

# Manitoba exports to China plummet

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Manitoba food exports to China dropped to \$300 million last year from \$824 million in 2018. It marked the lowest amount of grains (such as canola, pictured), meats and food products Manitoba has sold to China since 2011. (Jeff McIntosh The Canadian Press files)

OTTAWA — New figures show just how much of a wallop was delivered to Manitoba's economy by a drastic cut in exports to China last year, after that country banned Canadian canola and pork products.

Federal statistics show exports to China plummeted by 42 per cent in 2019, when Manitoba sold \$531 million worth of goods to China, down from \$1.2 billion in 2018.

"I'm not surprised, but I wasn't expecting a drop of this magnitude," said Gustavo Zentner, the head of International Point of Commerce, a trade consultancy in Winnipeg.

"Without a doubt, the China embargo on Canadian canola has hit our economy quite hard," he said.

Nationally, Canada's exports to China dropped 16 per cent last year, the first decline since 2014.

China banned most canola from Canadian companies in March 2019 on so-called scientific grounds. The country also barred Canadian pork and beef for four months, until last November.

Both bans are widely viewed as the result of the arrest of a top Huawei executive, Meng Wanzhou, by Canadian authorities in late 2018, at the request of the United States.

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The data, released by Statistics Canada, show that Japan has overtaken China as Manitoba's second-highest export market. Exports to that country rose eight per cent from 2018 to 2019.

Manitoba Economic Development Minister Ralph Eichler, who oversees trade, was not available for an interview on Friday, but his office said the province would continue to press Ottawa to resolve political tensions with China.

"Manitoba is open for business. Despite bans, barriers, and geopolitical issues, China remains one of Manitoba's largest export destinations and we continue to supply China and the world with high-quality products in a range of sectors," a spokesman wrote.

"Though trade uncertainty worldwide is taking a toll on Manitoba's exports, Manitoba is working closely with the federal government on finding a solution to the canola issue, including a recent meeting with the ambassador to China to discuss this and other issues to bolster our exports," the statement said.

The United States is by far Manitoba's most lucrative export destination, accounting for 75 per cent of export dollars.

Zentner said this likely includes indirect exports to China, such as Manitoba-made parts and crops that end up in American machines and packaged food sold overseas.

He advises Manitoba companies that are looking at how the recent interim trade agreement between the U.S. and China could benefit them. He believes more businesses need to consider economic collaborations with the Chinese government through the Belt and Road Initiative, and they need to better understand how they trade directly or indirectly with the country.

"You cannot be a Manitoba business and deny the importance of China; you cannot be in business today without having a China strategy," Zentner said.

Another explanation for the drop in exports to China from Manitoba, he said, could be that companies are diversifying their client base, and getting into higher-value exports. Taking raw foods and processing them into consumable goods means employing more

people and investing in technology in Canada, and selling the results abroad at a higher mark-up.

"It really is better for our economy, instead of exporting raw material."

Despite an overall rise in exports to all countries, Manitoba sold less in half of its 10 main product sectors, including packaging materials and electronics.

Metals and minerals had the most drastic drop, from \$193 million to just \$6 million in 2019.

"Our mining sector has struggled quite a bit over the last few years," Zentner said, arguing it's the result of years-long contracts coming to a close.

"These numbers will bring home the message of the importance of diversifying, and also streamlining our exploration permits."

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<https://www.winnipegfreepress.com/local/manitoba-exports-to-china-fall-567720782.html>