

FORESTRY SECTOR

FORESTRY SECTOR : QUESTION #1

A) What will NAFTA do for forestry exports to Mexico?

Background:

Mexico: Demand changes

Canadian exporters can expect gains from NAFTA as the removal of Mexican tariffs will lower prices of forest products in Mexico. Moreover, there will be a general increase economic activity associated with free trade, resulting in increased demand for wood and paper products.

Demand for newsprint should increase with the simple removal of the tariffs under a FTA by 4% in the short term and 10% in the long term, even if there is no real increase in Mexican income. The latent demand in Mexico for forest product is such that for each 10% increase in real income there will be an increase in demand of 12,%, 14% and 13% respectively.

In Mexico, there exists an estimated housing deficit of 2 million units. The increase in housing construction will, if the market is approach properly result in an increase in solid wood demand. The Maquiladora area in Northern Mexico will most likely be the best area for solid wood exports. The main competition in this market is the traditional brick and masonry construction.

RESPONSE:

- THE MEXICAN MARKET AT PRESENT REPRESENTS ONLY A SMALL FRACTION OF TOTAL WORLD WIDE FOREST PRODUCT EXPORTS FOR CANADA. IN THE MEDIUM TERM TO LONG TERM, MEXICO REPRESENTS A POTENTIALLY LARGE MARKET FOR EXPORT OF SOFTWOOD LUMBER FOR HOUSING CONSTRUCTION.
- THE PULP AND PAPER SECTOR ALSO PRESENT EXCITING EXPORT OPPORTUNITIES DUE TO THE NEED FOR VIRGIN WOOD FIBRES TO SUPPLEMENT RECYCLING PROGRAMS.