

II. MARKET OPPORTUNITIES BY SECTOR

1. NATURAL RESOURCE PRODUCTS

Forest Products

Introduction

The PRC represents a major market for Canadian forest product exports, amounting to more than \$200 million in 1983. A major Canadian objective is to shift wood product exports from the current high volume of logs towards increased quantities of lumber and other items such as plywood. The wood products surveyed in this section include softwood lumber, softwood logs, poplar, aspen and cottonwood logs, pulp and paper, and converted wood and paper products. China suffers from a marked shortage of timber and pulp, which has necessitated substitution by less suitable products. Recent indicators suggest an emerging construction industry and the need for China to consider reforestation and the use of modern technology. These are areas where Canada possesses considerable expertise.

China's forest cover includes coniferous, mixed, and deciduous forests. About 60 per cent of the country's commercial forests are located in the northeast region. The principal species are larch, pine and spruce. Extraction costs are considerable because of infrastructure limitations and the climate is often not conducive to forestry operations. Winter temperatures can reach as low as -50°C and much of the land is permafrost. It is generally accepted that it will be difficult for the northeast region to fully supply China's domestic needs, and that imports will continue.

Wood Products

With economic expansion, substantially increased demand for wood products is anticipated.

Recent Canadian wood products exports to China are summarized in the following table:

		Volume (cubic metres)	Value (\$000)
Softwood lumber	1983	314,272	39,420
	1982	80,266	9,116
Softwood logs	1983	350,699	26,223
	1982	191,497	17,793
Poplar, aspen, cottonwood logs	1983	199,565	6,305
	1982	40,489	1,716

Source: Statistics Canada

The United States exported 3.3 million cubic metres of softwood logs worth U.S. \$228 million to China in 1983, of which 69 per cent was Douglas fir which is less available in Canada. Only 63,000 cubic metres

of softwood lumber worth U.S. \$4 million were exported from the United States to China. Other suppliers include the Soviet Union and Chile. Over the long term, softwood logs are expected to become increasingly difficult to obtain on world markets and this should lead to increased opportunities for Canadian lumber.

Converted Wood and Paper Products

With the Chinese priority on industrial development and the provision of jobs for its large labour force, there is limited opportunity for the import of finished wood products. An exception is in the area of wood frame manufactured buildings, particularly camps for industrial and military purposes, where there may be selected opportunities and where the Canadian industry has technological expertise and export experience.

There are also opportunities for Canadian companies in the packaging sector where the Chinese have identified problems in their exports, especially of consumer goods.

Pulp and Paper

The Chinese pulp and paper industry will be one of the first manufacturing industries to be modernized. A sharp increase in demand for paper is anticipated from the government's renewed emphasis on education, science and technology and the need for textbooks and greater newspaper circulation. This policy has already resulted in a domestic shortage of paper. Also, China's planned increase in light industrial exports is expected to put demand pressure on the pulp and paper industry. As export shipments expand, large quantities of paperboard and laminated papers will be required for packaging.

China's purchases of Canadian pulp continued to increase through 1983 at 296,531 tonnes versus 188,279 tonnes in 1982. Prices in these years ranged from \$397.00/tonne to \$459.00/tonne. Officials of the Chinese Bureau of the Paper Industry (BPI) expect this trend to continue but at the same time have requested an "on site" evaluation of Canadian pulp use in the paper-making process.

Pulp sales prospects to China are expected to remain good and, given a successful outcome to the BPI technical evaluation mission, can be expected to increase in the future.

Purchases of Canadian newsprint, on the other hand, reflect a marked downward trend in the 1981-83 period. BPI comment implied an increasing China self-sufficiency in production of this grade based on imported pulp; capacity increases are known to be well along the planning stage (e.g., Jilin Mill #1 has developed its plans for a 60,000 t.p.y. expansion of newsprint capacity scheduled tentatively for 1986-87 start-up). Based on China's annual imports of