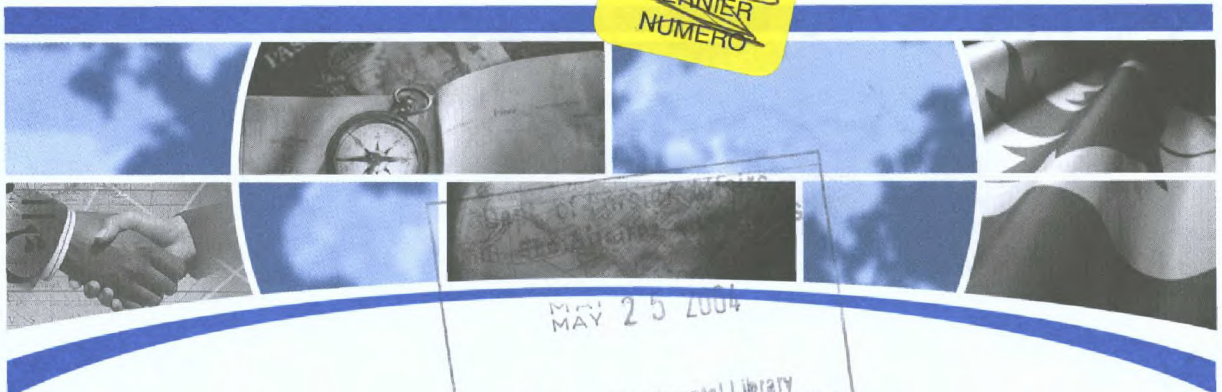
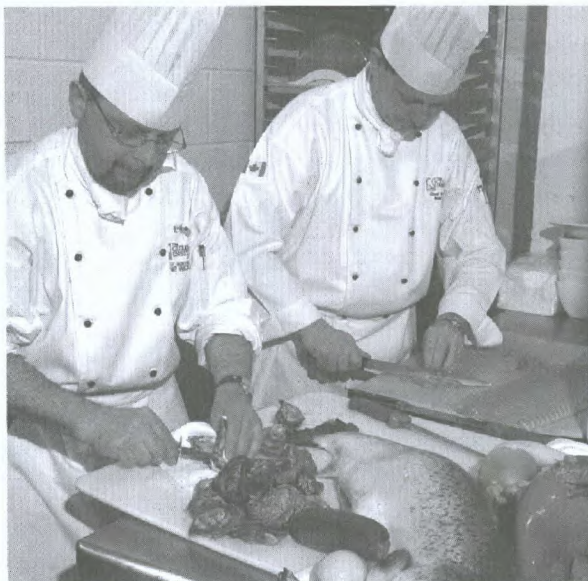


LATEST ISSUE
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Atlantic provinces shine in Washington, D.C.

In April 2004, Team Canada Atlantic wrapped up two days of meetings with potential agents, brokers, distributors and strategic partners in Washington, D.C.



Chef Hans Wicki and Blair Zinck prepare for a Taste of Atlantic Canada reception.

"It's been a great couple of days," said the Honourable Joseph McGuire, Minister of the Atlantic Canada Opportunities Agency (ACOA). "We came to Washington to help increase export revenue for Atlantic firms and to send the message that Atlantic Canada is a great place in which to invest. We're sending the message that our region embraces new technology as a key driver of innovation and international competitiveness."

Business New Brunswick Minister Peter Mesheau was optimistic about the future of his province in that part of the U.S. "Thanks in large part to our last trade mission to Washington, which was very successful, New Brunswick companies are becoming known in the mid-Atlantic States," he said. "We want to build on our existing relationships and develop new ones."

continued on page 2 — Atlantic provinces

Market access report released

Canada's trade priorities outlined

Last month, International Trade Minister Jim Peterson released the government's annual report on Canada's market access priorities for 2004. Entitled **Opening Doors to the World: Canada's International Market Access**

Priorities - 2004, the report highlights the successes of 2003 and sets out the objectives the government will continue to pursue over the coming year.

continued on page 2 — Market access report

Atlantic provinces — continued from page 1

By the looks of things during the last two days, we're very optimistic this visit will be just as positive."

Over 80% of Atlantic Canada exports are destined for U.S. markets. Exports create one out of every three new jobs in Atlantic Canada, and for every \$1 million in exports, 8 to 11 full-time positions are sustained.

One of the scheduled sessions provided business representatives from Team Canada Atlantic with information on how to access U.S. government procurement contracts. Another session hosted by the Canadian Embassy in Washington focused on business process outsourcing. This event provided an important opportunity to position Atlantic Canada as a competitive, skilled and low-cost location for

growing U.S. companies—particularly those with a technology and innovation agenda.

TEAM CANADA
ÉQUIPE CANADA



ATLANTIC
ATLANTIQUE

One afternoon roundtable focused on the commercialization of new technologies and highlighted successful models involving innovation and technology commercialization from the Washington area. The roundtable was attended by Atlantic Canadian government officials and senior U.S. executives from the Washington area.

Missions with a history of success

Team Canada Atlantic missions are designed to increase trade and attract foreign investment to Atlantic Canada

through strategic initiatives targeted at select U.S. markets. The missions introduce export-ready firms to international markets and provide experienced exporters with the opportunity to explore new markets.

Since the Team Canada Atlantic program began in 1999, there have been a total of nine trade missions to the United States, including this latest mission to Washington. These missions have enabled more than 300 Atlantic Canadian firms to meet with over 2,300 buyers, agents and business owners from across the United States, helping to generate \$20 million in short-term sales and more than \$115 million in long-term sales.

Team Canada Atlantic partners include ACOA, the Atlantic Canada World Trade Center, Foreign Affairs Canada, International Trade Canada, Agriculture and Agri-Food Canada, Industry Canada and the governments of Prince Edward Island, Nova Scotia, New Brunswick and Newfoundland and Labrador.

For more information, go to www.teamcanadaatlantic.com.

Market access report

— continued from page 1

"Since an estimated one out of every four jobs in Canada is linked to exports, our social and economic prosperity relies on our success as a trading nation," said Minister Peterson. "As we build a strong 21st-century economy, we will continue to build on our successes and work to reduce and eliminate barriers to goods, services and investment in key foreign markets."

The report outlines significant market-opening results achieved by the government in 2003, in particular in Canada's largest export market, the United States. These results encompass the opening of

new consulates in the U.S. last year under the Enhanced Representation Initiative and expanded bilateral cooperation on the Smart Border Action Plan.

"Canada will continue to work to ensure that the world's markets are open to Canadian businesses," added Minister Peterson. "We will accomplish this bilaterally, regionally and multilaterally, while advancing World Trade Organization objectives."

This report is available at www.dfait-maeci.gc.ca/tna-nac/cimap-en.asp. Paper copies are also available from International Trade Canada by calling (613) 944-3316.

THE CANADIAN
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Access our market studies and our network of professionals at

www.infoexport.gc.ca

Farnborough International 2004

Farnborough, England — July 19-25, 2004 — Held biennially, **Farnborough International** is one of the world's leading aerospace and defence trade exhibitions. At the event in 2002, orders valued at \$12.6 billion were announced and more than 1260 exhibitors and official representatives from 32 countries attended. Participation in FI2004 is seen as critical to establish and maintain contacts in the global aerospace market and to obtain information on new programs in development.

Canada will have a significant presence at FI2004. A Canadian Pavilion is being organized under the auspices of the Aerospace Industries Association of Canada in collaboration with the Trade Team Canada Aerospace and Defence (TTCS) sector team (a partnership between industry and government). Canada will also have a Chalet at the show—joining the ranks of major corporations with such a presence. The TTCS will host industry briefings by major Original Equipment Manufacturers (OEMs) for Canadian exhibitors. In addition, a series of networking sessions for company representatives from targeted countries (U.S., France, U.K and Japan) will take place at the Chalet, allowing Canadian exhibitors to network with potential partners.

Trade Team Canada Aerospace and Defence's Market Information and Intelligence (MI/I) program is supporting Canadian involvement in FI2004. The Boeing 7E7 commercial aircraft program will be one of the main key market intelligence topics of this year's Trade Team MI/I program. The MI/I program involves collecting relevant and strategic information and intelligence on foreign aerospace partners and suppliers to the 7E7 program and disseminating it to the Canadian industry. Its aim is to increase the Canadian industry's knowledge of international business opportunities and in turn help make them more competitive.

The 7E7 is the newest aerospace platform in the world market for large commercial jet transports. The 7E7 supply chain is beginning to unfold. Major 1st-tier airframe/structures suppliers have already been selected, and Boeing has completed 70% of the selection of primary systems suppliers for the 7E7.

Opportunities for Canadian aerospace companies to supply aircraft components and systems are available at the 2nd, 3rd and 4th-tier level of the supply chain. It is crucial for Canadian companies to position themselves early in the 7E7 program as the supply chain unfolds. Boeing

and its partners are targeting sub-contractors that have the ability to design, build, integrate, test, certify and support components, parts, sub-assemblies and systems. Canadian export-ready aerospace companies should contact the *Trade Commissioner Service* when pursuing subcontracting opportunities with 7E7 airframe/structures and systems suppliers. The *Trade Commissioner Service* has over 500 trade officers working in more than 140 trade offices worldwide, including in the U.S., Japan, France, the U.K, Australia and Italy, where the majority of 7E7 suppliers are based.

For more information on the 7E7 program, see Market Insight Report - 7E7 at www.infoexport.gc.ca; or contact Jeff Rochon at the Aerospace and Automotive Branch - Industry Canada at rochon.jeffrey@ic.gc.ca (613-954-3400).

For more information on Canadian activities at the show, please contact Brian Botting at the Aerospace and Defence Trade Team Canada Secretariat, tel.: (613) 954-3328; e-mail: botting.brian@ic.gc.ca; or Nancy McNiven at the Canadian High Commission in London, e-mail: nancy.mcniven@dfait-maeci.gc.ca.

Additional information on the show itself can be found at www.farnborough.com.

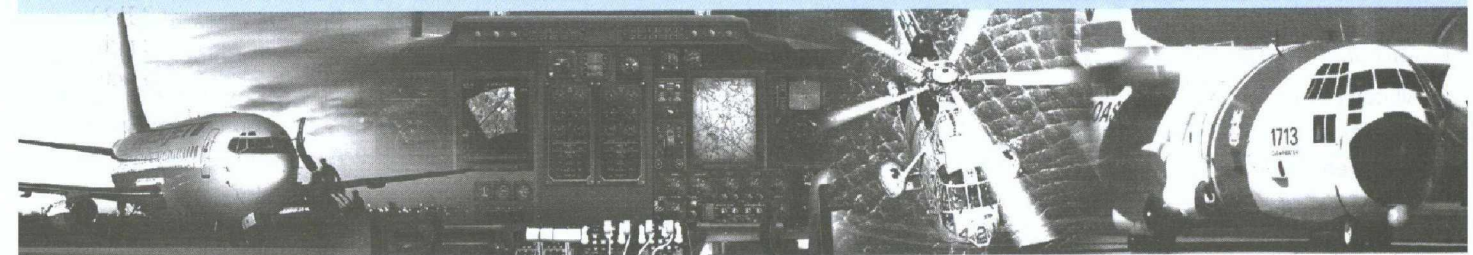


Photo: Aerospace Industries Association of Canada (AIAC)

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'Bumper crop' at Alimentaria 2004

This year, more than 144,000 international buyers visited **Alimentaria 2004**. This spectacular increase in foreign buyers makes this event the second largest in Europe. The 15th edition of Alimentaria showcased nearly 4,000 companies, including over 1,000 international companies.

Close to 60 countries were represented, including 223 companies from Italy, 122 from Germany, 140 from France and 70 from Belgium. Other countries such as Serbia-Montenegro, South Africa and Sri Lanka also had national booths. There was also significant participation from Latin American countries, and more companies from Asia and the Maghreb. Even though many international agri-food shows have been struggling, exhibitors at Alimentaria have increased by 20%.

Canadian success

Based on their attendance at Alimentaria, Quebec's **Design & Réalisation** will be opening an office in Barcelona to distribute its chocolate fountain equipment, and **Les produits Zinda** is in negotiations for major sales in Spain, the United States and the Middle East and forecasts that Alimentaria will generate sales of \$300,000. Ontario's **Export Packers** sold five containers worth \$60,000, and Quebec's **Fruit d'Or** found a distributor in Spain and Andorra.

The Canadian Pavilion was managed by Agriculture and Agri-Food Canada and the Canadian Embassy in Madrid. With 19 companies attending, the Canadian participation was the largest ever at Alimentaria.

All companies were satisfied with their participation and many will attend in 2006. Generally, companies reported that the kind of customers they met at Alimentaria were different from those



Quebec's Design & Réalisation shows off its chocolate fountain equipment to chocolate-savvy Barcelonans.

at SIAL or Anuga. Had they not attended, it would have been impossible to make these new contacts because many foreign buyers do not go to trade shows in northern Europe. The Middle East, the Maghreb and southern Europe were the best-represented regions.

For more information, contact Marc Lionel Gagnon, Commercial Officer, Canadian Embassy in Madrid, tel.: (011-34-91) 423-3228, fax: (011-34-91) 423-3252, e-mail: marc.l.gagnon@dfait-maeci.gc.ca, Web site: www.canada-es.org. ✪

Germany to host world's largest medical exhibition

DÜSSELDORF, GERMANY — November 24-27, 2004 — Each year, Düsseldorf is host to **Medica**, the world's largest medical exhibition. Medica 2003 featured approximately 3,900 exhibitors from 65 countries and attracted 134,700 professional visitors. This was the largest number of visitors in the show's 35-year history. A second show, **CompaMED**, is held concurrently at the Düsseldorf fair grounds and features companies that provide raw materials for the medical devices industry.

Close to 60 Canadian companies exhibited at Medica 2003 in a wide range of product areas. Most Canadian companies were part of the Canada pavilions at the show, which resulted in a high level of satisfaction among show participants.

Medica provides a unique opportunity to access the German medical devices market, which is the third largest in the world and the biggest in Europe by far. Given the international nature of both exhibitors and visitors, it is also an excellent springboard to access the global market.

Planning is currently under way for participation in Medica 2004 and CompaMED (November 24-26).

For more information on these shows, or to find out more about the German market, contact Andrew Haswell, Vice-Consul and Trade Commissioner, or Monica DeVilliers, Commercial Assistant, Canadian Consulate in Düsseldorf, e-mail: ddorf@dfait-maeci.gc.ca, Web site: www.medica.de. ✪

Canadian Trade Review

A Quarterly Review of Canada's Trade Performance
Fourth Quarter 2003

This review reports on the resumption of Canada's economic growth in the fourth quarter of 2003, and highlights our trade and investment performance in key sectors and markets.

Falling Energy Prices Hamper Export Recovery in the Fourth Quarter

The Canadian economy ended last year on a positive note, as real gross domestic product (GDP) expanded by 3.8% (annualized)¹ in the fourth quarter—up from 1.3% the previous quarter. This performance helped to lift overall annual real GDP growth for 2003 to 1.7%. However, this growth was down from the 3.3% expansion registered in 2002. South of the border, preliminary estimates indicate that US GDP expanded by 4.1% in the fourth quarter and by 3.1% for all of 2003. Growth in Canada's other major markets in the fourth quarter varied: in the EU it was 1.6%, while in Asia both Japan and China registered very high growth rates of 6.4% and 9.9%, respectively (the latter comparing fourth quarter GDP with the same quarter a year earlier).

Spending by Canadian consumers remained flat in the final quarter of 2003—a result of a cooling down of the home construction boom and a drop in car and truck purchases. Most of the economic expansion was accounted for by inventory build-up in the retail and wholesale sectors (largely of cars and trucks) and in the agriculture sector (grain and live animal inventories). Output in manufacturing expanded by 2.0% in the fourth quarter—the first increase in five quarters. This reflected a number of positive factors, including a rebound from the electricity black-out in Ontario in the previous quarter, the reopening of international borders to some Canadian beef products, robust housing construction in both Canada and the US, and higher demand for motor vehicle parts from US assembly plants.

Export performance, however, was hampered by further strengthening of the Canadian dollar. Despite this impediment, real exports expanded by 3.2% in the quarter, although nominal exports registered a 0.2% decline.

Similarly, real imports expanded by 4.2% in the quarter, while nominal imports grew by 2.0%.

Falling exports, increased imports and a drop in investment income resulted in a \$4.8 billion decline in the current account balance in the fourth quarter.

¹ To make quarterly data comparable to annual data, the quarterly figures for trade in goods and services are adjusted for seasonality and are expressed at annual rates by raising them four times, i.e. seasonally adjusted annual rates - s.a.a.r. All figures, with the exception of investment figures, are expressed on an s.a.a.r. basis, unless otherwise noted.

Prepared by the Trade and Economic Analysis Division (EET)

Table 1: Canada's Economic and Trade Indicators

Percent Change at Annual Rates Fourth Quarter 2003 over Third Quarter 2003	
Real GDP (annualized)	3.8
Employment (quarterly increase, level)	172,600
Rate of Unemployment (quarterly average)	7.5
Consumer Price Index (fourth quarter 2003 over third quarter 2003)	
All Items	1.7
Core (excludes food and energy)	1.9
Canadian \$ in U.S. funds (average for quarter, level)	0.7599
Exports of Goods and Services (annualized, current dollars)	-0.2
Imports of Goods and Services (annualized, current dollars)	2.0

Source: Statistics Canada

Job creation in Canada continued at an accelerated pace. The net quarterly increase was 143,800, with some 83% as added full-time positions. With this development, the average unemployment rate for the quarter fell to 7.5% from 7.9% the previous quarter.

Inflation continued to decline over the quarter, falling to 1.7% from 2.1%. Core inflation, however, increased over the quarter—from 1.7% to 1.9%.

The Canadian dollar was up 4.9% vis-à-vis the American dollar in the fourth quarter—the quarterly average value of the "Loonie" was 75.99 US¢.

Trade and Investment Highlights

Goods Exports Decline while Goods Imports Expand

Exports of Canadian goods and services fell a modest 0.2% in the fourth quarter (Figure 1). An 11.3% quarterly increase in services exports was not sufficient to offset a 1.8% decline in merchandise exports, which were adversely affected by the rising dollar and slumping energy prices.

Imports of goods and services expanded by 2.0% in the quarter, reflecting a 0.8% increase in commodity imports and an 8.1% expansion in services imports.

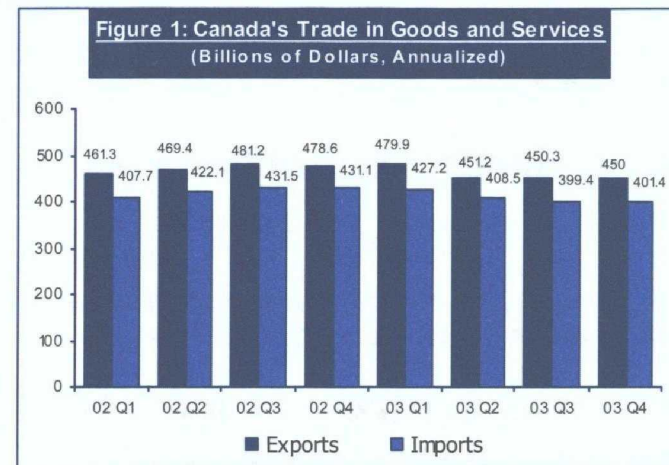
A \$1.8 billion quarter-over-quarter decline in merchandise exports was largely concentrated in the energy sector (down \$6.6 billion, or 37.0%) as prices fell, and the machinery and equipment sector (down \$2.3 billion, or 10.2%). Also contributing to the reduction in exports were declines in forestry products and in consumer goods (Figure 2). Capping the losses were increases in industrial goods (up 28.7%, or \$4.2 billion), agriculture products (up 8.6%, or \$0.6 billion), and automotive shipments (up 5.0%, or \$1.1 billion). Without the negative effect of falling energy prices, aggregate export performance in the quarter would have shown a healthy recovery.

Merchandise imports experienced a modest increase of \$0.6 billion (up 0.8%) in the fourth quarter. The machinery and equipment sector registered the largest quarterly drop in imports (down \$3.0 billion or 11.7%), while agricultural and forestry products experienced more limited declines. On the other hand, imports of automotive products increased by 16.4% (\$2.8 billion), while energy imports expanded by 14.6% (up \$0.6 billion), despite lower energy prices.

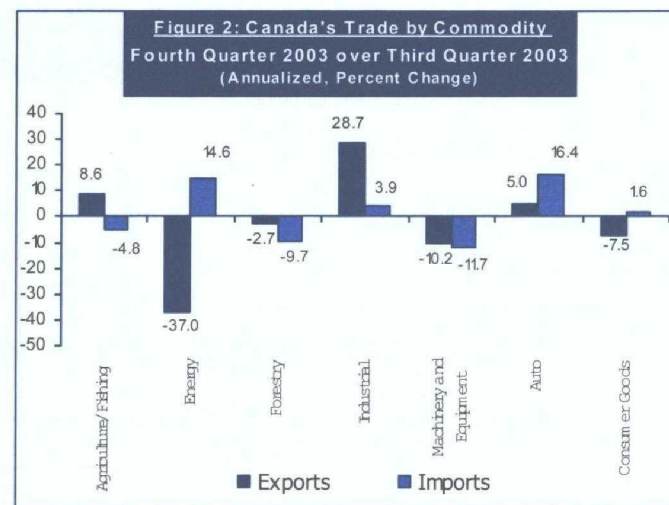
Merchandise exports to the US fell by 7.8% or \$6.5 billion, in the quarter, while those to Japan were down 12.5%, or \$0.3 billion. These declines were only partially offset by increases to the EU (up 71.5%, or \$3.2 billion) and to Other OECD countries (up 75.4%, or \$1.8 billion).

Merchandise imports from the EU were down 19.3% or \$1.8 billion, whereas imports from the US declined more modestly in the quarter, down 0.5%, or \$0.3 billion, on an annualized basis. These declines were, however, more than offset by a small increase in imports from Japan (up 4.0%) and, more substantially, expanded goods imports from Other OECD countries (up 20.7% or \$0.9 billion) and from non-OECD countries (up 21.3% or \$1.8 billion).

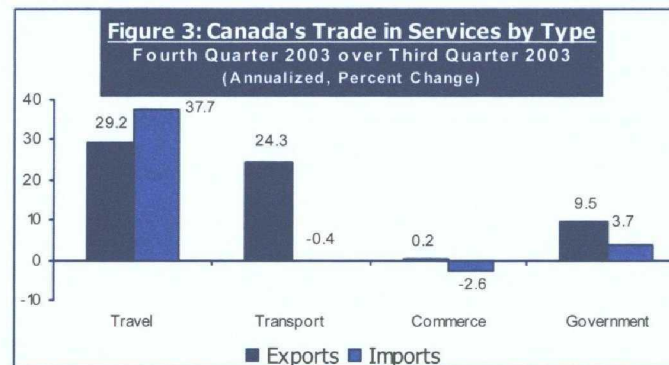
With goods imports expanding and goods exports declining, the merchandise trade balance fell by \$2.4 billion in the quarter, to \$60.3 billion on an annualized basis. A \$6.2 billion decline in the



Source: Statistics Canada



Source: Statistics Canada



Source: Statistics Canada

merchandise trade balance with the US, combined with declines in the trade balance with Japan (down \$0.4 billion) and with non-OECD countries (down \$1.8 billion), were only partially offset by increases in the merchandise trade balance with the EU (up \$5.1 billion) and with Other OECD countries (up \$0.9 billion).

Both Services Exports and Imports Expand

Canadian services exports increased by 11.3% in the fourth quarter, as all sub-sectors expanded (Figure 3). The expansion was particularly strong in the travel sector (up 29.2% or \$0.9 billion) and the transport sector (up 24.3% or \$0.5 billion).

Services imports advanced \$1.3 billion or 8.1%. Increased travel by Canadians during the quarter pushed travel services imports up \$1.6 billion or 37.7%. Transport services imports declined slightly and imports of commercial services fell by \$220 million or 2.6%, while government services imports remained flat. Overall, the services trade deficit narrowed to \$11.7 billion on an annualized basis in the fourth quarter from \$11.9 billion in the previous quarter.

Outward Foreign Direct Investment (FDI) Flows Exceed Inward FDI Flows

Flows of Canadian Direct Foreign Investment Abroad (CDIA) were \$17.1 billion in the fourth quarter of 2003 - slightly up from \$16.2 billion recorded in the fourth quarter in 2002. Increased CDIA flows in the energy, machinery & transport,

and services & retail sectors were offset by a substantial drop in the finance & insurance sector.

Regionally, CDIA flows to the US declined (down \$9.7 billion), whereas flows to the EU (up \$8.3 billion) and non-OECD countries (up \$2.9 billion) expanded.

Foreign Direct Investment (FDI) in Canada experienced a net outflow of \$1.3 billion in the fourth quarter of 2003. This compares unfavourably with inflows of \$5.6 billion over the same quarter a year earlier—a \$6.9 billion turnaround. All sectors, with the exception of finance & insurance, registered net outflows over the fourth quarter—most notably for the machinery and transport (-\$1.1 billion) and energy (-\$0.7 billion) sectors. Substantial FDI outflows back to US investors (\$2.1 billion) were only partially offset by more limited FDI inflows from the EU (\$0.4 billion), non-OECD countries (\$0.2 billion) and Japan (\$0.1 billion).

Canada's Official International Reserves Remain Unchanged

Canada reduced its official reserves holdings by \$1.7 billion in the fourth quarter of 2003, compared with a \$0.6 billion reduction in the same quarter in 2002.

Key Trade and Investment Highlights for Year 2003

Merchandise Trade

Merchandise exports fell by 3.1% (\$12.8 billion) in 2003—led lower by reduced shipments to the US. Merchandise imports declined by 4.3% (\$15.1 billion), as reduced imports from the US, the EU, and Japan were only partially offset by increased imports from other markets.

As a result of goods imports declining more than exports, the overall merchandise trade surplus expanded by \$2.4 billion over 2002 to \$60.2 billion in 2003. Separately, the merchandise trade balance with the UK and Japan improved in 2003, while the trade balances with all other markets declined.

Merchandise Trade by Region

Canada's annual merchandise exports to the US declined by 4.5%, or \$15.6 billion, and imports fell by 6.2%, or \$15.7 billion in 2003. Consequently,

the bilateral merchandise trade surplus expanded by \$137 million in 2003—from \$92.1 billion to \$92.2 billion.

Both merchandise exports and imports from Japan declined over 2002. Exports to this region declined by 3.8%, or \$386 million, while imports fell by 9.1%, or \$1.0 billion. As a result, the bilateral trade deficit with Japan was reduced by \$688 million to \$753 million last year.

In 2003, merchandise trade relations with the EU were characterized by large swings in goods trade with the UK. Merchandise exports to the UK expanded by \$1.3 billion in 2003, as overall goods exports to the EU grew by \$1.4 billion, or 6.2%. At the same time, goods imported from the UK fell by \$1.4 billion as part of the overall \$1.3 billion, or 3.5%, decline in total goods imported from the EU.

China is Canada's fourth largest export market and the second largest source of imports. Last year, in a climate of

overall declining goods exports and imports, Canadian exports to China expanded by 12.9% while imports from China increased by 16.1%. With these developments, Canada's bilateral trade deficit with China widened to \$13.9 billion in 2003 from \$11.9 billion the previous year.

Lastly, goods shipped to Mexico declined by 9.0%, or \$218 million, over 2002, while imports from Mexico fell by 4.4%, or \$559 million. The bilateral trade deficit with Mexico thus narrowed by \$341 million in 2003, to \$10.0 billion.

Merchandise Trade by Commodity Group

In 2003, merchandise exports declined in all sectors, except for Energy. Exports of Automotives fell by 9.4% (or \$9.1 billion), those of Machinery were down 8.3% (or \$8.0 billion), Forestry goods were off by 7.2%

(or \$2.7 billion), and Industrial and Agricultural goods exports were both down 5.2% (or \$3.6 billion and \$1.6 billion, respectively). Finally, Consumer goods exports declined 3.1% (or \$0.5 billion). Partially offsetting the losses was a surge in Energy exports, which increased by 22.8%, or \$11.3 billion, largely due to increased energy prices.

Similar to the case for exports, goods imports also declined in all sectors, except for Energy. Imports of Machinery declined by 7.2% (or \$7.7 billion), Automotives imports were down 6.3% (or \$5.1 billion), Industrial goods were off by 5.5% (or \$3.8 billion), Forestry imports were down 3.7% (or \$0.1 billion), while Agricultural goods imports fell by 1.2% (or \$0.3 billion), and Consumer goods imports were down 0.5% (or \$0.2 billion).

With these developments, the merchandise trade balance for Energy improved by a healthy \$8.3 billion in 2003 to more than offset the key declining merchandise trade balances for Automotives (down \$4.0 billion) and Forestry (down \$2.6 billion).

Services Trade

Services exports also experienced an overall decline in 2003, led by a 12.8%, or \$2.1 billion, drop in Travel services exports. Visits to Canada and related expenditures by foreigners were negatively affected by the SARS outbreak in Toronto. A \$1.0 billion improvement in Commercial services exports was largely offset by a decline in Transport services, while Government services exports were flat. On the other hand, services imports expanded in 2003, as all services sectors registered increases. Commercial services imports expanded by \$0.5 billion, foreign Travel expenditures by Canadians grew by \$0.3 billion and Transport services imports advanced by \$0.3 billion.

With declining services exports and expanding services imports, the services trade deficit widened by \$3.1 billion to reach \$11.5 billion in 2003. A

\$2.4 billion deterioration in the Travel services trade balance and a \$1.1 billion decline in the balance for Transport services were only partially offset by a \$0.4 billion improvement for Commercial services, while the Government services balance stayed flat.

Foreign Direct Investment

The flow of both Foreign Direct Investment (FDI) into Canada and Canadian Foreign Direct Investment Abroad (CDIA) slowed in 2003—FDI flows were down 33.6% compared to 2002 and CDIA flows declined by 74.5%. CDIA flows slipped to \$30.0 billion in 2003 compared to \$45.2 billion in 2002. Declining CDIA in the Finance & insurance (down \$14.2 billion over 2002) and Machinery & transport sectors (down \$2.4 billion) was only partially offset by \$1.2 billion increase in the energy sector.

FDI inflows contracted from \$32.3 billion in 2002 to \$8.3 billion in 2003, with the declines concentrated in the Energy (down \$14.1 billion), Machinery & transport (down \$5.7 billion), and Services & retailing (down 2.3 billion) sectors.

Thus, as in the two previous years, outward CDIA flows outpaced inward FDI flows in 2003. Of particular note, the difference between outward and inward FDI flows widened to \$21.8 billion in 2003 from \$12.9 billion in 2002.

On a regional note, the declines in outward and inward FDI flows from the US were the principal reasons for the reduced flows observed in 2003. CDIA flows to the US fell from \$14.0 billion to \$6.4 billion, as the US share of CDIA declined to 21.2% from 30.9% a year earlier. Inward FDI flows from the US fell at an even faster pace than outflows—from \$24.7 billion in 2002 to \$4.4 billion in 2003. The share of annual inward FDI flows originating from the US thus declined from 76.4% in 2002 to 53.0% in 2003. With these developments, CDIA to the US exceeded FDI inflows from the US in 2003, a reversal of the situation seen in previous years.

Inward FDI flows from all other regions also declined, but less dramatically than those from the US. Thus, the EU increased its share of inward FDI flows from 12.5% in 2002 to 24.7% in 2003 and Japan increased its share from 3.1% to 9.9%.

The CDIA position, or stock, was \$398.2 billion at the end of 2003, down from \$431.8 billion in 2002. The strengthening of the Canadian dollar in 2003, and the associated re-evaluation of the CDIA position, accounted for much of the decline. The inward FDI position increased somewhat last year, from \$349.4 billion in 2002 to \$357.7 billion.

Portfolio Investment

Canadian net investments in foreign securities (bonds and stocks) was \$12.5 billion in 2003, down from \$25.0 billion in 2002—a \$14.4 billion reduction in stock holdings was only partially offset by a \$2.0 billion increase in bond holdings. On the inward investment side, foreign investment inflows favoured Canadian securities (up \$14.3 billion over 2002) over bonds (down \$12.0 billion).

Official International Reserves

Canada reduced its holdings of Official International Reserves by \$4.7 billion in 2003, compared to a \$298 million decline in 2002.

Current Account

With the trade and investment developments outlined above, Canada's current account surplus expanded to \$25.8 billion in 2003 from \$23.4 billion the previous year. Although exports of goods and services declined by a larger amount than imports - down \$14.8 billion and \$14.0 billion, respectively—the current account surplus was enhanced by a \$4.0 billion net reduction in interest payments to foreign investors.

South China: an economic powerhouse

With a population of 170 million—that's about 13% of China's total population—living on only 6.13% of China's total land area, the four South China provinces of Guangdong, Fujian, Hainan and Guangxi Zhuang autonomous region form one of China's most economically and culturally dynamic regions.

Guangdong province, adjacent to both Macau and Hong Kong, is the economic powerhouse of the region. The province of Fujian is famous for being the starting point of the ancient maritime silk road to the Arab world some 1000 years ago, and directly faces the island of Taiwan. Famous for its natural resources, Hainan province is a popular tourist destination with well-protected tropical scenery. And Guangxi Zhuang is known for its multi-ethnic society, with over 40 different ethnic groups.

Special Economic Zones

The five original Special Economic Zones, established since the early days of China's economic reforms, are all

located in South China: Shenzhen, Shantou, Hainan, Zhuhai and Xiamen. Shenzhen, one of the most successful zones, is renowned for its growth in the manufacturing sector, and more recently in the information and communications technology (ICT) sector. While Shenzhen has benefited from its close proximity to Hong Kong, Shantou mainly attracts Southeast Asian investors. Zhuhai, on the other hand, has been established as a high-tech belt, while Xiamen attracts many Taiwanese investors, given its proximity to Taiwan. The entire island of Hainan is a special economic zone and is the largest in China.

The five Special Economic Zones play an important role in establishing trade and investment as an essential characteristic of South China, and in positioning the region as an attractive market for exporters and investors from all over the world. In 2002, trade in the four southern provinces totalled \$343 billion (40.88% of China's total trade), while the total gross domestic product (GDP) for the region amounted

to over \$325 billion. GDP growth in South China averaged 9.71%, and total foreign direct investment reached some \$28.52 billion for that same year. Consequently, South China boasts some of the highest income levels in the country. Disposable income ranges from \$1,150 in Hainan to \$2,572 in Guangdong.

Each of South China's four provinces have unique characteristics. Guangdong is China's factory and export processing centre, and is also China's wealthiest province with close to 80 million relatively affluent consumers. Light industry has always been of significance in Guangdong, including handicrafts, food processing and textiles. Recently, more focus has been put on developing heavy industry involving shipbuilding, automobile manufacturing and petrochemical refining.

The province of Fujian is rich in forestry, mining and water resources, and is geographically best positioned for cross-straits trade with Taiwan. Fujian is developing rapidly, thanks to investments mainly from Taiwan.

Unlike the first two provinces, the autonomous region of Guangxi Zhuang is still relatively undeveloped, with agriculture being the primary industry. However, Guangxi is rich in mineral and energy resources and its industrial sector is growing rapidly. With its three ports, Guangxi is well positioned as an entry point into Western China.

Lastly, Hainan is China's youngest province (given provincial status in 1988) and is particularly rich in tropical agriculture and aquaculture.

Pearl River Delta

South China is also home to the Pearl River Delta (PRD) economic zone. The zone includes Shenzhen, Dongguan, Guangzhou, Foshan, Jiangmen, Zhongshan, Zhuhai and parts of

continued on page 6 — South China



Guangzhou Tianhe District

Photo: Joseph Fung

The Junos rock Los Angeles and Sydney

Two Juno networking events were held in Los Angeles and Sydney in April 2004 to promote Canadian music artists and the Junos to an influential international audience.

Los Angeles

Over 100 industry representatives and musicians gathered in Los Angeles to watch the Juno Awards live from Edmonton. Organized by the Canadian Consulate General in Los Angeles, the event enabled music executives from the major studios and independents based in L.A. to focus their attention on Canadian talent, not to mention enjoy a great Canadian beef dinner.

Organized in collaboration with the Canadian Academy of Recording Arts and Sciences, the Juno networking event capped an ongoing business development campaign that was designed together with provincial partners including the Society of Composers, Authors and Music Publishers of Canada, the Canadian Independent Record Production Association, Telefilm Canada, FACTOR and others.



One of the plasma screens on which the Junos were viewed with the Sydney Opera House in the background.

The event attracted guests from all quarters of the L.A.-based industry including labels, publishers, music licensing executives from film and television, performing rights associations and talent bookers such as Clear Channel, Fox Studios, ASCAP, Dreamworks, PeerMusic Publishing, Electronic Arts, Warner Music and Hollywood Records.

Sydney

On the other side of the Pacific, 70 guests also gathered to watch the

Junos. With the support of the Arts and Cultural Industries Promotion Division at Foreign Affairs Canada and International Trade Canada, the Canadian Consulate in Sydney was able to replicate the L.A. model. Key guests included the Managing Director of Warner Music Australia, the Producer of Network Ten's Video Hits, a senior booking agent for the Frontier Touring Company, and a representative from Sound Gallery Management.

The Sydney Juno networking event came at a good time. Many of the artists featured at the Awards, including **Nickelback**, **Sarah McLachlan** and **Michael Bubl **, are about to tour Australia. **Kathleen Edwards** and **Sam Roberts** have also been busy capturing the attention of Australian distributors and tour agents. In 2003, the Australian recorded music market was valued at \$646 million.

For more information, contact Sharon Pinney, Canadian Consulate General in Australia, e-mail: sharon.pinney@dfait-maeci.gc.ca or Jennifer Price, Canadian Consulate General in Los Angeles, e-mail: jennifer.price@dfait-maeci.gc.ca. *

focus on ICT, the environment (waste and water management), agri-food, transportation (automotive parts, rail, Intelligent Transportation Systems), education, as well as building, construction and materials (specifically architectural services, housing and infrastructure), machinery and plastics.

For more information on opportunities in South China, contact the Canadian Consulate General in Guangzhou, tel.: (011-86-20) 8666-0569, fax: (011-86-20) 8667-2401, e-mail: ganzu@dfait-maeci.gc.ca, Web site: www.guangzhou.gc.ca. *

South China — continued from page 5

Huizhou and Zhaoqing. The region is approximately the size of Nova Scotia and is home to 40 million people.

Since the start of China's market reforms in 1980, the PRD economic zone has been at the centre of China's economic transformation. From 1980 to 2000, the PRD was the fastest growing region in China, growing at a rate of 16.9% compared with 9.6% for the mainland. The PRD accounts for just 3.3% of the population of China, but 9% of GDP, 25% of FDI and 33% of exports.

Trade opportunities exist in several sectors, but Canadian firms should

Product packaging checklist for exporters

Before you send the goods off to your foreign customer, you may want to consider the following:

Determine the mode of shipping. Does it make sense to use air or marine? Will you have to use road or rail for part of the journey? Look into the options and conduct a cost/benefit analysis.

Determine whether to ship directly or indirectly. Will your goods be sent to the buyer directly? Is there a distributor or warehousing facility involved in the process? How will this affect your costs and ability to fill the order?

Determine suitable packaging for the shipment. This will depend on the mode of shipping, the destination, the number of stops (and storage), the fragility of the goods and their sensitivity to environmental changes. It is critical to use suitable internal protection, as well as a durable container. You may also want to consider shock and tilt indicators for packages that may be susceptible to overzealous handling.

Apply appropriate markings to the package. While they do not guarantee damage-proof shipping, handling labels may potentially minimize the abuse your shipment experiences. Of course, handling labels are most effective when the people handling the packages can understand the language or symbols used.

Mark all relevant information on packages. This information includes port of destination, transit instructions, contact information of the consignee, package dimensions and weight, package number and invoice/order number.

This information is drawn from the Canadian Trade Commissioner Service guide *Export Packaging: A Guide for Exporters*, available at <http://www.infoexport.gc.ca/shipping/menu-e.htm>. For more information on exporting, go to exportsource.ca or call Team Canada Inc's toll-free Export Information Service at 1 888 811-1119. *

Exporting renewable energy products and services

Alternative and renewable energies are considered technologies of the future. But the future is here and Canada is on the leading edge of this rapidly growing industry. Governments and citizens around the world are recognizing that we must change the way we produce and consume energy. Canadian firms can capitalize on this opportunity by preparing their renewable energy products and services for export markets.

Natural Resources Canada is committed to increasing access to international markets for Canadian firms working in the area of renewable and alternative energies. It also provides market intelligence, export marketing assistance, trade promotion and other services to help exporters successfully enter new markets abroad.

Whether you manufacture photovoltaic cells or harness the wind, foreign market demand for renewable energy products and services continues to grow.

To find out more about renewable energy, go to www.nrcan.gc.ca/es/renewable_e.htm. To learn more about exporting, call the Team Canada Export Information Service at 1 888 811-1119 or go to <http://exportsource.ca>. *

Exporting environmental products and services

As blessed as we are in Canada with fresh air, clean water and effective waste-management systems, we are still susceptible to environmental degradation. Consequently, Canada has developed specialized capabilities in the areas of environmental management, products and services.

Many countries across the globe are confronting severe environmental challenges with the help of Canadian firms. Large populations, industry pollution, poor sanitation services, unsustainable agricultural and fishing practices and a host of other concerns have been ignored and are reaching a critical condition in some of these nations. Canadian businesses have the knowledge, experience and capabilities to reverse this environmental degradation. Many of these businesses have discovered that exporting environmental products and services is a rewarding and profitable experience on many levels.

Many governments are looking to develop or upgrade their environmental infrastructure to address years of neglect, rapid population increases or industry growth. In many nations, the public is becoming increasingly aware of environmental issues and, as a result, is becoming a serious consumer of diverse products such as air filtration systems, water distillation units, eco-friendly cleaning products and recycled paper products.

Take your first step on the world stage by calling Team Canada Inc's Export Information Service at 1 888 811-1119 to find out more about exporting, or go to <http://exportsource.ca>, Canada's most comprehensive on-line source of export information. *

Cultural trade events calendar

NEW YORK, NEW YORK — August 14-19, 2004 — The **New York International Gift Fair** is the global marketplace for giftware in the United States. Twice a year, more than 2,900 exhibitors and 45,000 attendees from around the world visit to display and find the most sought-after gifts. **For more information**, go to www.nyigf.com.

EDINBURGH, SCOTLAND — August 15 - September 5, 2004 — The **Edinburgh International Festival** attracts artists, industry representatives and spectators from all around the world for three weeks of the very best opera, theatre, music and dance. **For more information**, go to www.eif.co.uk.

MONTREAL — August 26 - September 6, 2004 — **Le festival des films du monde** attracts cinema professionals and the general public to view films from more than 70 countries. **For more information**, go to www.ffm-montreal.org.

LONDON, UNITED KINGDOM — September 1-3, 2004 — **ECTS** is the place in Europe where the entire interactive entertainment industry comes together to do business. Hardware and peripherals manufacturers, software publishers, distributors, developers and magazine publishers will exhibit. **For more information**, go to www.ects.com.

TORONTO — September 9-18, 2004 — The **Toronto International Film Festival and Trade Forum** is a must-attend event for anyone who works in the film industry. The annual trade forum aims to stimulate the growth of Canadian film. For more information, go to www.e.bell.ca/filmfest.

HALIFAX — September 18-20, 2004 — The **Atlantic Film Festival's Strategic Partners Conference** presents an international co-production and co-venture conference, featuring meetings with key players from around the world. This year, Strategic Partners will focus on the U.S., U.K.,

Ireland and a new country or region to be announced shortly. **For more information**, go to www.atlanticfilm.com/strategic.

BERLIN, GERMANY — September 18-22, 2004 — **Art Forum Berlin** welcomes exhibitors and visitors from around the world interested in video, photography, painting, sculpture and installation. Production in every media will be represented. **For more information**, go to www.art-forum-berlin.com.

VANCOUVER — September 23 - October 8, 2004 — The **Vancouver International Film Festival and Trade Forum** encourages and educates Canada's film and television community to produce quality product for domestic and international markets and to establish and foster long-term trade and industry relationships. **For more information**, go to www.viff.org.

MONTREAL — September 24 - October 31, 2004 — The fourth **Biennale de Montréal** will focus on the development and protection of public spaces, urban planning and public art. **For more information**, go to www.ciac.ca/biennale2004.

TORONTO — September 30 - October 4, 2004 — The **Toronto International Art Fair** is the most important art fair in Canada. Last year, 77 galleries from 11 countries exhibited their works. **For more information**, go to www.tiafair.com. *

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