NUMBER 38 • JUNE 1996

ALBERTA, WESTERN CANADA AND THE FTA/NAFTA: 1988-95

by S. Stephen Janzen and Edward J. Chambers

Western Centre for Economic Research
Faculty of Business, University of Alberta

EXECUTIVE SUMMARY

1) Alberta ranked second among western provinces in the value of exports for 1995. Shipments from Alberta reached $26.54 billion, an increase of 15.4% over 1994. For the first time since 1993, British Columbia shipped a slightly higher value with exports of $26.93 billion, just $390 million more than Alberta. Taken together, the two provinces currently export close to 80% of Western Canada's total.[1]

2) Based on 1995 World Trade Organization data, the four Western Provinces would have ranked 25th in the list of leading international exporters, right behind Denmark (Canada itself ranks 8th). On a per employed person basis, Western Canada is now shipping $16,445.50 worth of merchandise. Alberta leads the provinces in this regard, with shipments of $19,332.48.

3) When grain shipments are excluded—since they are a traditionally non-U.S. export commodity common to all three prairie provinces and possess a supply-driven volatility resulting from climatic conditions—79.8% of Alberta's total exports in 1995 went to the U.S. market. This compares with:

1988 – 76.4%
1991 – 78.6%
1992 – 82.7%
1993 – 84.5%
1994 – 83.0%

As a result, 1995 marks the second consecutive year that there has been a drop of relative shares going to the U.S. market. Saskatchewan's share also dropped for the second consecutive year. British Columbia's relative share to the U.S. shrank as well in 1995. For the second consecutive year, the share of Western Canada's exports going to the U.S. market declined.

4) The report contains a summary of the increase in the value of exports for those two digit HS categories meeting constraints defined as: '<u>sustained growth</u>' (a 1992 export value greater than 1988, and then rising during 1993, 1994 and 1995); and an '<u>export foothold</u>' (at least $10 million exports in 1988). For Alberta in 1995, 13 HS categories met both constraints. The increase in their export shipment value between 1988 and 1995 (when aggregated) amounted to $10.7 billion.

5) Some of Alberta's most important exports—energy, plastics, wood products, meats, vegetables, oilseeds, machinery, electrical machinery, precision instruments and furniture—all recorded significant annual increases in export value in 1995 compared with 1994:

HS02 (meats)	8.0%	HS44 (wood)	11.4%
HS07 (vegetables)	126.2%	HS85 (elec.mach.)	40.9%

HS27 (energy)	5.5%	HS90 (prec. instr.)	8.0%
HS33 (plastics)	58.7%	HS94 (furniture)	13.9%

6) The U.S. continues to offer substantial market opportunity for Alberta and Western Canadian business. Taking full advantage of the U.S. market appears to have made Western Canadian exporters extremely competitive elsewhere: they are shipping more than ever to foreign markets that lie beyond the U.S.

7) Despite the economic problems experienced by Mexico in 1995, Alberta's exports to the region increased by $49 million (40.7%). Saskatchewan was also able to increase the absolute value of its exports to Mexico in 1995, albeit by more modest amounts.

INTRODUCTION

This Report is the latest in an annual series on Western Canada and the recent free trade agreements (both the FTA and NAFTA). The annual series reviews the merchandise export records of Alberta and other western Canadian provinces in the years since the FTA came into effect in 1989. Like previous reports, the year 1988 has been employed as a benchmark against which to assess growth in aggregate exports as well as in some 98 categories of shipments from the western provinces to the United States and to other parts of the world.

The North American Free Trade Agreement (NAFTA) superseded the FTA in 1994 and, as a consequence, Mexico became a partner in North American free trade.[2] This year's annual report contains, in addition to the standard updates for shipments to the U.S. and the rest of the world, an appendix of tables that present a review of annual provincial exports since 1988 using the Harmonized System (HS) at the most basic, two-digit level.[3] In this way the post-FTA export performance for every category (HS 'Chapter') in each western province can be more easily charted and compared.

Not included in this report are data on service exports, nor is there comprehensive analysis of price changes in relation to export value and volume changes. Service export statistics are not collected by provincial or federal authorities and there is a limited amount of export price data. A further complication is posed by value-added exports—because manufactured goods are not homogenous, the higher the value-added content of an export (and consequently the less homogenous), the more limited is the availability of specific price information.

Despite price data limitations, in the case of certain raw material exports, such as crude oil, natural gas, and wheat, and for some commodity grade manufactures such as sawn lumber and woodpulp, inferences can be drawn from published export price data. Estimates of the effects of price and volume changes on the value of exports in selected HS categories are contained, where possible, in relevant sections of the report.

Currency values can also affect the competitiveness and producer profitability of Western Canadian exports, particularly with respect to price sensitive raw materials and commodity grade manufactures where the world price is quoted in U.S. dollars. In 1994 for example, the Canadian dollar fell in value 6.2% against the U.S. dollar. In 1995 the year-over-year annual exchange rate fell by 0.6% This means that the relative drop of the Canadian dollar *vis-à-vis* the U.S. dollar was probably not as dramatic a factor in Canada's export performance during 1995 as it may have been the previous year.

THE FTA/NAFTA EXPERIENCE FROM 1988 - 1995: AGGREGATE EXPORT VALUES

Tables 1 and 2 contain data on the value of Alberta and other Western Canadian merchandise exports. Table 1 shows that aggregate merchandise exports from Western Canada rose to $67.69 billion in 1995, an increase of 73.1% over the 1988 level of $39.11 billion. The increase in 1995 over 1994 for Western Canada as a whole was $9.7 billion, or 16.7%. This compares with the annual increase in 1994 over 1993 amounted to $9.9 billion or 20.5%.

Alberta's export values reflect an increase of 104.0% and 15.4% respectively over 1988 and 1994. In 1995, Alberta's shipments of $26.54 billion were slightly lower than British Columbia's $26.93 billion. British Columbia's exports jumped 18.6% between 1994 and 1995 but their performance over the 1988 to 1995 period, a 54.6% increase, was relatively weaker than Alberta's. Taken together, the two provinces currently export close to 80% of Western Canada's total.

Table 1. Comparison of Total Exports from the Provinces, and Shares to the U. S. Market, 1988, 1994, and 1995 ($ millions)

Province	*88 total exports (1)*	*94 total exports (2)*	*95 total exports (3)*	*growth 1988-95 (4)*	*88 U.S. market share % (5)*	*94 U.S. market share % (6)*	*95 U.S. market share % (7)*
AB	$13,008.7	$23,008.3	$26,543.5	$13,534.8	69.5	80.3	77.2
ex HS10	11,757.9	21,930.5	25,357.4	13,599.5	76.4	83.0	79.8
BC	17,419.2	22,812.6	26,933.5	9,514.4	42.7	54.1	49.6
ex HS10	17,384.4	22,787.3	26,905.6	9,521.2	42.7	54.1	49.6
MB	2,913.6	4,730.9	5,438.9	2,522.7	58.2	69.9	73.1
ex HS10	2,249.9	4,034.2	4,782.4	2,532.4	74.3	78.5	80.8
SK	5,766.7	7,442.6	8,777.9	3,011.2	33.9	51.6	47.9
ex HS10	2,890.0	5,104.4	6,114.0	3,224.0	65.3	68.0	63.6
Total WesT	39,108.2	57,994.4	67,693.8	28,583.1	51.4	65.4	62.1
ex HS10	34,282.2	53,856.4	63,159.4	28,877.1	52.6	69.0	65.4

Source: Appendix

Totals are also shown in Table 1 for exports excluding the grains category (HS10), a category particularly significant to the three prairie provinces, one that traditionally goes largely, but not entirely, to non-U.S. markets, and one with a supply driven volatility resulting from climatic conditions. Excluding grains, aggregate Alberta exports increased by $13.60 billion, or 115.7%, over 1988 levels. The increase over 1994 levels amounted to $3.43 billion or 15.6%. Exports from Alberta, excluding grains, as a share of Western Canadian exports were 37.5% in 1995 compared with 34.3% in 1988.

The market share columns of Table 1 also reveal the larger relative importance of the U.S. market to Western Canadian exporters since the signing of the FTA. In the case of Alberta, when grains are excluded, some 79.8% of exports went to the U.S. in 1995.

At the same time, the market share data is supportive of a possible plateau being reached in the relative importance of the U.S. market, at least for Alberta and Saskatchewan. *Alberta, Western Canada and the FTA/NAFTA: 1988-93* (July 1995) found that for Alberta, Saskatchewan and Manitoba, U.S. market share for 1994 fell from 1993 levels. In 1995 the share of both aggregate exports and exports excluding grains going to the U.S. market from Alberta and Saskatchewan, but not from Manitoba, declined again. It will be interesting to see if 1996 provides further evidence of a plateau being obtained.

<u>Table 2</u>. Rate of Growth in the Value of Western Province Exports, in Total, to the United States, and to the Rest of the World, 1988-95 and 1994-95

Provincial Export destination	*% growth 1988-95*	*annual % growth 1988-95*	*% growth 1994-95*
Alberta to non-U.S.	52.9	6.1	15.4
Alberta to the U.S.	126.0	11.7	10.9
<u>Alberta Total exports</u>	104.0	10.2	13.3
British Columbia to non-U.S.	36.0	4.4	29.6
British Columbia to the U.S.	79.6	8.4	8.2
<u>British Columbia Total exports</u>	54.6	6.2	18.1
Saskatchewan to non-U.S.	19.9	2.6	26.9
Saskatchewan to the U.S.	115.3	11.0	9.5
<u>Saskatchewan Total exports</u>	52.2	6.0	17.9
Manitoba to non-U.S.	20.2	2.6	2.9
Manitoba to the U.S.	134.1	12.2	20.2
<u>Manitoba Total exports</u>	86.5	8.9	13.0
Western Canada to non-U.S.	35.3	4.3	28.1
Western Canada to the U.S.	108.7	10.5	10.7
Western Canada Total exports	73.1	7.8	14.3

Source: Appendix

Table 2 shows the percentage growth from 1988 to 1995 and from 1994 to 1995 for aggregate exports and the annualized compound rate of growth over the 1988-95 period. The table reveals quite clearly the continuing importance of the U.S. marketplace to increased Western Canadian export opportunities, despite some indication of less dependence over the last two years. Table 2 also shows the solid rate of growth since 1988 of exports to non-U.S. destinations.

In the case of Alberta, shipments to the U.S. market grew from 1988 to 1995 at an annualized rate of 11.7%, compared to the 6.1% growth in exports to non-U.S. markets. The pattern is similar to the other provinces, however, as suggested by the changing spatial market shares reported in the previous table. To reiterate, 1995 marked the second consecutive year of an absolute growth in the value of aggregate shipments to the non-U.S. market. In each province the 1994-95% growth to non-U.S. destinations exceeds the eight year annual average to these markets.

The sharp improvement in the export performance of Western Canada indicates that the region has become extremely export intensive. Table 2.1 depicts the level of export intensity by province on a per employee basis. By this measure Alberta is leading the other provinces, with Saskatchewan closely behind.

Table 2.1 Western Canadian Export Performance on a Per Employee Basis

EXPORTERS	Value of 1995 Exports ($ millions)	Total 1995 Employment (000's)	Export Value per employee ($)
Alberta	26,543.5	1,373	19,332.48
Saskatchewan	8,777.9	460	19,082.39
British Columbia	26,933.5	1,762	15,285.75
Manitoba	5,438.9	521	10,439.35
Western Canada	**67,693.8**	**4,116**	**16, 446.50**

Statistics Canada

COMMODITY EXPORTS: GROWTH AND MARKET SHARES BY TWO DIGIT HS CODE

Tables 3 and 4 summarize some of the information found in Appendix 1. To construct Tables 3 and 4 we imposed a number of conditions in order to identify from the two-digit HS classification those provincial sectors with an export foothold in 1988 that also recorded what we define as 'sustained growth' in export values since 1988.

The following condition identifies an 'export foothold':

(a) the export value of the two-digit HS class must have been at least $10 million in 1988.

The following conditions were adopted to identify 'sustained growth':

(b) the export value in 1992 must have exceeded that in 1988;
(c) the export value rose for each of the last three years (1993-95).

Column (I) in Table 3 shows, by province, the number of HS categories meeting all the conditions stated above. The number of categories which met both the foothold and growth conditions were 13 in the case of Alberta, 9 for British Columbia, and 8 and 5 for Manitoba and Saskatchewan, respectively. Column (II) of the table lists those HS categories meeting the specified conditions where U.S. market shares were .90 or greater in 1988. In column (III) are listed those HS classes with shipment values exceeding $10 million, which had a U.S. market share of less than .90 in 1988, and which saw an increase in the share of total exports to the U.S. in each of 1992, 1993, 1994 and 1995.

Table 3. HS Categories by province with an 'export foothold' in 1988 that also showed 'sustained increase' in export values

Province	*HS Cats. showing a 'sustained increase' and an 'export foothold' in 1988* (I)	*Those in (I) with U.S. mkt. share of at least .90 in 1988* (II)	*HS Cats. in (I) with U.S. 1988 mkt. share <.90 but which grew in each of 1992, 1993 , 1994, and 1995* (III)
Alberta	live animals, meat, milled prod. oil seed, fats, oil and gas, wood, nickel, aluminum, elec. mach., vehicles, prec. instr., furniture [**13 HS Categories]**	live animals oil and gas wood **[3 Categories]**	meat milled products, oil seed, fats food residues elec. machinery **[6 Categories]**
British Columbia	org. chemicals, plastics, printed matter, clothing, knitted clothing, iron and steel, elec. mach., prec. instr., furniture **[9 Categories]**	printed matter, clothing, knitted clothing, iron and steel **[4 Categories]**	plastics **[1 Category]**
Manitoba	food residues, oil and gas, wood, printed matter, iron and steel, articles of iron and steel, vehicles, furniture **[8 Categories]**	oil and gas, iron and steel, vehicles, furniture **[4 Categories]**	wood **[1 Category]**
Saskatchewan	oil seed, oil and gas, misc. chemicals, paper and paperboard, machines **[5 Categories]**	oil and gas, misc. chemicals, paper and paperboard, machines **[4 Categories]**	oil seed **[1 Category]**

Source: Appendix

In the last three years, the number of HS categories listed in Column III have dropped from 38 in 1993 to 9 in 1995, with 6 now attributable to Alberta. For the 6 Alberta HS categories, exports in 1988 amounted to $681 million compared with a total of $2.45 billion in 1995, an increase of 260% over the period. By comparing columns (I) and (III), we can see that producers responded to the potential of the U.S. market post-FTA and NAFTA, but are having difficulty *consistently increasing* the share going to the U.S. market. However, it also means that opportunities are opening up in other export markets.

The data in Table 4 follows directly from the listings contained in Table 3. The first row of Table 4 reveals that, for the region as a whole, the increase between 1988 and 1995 for those HS categories meeting the stated constraints for listing in column (I) of Table 3 amounted to $15.8 billion. The second row of the table shows that, for the four provinces combined, some 71% of this increase came from HS classes in which the U.S. market share was at least 90% in 1988. Energy shipments from Alberta dominated this growth, a fact indicating the importance of secure energy industry access to the U.S. market under the FTA and NAFTA.

Table 4. Value of the Increase in Exports 1988-95 for each of the 3 Category Columns in Table 3 ($ millions)

	Alberta	***B. C.***	***Manitoba***	***Sask.***	***West Canada***
Value of increase of HS Cats with a sustained increase and foothold **(I)**	$10,732.3	$1,177.3	$1,493.0	$1,774.6	$15,177.2
Value of increase where U.S. mkt. share at least .90 **(II)**	8,587.2	197.7	1,312.2	1,270.7	11,367.8
Value of increase where 1988 mkt. share <.90 **(III)**	1,659.5	87.8	138.1	841.3	2,726.7

Adapted from Table 3 and the Appendix

Table 5 reports a number of other HS export categories that did not have an 'export foothold' in 1988, but nevertheless did show 'sustained growth' by reaching the $10 million threshold either in 1995 or in the three previous years.

Table 5. "Sustained Growth" Categories 1988-95
Listed by Province

	Category	1988 ($millions)	1995 ($millions)
Alberta			
HS4	Dairy products	2.8	27.4
HS5	Product of animal origin	5.0	12.5
HS48	Paper and paperboard	7.9	44.9
HS62	Apparel and clothing	0.6	16.7
HS68	Articles of stone, plaster	3.2	11.8
HS72	Iron and steel	2.9	21.7
British Columbia			
HS6	Live trees and plants	6.2	26.6
HS19	Prep. of cereal, etc.	9.2	53.1
HS21	Misc. edible preparations	3.1	13.7
HS32	Tanning/dyeing extract	2.4	14.2
HS34	Soap, washing prep.	0.6	10.5
HS82	Tools, implements, cutlery	5.2	23.5
HS83	Misc. articles of base metals	4.1	33.1
Manitoba			
HS17	Sugars and confectionery	4.0	13.2
HS41	Raw hides and skins, leather	9.2	36.9
HS61	Apparel, clothing (knit)	4.8	12.9
HS62	Apparel, clothing (not knit)	9.4	45.6
HS68	Articles of stone, plaster	3.5	12.8
HS74	Copper and articles thereof	5.1	64.9
HS75	Nickel and articles thereof	0.6	249.3
HS79	Zinc and articles thereof	3.3	29.9
HS90	Optical, photo, precision	3.5	12.4
Saskatchewan			
HS4	Dairy products	1.6	11.3
HS11	Products of milling industry	9.6	47.9
HS23	Waste from food industry	3.3	21.0
HS39	Plastics and articles thereof	4.7	11.3
HS73	Articles of iron and steel	5.9	15.8
HS90	Optical, photo, precision	3.7	67.0
HS99	Special transaction-trade	5.8	38.0

There are also a number of categories that satisfy the 'foothold' criterion but not the 'sustained growth' test and, as a result, do not likely appear in Table 3 or 5. These include valuable exports widely associated with the region such as cereals (HS10), edible vegetables and roots (HS07), and oilseeds (HS12) all of which are subject to a combination of production and price cycles. Still other exports are sensitive to economic cycles such as sulphur (HS25), plastics (HS39), machinery and mechanical equipment (HS84) from Alberta; woodpulp (HS47), ores and concentrates (HS26), and aluminum (HS76) from British Columbia; and potash (HS31) from Saskatchewan.

SELECTED EXPORT HIGHLIGHTS

Oil and Gas, and Plastics Exports
Table 6 reveals that 1995 commodity exports from Alberta's oil and gas sector increased by 5.5% over 1994 values. These are primarily volume gains as the price index for energy exports fell by 2.3% in 1995.[4] Crude oil shipments increased in value by $1.3 billion, or 24.3%, and coal exports increased by $120 million, or 18.3%. The value of gas shipments declined by 8% though the volume shipped in 1995 rose by some 4.5% over 1994.

Table 6. Alberta Exports of Oil and Gas and Plastics: Selected Categories 1988, 1994, 1995 (millions of $) and % Growth 1994-95 and 1988-95

HS	*Description*	*1988 ($)*	*1994 ($)*	*1995 ($)*	*1994-95 % growth*	*1988-95 % growth*
2701	Coal	429.0	659.0	779.5	18.2	81.7
2709	Crude oil	3,124.4	5,546.7	6,892.2	24.2	120.6
2711	Natural gas	3,229.3	7,358.6	6,769.4	-8.0	109.6
	Total of the above	*6,782.6*	*13,563.3*	*14,441.1*	*3.6*	*112.9*
	Total HS27	*6,784.2*	*13,942.7*	*14,706.0*	*5.5*	*116.8*
3901	Polyethylene	59.3	661.9	1,061.2	62.4	1,689.5
3903	Polystyrene	0.1	25.0	36.8	47.2	36,700.0
3920	Plastic plates, sheets, films, foil and strip	6.6	23.7	29.9	26.2	353.0
	Total of the above	*66.0*	*710.6*	*1127.9*	*58.7*	*1,608.9*
	Total HS39	*621.6*	*769.7*	*1195.7*	*55.3*	*92.4*

Source: Statistics Canada, Trade Information and Enquiry Retrieval System (TIERS)

Table 6 also reports Alberta's exports of plastics (HS39). The energy industry has greatly increased its international shipments of these value-added products over the last few years. The 62.4% increase in polyethylene exports during 1995 is particularly important and reflects a 'new' core export from the energy industry.

Wood, Pulp and Paper Product Exports

Table 7 outlines the export performance of wood, chemical pulp and paper products. The growth in shipments of particle board (4410) slowed in 1995 with a value increase on the year of 0.7%, while the value of sawn wood exports (4407) increased by 29.4%. Like 1994, the growth in the value of wood pulp exports (HS47) was the highest in this industrial group. Alberta's 1995 exports of chemical wood pulp were 81.5% higher than the previous year and were valued at over a billion dollars. Shipments of paper and paperboard (HS48) also grew considerably to $44.9 million by posting a 50.2% increase over 1994.

Table 7. Alberta Exports of Wood, Pulp and Paper Products
1988, 1994, 1995 (millions of $) and % Growth 1994-95 and 1988-95

HS	*Description*	*1988 ($)*	*1994 ($)*	*1995 ($)*	*1994-95 % growth*	*1988-95 % growth*
4407	Wood sawn, chipped	135.1	164.3	212.7	29.4	57.4
4410	Particle board	65.9	238.3	240.1	0.7	264.3
	Total of the above	*201.0*	*402.6*	*452.8*	*12.5*	*125.3*
	Total HS44	*229.0*	*460.2*	*512.8*	*11.4*	*123.9%*
4703	Chemical wood pulp	375.8	579.6	1052.2	81.5	180.0
4705	Semi-chemical pulp	3.5	209.9	285.0	35.7	8042.9
	Total of the above	*379.2*	*789.5*	*1,337.0*	*44.0*	*252.6*
	Total HS47	*385.5*	*794.4*	*1,358.1*	*70.9*	*252.3*
48	Paper and paperboard	*7.9*	*29.9*	*44.9*	*50.2*	*468.4*

Source: TIERS

AGRICULTURAL EXPORTS

Meat Products

Table 8 indicates that the export value of processed meats (HS02) in 1995 increased to $591 million, an 8% rise over 1994. The value of beef exports actually fell slightly in 1995 but export price data suggests that this was due to significant price weakness during 1995. A 28% increase in the value of pork shipments, from $92.1 million to $118 million, also reflects mostly volume increases.

Table 8. Alberta Exports of Meat Products: Selected Categories 1988, 1994, 1995 (millions of $) and % Growth 1994-95 and 1988-95

HS	*Description*	*1988 ($)*	*1994 ($)*	*1995 ($)*	*1994-95 %growth*	*1988-95% growth*
0201	Meat of bovine animals	38.0	318.3	316.4	-0.6	732.6
0203	Meat of swine	45.4	92.1	118.0	28.1	159.9
0206	Edible offal of livestock	8.6	45.1	48.4	7.3	462.8
	Total of above	*91.9*	*455.5*	*482.8*	*6.0*	*425.4*
	Total HS02	*158.9*	*547.4*	*591.4*	*8.0*	*272.2*

Source: TIERS

Vegetable Products

The vegetable export category (HS07) is a new category included in this year's report. The prairie provinces have seen a significant increase in export values in this area since the signing of the FTA and NAFTA. An example is provided in Table 9 where the dramatic rise in Alberta potato and legume exports is shown. This is almost entirely a volume increase. Canola exports more than doubled between 1988 and 1995. In 1995 the increase over 1994 was 18.4% or $85 million, an increase attributable to both volume and unit price.

Table 9. Alberta Exports of Vegetables and Oilseeds: Selected Categories 1988, 1994, 1995 (millions of $) and % Growth 1994-95 and 1988-95

HS	*Description*	*1988 ($)*	*1994 ($)*	*1995 ($)*	*1994-95 % growth*	*1988-95 % growth*
0701	Potatoes, fresh or chilled	1.1	12.6	12.6	0	1045.5
0710	Vegetables, frozen	0.7	0.3	0.9	200.0	28.6
0713	Dried, leguminous veg.	16.1	28.4	68.6	141.5	326.1
	Total of the above	*17.9*	*41.3*	*82.1*	*98.8*	*358.7*
	Total HS7 categories	*19.1*	*41.9*	*82.9*	*97.9*	*334.2*
1204	Linseed	4.5	19.2	21.6	12.5	380.0
1205	Canola or Colza seeds	244.4	463.0	548.4	18.4	55.4
1207	Other seeds	7.2	14.2	22.1	55.6	206.9
1209	Sowing seeds,fruits,spores	20.1	20.1	22.5	11.9	11.9
	Total of the above	*275.8*	*516.5*	*614.6*	*19.0*	*122.8*
	Total HS12 categories	*295.6*	*579.7*	*700.8*	*20.9*	*137.1*

Source: TIERS

EXPORTS OF MACHINERY, BOILERS, APPLIANCES, AND ELECTRICAL EQUIPMENT (HS 84 AND 85)

Table 10 shows the value of shipments of machinery (HS84) and electrical equipment (HS85) from Alberta for 1988, 1994 and 1995. Total shipments for the two categories taken together increased in 1995 over 1994 by $300 million, or 30.2%. Like 1994, much of the growth was accounted for by the increase in HS85 exports, which rose by $226 million, or by some 40%. The absolute growth was most pronounced in HS8525 (radio and TV transmission equipment) and HS8517 (telephone equipment).

After falling slightly in 1994 , shipments of machinery increased strongly between 1994 from 1995 with most four-digit HS categories recording increases. Exports of electrical equipment continued to increase sharply in 1995 reaching a total of $790 million.

Table 10

Alberta Exports of Machinery and Electrical Equipment: Selected Categories 1988, 1994, 1995 (millions of $) and % Growth 1994-95 and 1988-95

HS	*Description*	*1988 ($)*	*1994 ($)*	*1995 ($)*	*1994-95 % growth*	*1988-95 % growth*
8428	Lifting machinery	3.1	68.4	4.6	-93.3	48.4
8430	Moving, grading, boring machinery	8.0	19.4	26.4	36.1	230.0
8431	Parts for the above machinery	30.4	51.1	63.7	24.6	109.5
8471	Automatic data processing equip.	20.2	18.1	20.0	10.5	-1.0
8473	Parts for office machinery	4.4	38.3	66.3	73.1	1406.9
8479	Specialized machines and appliances	17.1	50.9	52.8	3.7	208.8
8481	Taps, cocks, valves for pipe, boilers etc	12.4	27.5	42.2	53,4	240.3
	Total of the above	*95.8*	*273.7*	*276.0*	*0.8*	*188.1*
	Totals HS 84 categories	*172.3*	*432.0*	*505.6*	*17.0*	*193.4*
8517	Telephone sets and related equipment	38.8	235.5	342.3	45.4	506.7
8524	Tapes, software, other recorded media	5.0	14.5	15.6	7.6	190.0
8525	Transmission equip. for radio and TV	6.4	236.8	321.6	35.8	3,600.0
8529	Antennae for radio and TV	25.0	9.6	13.6	41.7	-61.6
8536	Electrical switching equipment	1.6	5.2	6.9	32.7	225.0
8537	Boards and panels for electrical circuit	15.7	4.8	13.2	175.0	-15.9
8544	Wire, optical fibre cables	3.7	4.9	7.3	49.0	32.4
	Total of the above	*96.4*	*511.3*	*720.5*	*51.0*	*430.4*
	Totals HS85 categories	*113.5*	*563.3*	*789.8*	*40.2*	*595.9*

Source: TIERS

EXPORTS OF OPTICAL, MEASURING AND PRECISION INSTRUMENTS AND OF FURNITURE (HS90 AND 94)

Other categories with a high value-added component include shipments of precision instruments (HS90) and furniture (HS94). As shown below in Table 11, the value of precision instrument exports increased by $11.3 million, or 8.0%. (This compares with an increase in 1994 of $16.6 million, or 13.2%.) Table 11 also reveals steadily growing exports of furniture and related construction products—during 1995 shipments increased by $16.3 million, or 13.9%.

Table 11. Alberta Exports of Precision Instruments and Furniture: Selected Categories 1988, 1994, 1995 (millions of $) and % Growth 1994-95 and 1988-95

HS	*Description*	*1988 $)*	*1994 ($)*	*1995 ($)*	*1994-95 % growth*	*1988-95 % growth*
9015	Geographic measuring instruments	6.6	10.6	14.1	33.0	113.6
9021	Orthopedic appliances	8.3	46.9	56.0	19.4	574.7
9023	Instruments for demo. equipment	1.1	4.9	3.7	-24.5	236.4
9026	Flow check instrumentation	4.2	7.2	8.2	13.9	95.2
9027	Physical, chemical test equipment	2.9	14.1	15.3	8.5	4.3
9030	Oscilloscopes, electrical testing	1.1	14.9	15.1	1.3	1,272.7
9031	Other measuring and checking equip.	2.3	24.3	25.2	3.7	10.0
9032	Automatic control instruments	1.0	17.1	10.3	-39.7	930.0
	Total of the above	*27.5*	*140.0*	*147.9*	*5.6*	*437.8*
	Total HS90	*34.0*	*142.0*	*153.3*	*8.0*	*49.6*
9401	Seats	0.4	3.9	5.0	28.2	1150.0
9403	Other furniture	25.7	88.0	107.3	21.9	317.5
9406	Prefab buildings	6.9	23.7	18.1	-23.6	162.3
	Total of the above	*33.1*	*115.6*	*130.4*	*12.8*	*294.0*
	Total HS94	*33.1*	*118.1*	*134.5*	*13.9*	*302.7*

Source: TIERS

TRADE WITH MEXICO

Statistics contained in the Western Centre for Economic Research's last annual review of Western Canadian merchandise exports described the core exports shipped to Mexico. In light of the economic crisis that Mexico endured in 1994/95, a set of current tables are included in Appendix 2 of this report.

The historical record suggests that Western Canada has been a residual supplier to the Mexican market. It is notable, for example, that even though Mexican imports nearly doubled between 1988 and 1991, and Canadian exports to the Mexican market also increased, those from Western Canada to Mexico actually fell by more than one-half. Several conclusions have been drawn from the 1988-95 data. These are:

(1) Western provinces' exports to Mexico have remained around 1% of total western provincial exports over the 1988-95 period. In 1995, the four provinces combined sent an average of 1.1% of their total exports to Mexico.

(2) There is a significant year-to-year variation in the value of Western Canada's exports to Mexico. Alberta's proportion of Canadian exports to Mexico ranged from 16% in 1988 to less than 6% in 1991. In 1995 the Alberta share rose to 15.4%. The shares of Saskatchewan, Manitoba and British Columbia ranged from 14-17%, 6-7%, and 5-8%, respectively for 1993, 1994 and 1995.

(3) After two consecutive years of growth, the western provinces share of Canadian exports to Mexico dropped slightly in 1995, from 42.9% to 42.3%.

(4) However, each of the four western provinces was able to increase the absolute value of their exports to Mexico during 1995, with agricultural products the primary source of growth. The value of Alberta's exports increased $49 million, or 40.7% over 1994.

Given the collapse of Mexico's purchasing power in December 1994, the increase in the value of export shipments by each of the four western provinces is encouraging. It is possible that many of the merchandise shipments to Mexico in 1995 resulted from purchasing contracts agreed upon and paid for long in advance. The 1996 trade figures will better reflect the impact of the Mexican crisis on Canadian exports.

---

[1]This report uses trade data released by Statistics Canada in February, 1996. Annual updates of the finalized trade data are released mid-year.

[2]In 1995, the Western Centre for Economic Research's annual report on exports considered recent western Canadian exports to Mexico; see Edward J. Chambers and S. Stephen Janzen, *Alberta, Western Canada and the FTA/NAFTA: 1988-94.* (Western Centre for Economic Research, Edmonton, 1995).

[3]Appendix 1 contains the value of total merchandise exports, exports to the U.S. market, and exports to the rest of the world for each of the western provinces at the two-digit HS level for all categories in the years 1988 and 1995. The Appendix also shows shipments to the U.S. as a market share of total shipments in each category for the same years. A separate set of tables in Appendix 3 reviews *annual* provincial exports at the two-digit level between 1988 and 1995.

[4]The export price index used here is from the Bank of Canada's *Canadian Economic Observer*, May 1996, p. 34.