

CANADA/JAPAN TRADE IN FORESTRY PRODUCTS

Forest products have been Canada's stellar performers in 1987 with a 60% increase in export sales due to the expansion of construction starts in Japan, a strong demand for our competitively priced pulp, and higher lumber prices. Exports in 1987 to Japan exceeded \$1.8 billion. Sales value was up 16% in pulpwood chips, 74% in softwood lumber, 27% in veneer, 115% in plywood and 40% in wood pulp over 1986. Newsprint paper and shakes and shingles declined in value 7% and 24% respectively. Pulp shipments were up 47% and wood shipments increased 72%. Canadian exports of lumber and pulp will continue to do well due to firm Japanese demand.

Japan's 8% Tariff on Spruce, Pine and Fir Dimension Lumber

Canada considers that the application by the Japanese of a higher tariff on Spruce-Pine-Fir lumber (SPF) than that on dimension lumber made from other species of wood, such as kiln-dried hemlock-fir (KDHF, primarily from the USA) hurts Canadian trade and that the discriminatory treatment is contrary to Japan's GATT obligations. Canada has requested that Japan eliminate the tariff on SPF to zero so as to make it equal with the tariff on KDHF. In addition, Canada has requested formation of a GATT panel at the March 22, 1988 meeting to investigate its complaint.

Japanese Building Code

A major Canadian trade objective has been to encourage the Japanese Government to amend its building code to allow the expanded use of wood in construction, in particular, three-storey platform frame apartment buildings. Such a revision would increase prospects for exports to Canada's second-largest lumber market.

Joint research activities between Canada and Japan have been initiated to encourage better understanding of the safety and fire aspects of wood frame buildings. For example, the Canadian National Research Council participated in a Japanese building burn experiment on November 17, 1987. This was the start of an exchange of technical data and dialogue between Canada and Japanese experts. A group of Japanese scientists are expected to visit the NRC in 1988.

Progress has been made during 1987 with respect to code version. A bill enabling the amendment of the building code law for the construction of three-storey single family units was passed by the Diet on May 27, 1987, and regulations for local implementation are now being established.

Investments

Japan's forest products sector has been active in developing Canadian investment projects in the last year. For example, Oji Paper Company and Canfor Corporation have announced plans for a kraft pulp