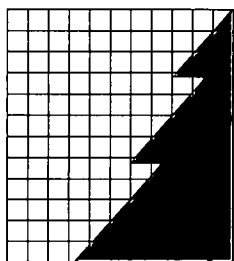


FOREST PRODUCTS



Recent trade measures against the Canadian forest products industry clearly illustrate the importance of a trade agreement with the United States. Trans-border disputes over shakes and shingles and softwood lumber exports — arising from U.S. protectionist pressures — show the vulnerability to American trade remedy laws of a sector vital to British Columbia and important to the economies of Ontario, Quebec and other provinces.

Forest product exports contribute significantly to our international trade balance. In 1985, more than \$14 billion worth of industry exports accounted for over 40 per cent of the net trade surplus. Secure and better access to the American market would open substantial new opportunities through economies of scale in the manufacturing of more specialized products and would increase processing in Canada.

- More than 300,000 Canadians work in the industry. Logging and related activity is the mainstay of over 300 communities in Canada.
- The forest products industry is approximately 75 per cent Canadian-controlled.
- More than half of our total production is exported, of which more than 75 per cent goes to the U.S.
- In terms of trade liberalization, the sector can be divided into two main groups:
1) export-oriented primary producers (lumber, newsprint, market pulp and ground-

wood papers) whose exports have traditionally entered the U.S. duty-free or at low tariffs; 2) domestically-oriented secondary producers of more specialized products (converted wood, paper, and board products; boxboard; containerboard, fine papers, etc.) which have developed behind Canadian tariffs and, in turn, lack access to a larger market because of U.S. tariffs.

- The wood industry is generally more modern and competitive than is the pulp and paper industry, although the latter's exports are almost double the former's in total value.
- Security of access is the primary issue for the industry as a whole. Adjustment to the lowering of tariffs is a concern for smaller "downstream" producers.



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