Pulp is a commodity that enters the EC without tariffs or quotas. Major competitive factors include foreign exchange rates, fibre quality, fibre costs and production efficiency. The edge enjoyed by Nordic producers in production efficiency is offset by Canada's lower fibre costs. Hence, foreign exchange is the key factor governing trade. In recent years currency movements favourable to Canada have allowed the Canadian industry to meet Nordic competition effectively.

2.3 Canadian Newsprint and Other Paper Exports to the EC

Newsprint exports to the EC from Canada in 1989 are estimated at almost $400 million. Fine paper exports were worth an additional $170 million.

For non-EFTA (European Free Trade Association) exporters duty-free access is limited to 650 000 t, of which 600 000 t has been set aside for Canada. A tariff of 9 per cent applies on unwaterlined imports above quota. In 1989 the quota was exceeded for the first time. A supplement of 80 000 t was put in place by the European Commission as a result of requests from EC publishers (30 000 t of this were for Canada; the rest was available to all non-EFTA suppliers). Newsprint shipments to the EC in 1989 are estimated at over 670 000 t. (See Appendix D.)

A continuing complicating factor in the quota arrangements is waterlining. The EC tariff definition of newsprint includes a waterlining requirement. The waterlining is intended to identify the paper to ensure that it is only used for newspapers. A deliberate visual flaw, the waterline reduces the value of the product and in most cases is unacceptable to the newspaper publishers. However, the waterlining requirement for tariff-free entry under the quota has been waived by most countries.

Another potential non-tariff, standards-related barrier is the new *definition of newsprint*, which includes surface smoothness and mechanical pulp furnish requirements. This definition could pose problems since there is no internationally accepted method of testing pulp content of paper. Moreover, the recommended approach for testing smoothness also poses problems.

2.4 Canadian Lumber and Wood Product Exports to the EC

Unprocessed wood exports to the EC enter duty-free, whereas a duty of 4 per cent is levied on planed lumber (which accounts for the bulk of Canadian exports in this category) and a duty of 6 per cent levied on window and door frames from Canada. Canadian softwood lumber exports to the EC were worth over $650 million in 1989. A significant portion of Canadian lumber shipped to the U.K. is rough.

Over 60 per cent of all Canadian lumber exports to the EC are destined for the U.K. The U.K. and Western Europe have traditionally been prime offshore markets for the promotion of Canadian timber frame construction (TFC). The degree of acceptance of TFC versus traditional masonry construction in EC countries has been modest but is increasing. Canada has aggressively promoted TFC in the U.K. and continental Europe since the early 1960s in direct competition with Nordic producers. On a percentage basis TFC has been most successfully introduced to the U.K., followed by Holland, France and Belgium. It has been least well established in West Germany and Italy. These efforts have met with resistance from entrenched interest groups.

Timber frame construction is not currently acceptable in some building codes in some Member States and this affects the potential market for softwood lumber.