

2. CANADIAN TRADE AND INVESTMENT WITH THE EC

2.1 Overview

Canadian exports of forest products to the EC are very significant, totalling about \$3.3 billion in 1989, which represents 30 per cent of total Canadian exports to the EC. (See Appendix A.)

The EC is Canada's second largest export market for forest products after the United States. Exports of wood pulp, newsprint and other paper products are estimated to have totalled \$2 550 million in 1989, while wood products (lumber and plywood) totalled over \$750 million. (See also Appendix B.)

The year 1988 was a banner one for exports of Canadian forest products to the EC. For example, Canadian softwood lumber exports grew by 28 per cent over 1987, plywood exports increased by 20 per cent and newsprint increased by 27 per cent. Estimated exports for 1989 once again showed gains. (See also Appendix C.)

The pattern of forest products trade between Canada and the EC is governed by:

- the relative advantage in the availability and cost of raw materials enjoyed by Canada in the major forest products sectors;
- access barriers in the EC, in the form of tariffs for higher value-added commodities and finished products, and some standards regulations;
- market barriers, including demand for different product features than North America, and the logistics of selling to a culturally diverse market; and
- the effect of foreign exchange fluctuations.

2.2 Canadian Market Pulp Exports to the EC

Canadian exports of market pulp to the EC were worth almost \$2 billion in 1989.

TABLE 1

Principal Canadian Forest Product Exports to the EC, 1984-88
(C\$ millions)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989e</u>
Wood pulp	985	794	1 040	1 435	1 689	1 980
Softwood lumber	274	200	355	575	733	670
Newsprint	281	216	277	347	443	394
Softwood plywood	109	104	8	87	87	60

Source: Statistics Canada.
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