



# communiqué

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## CANADA REQUESTS GATT CONSULTATIONS ON NEWSPRINT EXPORTS TO THE EUROPEAN ECONOMIC COMMUNITY

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The Deputy Prime Minister and Secretary of State for External Affairs, the Honourable Allan J. MacEachen, and the Minister for International Trade, the Honourable Gerald Regan, announced today that Canada is requesting consultations under the General Agreement on Tariffs and Trade with the European Community (EC) concerning Canada's duty-free newsprint exports to the Community.

On December 19 the Community decided to open a duty-free quota for newsprint of only 500,000 tonnes for 1984. In the Canadian view, this action is contrary to the EC's obligation to maintain an annual duty-free quota of 1.5 million tonnes open to all Most Favoured Nation (MFN) suppliers of newsprint. As the principal MFN supplier of newsprint whose historical and anticipated level of exports would be curtailed, Canada is requesting these consultations to be held early in the new year.

In discussions with the European Community, Mr. MacEachen and Mr. Regan have emphasized the importance of preserving Canada's traditional duty-free exports to the European Community. Newsprint is the largest Canadian export to the U.K. and the third largest to the European Community. In response to an indication from the Community of a wish to modify its international obligations to maintain duty-free entry for 1.5 million tonnes of newsprint, Canada has indicated a readiness to negotiate a reduction so long as a) the anticipated levels of Canadian newsprint would continue to enjoy GATT-bound duty-free access to the Community market and b) the Community requirement that duty-free newsprint have water marks incorporated in the paper, would be eliminated.

Mr. MacEachen and Mr. Regan said the unilateral action of the Community to reduce its duty-free quota could have serious effects upon Canadian newsprint mills and the many small communities which depend upon them. This action is particularly regrettable at a time when Canada and the Community together with other major trading countries have agreed to avoid further restrictions on trade. While Canada remains ready to resume negotiations at any time for a satisfactory settlement, the Community's unilateral action leaves us with no choice but to invoke Canada's GATT rights.

Canadian exports of newsprint to the Community originate principally from Eastern Canadian mills, many of which have been established and recently modernized to serve the European market. There are also exports originating in other parts of Canada. Some 75% of Canadian exports are sold in the United Kingdom. Community demand for Canadian newsprint has grown in recent years, and is worth approximately \$450 million per year. In the first ten months of 1983, exports were almost 600,000 tonnes, worth close to \$320 million. It is expected that demand for Canadian newsprint will continue to increase as economic recovery proceeds in the Community.

The Ministers emphasized that close contact would continue to be maintained with the Canadian newsprint industry and provinces particularly concerned (Newfoundland, New Brunswick, Quebec, Nova Scotia, Ontario, Alberta and British Columbia).