*Paper, Packaging, and Printing.* There are 99 paper and board mills in the United Kingdom, employing 25,000 people, with production concentrated in large-scale units. Between 1985 and 1995 output increased by 57 percent. There is a very strong international presence in the U.K. paper sector. Over half of the companies have North American or Scandinavian parents. In recent years the U.K. paper market has been subject to considerable price fluctuation, reflecting the world trend in pulp and paper capacity and demand. Increased capacity and research have resulted in a greater volume of waste-based packaging grade to meet continued customer demand for a widening range of recycled fibre products.

*Building Materials and Products.* The building materials market has been very flat recently and is only now beginning to show signs of improvement. Large-scale construction and development projects are still a rare feature of the market, although there are signs of an upturn in major commercial property developments. One fifth of the British construction output of $100 billion is based on infrastructure and public sector development. Over the last two years, the government has cut programmed expenditure in public sector projects (highways and health care). Forecasts for the next two years are for a 3 percent annual increase in construction work across the sector, with private commercial and industrial construction growing at between 8 and 12 percent, offset by a 7 percent decline in infrastructure and public sector work.

There is a consensus that there will be a need for 3.5 to 4 million new dwelling houses in the next 15 to 20 years. This is due to changing population structure and lifestyles. There is a belief that some of the additional volume can be achieved by the redevelopment of inner-city sites, particularly disused commercial and industrial premises. The redevelopment of County Hall and the Shell Centre are two landmark examples.

*Third-market Opportunities.* The U.K. is also a significant base for the development and implementation of large-scale international construction projects (Hong Kong International Airport, Lantau Fixed Crossing). The source of venture capital, developers, construction groups, and specialist consultants and technicians makes the U.K. a nucleus for such initiatives and opportunities.

## Barriers to Entry

At their peak in 1990, U.K. imports of Canadian softwood were 3.1 million tonnes annually, compared to current levels of under 400,000 tonnes. Canada's share of the U.K. softwood import market has fallen from 40 percent in 1990 to 12 percent, and Canada has moved from the leading softwood exporter to the U.K. into fifth place, after Sweden, Finland, Russia and the Baltics.

One of the main reasons for this decline in market share are barriers to the importation of green lumber from Canada. Imports of coniferous softwood from Canada are subject to EU plant health controls that stipulate the removal of all bark and heat treatment, as measures to prevent the spread into the EU of the pinewood nematode.

Canada has made a formal proposal to the EU for an enhanced visual inspection program for softwood imports from this country, which, if implemented, could result in Canada recapturing lost market share for softwood, beginning in 1997.

Another barrier to trade is the fallout from criticism of Canadian forestry management practices. However, recently Canadian forestry as a public issue in the United Kingdom has been in decline. Public attention appears to be focused inwards on the U.K. or the EU. Furthermore, communication efforts aimed at improving Canada's forestry image – under the International Forestry Partnerships Program or by Canadian industry groups such as the Canadian Pulp and Paper Association (CPPA), the Council of Forest Industries of British Columbia (COFI), and the Bureau de promotion des industries du bois (BPIB) – have been generally well received. Canada is regarded as a world leader in sustainable forestry issues and as such is seen by many as setting the benchmark for forestry standards. The development by the Canadian Standards Association of a forest certification system has also reinforced the technical/scientific basis of the environmental debate and helped turned the tide of public confidence in our forest management practices.