

FORESTRY SECTOR : QUESTION #5

Will Canada be able to compete with the United States under a NAFTA regime?

Background:

1) Newsprint and pulp

The pulp and paper sector while producing the highest quality pulp for use in paper production, is high cost in the actual transformation of the product into paper. This is primarily due to older technology from the 1970's in newsprint making particularly in comparison to the United States. Only Sweden produces bleached pulp and newsprint at a higher cost than Canada. The Canadian industry is not in a worse position due to the limits imposed against Chilean production levels, and the imperfect nature of Brazilian hardwood pulp. The appreciated Canadian dollar adds to the uncompetitive nature of Canadian producers of pulp and newsprint producers.

2) Transportation:

Inherent disadvantage exists for Canadian producers in Canada because of the distance the US must travel to service the Mexican market. Some compensation for this disadvantage may be realized by moving export products through the Panama Canal from the British Columbian Interior to Europe. Mexican ports may be served with minimal additional cost.

3) Market Access

The absence of market niches as those established by the United States in Mexico represents a significant hinderance to the improvement of service and sale in Mexico. Brand loyalty has also been established by many companies already operating in Mexico.

RESPONSE:

- THE CANADIAN FOREST INDUSTRY WILL BE ABLE TO COMPETE EFFECTIVELY AGAINST OUR U.S. COUNTERPART. THE INDUSTRY THOUGH A NAFTA WILL PRESENT EXCELLENT OPPORTUNITIES THROUGH INCREASED DEMAND AND A STRESS ON COMPETITIVENESS FOR CANADIAN FOREST COMPANIES TO EXPORT INTO NICHES IN THE MEXICAN AND AMERICAN MARKETS.