

Although there are no major non-tariff barriers to trade in paper within Europe, faster and cheaper cross-border transportation, greater standardization and so on will encourage still more emphasis on exports and imports. Distribution costs will assume greater importance; merchants in Europe will tend to become less national and more regional and specialist.

European paper producers are not large in comparison with their counterparts in North America and the Pacific Rim. Measured in terms of sales value, the top five paper companies in the world are all American, as are 8 out of the top 10, the other 2 being Japanese. Only 3 out of the top 15 are European and all those are Swedish. Although 17 out of the top 50 paper companies are European, they account for only one-quarter of sales. There is still plenty of scope for further concentration.

As the prospect of a single European market comes closer to reality, the EC becomes more attractive as an area for investment in papermaking. For it is not only the EC paper companies that are

expanding, merging or acquiring each other, although this is certainly happening as can be seen from the activities of companies such as Feldmuhle (West Germany), and Saffa (Italy).

The EFTA producers are also investing heavily in the EC with new machines and acquisitions, of which the new Shotton newsprint machine with 1989 start-up owned by a Finnish company is the latest example. North American producers such as International Paper, James River and Scott Paper, have also been investing in Europe. We may soon see the first significant investment in Europe from the Pacific Rim countries, notably Japan and New Zealand.

As the process of mergers and acquisitions continues in the EC paper industry, an assured and long-term supply of market pulp will become an important consideration. EC manufacturers will, therefore, strive to secure their pulp supply through affiliated arrangements which in turn should have important implications for Canadian market pulp suppliers as well as Canadian exporters of some types of paper.