

## Conclusions

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The Canada-U.S. Free Trade Agreement is timely and will be of significant benefit to the forest industry.

The security of access provided by the Agreement is of critical importance to the continuing growth and viability of Canada's major export sectors including pulp, lumber, and newsprint. Almost 80 per cent of Canadian current exports of forest products go to the United States. This trade which totals almost \$13 billion has been threatened by protectionism in the United States.

The dispute settlement mechanisms and tighter disciplines on trade remedy action will create a more secure trading environment that is necessary to encourage the sizeable capital investments required to keep Canada's forest industry modern and internationally competitive.

While the total number of jobs in the sector as a whole is forecast to remain stable, there will be a continuing shift from low-skill to high-skill occupations with increased automation and adoption of new electronic and other processing technologies.

Those forest product sectors such as container board, fine paper, and sanitary tissue that have developed in the context of a protected Canadian market will need to adjust to a more competitive environment in North America. Based on previous experience, however, the industry is expected to be able to make the necessary adjustments in these intermediate sectors. Exports to the United States will be critical for achieving future expansion, job creation, and world-class production facilities. The significant increase currently taking place in the Canadian capacity to make fine papers augurs well for the future. Elimination of remaining U.S. tariffs will create the new market opportunities required for the development of an internationally competitive forest industry in Canada. It should also be pointed out that the elimination of Canadian tariffs should reduce the costs of both *capital equipment* and *factor inputs*, thus providing some additional benefits to the Canadian industry.