

pulp mills and may impact on the long-term potential of certain Canadian paper exports.

Other Market Access Issues

Other developments concerning phytosanitary and environmental regulations and the EC's forestry action program in the Community could cause disruption to some Canadian forest products exporters:

Phytosanitary issue. Pressure continues to mount in the Community for the imposition of a kiln-dried requirement on Canadian exports of "green" lumber products. The EC perceives a threat of infestation from pinewood nematode. (See Appendix E.)

Environmental regulations. Environmental issues are becoming more important in the EC. A ban on pulp produced by processes exceeding certain emission requirements is a potentiality that must be considered.

Consumers in both the EC and North America are demanding greater use of recycled fibres. The result is a profound impact on producers and markets. Some Canadian producers have already developed recycling capacity; others will have to follow.

The EC Forestry Action Program. A new Forestry Action Program has been adopted by the Council to provide increased funding of the development, protection and enlargement of the Community's forests. In addition, significantly increased lumber supply from certain EC countries is expected in the short term due to accelerated harvest of acid-rain damaged forests.

Strategies and Actions by Canadian Firms

These developments have important implications for Canadian firms. It is important to realize that in the international environment of the 1990s, a more efficient and internationally competitive industrial base will be critically important for future Canadian success in all export markets, including the EC, as will ongoing efforts to ensure an adequate fibre supply.

Canada's principal forest product competitors in the EC, the Nordic countries, are often leaders in technology, product innovation and international marketing and enjoy preferential access to the EC. They have also been particularly active investors, engaging in merger and acquisition activity throughout all forest industry sectors in the EC.

New competition from non-traditional suppliers is also increasing in a number of product areas.

Clearly, therefore, a priority for Canadian industry will be the continuous modernization and rationalization of the industrial base, as well as the promotion of new and alternative technologies/products and markets. This would involve both the modernization of existing facilities and the construction of new plants.