

Exports to Canada

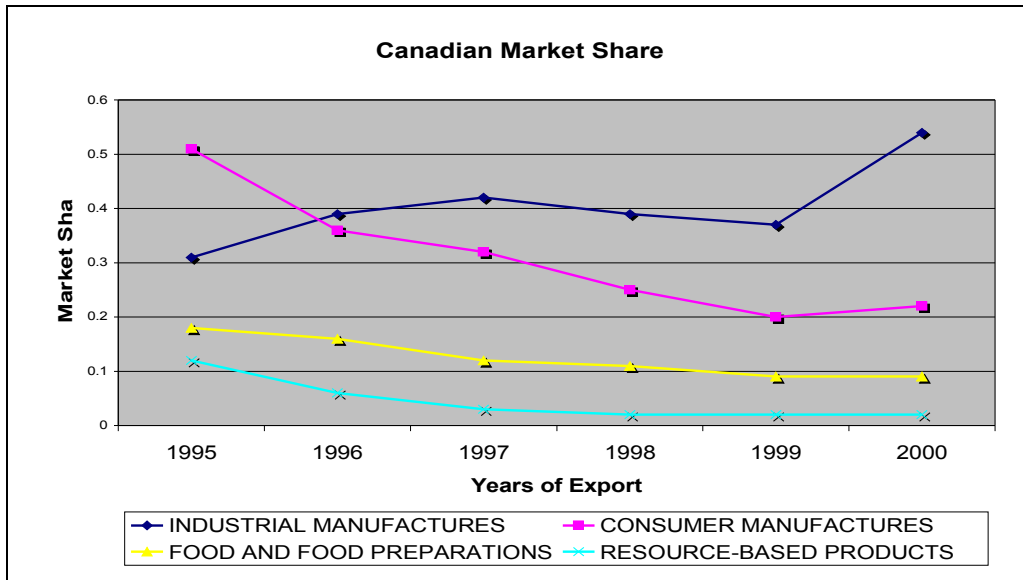
An industry analysis on export growth opportunities and risks.

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On a whole, the Philippines have had mixed adjustments to export trade to foreign countries. A trade analysis concentrating upon bilateral relations with Canada highlight the industry difficulties that is common due to un- progressive adjustments to trade agreements under the open market system. Over the past five years, the overall Philippine export industries to Canada have been varied in growth due to several factors including currency rates, domestic competition and economic consumer confidence. The following graph demonstrates the price elasticity of Filipino products in exports during the Peso devaluation in 1999 resulting in its greatest export growth to Canada.

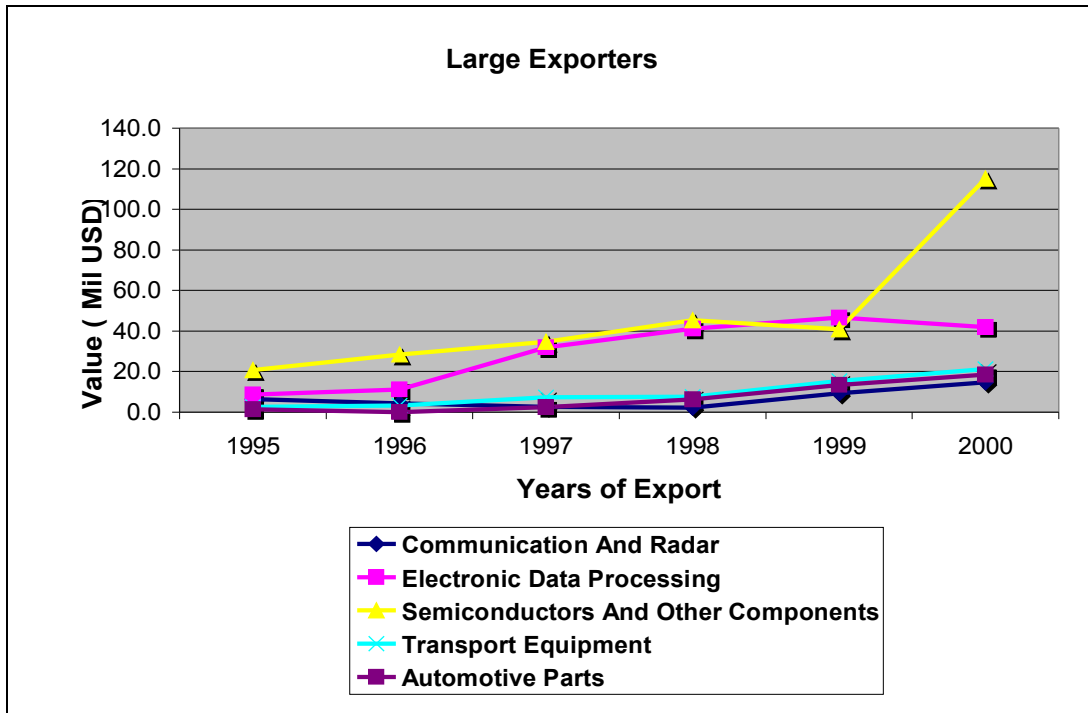


Since the new millennium, export growth to Canada is on par with overall exports, providing a good basis of comparison of product competitiveness. As Canada's economy is more dependant upon trade than all other G8 countries, we can benchmark the developing clusters of Philippine exports to the greater North American Market.



The past comparative advantages of lower skill labour costs are no longer viable due to greater global access to underdeveloped markets. When compared to other major export industries, knowledge based products in the Industrial Manufactured sector is the only industry to have recently increased growth in volume of exports to Canada. This conclusion is strengthened when Industrial Manufactures was the only industry to gain market share continuously over the past six years.

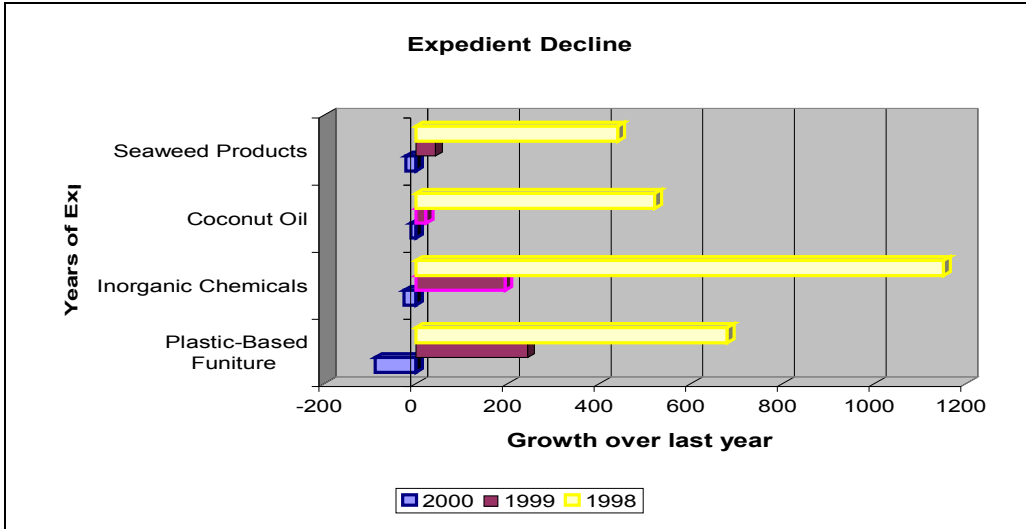
The highest volume exporters, which reflect knowledge based industries including transport, communication / radar, electronic data processing and automotive parts have all experienced steady annual growth into Canada, especially semiconductors with a huge surge in 1999-2000 despite the Canadian economic slowdown limiting the purchases of value added products.



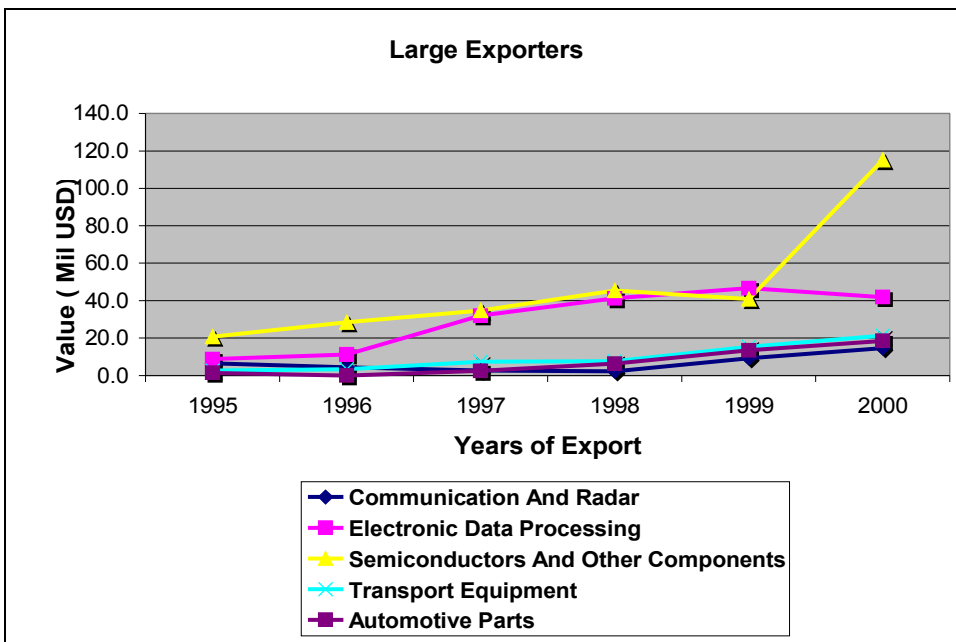
Although most industries have had bi-annual cyclical trade trends, Canadian imports in aquaculture focusing upon oil seed, oleaginous fruits; fruit of meat, fish or crustaceans, molluscs have all experienced double digit decline since 1998.

According to the Canadian Department of Foreign Affairs and International Trade (DFAIT) overall resource based products and food preparations products have all decreased in Canadian market share since 1997. The major products which have had the greatest continuing reduction of export to Canada are holiday decorations, marine products, metal ware and

wigs/toupees. Since 1998, these products have experienced accumulating huge decline in export and hence have been uncompetitive to the domestic Canadian market.



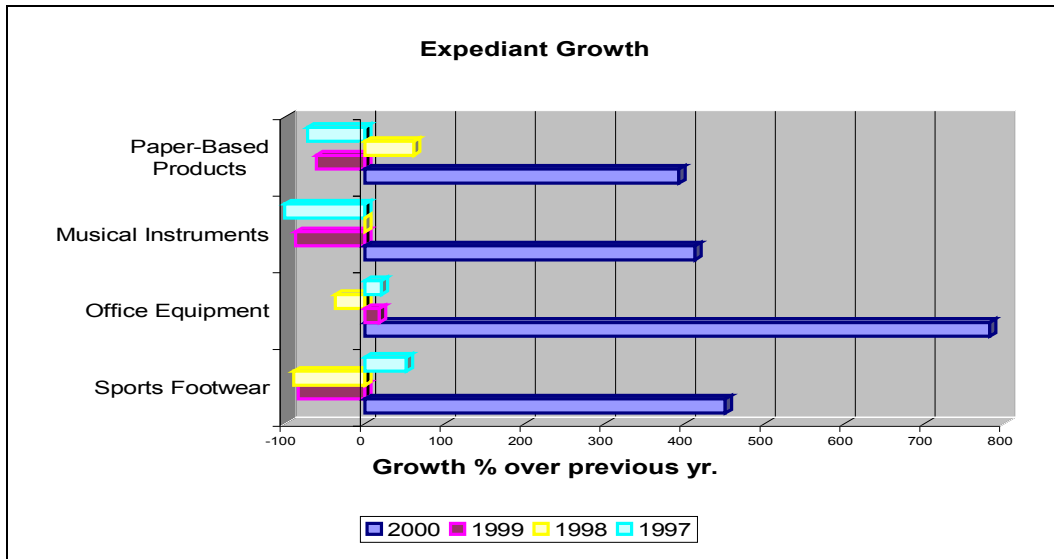
In the short term, some products have lost their massive export growth due to unforeseen factors or market saturation. More specifically, as listed below, seaweed products, coconut oil, inorganic chemicals and plastic based furniture have gone from at least 400% export growth to a negative factor in three years.



Surprisingly,
leather
footwear

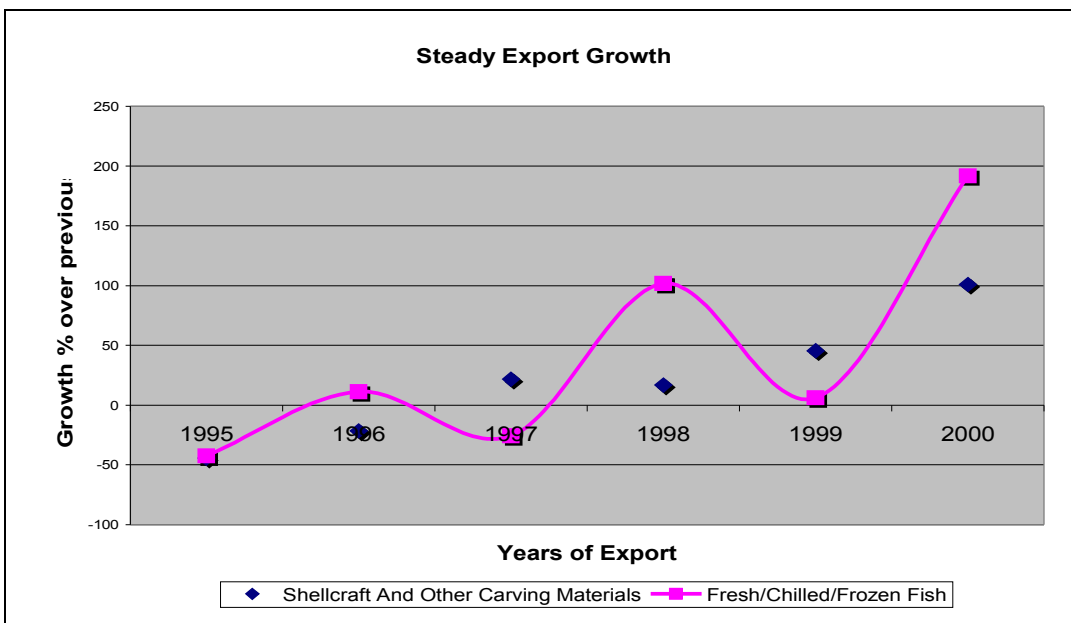
dropped from a 63K % growth in 1999 to - 100% growth in 2000, demonstrating short term cyclical factors.

Despite these troubles, many products have been successful in harnessing the competitiveness of the Canadian market. Over the past year, paper based products, musical instruments, office equipment and sports footwear have excelled in export growth into Canada. Exclusive of cyclical trends, this growth is unprecedented demonstrating short term international potential.



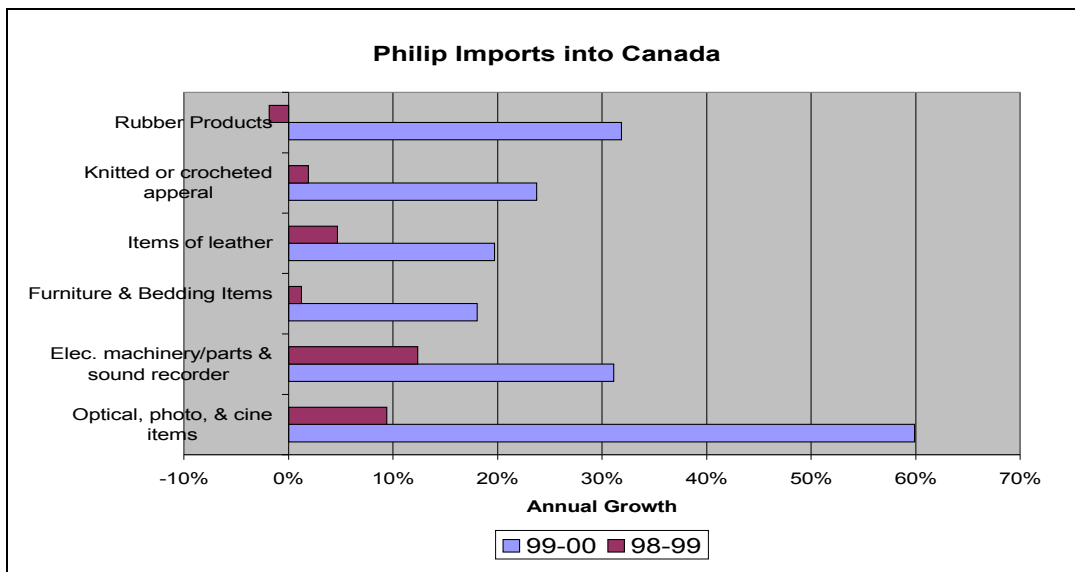
Even in light of large fluctuations in trade volume evident in many industries, fresh/frozen fish products have bounded upwards in growth, showing a cyclical trend for additional investment. In the short term, the fastest growing export was cutlery with a 68 000 % growth from 1999-2000.

Of all export products to Canada, shellcraft (and other carving materials) is the only product with continuous annual progressive growth. The graph below demonstrates a strong competitive cluster potential to other foreign markets due to its expedient but progressive capture of this Canadian industry.



Again, the Canadian Department of Foreign Affairs and Trade (DFAIT), have shown that other competitive products have made headway into Canada with double digit growth annually since 1997. Communication devices, rubber and optical lenses are showing short term strength as Canadian Imports from the Philippines.

With 60% growth in 2000, communication products related to photo, cinema, optical lens, recording devices have all done extremely well in perpetuating industrial manufacturing market shares.



In the recent short term, rubber products and electrical machinery have also excelled showing potential if not hampered by cyclical movements or currency appreciations.

Overall, many factors are demonstrated which affect export success abroad.

However, product innovation and benchmarking are essential in adapting products to capture international market share even in a declining industry. Although as a sector, Philippine industrial products are gaining ground in Canada, many exports have experienced lowered growth this year due to lowered economic consumer confidence. Independent of this factor, shell craft is the most consistent growing export product demonstrating a healthy international competitiveness unaffected by short term trends.