International Trade in Forest Products

Forest products have contributed greatly to Canada's role as a major world trader. Canada accounts for over 20 per cent of all forest products traded in world markets. It is the world's largest exporter of softwood lumber, softwood pulp, and newsprint.

In 1986, forest products accounted for $17.9 billion or 15 per cent of total Canadian exports. Paper and paperboard made up 42 per cent of forest products exports, lumber 28 per cent, woodpulp 23 per cent, and other wood products, the remaining 7 per cent. The United States is the most important market accounting for about $13 billion in sales or 74 per cent of total exports. Canadian forest products are also sold in large quantities to Europe, Japan, other Asian countries, the Middle East, Latin America, and Oceania.

World trade in forest products has grown faster than world consumption over the last four decades. Patterns of international trade in forest products have traditionally been dominated by regional trade flows and lower-value products. For example, Canada is by far the major supplier of forest products to the United States while Nordic countries are a major supplier to Western European markets. High tariffs and other competitive factors have, until recently, limited most of this trade in forest products to products such as construction grade lumber, pulp and newsprint. Japan is almost self-sufficient in processed forest products but relies on imports of unprocessed timber and pulp chips to meet almost two-thirds of the fibre requirements of Japanese mills. Higher-valued products such as other paper and paperboard and converted wood and paper products have not represented a significant portion of international trade due to transportation costs and higher tariffs on higher-value products. Consumption of these products in most countries, including Canada, is served by domestic producers who have developed in a protected market.

This pattern of international trade is changing as a result of tariff reductions achieved under successive rounds of multilateral trade negotiations and the emergence of trading blocs. Intra-regional trade of paper products within the EC has increased considerably and the Nordic countries have been able to take advantage of the further processing opportunities created by their duty-free access to the European market under EFTA/EC accords.

Similar types of changes can be expected to result from the Canada-U.S. Free Trade Agreement. Canadian lumber, pulp, and newsprint producers export a significant proportion of their production to the United States and will now enjoy more secure and predictable access to this important market. Producers of printing and writing papers, waferboard and other intermediate products that have already increased capacity to take advantage of the tariff reductions gained under the Tokyo Round will also benefit from elimination of remaining U.S. tariffs and more secure access to the U.S. market. Producers of other intermediate and high value-added products, such as sanitary tissue and container boards, together with producers of converted products such as kitchen cabinets, windows and doors, and consumer paper products, will need to adjust to a more open trading environment.