

competitive standards. Consequently, it is possible that several of the less competitive mills will close within the next few years.

- Currency devaluations in Sweden and Finland have given Scandinavian producers a sizeable advantage in the European market by making them low cost producers and allowing them to sell newsprint at relatively low prices while making still a healthy profit. For this reason Canadian producers, because their costs are measured in a much higher valued currency, had their profits sharply reduced when competing with the Scandinavians.
- While Canadian and Scandinavian newsprint enter the U.S. free of duty Canadian newsprint is restricted from entering the EEC by a small (650,000 tonnes in 1985) duty-free quota and relatively high rates of duty on ex-quota shipments. This means that Scandinavian newsprint producers are well protected from Canadian competition in the EEC market whereas the Canadian producers must face the artificial low-cost Scandinavian producers in open competition in the U.S.

D. Federal and Provincial Programs and Policies

- The major federal program available is the IRDP. There do not appear to be any specific provincial programs targeted at this product.

E. State of Technology

- Technology is gradually changing toward fuller utilization of the resource. For this reason the stone groundwood pulp portion traditionally used to make newsprint is being replaced by recently developed mechanical pulps such as TMP and CTMP which are much stronger with yield nearly as high as stone groundwood and require little or no chemical reinforcement pulp.
- The basis weight of standard newsprint formerly at 52 g/m² has been lowered in stages to 48.8 g/m² and will probably go lower. This enables the publisher to print more newspapers from a cone of paper.
- New paper machines are designed to operate at higher and higher speeds and are electronically controlled to produce newsprint suitable for new printing machines and printing processes.

F. Industry Outlook

- Forecasts indicate that demand growth for newsprint will be slow to the end of this decade and, even in North America where recent demand has exceeded earlier expectations, the market is now levelling off. Prices, however, during the recent period of high demand have not moved up to expected levels due to high capacity and heavy competition by more competitive foreign producers.
- While capital investment in production facilities is necessary to keep the industry competitive an even more fundamental problem exists in the long term security of the wood supply. In recent years it has become increasingly evident that serious wood shortages will occur, in the longer term, if decisive action is not taken soon.

G. Conclusion

- Present newsprint prices do not reflect the real value of this commodity. In spite of this the industry will continue to rationalize and modernize in an effort to maintain and regain its international competitive position. If present trends continue, relative international currency exchange values will have a greater effect on competitiveness than production efficiency. Because of increasing self-sufficiency in some of Canada's most important export markets such as U.S., Europe and Latin America the Canadian world market share for newsprint is expected to gradually diminish in future years..