

FORESTRY SECTOR : QUESTION 7

What effects will tariff reduction have upon the forest industry?

Background:

For wood products (lumber, panels, shingles), the Canadian trade with this area is very modest with less than 1% of Canadian lumber exported to Mexico. While the total amount of trade to Mexico is quite limited, the Mexican tariff rates on wood products are in the 10% to 20% range and participation will ensure access to these markets as they open up on the same basis as the United States.

The agreement would provide easier access for converted wood products and paper products entering Mexico. The nature of development in Mexico will result in the enhancement of Mexico's ability to export to the United States which would be a challenge to Canadian exports of converted wood products.

Canadian exports are hindered by the appreciated Canadian dollar, higher wage rates, taxes and benefits in Canada. In addition, persistently high interest rates over time could encourage manufacturers of finished wood products to relocate in Mexico, resulting in the transfer of technology and capital.

For pulp and paper products, due to the Mexican policy of using waste paper as much as possible in the production of most grades of paper exports of higher value Canadian products has fallen. The chief competition is from Scandinavia and the United States, which continue to out export Canadian products by a ratio of 12:1.

The result of free trade might enable Canada to replace Scandinavia on a cost/tariff basis, however, the major benefits will be accrued by the United States which is located within easy rail and road distance to the major Mexican markets.

RESPONSE:

- THE LIBERALIZATION OF TRADE WILL PROVIDE SIGNIFICANT EXPORT OPPORTUNITIES FOR CANADIAN FORESTRY COMPANIES. COMPETITION WITH THE UNITED STATES WILL REMAIN STIFF, HOWEVER, THE COMPETITIVENESS OF THE U.S. FOREST INDUSTRY WILL NOT HINDER THE TRADE OF FOREST PRODUCTS BETWEEN CANADA AND MEXICO.