

increase their participation in meeting this need.

As EC manufacturers strive to secure their pulp supply through affiliated arrangements, this is likely to produce increasing pressure from Europe for ownership of, or affiliation with, Canadian pulp mills.

Alternatively, Canadian producers might invest in new non-integrated facilities in Western Europe. Canadian market pulp suppliers will be faced with further erosion of the number of non-integrated/affiliated customers, which will affect their distribution strategy in the EC.

Since Europe is the largest market for imported pulp, its pricing sets the pace internationally. Currency movements favourable to Canada have allowed Canada to meet competition head on and have caused declining capacity utilization in Scandinavia. This Canadian advantage is related primarily to exchange rates and masks the relative age and inefficiency of Canadian mills compared to those in Sweden. Further currency movements could, therefore, quickly reverse the Canadian advantage.

Overhanging the international pulp markets in the future is the rapidly growing supply of hardwood pulps from non-traditional suppliers such as Portugal, Spain, Chile, New Zealand and Eastern Europe. The trend for recycling can also be expected to have an impact on market pulp; how that factor will affect the industry is only now being recognized.

5.5 Newsprint and Other Paper

Paper production in the EC is projected to continue to advance into the 1990s at an average annual rate of around 2 to 3 per cent.

The pace of recent investments in new papermaking facilities has accelerated throughout the Community, but particularly in the Federal Republic of Germany, the Netherlands, Belgium and the U.K., confirming the industry's growth potential. Projects scheduled for completion through 1990 (most of them integrated into pulp production) involve more new capacity than those completed during the previous three years. Newsprint, graphic papers and hygienic and sanitary papers account for the majority of new investment.

The U.K. industry, which suffered a long-term decline into the 1980s, has now restructured and is enjoying one of the fastest growth rates.

These investments will continue to mean an increase in the average unit size and productivity of paper mills. Both rose steadily during the 1980s, as witnessed by the steady decline in the number of operating mills coupled with growing production. This is also seen in the sharp increase in average unit capacities of the paper and board machines. The gap in productivity and unit size between the EC and Nordic and North American mills is rapidly closing for key grades. In certain key grade sectors, such as coated graphic papers, the EC's productivity and average mill size is on a par with international competitors.