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Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

Canada



LATEST ISSUE
DERNIER
NUMERO

Canada celebrates diplomatic relations with Korea

In this issue

- 2 2003 Global Traders Awards seeking nominations
- 3 IFInet: Your source for opportunities in the international development market
- 4 CMHC helps Icyne Inc. with U.S. expansion
- 5 Printing and paper industries converge onto Germany
Paris to welcome Canadian Forum on Cultural Enterprise
- 6 Trade news/Trade fairs

SEOUL, KOREA — October 20-21, 2003 — This year marks the 40th anniversary of diplomatic relations between Canada and Korea and 30 years since the Canadian Embassy first opened in Seoul. To commemorate these anniversaries, the Embassy has launched **Celebration 2003**, a year packed with



Pierre Pettigrew,
Canada's Minister for
International Trade, will
take part in the Canada-
Korea celebration.

events to trumpet the relationship's successes and accomplishments. The Canadian Embassy in Seoul is drawing together several great trade promotion events into one outstanding package and Pierre Pettigrew, Canada's Minister for International Trade, will be in Seoul to

continued on page 7 — Canada-Korea

Canadian defence mission to Central Europe

WARSAW, BUDAPEST AND PRAGUE — November 3-11, 2003 — The Canadian Embassies in Warsaw, Budapest and Prague are co-organizing a defence industries mission to promote Canadian capabilities in that sector and to develop new opportunities in Central Europe.

The modernization of armed forces in Poland, Hungary and the Czech Republic will involve North Atlantic Treaty Organisation infrastructure investments and military upgrade and

procurement programs. For instance, Poland plans to spend about \$5.5 billion annually until 2006 on defence services and equipment, restructuring and upgrades, while Hungary plans to spend \$5.2 billion over the next ten years. In addition, the Czech Ministry of Defence, with a budget of \$2.6 billion this year, considers the modernization of its military a top priority. Cooperation with local partners in these European Union (EU) accession countries could open

continued on page 4 — Defence mission

CanadaExpo

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Supplement
CANADIAN TRADE REVIEW
(see insert)

Looking for export success in Ontario

2003 Global Traders Awards nominations

International trade is a competitive world. For those with the right resources and support in finding buyers, concluding deals and delivering on their contracts, venturing into export markets can be lucrative. The worldwide government procurement market alone is worth US\$5.5 trillion.

Now in its sixth year, the **Ontario Global Traders Awards** are all about recognizing the export successes of small and medium-sized enterprises,

students and business leaders in Ontario. Since its establishment in 1998, the program has received over 1,100 submissions from across the province. Winning this award can be a great way to increase credibility with customers, and also demonstrate to other businesses the potential to be had by expanding into global markets.

In Ontario, exports account for over half of the province's economy and support more than 1.6 million jobs. The Ontario

Global Traders Awards enable the Government of Ontario, through Ontario Exports Inc., and its partners in trade, including the **CCC** (the Canadian Commercial Corporation), to shine the spotlight on companies, partnerships and individuals who have been successful in selling abroad. As Canada's export contracting agency, CCC is once again a proud sponsor of the "Innovation" award category.

Award categories include: Innovation; Market Expansion (Product and Service); Partnership; Leadership; and Student Achievement. Visit the Ontario Global Traders Awards Web site at www.ontarioexportsinc.com for a full description of the award categories.

Who is eligible?

Small and medium-sized, private-sector, for-profit enterprises based in Ontario that meet all of the following criteria are eligible for the Innovation, Market Expansion and Partnership awards:

- annual sales of less than \$100 million;
- a maximum of 200 employees;
- in business in Ontario for at least three fiscal years;

- currently exporting to one or more countries; and,
- export sales that are at least 15% of total sales.

The "Student Achievement" award category is open to students who are:

- residents of Ontario;
- under the age of 30 years (i.e. born in 1974 or later); and
- enrolled at an Ontario college or university for a minimum of 9 hours of classes per week in international business or other programs, and/or on a co-op placement for at least one semester in 2003.



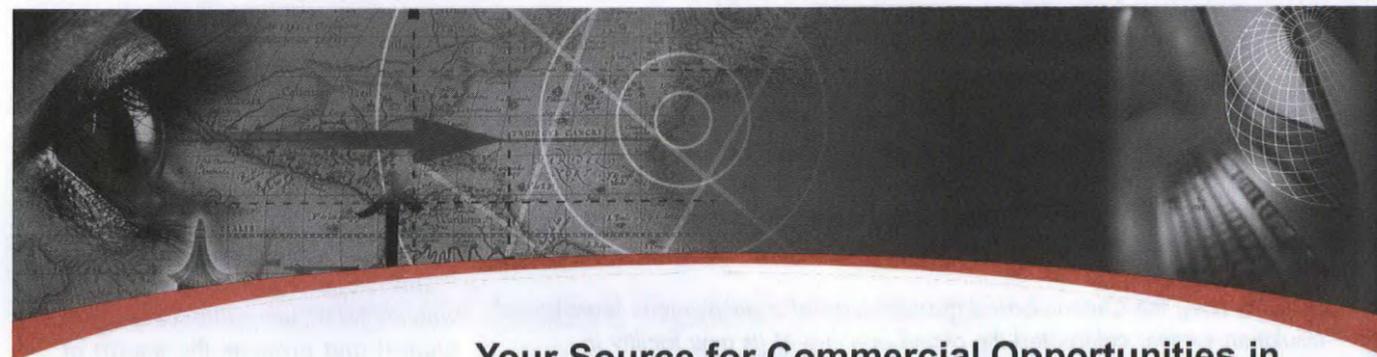
2003 Ontario Global Traders Awards Export Forum and award ceremonies

Awards will be presented

at the regional level in Kitchener, Belleville, Brampton and Sault Ste. Marie with provincial winners announced at the ceremony in Toronto in May 2004. The dates and venues for the Export Forum and regional award ceremonies are:

- Southwest Region: **March 25, 2004**, Four Points Sheraton Hotel, Kitchener
- Eastern Region: **April 1, 2004**, Ramada Inn Belleville, Belleville
- Central Region: **April 6, 2004**, Pearson Convention Centre, Brampton
- Northern Region: **April 15, 2004**, Algoma's Water Tower Inn, Sault Ste. Marie
- Provincial Ceremony: **May 11, 2004**, Westin Harbour Castle Conference Centre, Metro Ballroom, Toronto

All of the forms required to submit a nomination are available at www.ontarioexportsinc.com, and the **nomination deadline is November 3, 2003.**



International Financing Information

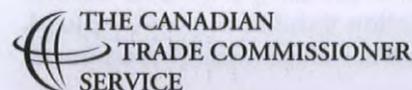
Interested in supplying your goods or services to:
Multilateral Development Banks?
Bilateral Development Agencies?
United Nations Agencies?
International and Non-Governmental Organizations?

Looking for ways to finance your project in a developing or transition country?

Look no further!

The \$130 billion development business market offers a multitude of export and investment opportunities for Canadian companies.

IFInet can provide you with all the information you need to get started in some of the most challenging but rewarding markets in the world.



Your Source for Commercial Opportunities in the International Development Business Market

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 Ministère des Affaires étrangères et du Commerce international / Service des délégués commerciaux

World Bank

WASHINGTON

Department of Foreign Affairs and International Trade / Trade Commissioner Service
 Ministère des Affaires étrangères et du Commerce international / Service des délégués commerciaux

Japan Bank for International Cooperation

JAPAN

Department of Foreign Affairs and International Trade / Trade Commissioner Service
 Ministère des Affaires étrangères et du Commerce international / Service des délégués commerciaux

CDC Capital Partners

UNITED KINGDOM

Department of Foreign Affairs and International Trade / Trade Commissioner Service
 Ministère des Affaires étrangères et du Commerce international / Service des délégués commerciaux

International Finance Corporation (IFC)

WASHINGTON

The International Finance Corporation (IFC) is a member of the World Bank Group. IFC is the largest multilateral source of loan and equity financing for private sector projects in developing countries. IFC's particular focus is to promote economic development by encouraging the growth of productive enterprise and efficient capital markets in its member countries.

Eligibility: To be eligible for IFC financing, the project must usually be located in a developing member country (for a list of member countries, see: <http://www.ifc.org/about/members/members.html>). Exceptions are made for projects in information technology or other sectors where the project can be located in an industrialized member country as long as the benefits of the project primarily accrue to developing country members. Projects must be private sector dominated, technically sound, and have good prospects of being profitable. Projects must benefit the local economy and follow the environmental and social standards of both the IFC and the host country (for information on IFC's environmental and social policies, see: <http://www.ifc.org/enviro/EnviroSoc/index.html#policies>).

Types of Projects Funded: The IFC finances projects in all types of industries and sectors, including manufacturing, infrastructure, tourism, health and education, and financial services.

Environmental Opportunities Facility: This special facility provides catalytic funding for projects that produce goods or services that reduce pollution or improve the use of scarce resources such as water or energy (see: <http://www.ifc.org/enviro/EnviroSoc/index.html#policies>).

IFC Financing by Sector (in \$USD millions)

	2001	Share
Financial Services	\$1,797.0	33.5%
Utilities & Transport	\$1,207.0	22.5%
Information Technology	\$739.0	13.8%
Industrial & Consumer Products	\$479.0	8.9%
Other	\$1,135.0	21.2%
Total	\$5,357.0	

IFC Financing by Region (in \$USD millions)

	2002	Annual Avg. (96-02)*	Avg. Annual Share
Latin America & the Caribbean	\$2,829.9	\$2,192.0	39.2%
Europe & Central Asia	\$1,364.7	\$1,287.2	23.0%
East Asia & the Pacific	\$601.2	\$757.5	13.5%
Sub-Saharan Africa	\$425.9	\$476.6	8.5%
Middle East & North Africa	\$192.0	\$460.6	8.2%
South Asia	\$345.9	\$379.8	6.8%

*Data not available for 2000

How to Apply for Financing: There is no standard application form for IFC financing. A company or entrepreneur, foreign or domestic, seeking to establish a new venture or expand an existing enterprise can approach IFC directly (see: <http://www.ifc.org/proserv/apply/application/application.html>). The Corporation is organized by industry sector group (see: <http://www.ifc.org/about/contacts/sectors/sectors.html>) and by region (see: <http://www.ifc.org/about/contacts/world/world.html>). IFC also has a network of field offices abroad (see: <http://www.ifc.org/about/contacts/world/world.html>).

Investors hoping to secure IFC financing will have to submit a variety of information including: project description, financial information, business structure, market prospects, technical and environmental feasibility, investment and financing requirements, projected timetable, and evidence that the project fits into the host country's economic development strategy (see: <http://www.ifc.org/proserv/apply/proposal/proposal.html>).

For further information, contact:
 The Office of Liaison with International Financial Institutions in Washington:
 Tel: (202) 602-7788 Email: IFIWashing@dfait-maeci.gc.ca Web: <http://www.dfait-maeci.gc.ca/iwashington/menu-en.asp>

www.infoexport.gc.ca/ifinet

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CMHC helps Icynene Inc. with U.S. expansion

Icynene Inc., the Ontario-based manufacturer of a polycynene foam-based insulation system, celebrated the grand opening of its new facility in Mississauga on June 21, 2003. "This new plant will increase our production capacity to four times the current levels and will allow us to expand our export shipments as this plant is the only production facility for our proprietary formula," said Alan Rankin, Icynene's President and Chief Executive Officer.

The company is one of Canada's leading and most innovative building material exporters currently exporting to the U.S., Japan and Korea. The company is also in the process of developing new markets in Mexico and China. Icynene currently has a dealer network in 46 U.S. states and is expanding its presence. Its products conform to "Energy Star" and is the only insulation material with an enviroidesic certification in addition to complying with the BOCA, SBCCI, NES, CCMC and ICBO uniform building codes.

The Icynene insulation system is sprayed as a liquid and expands to 100 times its initial volume in seconds to create a superior insulation and air barrier, without ozone destroying gases (HFAs or HCFCs) or formaldehyde. It is extremely durable, resistant to mold and mildew and controls air leakage resulting in up to 50% energy savings.

This system has been used for various healthy home projects across the U.S. and was the selected insulation for the American Lung Association's "health houses" in Florida, Michigan, Washington, Oregon, Iowa and Minnesota. Icynene was also the insulation of choice for Orlando House, a Florida-based progressive green building project which displayed the latest environment-friendly and energy efficient building products and constructions.

Icynene is also getting some support from the **Canada Mortgage and Housing Corporation (CMHC)** to expand its operations south of the border. CMHC International is currently

working with Icynene Inc. to conduct Canadian housing technology seminars entitled "Control of Condensation and Mold in Buildings." The seminar



Alan Rankin, Icynene President and CEO, with Mississauga Mayor Hazel McCallion, at the grand opening of Icynene's new facility.

highlights innovative Canadian technologies that impact building performance by improving energy efficiency

and indoor air quality. U.S. architects that attend the seminar receive an educational credit through the American Institute of Architects.

This is one of several initiatives by which CMHC International helps to support and promote the export of Canadian housing products to U.S. markets. CMHC International supports Canadian exporters of building products through its trade missions, match-making activities, market-specific reports, incoming delegations, seminars on distribution channels and building codes and standards.

For more information on the Icynene insulation system, go to www.icynene.com, or e-mail inquiry@icynene.com. For more information on CMHC International's programs for exporters, contact Paulina Barnes, Trade Consultant, CMHC International, tel: **(416) 218-3331**, e-mail: pbarnes@cmhc.ca, or go to www.cmhc.ca.

Export USA Calendar

For information about:

- trade missions to the U.S.
 - seminars on the U.S. market
- Visit the Export USA Calendar at: www.dfait-maeci.gc.ca/can-am/export.

Defence mission — continued from page 1

doors for Canadian defence companies to opportunities in the larger EU market and in Eastern Europe.

Companies participating in the mission will meet with key military and government decision makers and network with potential local partners. Canadian defence companies may also be interested in co-exhibiting at the **C+D Central European Defence Equipment and Aviation Exhibition (www.cplushungexpo.hu/nyito_kiall_eng.php)** held in Budapest from **November 5 to 7, 2003**.

For more information, contact Mona Ip, Canadian Embassy in Warsaw, e-mail: mona.ip@dfait-maeci.gc.ca, Krisztina Molnár, Canadian Embassy in Budapest, e-mail: krisztina.molnar@dfait-maeci.gc.ca, or Martina Taxova, Canadian Embassy in Prague, e-mail: martina.taxova@dfait-maeci.gc.ca.

Canadian Trade Review

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

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

Canadian Economy Contracts in Second Quarter

The impacts of SARS, mad cow disease (bovine spongiform encephalopathy or BSE) and a stronger dollar rippled through the economy in the second quarter of 2003, as Canadian economic activity contracted for the first time in six quarters. Real gross domestic product (GDP) registered a 0.3% (annualized)¹ decline. Much of the weakness came in April at the height of the SARS outbreak. The economy posted small gains in May and June.

Canada's economy had grown faster than the U.S. economy for the preceding two quarters. This quarter, in contrast, preliminary estimates indicate that U.S. GDP expanded 3.1%.

A slowdown in inventory investment held the Canadian economy back in the April to June period, as wholesalers and retailers built up inventories at a slower pace. More than half of this slowdown was due to motor vehicle inventories. On the other hand, consumer spending and business investment continued to support the economy, although at slower rates than in the previous quarter. Spending on services accounted for three quarters of the increase in consumer spending, while strong demand for housing and renovation activity drove business investment.

The export sector was hit by a series of blows (lower energy prices, soft demand in the automotive and other transportation equipment sectors, BSE, and the impact of a rising dollar) and experienced a sharp downturn, falling 17.9% in current dollar terms, compared with a slight increase the previous quarter. Imports of goods and services were off by a comparable rate, declining 16.7% for the quarter.

The current account balance also worsened in the second quarter, largely as a result of the deterioration of the trade balance.

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.

Table 1: Canada's Economic and Trade Indicators

Percent Change at Annual Rates Second Quarter 2003 over First Quarter 2002	
Real GDP (annualized)	-0.3
Employment (quarterly increase, level)	17,000
Rate of Unemployment (quarterly average)	7.7
Consumer Price Index (second quarter 2003 over second quarter 2002)	
All Items	2.8
Core (excludes food and energy)	2.2
Canadian \$ in U.S. funds (average for quarter, level)	0.7158
Exports of Goods and Services (annualized, current dollars)	-17.9
Imports of Goods and Services (annualized, current dollars)	-16.7

Source: Statistics Canada

Job creation continued, with a net quarterly increase of some 17,000 jobs. The gains came from part-time positions, as full-time positions declined by 3,500. Despite the overall gains in employment, the average unemployment rate jumped to 7.7% from the 7.4% registered in the first quarter.

Inflation tumbled, falling to 2.8% from 4.5% the previous quarter. Likewise, core inflation dropped in the second quarter—from 3.1% to 2.2%.

The Canadian dollar appreciated 8.0% against the American dollar in the second quarter, marking the largest quarterly exchange rate shift in over a half century. The average value of the loonie for the quarter was US\$71.58.

Prepared by the Trade and Economic Analysis Division (EET)



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
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Canada

Trade and Investment Highlights

Goods Exports Reach Their Lowest Level Since the End of 2001

Exports of Canadian goods and services declined 17.9% in the second quarter (Figure 1). Merchandise exports fell to their lowest level since the fourth quarter of 2001. Their 18.3% slide was accompanied by a 15.1% decline in services exports. Imports of goods and services fell 16.7%, reflecting a 17.6% decline in commodity imports and a 12.2% drop in services imports. Hit by falling energy prices, energy exports declined by more than 50% compared with the previous quarter, when energy prices were on the rise (Figure 2). Exports of agricultural products, hampered by the discovery of BSE in a single animal, declined 23.1%. Exports of automotive parts were at their lowest level since the first quarter of 2001, while exports of forestry products slumped to their lowest level in more than 10 years.

Reduced imports of aircraft and parts as well as of automotive products were the main contributing factors in the decline in merchandise imports. Merchandise exports to the United States fell by 18.5%, or \$17.5 billion, in the quarter. All major markets, with the exception of "other OECD countries" (other than the U.S., the EU and Japan), experienced a decline in goods exports. Merchandise imports from the U.S. also fell substantially, down 19.5% or \$13.3 billion. Commodity imports from all other major markets—with the exception of Japan—declined.

With goods exports declining faster than imports, the merchandise trade balance narrowed \$3.9 billion in the quarter to \$59.2 billion. A \$4.2 billion decline in the merchandise trade balance with the U.S. and a \$1.2 billion reduction in the balance with Japan were only partially offset by improvements in the goods trade balance with the EU and other OECD countries.

Both Exports and Imports of Services Decline

Services exports fell 15.1% in the second quarter, primarily due to declines in travel (down 46.8% or \$2.3 billion). A number of factors contributed to the reduction in travel and travel spending, including the war in Iraq and concerns about SARS (Figure 3). Exports of transport services were also down—by 24.0% or \$928 million—as a result of reduced levels of trade. The declines were limited by increased exports of commercial services (up 9.6% or \$684 million).

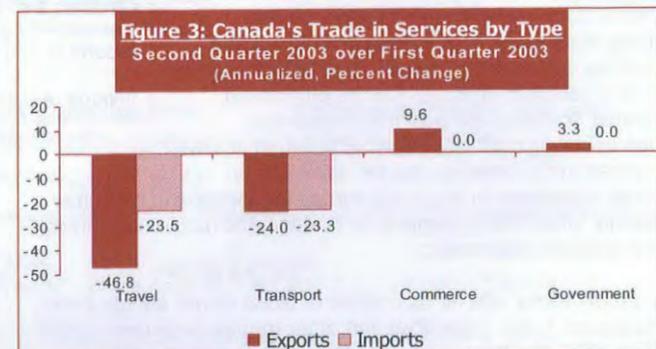
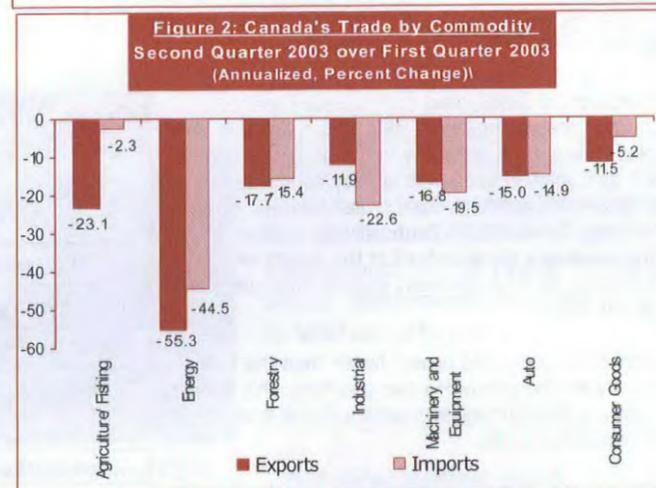
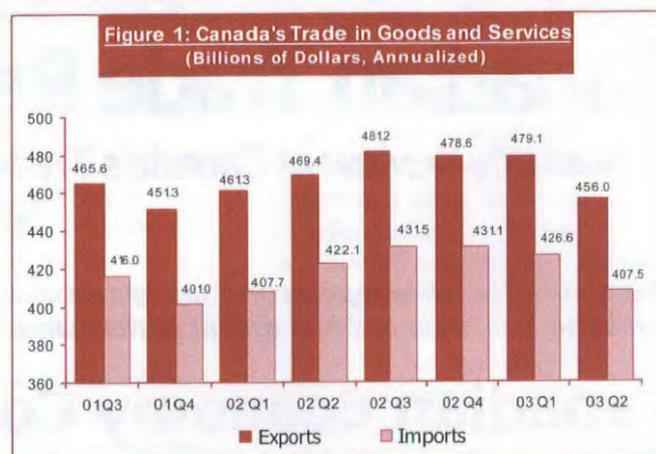
Services imports also fell in the second quarter. But at 12.2%, the decline in services imports was somewhat slower than the rate of decline in services exports. Like services exports, the declines in services imports were concentrated in travel services (down 23.5% or \$1.2 billion) and transport services (down 23.3% or \$928 million), whereas imports of commercial and government services remained at levels comparable to the previous quarter.

Because services exports declined at a somewhat more rapid rate than services imports, the services trade balance widened slightly to \$10.7 billion in the second quarter from \$10.6 billion in the previous quarter.

Inward Investment Flows Exceed Outward Flows

Canadian direct investment abroad (CDIA) was \$2.8 billion in the second quarter of 2003—down from the \$8.7 billion recorded in the second quarter in 2002. All sectors experienced a downturn in CDIA, with the exception of a small increase for the service & retail sector. Declines were particularly pronounced in the energy and finance & insurance sectors. Regionally, the declines were concentrated in the EU (down \$5.0 billion) and non-OECD countries (down \$0.7 billion). CDIA into the U.S. was down only marginally.

Foreign direct investment (FDI) flows into Canada amounted to \$5.1 billion in the second quarter of 2003—down from \$7.3 billion in the same quarter a year earlier. Most of the decrease in FDI flows occurred in the energy (down \$1.4 billion) and service & retail (down \$1.0 billion) sectors, while the machinery & transport sector registered a \$0.8 billion increase.



Source: Statistics Canada

The reductions stemmed primarily from declines in FDI from the EU (down \$1.4 billion), the U.S. (down \$0.4 billion) and Japan (down \$0.3 billion). Overall, inward flows exceeded outward flows by \$2.3 billion in the second quarter, a reversal of the situation in the same quarter the previous year when CDIA exceeded FDI by \$1.4 billion.

Canada Draws Down on Its Official International Reserves

Canada reduced its official reserves of assets in the second quarter of 2003 by \$0.2 billion, compared with a \$1.5 billion increase in the same quarter in 2002.

Economic Changes in U.S. Regions Between 1989 and 2001

Canada shares geographical proximity, a largely integrated production system and a comprehensive free trade agreement with the United States. These factors, coupled with strong U.S. demand for Canadian exports, have worked in favour of Canada selling relatively more and more of its output to the United States. However, U.S. demand for Canadian products differs from region to region and has been evolving over time. For example, an earlier feature article in the *Review* (Third Quarter, 2002) showed that increasing shares of Canadian exports were going to the U.S. West and South, at the expense of exports to the Northeast and Midwest. Regional and state disparities in economic growth and prosperity might be one explanation for these shifting trade patterns.

This special feature analyzes economic changes in U.S. regions between 1989 and 2001, the latest year for which data on gross state product (GSP) are available.¹ Table 1 provides an overview of the average annual growth rates in GSP, arranged by subregional and regional classifications. For the United States as a whole, GDP grew at an annual average rate of 3.0% over the period.

The data in Table 1 reveal considerable differences in growth rates over the past decade or so, even at the subregional level. For example, the state with the highest growth rate (6.0%) over 1989-2001 was Nevada, in the Far West subregion. Alaska, in the same subregion, experienced the lowest rate of growth. GSP in Alaska was actually shrinking by an average 1.1% over the period.

If we use a standard of ± 2 percentage points from the national average growth rate to designate well performing and poor performing states, then well performing states would include Nevada, Oregon, Arizona, Idaho, New Mexico,

Colorado and Utah, while poor performing states would be restricted to the District of Columbia, Hawaii and, of course, Alaska.

The remainder of this special feature will concentrate on the regional and subregional levels to complement the findings published in the earlier *Review* article.

Average Annual Growth by Region

Of the four principal, or macro, U.S. regions, real regional state product² was led by the South and the West, which at 3.6% and 3.4%, respectively, registered growth rates exceeding the national average (Table 1). On the other hand, the rates for

Table 1: Average Annual Growth in Real Gross State Product (chain index 1996=100), 1989-2001

	Average Annual Growth 1989-2001	Difference from National Average		Average Annual Growth 1989-2001	Difference from National Average
UNITED STATES of AMERICA	3.0%	N/A	SOUTH REGION	3.6%	0.6%
NORTHEAST REGION	2.3%	-0.7%	<i>Southeast Subregion</i>	3.2%	0.2%
<i>New England Subregion</i>	2.5%	-0.5%	Alabama (AL)	2.6%	-0.4%
Connecticut (CT)	2.2%	-0.8%	Arkansas (AR)	3.2%	0.2%
Maine (ME)	1.6%	-1.4%	Florida (FL)	3.4%	0.4%
Massachusetts (MA)	2.7%	-0.3%	Georgia (GA)	4.4%	1.4%
New Hampshire (NH)	3.9%	0.9%	Kentucky (KY)	3.0%	0.0%
Rhode Island (RI)	2.2%	-0.8%	Louisiana (LA)	1.5%	-1.5%
Vermont (VT)	2.5%	-0.5%	Mississippi (MS)	2.7%	-0.3%
<i>Mideast Subregion</i>	2.2%	-0.8%	North Carolina (NC)	3.5%	0.5%
Delaware (DE)	3.2%	0.2%	South Carolina (SC)	3.1%	0.1%
District of Columbia (DC)	0.9%	-2.1%	Tennessee (TN)	3.5%	0.5%
Maryland (MD)	2.1%	-0.9%	Virginia (VA)	2.8%	-0.2%
New Jersey (NJ)	2.3%	-0.7%	West Virginia (WV)	1.8%	-1.2%
New York (NY)	2.2%	-0.8%	<i>Southwest Subregion</i>	4.3%	1.3%
Pennsylvania (PA)	2.2%	-0.8%	Arizona (AZ)	5.8%	2.8%
MIDWEST REGION	2.8%	-0.2%	New Mexico (NM)	5.5%	2.5%
<i>Great Lakes Subregion</i>	2.7%	-0.3%	Oklahoma (OK)	2.3%	-0.7%
Illinois (IL)	2.9%	-0.1%	Texas (TX)	4.2%	1.2%
Indiana (IN)	2.9%	-0.1%	WEST REGION	3.4%	0.4%
Michigan (MI)	2.2%	-0.8%	<i>Rocky Mountain Subregion</i>	5.0%	2.0%
Ohio (OH)	2.4%	-0.6%	Colorado (CO)	5.4%	2.4%
Wisconsin (WI)	3.3%	0.3%	Idaho (ID)	5.5%	2.5%
<i>Plains Subregion</i>	3.0%	0.0%	Montana (MT)	2.6%	-0.4%
Iowa (IA)	2.9%	-0.1%	Utah (UT)	5.3%	2.3%
Kansas (KS)	2.7%	-0.3%	Wyoming (WY)	2.5%	-0.5%
Minnesota (MN)	3.5%	0.5%	<i>Far West Subregion</i>	3.1%	0.1%
Missouri (MO)	2.5%	-0.5%	Alaska (AK)	-1.1%	-4.1%
Nebraska (NE)	3.1%	0.1%	California (CA)	2.9%	-0.1%
North Dakota (ND)	2.8%	-0.2%	Hawaii (HI)	0.8%	-2.2%
South Dakota (SD)	4.0%	1.0%	Nevada (NV)	6.0%	3.0%
			Oregon (OR)	5.8%	2.8%
			Washington (WA)	3.9%	0.9%

Source: Real gross state product (GSP), Bureau of Economic Analysis, U.S. Department of Commerce, May 2003

- All data are from the U.S. Bureau of Economic Analysis and refer to real GSP (i.e. nominal GSP deflated by a chained price index with 1996 = 100). Gross state product is similar to the concept of state gross domestic product on the income side except that it does not incorporate income and compensation paid to military and government personnel stationed outside the country.
- The sum of individual real gross state products.

the Midwest (2.8%) and the Northeast (2.3%) trailed behind the national average.

Within the South, growth was led by the Southwest subregion, which includes the states of Arizona and New Mexico. The Southeast subregion also managed growth in excess of the national average.

At 5.0%, the Rocky Mountain subregion recorded the strongest rate of growth of all subregions over the 1989-2001 period. This subregion includes the fast growing states of Idaho, Colorado and Utah. The Far West subregion comprises the other half of the U.S. West. This subregion contains the most diverse states in terms of GSP growth because it includes Alaska (actually shrinking) and Hawaii (below the national average) as well as Nevada (the fastest growing) and Oregon (tied for second fastest state GSP growth). This subregion managed a 3.1% rate of growth over the period under review.

The Great Lakes subregion and the Plains subregion make up the U.S. Midwest. The Plains subregion managed growth at the national average, led by South Dakota and Minnesota. Growth in the Great Lakes subregion came in below the national average, as only Wisconsin managed growth above 3.0%.

The Northeast was the slowest growing of the four macro regions, at an average 2.3% over 1989-2001. Average growth in both the New England subregion and the Mideast subregion came in below the national average at 2.5% and 2.2%, respectively. Slower growth was widespread among the states of this region, as only New Hampshire (3.9%) and Delaware (3.2%) managed to expand at rates above the national average.

Shift Share Analysis of Regional Growth

Shift share analysis has been used to examine sources of regional economic change over the 1989 to 2001 period. This methodology gives a description of regional economic change that is attributable to growth in the national economy, the industrial mix of the region and the competitiveness of the local industries. The results are shown in Table 2.

The national share component measures the regional economic change that could have occurred if the region had grown at the same rate as the national economy. It is expected that if the nation as a whole is growing, this growth will have a positive influence on the local area (a rising tide lifts all boats).

The industrial mix component measures the share of regional economic change that can be attributed to the regional industry mix and thus reflects the degree to which the region specializes in industries that are fast or slow growing nationally. In other words, if a region contains a relatively large share of industries that are growing fast nationally, then it will experience a positive industry mix effect.

Finally, the third component measures the change in a particular industry in the region due to the difference between the industry's regional growth rate (or rate of decline) and the industry's national growth rate. Some regions and some industries generally grow faster than others, even during times of overall prosperity. This is usually attributed to some local comparative advantage. Thus, the regional share component indicates growth or decline in industries due to the region's competitive position in a given industry.

A comparison of the national share between regions places all regions and subregions on an equal footing. Thus, the substantive regional differences are to be found in the other two components. The industry mixes of the New England and Great Lakes subregions show strong positive results, indicating that their regional industrial composition is tilted toward particularly fast growing industries. This observation also holds true (but is less pronounced) for the Plains, Mideast and Far West subregions. Overall, with the exception of the U.S. South, the industrial mixes of the Midwest, Northeast and West regions have contributed positively to real state product growth over 1989-2001.

On the other hand, the competitive or regional component of the Northeast and Midwest regions and their corresponding subregions are all negative, meaning that their competitive positions have deteriorated relative to the national average and have acted as a drag on total regional growth. Conversely, the competitive positions of the West and South, especially the Rocky Mountain and Southwest subregions, have improved against the national average, boosting regional growth.

In sum, the slower expanding Northeast and Midwest benefit from an advantage in their industrial mixes (i.e. they both contain a larger share of faster growing industries than the national average), but these advantages were more than offset by declines in their competitive positions (regional share components) over the 1989-2001 period.

For example, the U.S. auto industry—traditionally centred in the Midwest region—has experienced regional diversification, as new manufacturing plants (particularly those of non-U.S. manufacturers) have increasingly located in the U.S. South. Similarly, key components of the U.S. electronics industry have largely been concentrated in the South and West regions (e.g. Silicon Valley and the Austin hi-tech hub). Such shifts to the South and West in the distribution of U.S. economic activity likely explain the shift in the pattern of Canadian exports to the United States.

Table 2: Shift Share Analysis of Growth in Real Regional Gross State Product

	National Share	Industry Mix	Regional Share	Total Growth 1989-2001
UNITED STATES OF AMERICA				42.8%
NORTHEAST REGION	42.9%	1.2%	-12.7%	31.5%
New England Subregion	42.9%	4.1%	-11.3%	35.7%
Mideast Subregion	42.9%	0.4%	-13.1%	30.2%
MIDWEST REGION	43.0%	3.0%	-7.1%	38.9%
Great Lakes Subregion	43.1%	3.4%	-9.0%	37.5%
Plains Subregion	42.9%	1.9%	-2.4%	42.4%
SOUTH REGION	43.0%	-1.5%	11.9%	53.5%
Southeast Subregion	42.9%	-1.7%	6.4%	47.6%
Southwest Subregion	43.4%	-1.0%	24.3%	66.7%
WEST REGION	43.1%	0.2%	6.8%	50.1%
Rocky Mountain Subregion	43.1%	-0.9%	36.8%	79.0%
Far West Subregion	43.1%	0.3%	2.6%	46.0%

Source: Real gross state product (GSP), Bureau of Economic Analysis, U.S. Department of Commerce, May 2003

Printing and paper industries converge onto Germany

DÜSSELDORF, GERMANY — May 6-19, 2004 — **DRUPA**, held only every four years, is the world's largest trade fair for the printing and paper industries, attracting some 2,000 exhibitors and more than 400,000 visitors. This trade fair is a world-class event, with 60% of exhibitors and 50% of visitors coming from outside Germany; Asian and North American visitors and exhibitors are particularly well represented.

DRUPA is both a meeting place for the industry and a major platform for the introduction of new technologies. In fact, the industry even speaks of the "DRUPA effect," a slowdown in sales in the year prior to this event as buyers delay purchasing decisions until the latest technologies are unveiled at the show.

Among the main product groups covered at DRUPA are: pre-press and

pre-media systems, appliances and software; printing machinery, appliances and accessories; bookbinding and print finishing; paper converting; package production; and general materials and services. At the last DRUPA in May 2000, Canadian exhibitors displayed a range of products but were particularly strong in information technologies like computerized systems, software and imaging.

EUROPE

"Book" soon

Booth space at this event fills up quickly. Of the Canadian firms which exhibit at DRUPA, about half usually choose to exhibit in a shared Canadian stand, which offers advantages in terms of both cost and visibility. The Düsseldorf Trade Fair

(Messe Düsseldorf) has reserved a space for Canadian firms that wish to exhibit jointly, is accepting applications from interested companies and will assist in designing a common space that best meets the needs of joint exhibitors.

Interested Canadian exporters active in printing and its related industries may wish to reserve as quickly as possible. Space is booked on a first-come, first-served basis and about a dozen companies have already reserved. The Canadian Consulate in Düsseldorf will provide firms with information on DRUPA as well as marketing assistance.

For more information, contact Ilse Bertram, Commercial Assistant, Canadian Consulate in Düsseldorf, tel.: **(011-49-211) 172-170**, fax: **(011-49-211) 359-165**, e-mail: **ddorf@dfait-maeci.gc.ca**, or Stefan Egge, Representative for Canada, Messe Düsseldorf, c/o the Canadian-German Chamber of Industry, tel.: **(416) 598-1524**, fax: **(416) 598-1840**, e-mail: **messedusseldorf@germanchamber.ca**, Web site: **www.drupa.de**. *

When culture talks business

Canadian Forum on Cultural Enterprise

PARIS, FRANCE — January 12-14, 2004 — Arts and cultural professionals from every sector are invited to the **Canadian Forum on Cultural Enterprise**, a gathering that will enable specialists from Canada, France and the French-speaking countries of Europe and Africa to engage in a dialogue with the aim of establishing strategic trade partnerships. This is the first international gathering of its kind to be organized

by Canadian Heritage, under its Trade Routes program, and in partnership with the Department of Foreign Affairs and International Trade.

The forum will enable participants to discuss issues specific to arts and cultural industries sectors, like joint ventures, skills development, financing, investment and international business development. Through the forum and its rich program of lectures, theme workshops, promotional presentations

by companies, and personalized meetings between experts and entrepreneurs, the event will give rise to business opportunities and a wider international distribution of Canada's cultural goods and services.

This event is a unique opportunity for Canadian participants to expand their network of contacts and gain entry to francophone markets in Europe and Africa.

For more information, contact Ouafaa Douab, Canadian Heritage, tel.: **(819) 953-6200**, e-mail: **ouafaa_douab@pch.gc.ca**, Web site: **www.forumcanada2004.com**. *

Hong Kong and China agree on free trade arrangement

On June 29, 2003, Hong Kong and China signed a long-awaited Closer Economic Partnership Arrangement (CEPA), which provides free trade in 273 tariff lines and enhanced access in 18 service sectors—well ahead of China's World Trade Organization (WTO) obligations.

Macao was well behind Hong Kong in negotiations with the Chinese, but is expected to get almost identical treatment, and possibly the same implementation date of January 1, 2004. As Hong Kong and Macao have long been free ports with no tariffs on any products except cigarettes, alcohol and fuels, they had little bargaining leverage. The fact that the agreement was so favourable and extensive is seen as a testament to the Chinese government's desire to ensure its economic integration with both Hong Kong and Macao.

The 273 tariff lines account for 90% of Hong Kong exports to China. The rules of origin, still under negotiation but expected to require 25 to 30% local content, may be released in the fall. Macao is still negotiating its list of products, which will likely represent the bulk of its exports to China. China has agreed to consider additional products for duty-free access, proposed by Hong Kong or Macao, by 2006.

The services provisions cover 18 sectors including: management consulting; exhibitions and conventions; advertising; legal; accounting; medical and dental; real estate and construction; transport; distribution; logistics; forwarding; storage; tourism; audio-visual; banking; securities; insurance; and telecommunications.

In most cases, China agreed to advance WTO commitments for Hong Kong companies, primarily by lowering controls or entry requirements for setting up operations on the mainland, and by easing requirements for professionals to practice on the mainland. In many sectors, however, the provisions go well beyond China's WTO commitments. Consultations will continue with a view to expanding the list of service sectors qualifying for special treatment.

What's in it for Canadian companies?

While CEPA benefits will mainly apply to established Hong Kong or Macao companies, there are niche opportunities for Canadian firms. On account of rules of origin, which will require a certain level of Hong Kong or Macao content, the agreement provides minimal benefit to Canadian exporters. There may, however, be an opportunity for a limited amount of processing in Hong Kong or Macao in order for the goods to qualify under CEPA.

For example, it may be practical to do enough product adaptation in Hong Kong or Macao to qualify for duty-free access. This may be of particular interest for producers of intellectual property-sensitive products, since both Hong Kong and Macao have very good intellectual property protection. There may also be opportu-

nities for processed food products using Canadian ingredients which cannot be exported directly to China.

Currently, Canadian services companies have reasonable access for selling to the Chinese market. While CEPA facilitates cross-border movement and allows for mutual recognition of certain professional qualifications, its main benefit is in lowering barriers for the establishment of companies or offices in China. Companies planning on the establishment of offices in China might find advantages in doing so from a Hong Kong or Macao base. It takes three years as a Hong Kong or Macao company to qualify for CEPA, but companies not yet established in either place can gain instant CEPA qualification by buying or partnering with an established company. Overall, Hong Kong and Macao offer a tremendous array of market opportunities for Canadian firms, and are probably the easiest markets in Asia to enter.

For more information, contact the Canadian Consulate General in Hong Kong, tel.: (011-852) 2847-7414, fax: (011-852) 2847-7441, e-mail: hkong-td@dfait-maeci.gc.ca, Web site: www.hongkong.gc.ca ✪

Who's Who in IT 2003 Partnering Forum

TORONTO — November 13, 2003 — The **Who's Who in IT 2003 Partnering Forum** is a cross-border event bringing U.S. and Canadian information technology companies together to create partnerships.

For more information about the forum, contact Caren Adno, ITAC Ontario, e-mail: cadno@itac.ca, Web site: www.itacontario.com ✪

Forum-Export 2003

A unique event for exporters and manufacturers

MONTREAL — November 12-13, 2003 — Quebec Manufacturers and Exporters and the Quebec Association of Trading Houses are organizing **Forum-Export 2003**, presented with the support of Team Canada Inc and Quebec's Ministère du Développement économique et régional.

Forum-Export will be an opportunity for manufacturers and exporters from every region and industry sector in Eastern Canada to network with manufacturers from American border states and Europe in order to develop effective export markets, and will showcase the innovative strategies used by successful exporters.

This event will be a place to meet, network and discuss local and international business opportunities. Visitors will include exporting companies, trading houses, manufacturer's agents, government services and industry associations—all hoping to find out

how they can increase export volume and profitability.

The exhibition hall will accommodate over 100 companies servicing exporters in areas such as finance, sales, distribution, marketing, transportation, software, legal services, human resources, outsourcing, technologies and innovation. Also present will be exhibitors from Quebec's various economic regions, some American states, Canadian provinces and overseas delegations seeking to establish ties with Canadian companies.

The conferences and workshops are designed to provide participants with information on best export practices through the first-hand experience of experts in the field.

For more information, contact Robert Yelle, tel.: (514) 288-3931, e-mail: yelle@martin-intl.com, Web site: www.forum-export.ca ✪

Quadrennial forestry event grows

AusTimber 2004 to host Canada pavilion

ALBURY, AUSTRALIA — March 29-April 3, 2004 — **AusTimber 2004** is one of Australasia's largest and most innovative forest industry events and the Canadian Consulate Trade Office in Auckland, in cooperation with Canadian Export Development Inc. (CEDI), invites Canadian exporters to participate in the Canada pavilion.

Australia's forest and wood products industries have an annual turnover of more than \$12 billion per year. This makes the forest sector Australia's

second-largest manufacturing industry. If your company is a supplier of forestry harvesting, saw milling, wood processing machinery, material handling systems, ancillary equipment or services and are interested in the Australia market, then consider exhibiting at this event.

Canada pavilion

Canadian companies will display their products and services under one umbrella as they pursue business opportunities in the forest industry in

Canada-Korea

— continued from page 1

participate.

Among these events is a cluster of trade and investment promotion activities. There will be sectoral seminars, where representatives from Canadian firms will promote a broad range of Canadian products, technologies and know-how to Korean business professionals. Seminar topics include: Canadian



Information and Communications Technology in Korea; Canada-Korea Film Co-Production; Canada's Strengths in Corporate Education; S & T Policy; and Micro Brewing: Increased Profits for Restaurants and Bars.

For more information on this and other trade-related events in Korea, contact the Canadian Embassy in Seoul, tel.: (011-82-2) 3455-6000, e-mail: seoul@seoul.gc.ca, fax: (011-82-2) 755-0686, Web site: www.korea.gc.ca ✪

Australia. The Canadian Consulate Trade Office in Auckland will invite key decision-makers and buyers—both in government and the private sector—from both Australia and New Zealand to visit the Canadian pavilion.

Space is limited and will be reserved on a first-come, first-served basis.

For more information, contact Robert Grison, Director of Operations, CEDI, tel.: (613) 825-9916, fax: (613) 825-7108, e-mail: cced@sympatico.ca, Web site: www.austimber2004.com ✪

International education trade events for 2003-2004

ASIA

HONG KONG — December 2-5, 2003 — The **Hong Kong International Conference on Computer and Education's** theme is "The Second Wave of ICT in Education: From Facilitating Teaching and Learning to Engendering Education Reform." **For more information**, go to www.icce03.org.

MELBOURNE, AUSTRALIA — October 20-24, 2004 — The **17th IDP Australian International Education Conference** is the world's third largest international education conference. **For more information**, go to www.idp.com.

EUROPE

BERLIN, GERMANY — November 21-23, 2003 — **Expolingua Berlin** is an international annual exhibition for languages and culture. **For more information**, go to www.expolingua.com.

BERLIN, GERMANY — December 3-5, 2003 — **Online Educa Berlin** is the world's largest international e-learning conference. **For more information**, go to www.online-educa.com/en.

MONTE CARLO, MONACO — December 8-10, 2003 — **European E-Learning Summit**. **For more information**, go to www.elearningsummit-europe.com/html/event.htm.

GENEVA, SWITZERLAND — December 9-13, 2003 — The **World Summit for Information Societies** will focus on broadening access to the global information and communication network. **For more information**, go to www.wsis.org.

LONDON, ENGLAND — January 7-10, 2004 — The **British Education and Technology Trade Show 2004** is an annual international event promoting the effective use of ICT in education. **For more information**, go to www.bettshow.co.uk.

KARLSRUHE, GERMANY — February 10-13, 2004 — **Learntec 2004** is the European conference and trade fair for education and information technology. **For more information**, go to www.learntec.de.

BARCELONA, SPAIN — May 2004 — **Virtual Educa 2004** is the international conference on education training and new technologies. **For more information**, go to www.educoas.org/webs/virtualeduca/2003.

TURIN, ITALY — September 15-19, 2004 — Promote your education organisation, programs and services at the **European Association for International Education's 2004 Exhibition**. **For more information**, go to www.eaie.nl.

UNITED STATES

MIAMI, FLORIDA — March 1-3, 2004 — **Training 2004 Conference and Expo** will help educators build a first-rate learning organization. **For more information**, go to www.trainingconference.com.

ATLANTA, GEORGIA — March 1-3, 2004 — The **Online Learning Spring Conference & Expo** is an important event for e-learning practitioners. **For more information**, go to www.vnulearning.com/olspring.htm.

WASHINGTON D.C. — May 21-27, 2004 — Attend the **American Society for Training and Development's** international learning and performance conference and exposition. **For more information**, go to www.astd.org.

BALTIMORE, MARYLAND — May 23-28, 2004 — The **NAFSA 2004 Annual Conference** is one of the largest and most important gatherings of international educators, administrators, policy experts and education leaders in the world. **For more information**, go to www.nafsa.org/baltimore.

NEW ORLEANS, LOUISIANA — June 21-23, 2004 — The **National Educational Computing Conference** provides K-12 and university-level education professionals with an annual forum to learn, exchange and survey advancements in the field of educational technology. **For more information**, go to www.neccsite.org. ★

Enquiries Service

DFAIT's Enquiries Service provides counselling, publications and referral services to Canadian exporters. Trade-related information can be obtained by calling 1-800-267-8376 (Ottawa region: (613) 944-4000) or by fax at (613) 996-9709; by calling the Enquiries Service FaxLink (from a fax machine) at (613) 944-4500; or by accessing the DFAIT Web site at www.dfait-maeci.gc.ca

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