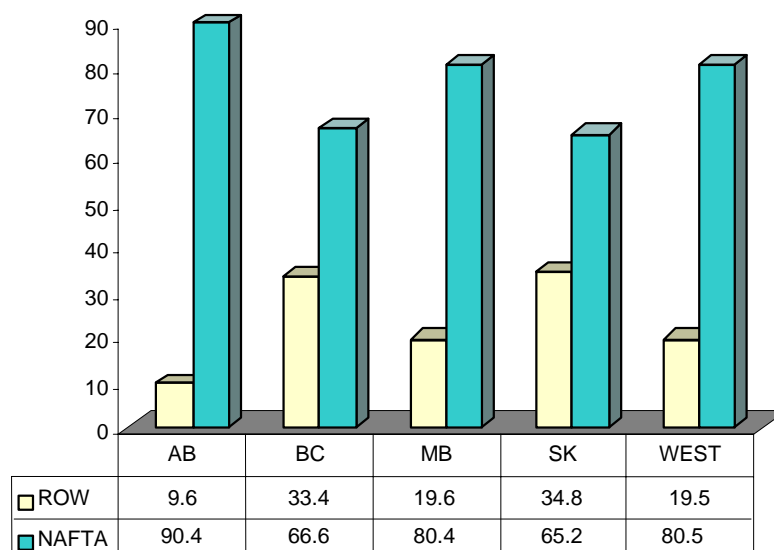
The integration of Western Canada into the North America economy is reflected in the extent to which exports from the four Western provinces are increasingly destined to our NAFTA-partners. The US and Mexico were the destination of 90.4% of Alberta's exports in 2003, and 80.5% of the total merchandise exports of the region. This contrasts to, respectively, 70% and 52.4% in 1988.

This increase in the relative importance of the North American market is consistent and shared by all Western provinces, as is evident from Table 1.2, though Alberta and Manitoba are more dependent on North American markets than B.C. and Saskatchewan.

Table 1.2. The Role of NAFTA in Western Canada's Exports (% of Exports to NAFTA-partners)

	Alberta	British Columbia	Saskatchewan	Manitoba	Western Canada
1988	70.0%	43.4%	35.1%	61.1%	52.4%
1993	81.7%	54.3%	57.2%	71.0%	67.0%
1998	82.4%	63.7%	57.2%	77.0%	72.0%
2003	90.4%	66.6%	65.2%	80.4%	80.5%

Figure 1.2. Western Canada: Share of Merchandise Exports to NAFTA and the Rest of the World (ROW) in 2003 (%)



The value of exports to NAFTA is shown in Table 1.3. NAFTA came into effect in 1993. The export values for 1988, the year the free trade agreement was formalized between Canada and the US, and the following years, are listed in the table as well. In 1993, the total value of exports from the Western provinces was \$33.5 billion. In 2003, the exports were \$85.6 billion, an increase of 155.6% since 1993.

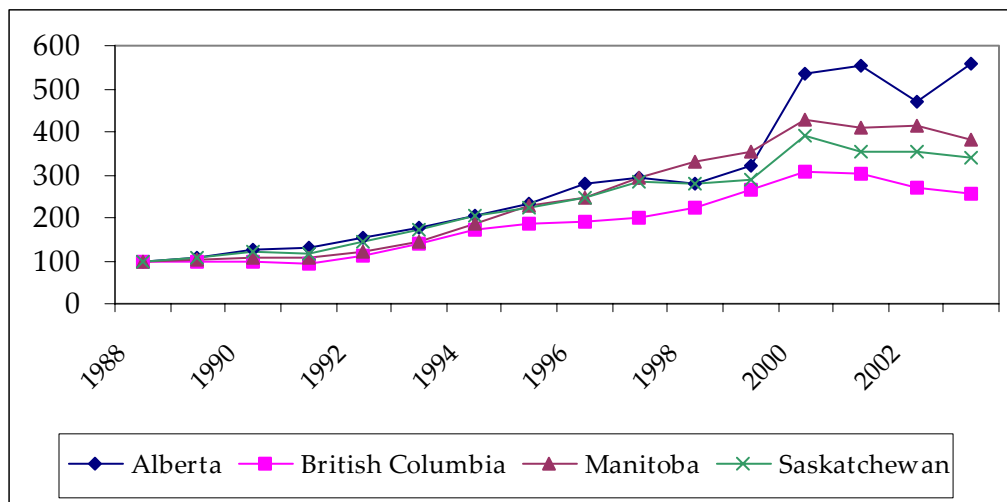
The trend since 1988 of provincial export values to NAFTA can be converted to an index (1988=100) to compare the export growth rate. The provincial indices of export values to NAFTA are shown in Figure 1.3. Export values from Western Canada to NAFTA have grown significantly

since 1988. The growth of Alberta and Manitoba are especially striking, with the result that NAFTA-exports have assumed a more prominent relative position, as already shown in Table 1.2.

Table 1.3. Western Canada: Export Values to NAFTA by Provinces, 1988-2003 (\$ billion)

Province	Alberta	British Columbia	Manitoba	Saskatchewan	-WESTERN CANADA-
1988	\$9.29	\$7.67	\$1.90	\$2.03	\$20.89
1989	\$10.11	\$7.49	\$1.98	\$2.20	\$21.78
1990	\$11.77	\$7.48	\$2.04	\$2.47	\$23.76
1991	\$12.20	\$7.24	\$2.01	\$2.38	\$23.82
1992	\$14.22	\$8.55	\$2.28	\$2.92	\$27.97
1993	\$16.48	\$10.77	\$2.74	\$3.52	\$33.51
1994	\$18.82	\$13.25	\$3.56	\$4.14	\$39.77
1995	\$21.71	\$14.38	\$4.31	\$4.54	\$44.94
1996	\$25.81	\$14.58	\$4.71	\$5.01	\$50.10
1997	\$27.32	\$15.44	\$5.53	\$5.75	\$54.04
1998	\$25.72	\$17.13	\$6.27	\$5.69	\$54.82
1999	\$29.62	\$20.29	\$6.69	\$5.82	\$62.41
2000	\$49.55	\$23.69	\$8.09	\$7.92	\$89.25
2001	\$51.61	\$23.09	\$7.80	\$7.15	\$89.65
2002	\$43.82	\$20.79	\$7.88	\$7.21	\$79.71
2003	\$51.89	\$19.66	\$7.21	\$6.87	\$85.63

Figure 1.3. Evolution of Index of Export Values to NAFTA (1988=100), 1988-2003



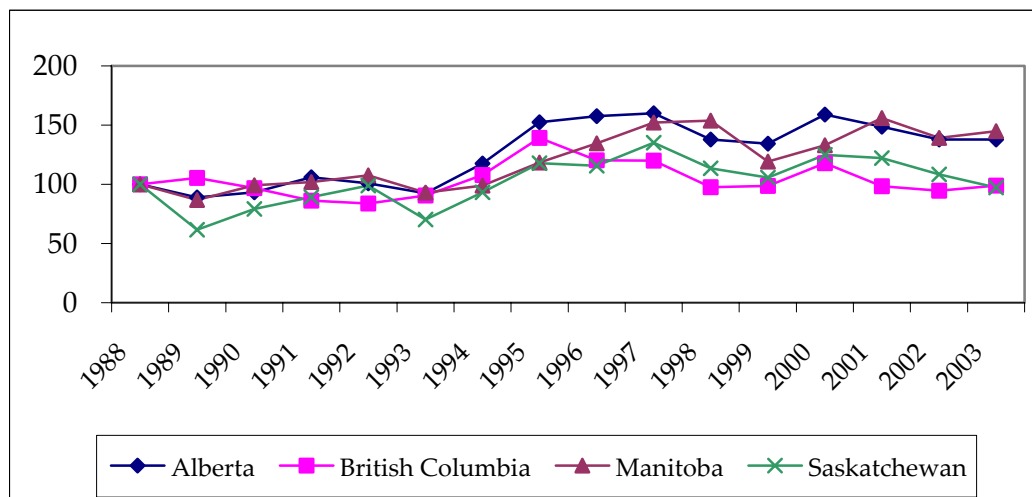
The values of exports from Western Canada to the rest of the world (ROW) are shown in Table 1.4. Again, 1988 serves as the benchmark year. In 1993, the total value of exports from Western provinces was \$16.5 billion; in 2003, it was \$20.8 billion. The exports from Western Canada to the ROW did not increase as quickly as the export values to NAFTA. In part, this is a reflection of the fact that the US economy was more buoyant than that of the ROW during that period. However, it also reflects the effects of NAFTA.

The trend since 1988 of provincial export values to the ROW has also been converted to an index (1988=100) to compare the export growth rates. The provincial indices of export values to the ROW are shown in Figure 1.4. Export values from Western Canada to the ROW increased modestly. Manitoba had the highest rate of increase, followed by Alberta.

Table 1.4. Western Canada: Export Values to ROW by Provinces, 1988-2003 (\$ million)

Province	Alberta	British Columbia	Manitoba	Saskatchewan	-WESTERN CANADA-
1988	\$3,983	\$10,000	\$1,212	\$3,756	\$18,951
1989	\$3,546	\$10,547	\$1,050	\$2,310	\$17,453
1990	\$3,714	\$9,685	\$1,201	\$2,974	\$17,574
1991	\$4,218	\$8,618	\$1,235	\$3,353	\$17,424
1992	\$4,020	\$8,381	\$1,303	\$3,713	\$17,418
1993	\$3,685	\$9,054	\$1,126	\$2,635	\$16,501
1994	\$4,687	\$10,795	\$1,198	\$3,500	\$20,180
1995	\$6,074	\$13,928	\$1,436	\$4,422	\$25,861
1996	\$6,271	\$12,023	\$1,631	\$4,344	\$24,268
1997	\$6,369	\$12,002	\$1,844	\$5,080	\$25,296
1998	\$5,491	\$9,758	\$1,864	\$4,264	\$21,378
1999	\$5,350	\$9,870	\$1,444	\$3,973	\$20,637
2000	\$6,331	\$11,797	\$1,611	\$4,687	\$24,426
2001	\$5,921	\$9,835	\$1,891	\$4,586	\$22,232
2002	\$5,487	\$9,470	\$1,686	\$4,073	\$20,716
2003	\$5,493	\$9,888	\$1,757	\$3,659	\$20,796

Figure 1.4. Evolution of Index of Export Values to ROW (1988=100), 1988-2003



2. Western Canada's Top 20 Exports to the NAFTA Region and Their Contribution to Export Growth

2.1. WESTERN CANADA: TOP 20 EXPORTS

Energy, forestry, machinery and agriculture products remain Western Canada's dominant export products. Table 2.1 shows the 20 major merchandise export categories in Western Canada, ordered by 2003 export value. The US and Mexico market shares in NAFTA of the product groups are also provided.

The top twenty export categories produced approximately 90% of the value of 2003 exports. The US market share in NAFTA in 2003 was 99% and Mexico's was only 1%.

Table 2.1. Western Canada: Top 20 Exports to NAFTA Countries in 2003 (\$ million); Change Since 1993 (%)

HS	Description	NAFTA				US	
		1993	\$ Value 2002	2003	% Change 2003/93	2003 \$ Value	% of NAFTA
27	MINERAL FUEL, OIL, ETC.	\$14,537	\$36,720	\$47,826	229.0	\$47,801	100
44	WOOD	\$5,104	\$8,461	\$7,697	50.8	\$7,693	99.9
84	MACHINERY	\$1,124	\$3,103	\$2,753	144.9	\$2,696	97.9
39	PLASTIC	\$541	\$1,973	\$2,505	363.0	\$2,485	99.2
48	PAPER, PAPERBOARD	\$1,1214	\$2,377	\$1,990	63.9	\$1,955	98.2
85	ELECTRICAL MACHINERY	\$596	\$2,696	\$1,983	232.7	\$1,967	99.2
31	FERTILIZERS	\$1,030	\$1,707	\$1,557	51.2	\$1,549	99.5
02	MEAT	\$493	\$1,947	\$1,458	195.7	\$1,312	90.0
87	VEHICLES, NOT RAILWAY	\$555	\$1,976	\$1,416	155.1	\$1,414	99.9
47	WOODPULP, ETC.	\$1,001	\$1,296	\$1,210	20.9	\$1,175	97.2
99	MISCELLANEOUS	\$1,175	\$1,207	\$1,125	-4.3	\$1,121	99.7
94	FURNITURE, BEDDING	\$195	\$1,171	\$1,083	455.4	\$1,081	99.8
29	ORGANIC CHEMICALS	\$458	\$1,275	\$962	110.0	\$939	97.6
01	LIVE ANIMALS	\$1,112	\$1,827	\$827	-25.6	\$826	99.9
73	IRON/STEEL PRODUCTS	\$240	\$927	\$790	229.2	\$785	99.3
90	PRECISION INSTRUMENTS	\$192	\$764	\$678	253.1	\$674	99.3
03	FISH AND SEAFOOD	\$319	\$727	\$664	108.2	\$664	99.9
28	INORGANIC CHEMICALS	\$416	\$588	\$654	157.2	\$654	100.0
12	MISC GRAIN, SEED, FRUIT	\$223	\$445	\$531	138.1	\$276	52.0
10	CEREALS	\$563	\$913	\$514	-8.7	\$323	62.9
Total-Top 20		\$31,088	\$72,100	\$78,223	151.6	\$77,389	98.9
-WESTERN CANADA-		\$33,507	\$79,710	\$85,632	155.6	\$84,690	98.9

2.2 ALBERTA: TOP 20 EXPORTS

Alberta's top 20 export categories, ranked according to their 2003 export value, are shown in Table 2.2. The table also indicates the growth in dollar value of the 20 categories over the 1993 to 2003 period. US export value figures for 2003 are also provided.

Live animals is the only category that experienced a decrease (by 52%) in value in 2003 compared with 1993, because of the border closure that resulted from a single case of mad cow disease found in May 2003.

In Alberta, the top five categories accounted for 87.1% of the value of 2003 exports and the next 15 categories for 10.3%. All other export categories accounted for only 2.6%. The US market is very important to Alberta exports. In 2003, the US accounted for 99% of the value of total Alberta exports to NAFTA countries. With the exception of miscellaneous grains, the US market share is over 97% for the top 20 export categories. The exports to NAFTA from Alberta increased 215% since 1993.

Table 2.2. Alberta: Top 20 Exports to NAFTA Countries in 2003 (\$ million); Change Since 1993 and 2002 (%)

HS	Description	NAFTA					US	
		1993	2002	2003	% Change		2003	% of
					03/93	03/02	\$ Value	NAFTA
27	MINERAL FUEL, OIL, ETC.	\$12,234	\$30,173	\$40,023	227	32.7	\$40,023	100
39	PLASTIC	\$420	\$1,172	\$1,688	302	44.0	\$1,668	99
44	WOOD	\$254	\$1,203	\$1,278	404	6.2	\$1,278	100
85	ELECTRICAL MACHINERY	\$264	\$1,671	\$1,126	326	-32.6	\$1,114	99
02	MEAT	\$365	\$1,549	\$1,074	194	-30.7	\$958	89
84	MACHINERY	\$170	\$1,075	\$983	479	-8.5	\$934	95
29	ORGANIC CHEMICALS	\$392	\$1,142	\$865	121	-24.3	\$864	100
99	MISCELLANEOUS	\$449	\$547	\$514	14	-6.1	\$511	99
47	WOODPULP, ETC.	\$130	\$529	\$480	270	-9.4	\$464	97
94	FURNITURE AND BEDDING	\$63	\$368	\$317	402	-13.9	\$315	99
87	VEHICLES, NOT RAILWAY	\$34	\$483	\$308	810	-36.3	\$307	100
31	FERTILIZERS	\$203	\$338	\$292	44	-13.8	\$292	100
01	LIVE ANIMALS	\$552	\$736	\$265	-52	-64.0	\$265	100
90	OPTICAL INSTRUMENTS, ETC.	\$53	\$275	\$255	383	-7.0	\$253	99
28	INORGANIC CHEMICALS	\$113	\$195	\$247	118	26.6	\$247	100
73	IRON/STEEL PRODUCTS	\$46	\$315	\$206	350	-34.5	\$201	98
48	PAPER, PAPERBOARD	\$30	\$247	\$191	549	-22.6	\$191	100
12	MISC GRAIN, SEED, FRUIT	\$67	\$153	\$169	152	10.5	\$58	34
23	FOOD WASTE; ANIMAL FEED	\$35	\$99	\$139	298	40.6	\$139	100
20	PRESERVED FOOD	\$1	\$160	\$132	19029	-17.3	\$129	97
	Total-Top 20	\$15,875	\$42,431	\$50,552	218	19.1	\$50,211	99
	-ALBERTA-	\$16,483	\$43,825	\$51,891	215	18.4	\$51,479	99

2.3. BRITISH COLUMBIA: TOP 20 EXPORTS

British Columbia's top 20 export categories to the NAFTA region, ranked according to their 2003 export value, and their contribution to the total provincial exports to NAFTA countries in 2003, are shown in Table 2.3. The table also indicates the export growth from 1993 to 2003. The US export value data for the major products in 2003 are also provided.

British Columbia's exports are led by the forestry sector and the energy sector. The four categories comprising wood, wood pulp, paper and paperboard, and energy contributed 58.3% to the total export value, clearly indicating the dominance of the forestry and energy sectors in NAFTA exports. Wood, wood pulp, and paper and paperboard exports accounted for approximately 40% of B.C.'s total export value in 2003. The second and third ranking categories were energy (which includes mineral fuels and oil) and machinery. These two sectors account for 18.4% and 4.8% of total export value, respectively, in 2003.

Exports to NAFTA countries have increased greatly since the establishment of NAFTA in 1994. Compared with 1993, total export value to NAFTA countries has increased 83%. Exports to the US account for 99% of total export values to NAFTA countries.

Table 2.3. British Columbia: Top 20 Exports to NAFTA Countries in 2003 (\$ million); Change Since 1993 and 2002 (%)

HS	Description	NAFTA					US	
		\$ Value			% Change		2003 \$ Value	% of NAFTA
		1993	2002	2003	03/93	03/02		
44	WOOD	\$4,658	\$6,759	\$5,857	26	-13	\$5,854	100
27	MINERAL FUEL, OIL, ETC.	\$684	\$2,486	\$3,608	428	45	\$3,488	97
48	PAPER, PAPERBOARD	\$1,053	\$1,674	\$1,375	31	-18	\$1,340	97
84	MACHINERY	\$603	\$1,023	\$941	56	-8	\$936	100
03	FISH AND SEAFOOD	\$296	\$675	\$621	110	-8	\$620	100
47	WOODPULP, ETC.	\$801	\$650	\$613	-23	-6	\$607	99
85	ELECTRICAL MACHINERY	\$209	\$719	\$585	180	-19	\$581	99
39	PLASTIC	\$63	\$482	\$486	677	1	\$485	100
73	IRON/STEEL PRODUCTS	\$138	\$412	\$394	185	-4	\$394	100
99	MISCELLANEOUS	\$478	\$423	\$394	-18	-7	\$394	100
94	FURNITURE AND BEDDING	\$63	\$375	\$390	516	4	\$390	100
87	VEHICLES, NOT RAILWAY	\$161	\$772	\$385	139	-50	\$384	100
90	OPTICAL INSTRUMENTS, ETC.	\$94	\$395	\$344	267	-13	\$343	100
49	BOOK+NEWSPAPR; MANUSCRPT	\$46	\$258	\$249	445	-3	\$249	100
79	ZINC+ARTICLES THEREOF	\$141	\$250	\$244	73	-3	\$244	100
07	VEGETABLES	\$24	\$192	\$208	762	8	\$207	100
28	INORGANIC CHEMICALS	\$64	\$181	\$204	219	13	\$204	100
89	SHIPS AND BOATS	\$24	\$203	\$192	692	-6	\$192	100
76	ALUMINUM	\$51	\$198	\$168	230	-15	\$168	100
25	SALT; SULFUR; EARTH, STONE	\$66	\$163	\$159	140	-3	\$159	100
Total-Top 20		\$9,717	\$18,289	\$17,417	79	-5	\$17,239	99
-British Columbia-		\$10,767	\$20,793	\$19,656	83	-5	\$19,530	99

2.4. SASKATCHEWAN: TOP 20 EXPORTS

Energy, fertilizer, machinery, and cereals are the four largest export categories sent to the NAFTA countries from Saskatchewan in 2003. The four categories accounted for approximately 72% of Saskatchewan's NAFTA-based export value in 2003. Energy exports make up 47.5% of the total value, while fertilizer, the second largest export category, accounts for 17.0% of the total value. Machinery and cereals both make up just over 3.5% of the value of NAFTA-bound exports.

Cereals play a much more important role in Saskatchewan's worldwide export total, accounting for 16.5% of the value of global exports in 2003. However, these exports have been very cyclical in nature. Overall, they were Saskatchewan's largest export category in 1988. In 2003, cereal export values were almost \$1,158 million less than in 1988, a decrease of 40%. Over the same period, Saskatchewan's energy and fertilizer exports have shown a much more consistent pattern of growth, globally.

The major NAFTA-export categories in Saskatchewan by total export value and the export growth from 1993 to 2003 are shown in Table 2.4. This table also includes the US market share in 2003 for Saskatchewan's exports to NAFTA countries.

The table reveals that since the establishment of NAFTA in 1994, export values to NAFTA countries have increased by 95.3%. The top five export categories accounted for 74.9% of the total export value in 2003 and 80.2% of the increase in export value since 1993.

Table 2.4. Saskatchewan: Top 20 Exports to NAFTA Countries in 2003 (\$ million); Change Since 1993 and 2002 (%)

HS	Description	NAFTA					US	
		\$ Value			% Change		2003 \$ Value	% of NAFTA
		1993	2002	2003	03/93	03/02		
27	MINERAL FUEL, OIL, ETC.	\$1,218	\$2763	\$3,263	167.9	18.1	\$3,263	100.0
31	FERTILIZERS	\$780	\$1248	\$1,166	49.4	-6.6	\$1,158	99.3
84	MACHINERY	\$90	\$311	\$256	184.4	-17.5	\$255	99.3
10	CEREALS	\$298	\$488	\$256	-14.3	-47.6	\$164	64.3
44	WOOD	\$73	\$162	\$207	184.6	28.1	\$207	100.0
12	MISC GRAIN, SEED, FRUIT	\$68	\$149	\$171	153.9	14.8	\$83	48.5
48	PAPER, PAPERBOARD	\$52	\$187	\$149	185.2	-20.7	\$146	98.3
47	WOODPULP, ETC.	\$69	\$111	\$112	62.2	1.0	\$100	89.2
99	MISCELLANEOUS	\$81	\$123	\$110	35.8	-11.1	\$110	100.0
01	LIVE ANIMALS	\$268	\$419	\$107	-59.9	-74.3	\$107	99.7
73	IRON/STEEL PRODUCTS	\$38	\$124	\$107	179.5	-13.8	\$107	99.5
15	FATS AND OILS	\$13	\$128	\$105	682.4	-17.9	\$105	99.4
85	ELECTRICAL MACHINERY	\$24	\$120	\$104	341.4	-13.5	\$104	99.7
02	MEAT	\$67	\$118	\$102	53.0	-13.5	\$100	98.2
28	INORGANIC CHEMICALS	\$192	\$103	\$100	-48.1	-3.6	\$100	100.0
87	VEHICLES, NOT RAILWAY	\$19	\$112	\$87	353.2	-22.7	\$87	100.0
11	MILLING; MALT; STARCH	\$5	\$79	\$84	1734.3	6.0	\$67	79.7
38	MISC. CHEMICAL PRODUCTS	\$29	\$80	\$81	180.2	0.7	\$81	99.9
72	IRON AND STEEL	\$54	\$100	\$53	-1.2	-46.7	\$53	100.0
39	PLASTIC	\$4	\$42	\$53	1232.7	25.7	\$53	100.0
Total-Top 20		\$3,442	\$6,968	\$6,673	93.9	-4.2	\$6,448	96.6
-Saskatchewan-		\$3,520	\$7,209	\$6,874	95.3	-4.6	\$6,638	96.6

2.5 MANITOBA: TOP 20 EXPORTS

The top 20 NAFTA export categories for Manitoba, their growth, and their market share in the US, are shown in Table 2.5. The product groups are ranked according to their 2003 export value.

Compared to other Western provinces, Manitoba's economy shows more diversification, as indicated by the distribution of export values. The first five categories accounted for 40.5% of the total export value to NAFTA countries in 2003. Although energy is ranked first among the export categories, the first five categories include a variety of sectors, such as manufacturing and agricultural production. Of these, furniture and bedding has increased the most since 1993.

The table reveals that since the establishment of NAFTA in 1994, export values to NAFTA countries from Manitoba have increased by 164%, which is due to the increase in value in all but one of the top 20 categories. Not unexpectedly, the US has the dominant position of Manitoba's exports to NAFTA countries, accounting for 98% of total export values to NAFTA countries.

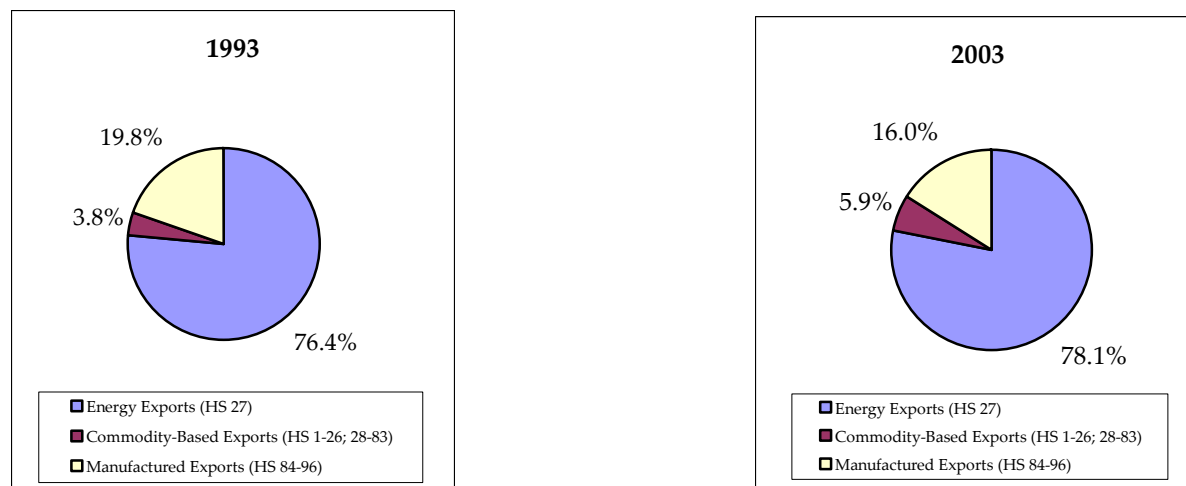
Table 2.5. Manitoba: Top 20 Exports to NAFTA Countries in 2003 (\$ million); Change Since 1993 and 2002 (%)

HS	Description	NAFTA					US	
		\$ Value			% Change		2003 \$ Value	% of NAFTA
		1993	2002	2003	93/03	02/03		
27	MINERAL FUEL, OIL, ETC.	\$401	\$1,298	\$953	137.6	-26.6	\$953	100
87	VEHICLES, NOT RAILWAY	\$341	\$609	\$637	86.7	4.5	\$636	100
84	MACHINERY	\$261	\$695	\$573	119.2	-17.5	\$571	100
01	LIVE ANIMALS	\$234	\$542	\$398	70.2	-26.6	\$398	100
94	FURNITURE AND BEDDING	\$68	\$414	\$360	432.0	-12.9	\$360	100
44	WOOD	\$119	\$337	\$355	198.5	5.5	\$354	100
74	COPPER+ARTICLES THEREOF	\$75	\$391	\$346	359.7	-11.4	\$346	100
39	PLASTIC	\$55	\$277	\$278	407.7	0.1	\$277	100
48	PAPER, PAPERBOARD	\$79	\$268	\$275	246.6	2.4	\$275	100
02	MEAT	\$46	\$241	\$251	446.1	4.0	\$221	88
88	AIRCRAFT, SPACECRAFT	\$121	\$267	\$208	71.0	-22.4	\$208	100
20	PRESERVED FOOD	\$8	\$161	\$204	2461.3	26.1	\$202	99
30	PHARMACEUTICAL PRODUCTS	\$0	\$98	\$196	N/A	101.0	\$196	100
12	MISC GRAIN, SEED, FRUIT	\$84	\$139	\$187	122.1	34.8	\$131	70
15	FATS AND OILS	\$40	\$139	\$171	331.2	22.9	\$170	99
85	ELECTRICAL MACHINERY	\$100	\$186	\$169	69.2	-9.2	\$168	100
10	CEREALS	\$104	\$227	\$164	57.5	-27.5	\$116	71
49	BOOK+NEWSPAPR; MANUSCRPT	\$17	\$156	\$152	819.8	-2.9	\$152	100
99	MISCELLANEOUS	\$167	\$114	\$107	-35.9	-5.5	\$107	100
28	INORGANIC CHEMICALS	\$46	\$109	\$103	123.0	-5.4	\$103	100
Total-Top 20		\$2,366	\$6,669	\$6,086	176.8	-9	\$5,944	98
-Manitoba-		\$2,737	\$7,883	\$7,212	164	-9	\$7,043	98

3. ALBERTA: SELECTED EXPORT HIGHLIGHTS

In the following section, Alberta's NAFTA exports are reexamined in greater detail. The export categories are grouped into three sub sectors: the energy sector (HS 27), the manufacturing sector (HS 84-96) and other commodity-based exports (excluding the miscellaneous exports found in HS 97-99). Selected products at the 4-digit-level of the HS code are presented and their export values in 1993, 1995, 2002 and 2003 are compared. Figure 3.1 illustrates Alberta's export structure in 1993 and 2003. The energy sector continues to dominate. Noteworthy is the increased size of the manufacturing sector since 1993.

Figure 3.1. Alberta Export Breakdown: by Percentage



3.1. Energy Exports

Table 3.1 shows more details of Alberta's dominant export sector, the energy sector, which accounted for 78% of the province's NAFTA-based export value in 2003 (excluding HS 97 - 99). Natural gas, crude oil, and refined oil are the three largest export categories in the energy sector, and accounted for 99.6% of the total export value in this sector. The value of exports from the energy sector to the NAFTA region has increased by 227% between 1993 and 2003. The increase was mainly due to the increase in the value of natural gas and crude oil by 274% and 183%, respectively.

The US market is the major destination for Alberta's energy exports, receiving 99.8% of international shipments. All the natural gas and crude oil exports and most of Alberta's refined oil exports were sent to the US in 2003. Coal used to be mainly exported to Asia (Japan, Korea, etc.), but the US share has increased to 65% of total Alberta coal export value in 2003. The US thus became the major destination of Alberta coal exports.

Table 3.1. Exports of Energy: Selected Categories and Years (\$ millions)

HS 27	MINERAL FUEL, OIL, ETC.	NAFTA EXPORT VALUE				% CHANGE		% US GLOBAL SHARE 2003
		1993	1995	2002	2003	03/93	03/02	
2711	NATURAL GASES	\$6,321	\$6,960	\$17,036	\$23,612	274	39	100.0
2709	CRUDE OIL	\$5,598	\$7,056	\$12,666	\$15,851	183	25	99.9
2710	OIL (NOT CRUDE)	\$219	\$224	\$297	\$393	79	32	91.8
	Others	\$96	\$122	\$173	\$168	75	-3	99.8
27	Sum of HS 27	\$12,234	\$14,362	\$30,173	\$40,023	227	33	99.8

3.2. Manufactured Exports

Manufactured products refer to categories from HS 84 to HS 96, which include machinery, electrical machinery, railway and traffic signal equipment, vehicles, aircraft, ships and boats, optical and medical instruments, clocks and watches, musical instruments, arms and ammunition, furniture and bedding, toys and sports equipment, and miscellaneous manufactures. Manufactured exports reflect the importance of value-added products to Alberta's economy. Table 3.2 lists the top 20 manufactured exports to NAFTA countries from Alberta. The table indicates that manufactured exports are becoming more important in terms of both export values and market share in Alberta's exports to NAFTA countries. Between 1993 and 2003, manufactured exports to NAFTA countries have increased by 403%, while the top 20 exports increased by 444%.

Table 3.2. Alberta's Exports to NAFTA (\$ millions, Cdn.)-Top 20 Manufactured Exports (HS 84-96)

Rank in 2003	HS	Description	1993	1995	2002	2003	Growth from 1993 to 2003 (%)
		Sum of Top 20	\$416	\$963	\$2,988	\$2,261	444
1	8517	Electric apparatus for line telephony etc, parts	\$117	\$265	\$469	\$342	192
2	8525	Transmission apparatus for radiotelephony, etc.	\$90	\$315	\$700	\$290	222
3	8529	Parts for television, radio and radar apparatus	\$4	\$12	\$216	\$242	5,950
4	9403	Furniture and parts thereof	\$58	\$103	\$272	\$242	317
5	8704	Motor vehicles for transport of goods	\$15	\$31	\$240	\$140	833
6	8431	Parts for construction and digging machinery	\$28	\$39	\$137	\$138	393
7	8413	Pumps for liquids; liquid elevators; parts thereof	\$12	\$14	\$71	\$97	708
8	8412	Engines and motors, and parts thereof	\$18	\$42	\$77	\$96	433
9	8481	Taps, cocks, valves etc for pipes, tanks etc	\$10	\$23	\$86	\$96	860
10	8411	Turbojets, turbo-propellers & other gas turbines	\$6	\$7	\$137	\$82	1,267
11	8705	Special purpose motor vehicles	\$7	\$12	\$85	\$65	829
12	8479	Machines etc having individual functions	\$4	\$18	\$77	\$64	1,500
13	9015	Survey, hydrographic, meteorological instruments	\$4	\$12	\$91	\$60	1,400
14	8414	Air or vacuum pumps, compressors & fans	\$6	\$7	\$87	\$54	800
15	8419	Machinery for temperature treatment	\$9	\$13	\$48	\$48	433
16	8471	Automatic data processing machines	\$16	\$13	\$39	\$45	181
17	9027	Instruments for physical analysis, etc.	\$6	\$9	\$43	\$43	617
18	9406	Prefabricated buildings	\$1	\$6	\$51	\$41	4000
19	8430	Machinery for moving, grading, etc.	\$2	\$17	\$38	\$38	1800
20	8536	Electrical apparatus for switching, etc.	\$3	\$6	\$26	\$37	1133
		Total Manufactured Exports	\$603	\$1,347	\$3,949	\$3,033	403
		Total NAFTA exports	\$16,483	\$21,705	\$43,825	\$51,906	215

3.3. Other Exports

The exports in this group of products represent commodity-based and secondary processing products. The top 20 products at the four-digit HS-level have grown by 128% over the ten years of NAFTA's existence, i.e., they have more than doubled in nominal value. While some particular products, such as newsprint (HS 4801) and frozen packaged potatoes (HS 2004) have grown very fast and are examples of a move up in the value chain, overall growth in export values of this group (at 159%) has been slower than that of the energy sector (227%) and the emerging manufacturing sector (444%) discussed previously.

To be sure, the figures for 2003 contain the effects of the border closure to live animals and some beef products due to BSE. Comparing the export values for 2003 with those for 2002, one can infer a decline in live animal and packaged meat exports of approximately \$ 1 billion (HS 0201 and HS 0102). Arguably, the "missing" exports of live animals and meat in 2003 have prevented this sector from achieving a higher 10-year growth rate. Nevertheless, the data in Table 3.3 imply that the growth of the emerging exports of manufacturing products and that of the energy sector exceeded that of the traditional commodity-based exports of Alberta even if the "missing" exports were allowed for.

Table 3.3. Alberta's Exports to NAFTA (\$ millions) - Top 20 Other (Commodity and Value Added) Exports (Excl. HS 97 - 99)

Rank in 2003	HS	Description	1993	1995	2002	2003	Growth from 1993 to 2003 (%)
Sum of Top 20			\$2,711	\$3,485	\$6,525	\$ 6,169	128
1	3901	Polymers of ethylene, in primary forms	\$361	\$889	\$916	\$1,446	301
2	0201	Meat of bovine animals, fresh or chilled	\$239	\$306	\$1,374	\$936	292
3	4410	Particle board & similar board of wood etc.	\$140	\$213	\$385	\$574	310
4	4407	Wood, sawn or chipped, > 6mm thickness	\$89	\$127	\$615	\$515	679
5	2902	Cyclic hydrocarbons	\$1	\$14	\$511	\$427	42,000
6	4703	Chemical wood-pulp, soda or sulfate	\$762	\$303	\$469	\$425	-44
7	3102	Mineral or chemical fertilizers, nitrogenous	\$199	\$228	\$322	\$287	44
8	2901	Acyclic hydrocarbons	\$0.3	\$27	\$106	\$207	68,909
9	2814	Ammonia, anhydrous or in aqueous solution	\$82	\$90	\$143	\$199	143
10	0102	Bovine animals, live	\$529	\$690	\$635	\$196	-73
11	2905	Acyclic alcohols & derivatives	\$96	\$150	\$145	\$153	59
12	1205	Rape or colza seeds, whether or not broken	\$39	\$92	\$114	\$132	238
13	2306	Oilcake, from vegetable fats & oils	\$26	\$47	\$76	\$125	381
14	2004	Vegetables, prepared or preserved, frozen	\$0.2	\$0	\$144	\$115	57,500
15	4801	Newsprint, in rolls or sheets	\$1	\$10	\$168	\$114	11,399
16	1514	Canola or mustard oil, not chemically modified	\$57	\$111	\$61	\$70	23
17	7019	Glass fibers & articles thereof (yarn etc.)	\$1	\$6	\$52	\$69	6,800
18	4011	New pneumatic tires, of rubber	\$0.2	\$0	\$71	\$62	30,900
19	1001	Wheat and meslin	\$72	\$131	\$144	\$61	-15
20	0103	Swine, live	\$16	\$51	\$76	\$54	238
Total Commodity-Based Exports			\$3,174	\$5,209	\$9,085	\$8,218	159
Total NAFTA exports			\$16,483	\$21,705	\$43,825	\$51,906	215

4. EXPORTS TO THE UNITED STATES

The Canada-US Free Trade Agreement was signed in 1988 and initiated in 1989. Figure 4.1 shows the value of Western Canadian provincial exports to the US from 1988 to 2003. Figure 4.2 shows the provincial share of exports from Western Canada to the US in 2003.

From 1988 to 2003, Alberta dominates the exports to the US among Western provinces, contributing more than 50% of Western Canada's total exports. British Columbia is in second place. Manitoba's and Saskatchewan's export values are very close and similar in growth pattern.

Figure 4.1. Western Canada: Provincial Exports to United States, 1988-2003 (\$ million)

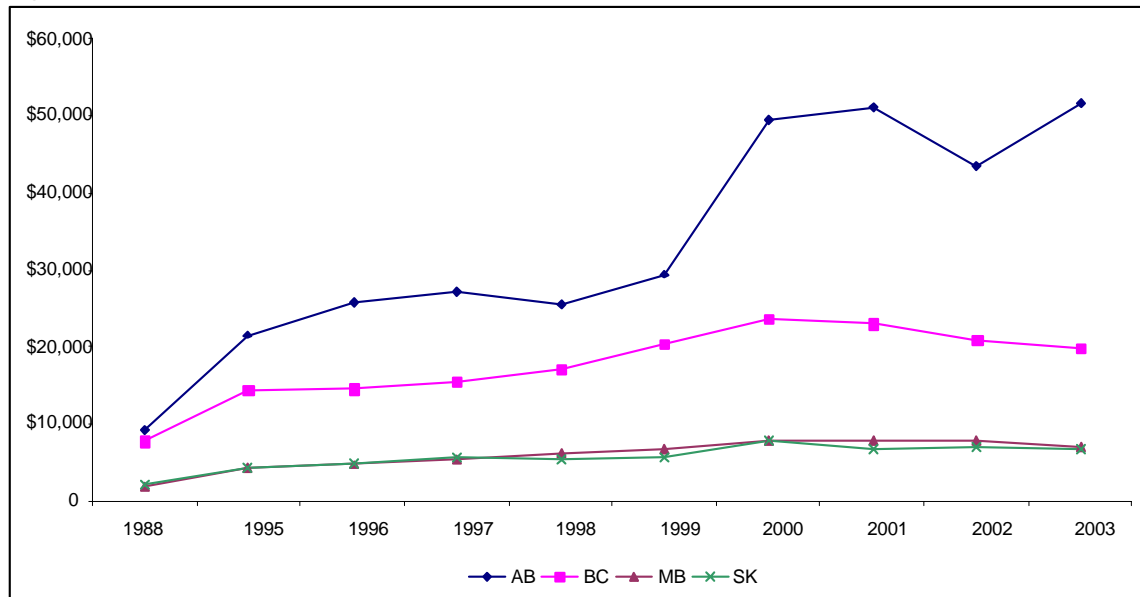


Figure 4.2. Provincial Share of Exports from Western Canada to the US in 2003

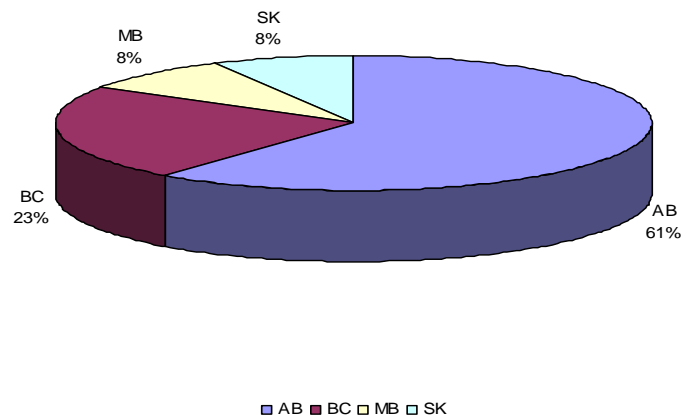


Table 4.1 and Figure 4.3 summarize and compare the share of Western Canada's global exports that were sent to the US, over time, and the value of these exports, by province. The year 1988, which is the year before the Canada-US Free Trade Agreement took effect, is set as a benchmark. The US is the major export destination for Western provinces, and Alberta, with 89.7%, had the highest percentage of its exports going to the US in 2003. Alberta accounted for

61% of Western Canadian exports to the US in 2003. British Columbia contributed 23.2%, while Manitoba and Saskatchewan accounted for 8.3% and 7.8% respectively.

Table 4.1. clearly shows that over the 15 years of free trade with the US, the percentage of exports to the US increased steadily for all four provinces, most notably Saskatchewan. Free trade brought increasing reliance on the US market and significant growth in nominal export values. Alberta's exports increased by 460%, which means that in 2003, exports to the US from this province were more than 5.5 times those of 1988. As inflation has been modest for the period, a substantial real increase has occurred.

For the Western provinces as a region, export values to the US quadrupled during the 15-year period under consideration. Manitoba was somewhat more successful than Saskatchewan in increasing shipments to the US, while B.C.'s US exports grew the least among the four provinces.

Table 4.1. Export Value to the US by Province and Export Growth; US Share of Total Provincial Exports and Share Growth: Historical Overview

	Exports to the US (\$ billion)				Export Growth (%) 1988-03	US Market share (%)				US Share Growth (%) 1988-03
	1988	1993	1998	2003		1988	1993	1998	2003	
Alberta	\$9.2	\$16.4	\$25.4	\$51.5	460	69.2	81.2	81.4	89.7	29.6
British Columbia	\$7.6	\$10.7	\$17.1	\$19.5	157	42.9	54.0	63.6	66.1	54.1
Manitoba	\$1.9	\$2.7	\$6.1	\$7.0	268	61.3	69.2	75.3	77.8	26.9
Saskatchewan	\$2.0	\$3.4	\$5.4	\$6.6	230	34.5	54.8	54.5	59.0	62.9
WEST	\$20.7	\$33.2	\$54.0	\$84.6	308	51.9	66.3	71.1	78.7	51.6

Figure 4.3. Western Canada: US Market Share in 1988 and 2003 (% of Total Exports)

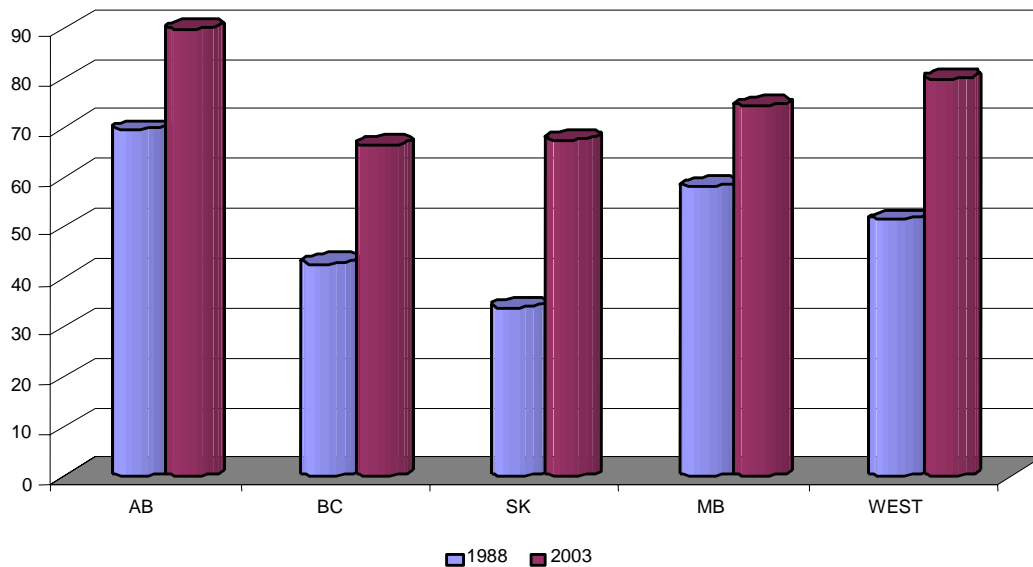


Table 4.2 gives a summary of the top five exports from the western provinces to the US for the last three years. The exports are ranked at the two-digit HS-level.

Alberta's main export commodity to the US was mineral fuel, showing an increase in export value from \$30.2 billion in 2002 to \$40.0 billion in 2003. Plastics rank second among Alberta's exports to the US. Electrical equipment experienced a drop in export value in 2001, 2002, and 2003, and rank fourth for Alberta. Meat exports have dropped significantly and rank fifth among exports to the US in 2003.

British Columbia's exports to the US relied on natural resources, such as wood, mineral fuels, and paper and paperboard, with only mineral exports showing an increase in export value in 2003.

Manitoba's top export to the US is mineral fuel, which decreased in export value from \$1.3 billion in 2002 to \$0.9 billion in 2003.

Compared to 2002 Saskatchewan's 2003 exports to the US increased in value for mineral fuel (18.1%) and wood (28.2%), but decreased slightly for fertilizer and machinery.

Table 4.2. Western Canada: Top Five Exports (Two digit HS Code) to the US in 2001, 2002 and 2003 (\$ million)

HS	Description	2001	HS	Description	2002	HS	Description	2003
Alberta								
27	MINERAL FUEL	\$36,583	27	MINERAL FUEL	\$30,173	27	MINERAL FUEL	\$40,007
85	MACHINERY	\$2,558	85	MACHINERY	\$1,656	39	PLASTICS	\$1,669
02	MEAT	\$1,409	02	MEAT	\$1,344	44	WOOD	\$1,114
29	ORGANIC CHEMICALS	\$1,352	44	WOOD	\$1,203	85	MACHINERY	\$958
39	PLASTIC	\$1,279	39	PLASTIC	\$1,157	02	MEAT	\$864
British Columbia								
44	WOOD	\$6,816	44	WOOD	\$6,757	44	WOOD	\$5,854
27	MINERAL FUEL	\$5,063	27	MINERAL FUEL	\$2,469	27	MINERAL FUEL	\$3,584
48	PAPER, PAPERBOARD	\$1,686	48	PAPER, PAPERBOARD	\$1,644	48	PAPER, PAPERBOARD	\$1,340
84	MACHINERY	\$1,017	84	MACHINERY	\$1,021	84	MACHINERY	\$936
87	VEHICLES	\$781	87	VEHICLES	\$772	03	FISH AND SEAFOOD	\$620
Manitoba								
27	MINERAL FUEL	\$1,336	27	MINERAL FUEL	\$1,298	27	MINERAL FUEL, OIL ETC	\$947
87	VEHICLES, NOT RAILWAY	\$683	84	MACHINERY	\$694	87	VEHICLES, NOT RAILWAY	\$637
84	MACHINERY	\$591	87	VEHICLES, NOT RAILWAY	\$609	84	MACHINERY	\$571
01	LIVE ANIMALS	\$529	01	LIVE ANIMALS	\$542	01	LIVE ANIMALS	\$398
88	AIRCRAFT, SPACECRAFT	\$388	94	FURNITURE, BEDDING	\$413	94	FURNITURE, BEDDING	\$360
Saskatchewan								
27	MINERAL FUEL	\$2,748	27	MINERAL FUEL	\$2,763	27	MINERAL FUEL	\$3,263
31	FERTILIZERS	\$1,159	31	FERTILIZERS	\$1,243	31	FERTILIZERS	\$1,158
10	CEREALS	\$419	01	LIVE ANIMALS	\$418	84	MACHINERY	\$255
48	PAPER, PAPERBOARD	\$262	10	CEREALS	\$387	44	WOOD	\$207
84	MACHINERY	\$261	84	MACHINERY	\$311	10	CEREALS	\$164

5. EXPORTS TO MEXICO

Figure 5.1 and Table 5.1 summarize the exports of the four western provinces to Mexico from 1993 to 2003. Table 5.1 uses the export value and share of provincial exports in 1993, the year before the establishment of the NAFTA, as a benchmark for comparison to current export values.

Compared with 2002, British Columbia and Saskatchewan experienced an increase in trade with Mexico in 2003, leading to a growth in exports of 3.5% for Western Canada in total. British Columbia exports to Mexico increased in value by 53.7%, mainly due to the dramatic increase of organic chemical exports. Saskatchewan exports increased in value by 16.3%. Alberta exports to Mexico decreased in value by 10.0%.

The increase in exports to Mexico since the establishment of NAFTA has been particularly dramatic for Alberta with 385% growth, followed by Manitoba (225%) and British Columbia (168%). During the same time, Saskatchewan increased its exports to Mexico by 109%. However, the percentage share of sales to Mexico did not exceed 1% of Western Canada's global exports.

Figure 5.1. Western Canada: Provincial Exports to Mexico, 1993-2003 (\$ million)

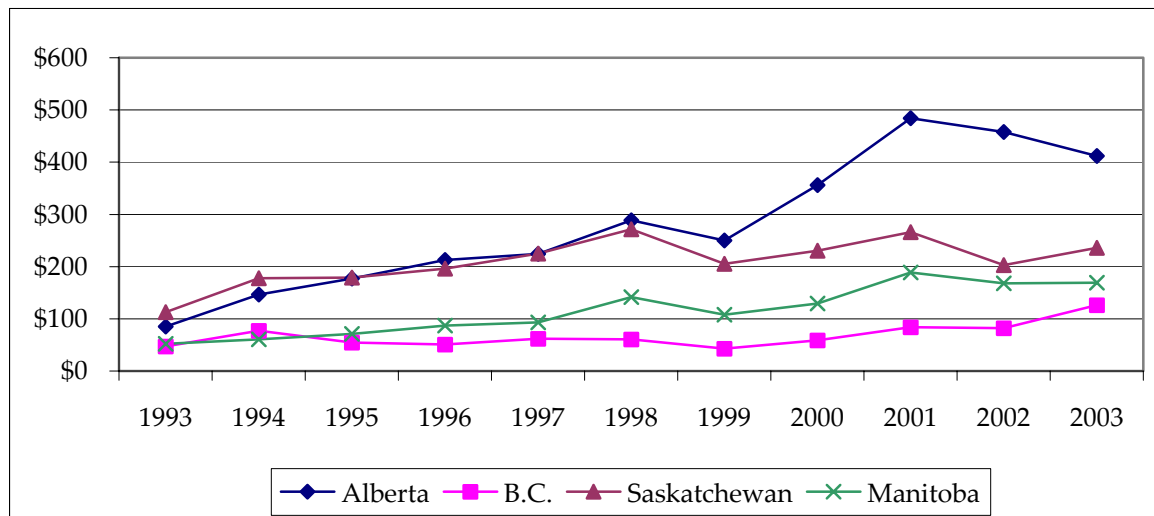


Table 5.1. Export Value to Mexico by Western Province, Percentage Share of Total Provincial Exports for 1993 and 2001-2003 and Export Growth

	Export Value (\$ million)				Share of Exports (%)				Growth (%)	
	1993	2001	2002	2003	1993	2001	2002	2003	2002-03	1993-03
Alberta	\$85	\$484	\$458	\$412	0.4	0.8	0.9	0.7	-10.0	384.7
Saskatchewan	\$113	\$266	\$203	\$236	1.9	2.3	1.8	2.2	16.3	108.8
Manitoba	\$52	\$189	\$168	\$169	1.5	1.9	1.8	1.9	0.1	225.0
British Columbia	\$47	\$84	\$82	\$126	0.2	0.3	0.3	0.4	53.7	168.1
Western Canada	\$297	\$1,023	\$911	\$943	0.6	0.9	0.9	0.9	3.5	217.5

Table 5.2 highlights the top five exports to Mexico from each of the Western provinces. The exports from Alberta are predominantly agricultural products. Meat has played a major role in the past three years, from 2001 to 2003, even though meat exports decreased in value from \$205 million in 2002 to \$115 million in 2003 as a consequence of the BSE discovery. Manufactured products were of secondary importance.

Saskatchewan's top five exports to Mexico were made up exclusively of agricultural products and wood pulp. Cereals and oilseeds played a major role among the top five exports.

Manitoba's top five exports were, as well, solely based on agricultural production, with oilseeds and cereals in the top two positions. The export value of meat rose from \$22 million in 2002 to \$29 million in 2003, mainly due to an increasing demand for pork. The leading exports to Mexico from British Columbia were wood products, fuel and chemicals, but the amounts involved were modest.

Table 5.2. Western Canada: Top Five Exports (Two Digit HS Code) to Mexico in 2001, 2002 and 2003 (\$ million)

HS	Description	2001	2002	2003
Alberta				
02	MEAT	\$226	02 MEAT \$205	02 MEAT \$115
12	MISC GRAIN, SEED, FRUIT	\$84	12 MISC GRAIN, SEED, FRUIT \$82	12 MISC GRAIN, SEED, FRUIT \$110
10	CEREALS	\$78	10 CEREALS \$54	10 CEREALS \$51
84	MACHINERY	\$21	84 MACHINERY \$31	84 MACHINERY \$49
39	PLASTIC	\$18	47 WOODPULP \$19	39 PLASTIC \$20
Saskatchewan				
10	CEREALS	\$120	10 CEREALS \$100	10 CEREALS \$91
12	MISC GRAIN, SEED, FRUIT	\$109	12 MISC GRAIN, SEED, FRUIT \$65	12 MISC GRAIN, SEED, FRUIT \$88
07	VEGETABLES	\$11	47 WOODPULP, ETC. \$11	11 MILLING; MALT; STARCH \$17
47	WOODPULP, ETC.	\$10	07 VEGETABLES \$10	47 WOODPULP, ETC. \$12
04	DAIRY ,EGGS, HONEY	\$7	31 FERTILIZERS \$6	07 VEGETABLES \$12
Manitoba				
10	CEREALS	\$58	10 CEREALS \$55	12 MISC GRAIN, SEED, FRUIT \$56
12	MISC GRAIN, SEED, FRUIT	\$57	12 MISC GRAIN, SEED,FRUIT \$42	10 CEREALS \$48
02	MEAT	\$27	02 MEAT \$22	02 MEAT \$29
11	MILLING; MALT; STARCH	\$22	41 HIDES AND SKINS \$17	11 MILLING; MALT ; STARCH \$11
41	HIDES AND SKINS	\$10	11 MILLING; MALT; STARCH \$16	41 HIDES AND SKINS \$5
British Columbia				
27	MINERAL FUEL, OIL ETC	\$26	48 PAPER, PAPERBOARD \$30	48 PAPER, PAPERBOARD \$35
48	PAPER, PAPERBOARD	\$20	27 MINERAL FUEL, OIL ETC \$17	27 MINERAL FUEL, OIL ETC \$24
26	ORES, SLAG, ASH	\$10	47 WOODPULP, ETC. \$8	29 ORGANIC CHEMICALS \$23
25	SALT; SULFUR; EARTH, STONE	\$6	26 ORES, SLAG, ASH \$7	47 WOODPULP, ETC. \$7
47	WOODPULP, ETC.	\$5	85 ELECTRICAL MACHINERY \$5	08 EDIBLE FRUIT AND NUTS \$6

6. EXPORTS TO CHILE, COSTA RICA AND ISRAEL

Free trade agreements between Canada and Chile, and Canada and Israel, were signed in 1996 and implemented in 1997, followed by a free trade agreement with Costa Rica signed in 2001 and effective late in 2002. Alberta's and the other Western provinces' exports for the most recent year are shown in Table 6.1.

Table 6.1. 2003-Export Value to Chile, Israel, and Costa Rica by Western Province, Share of Global Exports and Export Growth

	2003 Export Value (\$ million)			Share of Exports (%)			Growth 2002/03 (%)		
	Chile	Israel	Costa Rica	Chile	Israel	Costa Rica	Chile	Israel	Costa Rica
Alberta	24	7	3	0.4	0.1	0.1	-38.7	24.4	200.8
British Columbia	55	18	7	1.9	0.6	0.2	4.0	32.4	-47.5
Saskatchewan	31	5	5	3.0	0.5	0.5	-29.6	89.2	-65.5
Manitoba	7	4	1	0.8	0.4	0.1	41.3	4.9	-8.5
Western Canada	117	34	16	1.1	0.3	0.2	-17.0	33.3	-46.6

Due to the small export values to these three countries, percentage changes are quite volatile. The share of Western Canadian exports to these partner countries is also quite small.

6.1. CHILE

Alberta experienced a significant reduction of almost 39% in its export value to Chile; however, for all total Western provinces, Chile constituted only 1.1% of exports.

For Alberta, the main exports to Chile were cereals, plastics, and salt and sulfur. Saskatchewan exported mainly cereals, vegetables and fertilizer. For Manitoba, cereals were the most prominent export item, whereas British Columbia exports consisted mostly of energy and forestry products.

6.2. ISRAEL

All four western provinces experienced an increase in exports to Israel during 2003, though, using 1996 as benchmark, Western Canada's exports were down 21.3%. The value of exports to Israel accounted for 0.3% of total exports by all Western provinces.

For Alberta, miscellaneous grains and inorganic chemicals joined plastics, electrical machinery and machinery as top export items. For British Columbia, machinery and electrical machinery were prominent exports. Saskatchewan exported significantly more machinery, as well as vegetables and grains, its traditional exports to that country. Manitoba's exports to Israel included vegetables, grains and organic chemicals, though the amounts were less than \$1 million for each of these categories.

6.3. COSTA RICA

For 2003, overall Western Canadian exports to Costa Rica were down by 46.6% over 2002 and by 40.6% over 1999. Alberta significantly increased its exports of milling products, malt and starches, albeit from a small base. Saskatchewan lost its position as leading exporter among the Western provinces to Costa Rica. That rank is now held by British Columbia, which exported mainly paper and paperboard. For Saskatchewan, Costa Rica is a buyer of fertilizer, vegetables and cereals. Manitoba is a supplier of similar agricultural commodity products, but on a smaller scale than Saskatchewan.

CONCLUSIONS

- The North American free trade agreements appear to have contributed substantially to Alberta's and Western Canada's export growth, as have a buoyant US economy and, for most of the period, a weak Canadian Dollar as compared to the US Dollar.
- In 2003, the increase in the value of global exports since 1988 was 167% for Western Canada and 332% for Alberta. In this period, Manitoba's exports grew much faster (188%) than Saskatchewan's (82%) and B.C.'s (67%).
- The integration of Western Canada and Alberta into the North American economic space is reflected in the increased importance of the NAFTA-partners as export markets.
- In 2003, Western Canada sent 80.5% of its exports to NAFTA-partners compared to 52.4% in 1988.
- In 2003, Alberta sent 90.4% of its exports to NAFTA-partners compared to 70% in 1988.
- The biggest Western Canadian export categories to the NAFTA-partners, other than energy products, were wood, machinery, plastics, paper and paperboard, as well as electrical machinery. For Alberta, the very same products dominated, except that meat ranked significantly ahead of paper and paperboard.
- A positive development in 2003 was the increase in plastics exports from Alberta to the NAFTA region of \$500 million over 2002. Even more positive is the fact that the value of Alberta's exports of energy products increased by \$10 billion over 2002.
- Increased strength in manufacturing, as evidenced by strong export growth of this sector, should make a positive contribution to the stability of Alberta's economy. Manufacturing exports increased from 3.8% to 5.9% of Alberta's exports between 1993 and 2003.
- In addition to the free trade agreements with the US and Mexico, Canada has such agreements with Chile, Costa Rica, and Israel. During 2003, exports to these countries were \$167 million, less than 0.2% of total exports from Western Canada. Due to the low amounts involved the annual changes are pronounced, both on the plus and the minus side, but a clear trend is not discernible.

HS 2-Digit Codes

AGRICULTURAL PRODUCTS

Section I - Live Animals & Animal Products

- 1 Live animals
- 2 Meat
- 3 Fish and seafood
- 4 Dairy, eggs, honey, etc.
- 5 Other products of animal origin

Section II - Vegetable Products

- 6 Live trees and plants
- 7 Vegetables
- 8 Edible fruit and nuts
- 9 Spices, coffee and tea
- 10 Cereals
- 11 Milled products; malt & starch
- 12 Misc. grains, seeds and fruit
- 13 Resin; vegetable saps & extracts
- 14 Other vegetable products

Section III - Oils & Fats

- 15 Fats and oils

Section IV - Prepared Food

- 16 Prepared meat, fish, etc.
- 17 Sugars and confectionery
- 18 Cocoa
- 19 Baking-related preparations
- 20 Preserved food
- 21 Miscellaneous food
- 22 Beverages
- 23 Food waste; animal feed
- 24 Tobacco

NON-AGRICULTURAL PRODUCTS

Section V - Mineral Products

- 25 Salt; sulfur; earth; stone
- 26 Ores; slag; ash
- 27 Mineral fuels; coal, oil & gas

Section VI - Chemical Products

- 28 Inorganic chemicals
- 29 Organic chemicals
- 30 Pharmaceutical products
- 31 Fertilizers
- 32 Tanning extracts; dye; paint; putty
- 33 Perfumery; cosmetics
- 34 Soap; wax; dental plasters
- 35 Albumins; glues
- 36 Explosives
- 37 Photographic & cinematographic goods
- 38 Misc. chemical products

Section VII - Plastics & Articles Thereof

- 39 Plastic
- 40 Rubber

Section VIII - Raw Hides, Leather & Fur

- 41 Hides and skins
- 42 Articles of leather
- 43 Furskins & artificial fur

Section IX - Wood & Articles Thereof

- 44 Wood
- 45 Cork
- 46 Straw

Section X - Wood Pulp; Paper

- 47 Wood pulp
- 48 Paper & paperboard
- 49 Books & newsprint

Section XI - Textiles & Articles Thereof

- 50 Silk
- 51 Wool
- 52 Cotton
- 53 Other vegetable textile fibres
- 54 Manmade filament
- 55 Manmade staple fibres
- 56 Wadding; felt; twine; rope
- 57 Textile floor coverings
- 58 Special woven fabrics
- 59 Coated textile fabrics
- 60 Knitted fabrics
- 61 Apparel - knitted
- 62 Apparel - not knitted
- 63 Misc. textile articles

Section XII - Footwear; Headgear; Umbrellas; Etc.

- 64 Footwear
- 65 Headgear
- 66 Umbrellas, etc.
- 67 Feathers; artificial flowers; etc.

Section XIII - Stone; Ceramics; Glass

- 68 Stone, plaster, cement, etc.
- 69 Ceramic products
- 70 Glass and glassware

Section XIV - Precious Stones; Jewellery; Coins

- 71 Precious stones & metals; jewellery; coins

Section XV - Base Metals & Articles Thereof

- 72 Iron and steel
- 73 Articles of iron or steel
- 74 Copper and articles thereof
- 75 Nickel and articles thereof
- 76 Aluminum and articles thereof
- 77 (NOT USED)
- 78 Lead and articles thereof
- 79 Zinc and articles thereof
- 80 Tin and articles thereof
- 81 Other base metals and articles thereof
- 82 Tool, cutlery, etc. of base metal
- 83 Misc. art of base metal

Section XVI - Machinery & Electrical Equipment

- 84 Machinery
- 85 Electrical machinery

Section XVII - Vehicles

- 86 Railway
- 87 Vehicles, not railway
- 88 Aircraft; spacecraft
- 89 Ships and boats

Section XVIII - Precision Instruments

- 90 Optical, photographic, measuring & medical apparatus
- 91 Clocks and watches
- 92 Musical instruments

Section XIX - Arms & Ammunition

- 93 Arms and ammunition

Section XX - Misc. Manufactured Articles

- 94 Furniture and bedding
- 95 Toys and sports equipment
- 96 Miscellaneous manufactured articles

Section XXI - Works of Art; Special Classifications

- 97 Art and antiques
- 98 Special classification provisions
- 99 Special (miscellaneous) transactions