

FORESTRY SECTOR : QUESTION 6:

- A) Considering the increased competition that would emerge under NAFTA, will the Canadian forestry industry be able to compete effectively? Short Term?

Background:

In the short term there will be little threat except in the change in Mexican imports of pulp and paper that will shift to higher value products and also the likely of increased exports of soft and hard wood lumber.

In terms of the cost of transportation due to the geographic location of harvestable acreage and distance to market, the earlier market presence and the established market niches, the United States will possess a slight advantage in the exploitation of the markets that will open up under a NAFTA.

Due to the generally higher quality Canadian product on average with some notable exceptions, canadian products will remain competitive as the activity of the Mexican economy increases.

RESPONSE:

- NICHE MARKETS WILL DEVELOP FOR CANADIAN EXPORTER IN MEXICO WITH THE INCREASED DEMAND THAT WILL RESULT FROM THE GENERAL RISE IN ECONOMIC ACTIVITY.

- B) Long Term?

Background:

The main challenges to Canada will come over the long term if the free trade area are expanded to include a hemispheric zone. The principle competitors under such a program will be Chile and Brazil, especially in the production of pulp and paper products. Barring the creation of such a free trade zone, the Canadian forestry industry will not be under significant pressure from the United States or Mexico.

RESPONSE:

- IN THE LONG TERM, THE NAFTA DOES NOT POSE A THREAT TO THE CANADIAN FOREST PRODUCT EXPORTER.