Pressure continues to mount in some quarters in the Community for the imposition of a kiln-dried requirement on Canadian exports of "green" forest products. The EC perceives a possible threat to their forests from pinewood nematode. (See Appendix E.)

The basic legal requirement in all Member States is for a phytosanitary certificate. However, Canada has developed an enhanced mill certification system for "green" softwood lumber which includes debarking and the grading out of lumber with bore holes. A bilateral agreement with the U.K. permits the use of mill certificates in lieu of phytosanitary certificates. Other Member States have also informally allowed the use of mill certificates. To date only Ireland has imposed a kiln-dried requirement. The EC has yet to rule whether the mill certification procedure will address its plant health concerns.

However, if kiln drying is made mandatory across the EC, this could have a significant effect on the competitiveness of lumber imports from Canada in the EC and the ability of different regions of Canada to supply certain products to the European market.

2.5 Canadian Exports of Softwood Plywood to the EC

Canada exported softwood plywood worth an estimated $60 million in 1989. The EC has a 650 000 m^3 duty-free quota on imports of softwood plywood. Imports above the quota face a 10 per cent duty.

Since overall imports of plywood into the EC exceed one million m^3, the effect of the duty-free quota is to distort the pattern of shipments to the EC, causing an influx of the product early in the year, as each importer endeavours to import as much plywood as possible duty-free before the quota is exhausted.

Building codes and product standards in the EC inhibit the import of certain Canadian panel products such as waferboard.

2.6 Comparison with Nordic Competitors

Global trends affecting the forest industry have had their greatest impact in Western Europe. These trends include constraints on available fibre, rising labour costs, higher energy costs and growing concern about the environment. As a result Canada's principal competitors for the EC import market, the Nordic countries (principally Sweden and Finland) have been forced to take the lead in developing and installing technology to reduce the fibre content of their products, reclaim effluent chemicals, and reduce pollution from pulping operations. Over the past decade, they have also consistently innovated to increase the value added to their products. (See Appendices F and G.)

Although forests in the Scandinavian countries are carefully managed, availability of wood fibre is emerging as the principal constraint on the Nordic forest industry.

As members of EFTA, the Nordic countries enjoy tariff-free access to EC markets, and sit on EC standards committees. Moreover, Scandinavian companies have invested heavily in EC manufacturing capacity.

With the exception of coastal B.C., forests in Canada are similar to those in Scandinavia with relatively small diameter wood, with a long growing cycle. Canada still enjoys a fibre cost advantage over EFTA, but is no longer the lowest cost fibre producer in the world. Even so, a relatively cheap, high quality, renewable fibre resource remains a key strength of the Canadian industry. Energy costs are also still relatively low.