6.4 Anticipate Developments

Environmental issues are important, and attention must be given to how environmental policy evolves in the EC as it relates to the global ecology. A ban on pulp produced by processes exceeding certain emission requirements is a potentiality that must be considered.

Consumers in both the EC and in North America are demanding greater use of recycled fibres. The result is a profound impact on producers and markets. Some Canadian producers have already developed recycling capacity; others will have to follow.

Significantly increased lumber supply from certain EC countries is expected due to accelerated harvest of acid-rain damaged forests and due to increased subsidized reforestation and afforestation of agricultural land. For example, a new Forestry Action Program has been adopted by the Council, which provides increased funding of the development, protection and enlargement of the EC's forests. (See Appendix I.) However, in the long-term the EC's demand for fibre will far exceed the growth of its forests.

These developments hold the potential for selective trade-restrictive measures by the EC in the future.

6.5 Follow Developments in European Legislation

With respect to the new European-wide standards, Canadian industry should work with the Canadian government and industry allies in the EC to ensure:

- comment on draft standards when issued for public comment as is soon to be the case with TC124 and TC112;
- non-discriminatory access for Canadian products to EC testing and certification procedures; and
- mutual recognition of certification and testing.

6.6 Evaluate EC Investment Opportunities

Canadian forest product companies may be missing a limited time frame opportunity to secure a stronger position in European economic development and market access through investment in European facilities. Abitibi, Stone, MacMillan Bloedel and Noranda are taking or have taken initiatives in this direction, but U.S. and particularly Nordic companies are in the lead. (See Appendix J.) Such investments could have the following benefits:

- positioning within the EC industrial base and increased proximity to Europe 1992-related trade policy;
- certain entitlements such as government procurement in EC Member States;
- market acceptance and access to information as an inside player;
- advantages of vertical integration and product diversification;
- securing of new raw material sources in a scenario of future resource limitations, opportunities here more evident in the pulp and paper sectors, especially for larger companies.

Canadian companies should consider these benefits and assess opportunities. Canadian investment internationally should not be viewed as counterproductive to the interests of Canadian industrial development. Such investment strengthens Canadian companies and makes them greater multinational contenders in the expanding international environment. There are often economic limitations to expansion in Canada, certainly evident in the resource sectors, where raw material availability is critical and where future growth depends on securing world resources.