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External Affairs and
International Trade Canada

REPORT ON THE MEETING OF CANADIAN FOREST PRODUCTS COMMERCIAL OFFICERS IN WESTERN EUROPE

Brussels

21-22 May 1991

Canada

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ACKNOWLEDGEMENTS

The success of the May 21-22 meeting is directly attributable to the extensive participation of the Canadian industry associations, provinces, government departments, and Embassies and Consulates in Western Europe. The effort and contribution of Forestry Canada was particularly welcome.

The opinions expressed in this report do not necessarily represent policies of the Government of Canada.

This report was prepared by the European Community Division of External Affairs and International Trade Canada. Additional copies can be obtained by from:

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I. SUMMARY AND CONCLUSIONS

Western Europe is Canada's major off-shore market for forest products. European Community economic integration in the form of Europe 1992 has wrought changes in the structure of entire industries within all of Western Europe. On the demand side, significant internal and global factors have affected geographic and product markets. The impact of these influences are hitting the Canadian industry.

To better understand the scope and direction of change, External Affairs and International Trade Canada - in cooperation with Forestry Canada, Industry Science and Technology Canada, and Agriculture Canada - initiated a meeting of industry and government experts in Brussels on May 21-22, 1991. Canadian forest products commercial officers from 18 Western European Embassies and Consulates were joined by senior representatives of leading industry associations - the Council of Forest Products of British Columbia (COFI), le Bureau de Promotion des Industries du Bois (BPIB), the Canadian Pulp and Paper Association (CPPA) - and of the provinces of British Columbia, Alberta and Quebec.

The meeting focused on environmental-related issues, market access issues, and market development opportunities. Roundtable discussions were prefaced by prepared presentations by participants. Particular attention was placed on situation reports of the 15 countries represented.

The situation with respect to environmental concerns is perhaps the most potentially volatile. The degradation of the global environment has brought into question all industrial practices. Forestry has not been immune, and has assumed prominence as a result of the vast destruction of tropical rain forests. Within Canada, custodian of 10% of the world's forests, concern has at times turned to conflict. Recently, our domestic circumstances are being brought to the attention of some European publics. Environmental activists have at times presented a distorted view of Canadian practices. Media reports are not always balanced. How proactive should we be, when faced with only isolated reports in select countries?

Across Western European countries the situation is not homogeneous. Issues vary and include air pollution/acid rain, water pollution/mill effluents, recycling, forest fires, storm damage, recycling, and forestry management. As a rule, issues tend to be local. However, national and EC-wide environmental standards are increasing. Meeting participants concluded that while forestry is likely to come increasing under scrutiny, the current record of Canadian industry and governments' actions demonstrates a high level of responsibility. The challenge is in how to communicate factual supporting information when we are faced with attacks which can elicit emotional responses in the public and reactions in the marketplace. Canadian actions must be specifically tailored to countries and circumstances, and a consistent and reasoned approach is required. Recommendations were proposed for improving the quality of and posts access to factual information with which to better explain Canadian practices.

Market access issues focus on the European Commission which has authority over EC external trade policy. A pressing concern is the EC's position on imports of some $700 million of Canadian softwood lumber. The EC has imposed a kiln-drying requirement which is due to take effect at the beginning of 1992. The legislation is predicated on concerns over possible infestation of EC forests by the pinewood nematode parasite, which is found sporadically in Canada. A $1 million cooperative Canada-EC research project is expected to offer options to kiln-drying. However, with results not due until late fall

1991, an interim solution in the form of an extension to an existing derogation is being sought. Concurrently, application is being made to the EC for exemption of certain wood species. A follow-up meeting was scheduled in Ottawa to review the issue with a wider cross-section of provinces and industry associations.

Other issues such as restrictive EC duty-free quotas on newsprint and plywood hinder the flow of trade, and place Canadian suppliers at a competitive disadvantage relative to European suppliers. Canadian negotiators are aiming to level the playing field during the Uruguay Round negotiations.

The harmonization of EC standards is subjecting a range of Canadian lumber and wood products to uncertainty. A detailed explanation of the changes in grading standards and testing and certification procedures was presented. COFI has been designated to monitor and assess developments, and has been informing and advising government and industry.

Posts presented situation reports identifying shifts in demand and in competitive influences which are opening up opportunities for Canadian products. The most common message was the call to Canadian sawmills and remanufacturers to establish closer relations with European end-users, be more responsive to market requirements, and move towards increased value-added products. External Affairs and International Affairs Canada, under its "Going Global" program, is now completing a study directed towards this sector. An extensive series of presentations will be conducted during fall 1991.

II. INTRODUCTION

1. Background to the Meeting

Canada is the world's largest exporter of forest products. The European Community, with its current population of 243 million and gross domestic product exceeding that of the United States, is Canada's second largest export market for forest products.

In 1990, Canadian exports of forest products to the EC totalled $3.3 billion, a drop of over $200 million over 1989. Not only was the market depressed by lower commodity and product prices brought on by increasing competition and overcapacity, but it was also evident that significant structural changes were taking place in the Western European industry and in the market itself. Superimposed on this shifting pattern, there appeared to be certain fundamental changes occurring in Western European consumer attitudes and values. These dynamics continue to reshape the market.

Equally important are those factors which directly and indirectly affect market access. Current EC trade policies, both in place and under consideration, influence Canadian competitiveness and product acceptability. Not only are some of these instruments complex, but the decision-making processes underlying them are often complicated by the interplay between EC authority and Member State influence. The EC's drive to complete the Single Market - Europe 1992 - has and continues to reshape the institutional framework.

Canada has an extensive network of representatives in place throughout Western Europe. This network includes company sales offices and agents, industry trade association offices, Provincial Delegations, and Canadian Government trade commissioners and commercial officers posted in Embassies and Consulates. Collectively, these represent the most effective existing source of market knowledge. They also present a front line in dealing with government authorities in Europe. Since the 1970's, this Canadian network throughout Western Europe has met periodically to focus on developments and to assess the market environment.

Issues in the forestry sector today have never been more critical nor potentially threatening to our trade. Recognizing this, External Affairs and International Trade Canada - in cooperation with Forestry Canada, Industry Science and Technology Canada, and Agriculture Canada - initiated a two-day meeting of 18 EC and EFTA (European Free Trade Association) posts. Provinces and key industry associations were invited to attend. Provincial representatives came from British Columbia, Alberta and Quebec. Industry was represented by the Council of Forest Industries of British Columbia, le Bureau de Promotion des Industries du Bois, and the Canadian Pulp and Paper Association. All told, 48 representatives gathered in Brussels. The agenda included an extensive review of environmental issues, trade policy issues affecting softwood lumber, plywood and newsprint, lumber and wood products standards, market development programs, market situation reports, and assessments of market opportunities.

The report which follows describes the proceedings, and includes summaries of many of the presentations delivered.

2. Objectives

The overall objective was to focus Canadian expertise on issues affecting Canada's trade in forest products to the European Community and surrounding Western European market.

More specific objectives included:

[i] exchange of information and views on issues and markets;
[ii] detailed briefings and policy positions on current priority issues;
[iii] identification of pressure points and appropriate responses.

3. Agenda

ENVIRONMENTAL ISSUES — **TUESDAY, MAY 21**

0900-0915	Introductory Remarks	Ambassador Daniel Molgat
0915-0930	Review Objectives, Agenda	(Chairman) Tom MacDonald

IDENTIFICATION OF ISSUES

0930-1145	Country Reports	Posts
1145-1230	Industry Perceptions	CPPA, BPIB, COFI
1330-1400	Provincial Concerns	Provinces
1400-1430	European Focus Groups	Forestry/O'Malley

CURRENT ACTIONS AND PLANS

1430-1515	Industry	CPPA, BPIB, COFI
1530-1615	Federal Government	Forestry, EAITC, ISTC
1615-1700	Provincial	Provinces
1700-1800	Prospects	Roundtable

MARKET ACCESS AND MARKET DEVELOPMENT — **WEDNESDAY, MAY 22**

MARKET ACCESS ISSUES

0830-1000	Pinewood Nematode	EAITC, Agric, BREEC
1000-1030	Newsprint quota Plywood quota	BREEC, CPPA BREEC, COFI
1030-1200	EC Standards	COFI

MARKET DEVELOPMENT

1300-1530	Current Forest Products Trade Situation Reports	COFI, BPIB, Posts, ISTC
1530-1630	Cooperative Overseas Market Development Program Cooperative Industrial and Market Development Program	
	- status report	ISTC
	- industry view	BPIB, COFI
1630-1800	Wood Products Promotion and Opportunities	Roundtable
1800	Wrap-Up	

4. **List of Participants**

European Community	BREEC	Daniel Molgat, Ambassador
	BREEC (Chairman)	Tom MacDonald, Minister-Counsellor
	BREEC	Keith Aird, First Secretary Commercial
Austria#	VIENN	Nick Decrinis, Commercial Officer
Belgium*	BRU	Francis Keymolen, Commercial Officer
Denmark*	COPEN	Jade Neergaard, Commercial Officer
France*	PARIS	Chantal Balas, Commercial Officer
Germany*	BONN	Roman Lishchynski, Counsellor
	DDORF	Dennis Baker, Consul General
Greece*	ATHNS	Christos Diamantopoulos, Commercial Officer
Ireland*	DUBLN	John Sullivan, Commercial Officer
Italy*	ROME	Daniel Daley, First Secretary Commercial
	MILAN	Umberto Corazzi, Commercial Officer
Netherlands*	HAGUE	Ron Hoffman, Third Secretary Commercial
	HAGUE	Chris Rowley, Commercial Officer
Norway#	OSLO	Tor-Eddie Fossbakk, Commercial Officer
Portugal*	LSBON	Chantal Tremblay, Commercial Counsellor
Spain*	MDRID	Isabel Cebas, Commercial Officer
Sweden#	STKHM	Ulla Hansson, Commercial Officer
Switzerland#	BERNE	Jean-Marc Duval, Commercial Counsellor
United Kingdom*	LDN	Curt Copeland, Commercial Counsellor

[# belongs to the European Free Trade Association - EFTA]
[* Member State of the European Community - EC]

External Affairs & International Trade Canada	M.R. (Mitch) Vlad, European Community Division
	Fred Johnson, Resource & Commodity Trade Policy Division
	David Smithers, Trade Communications Division
Forestry Canada	Warren Calow, Director General, Industry, Trade & Technology
	Guy Bird, Director, Trade & Trade Policy
	Nick Heseltine, Director General, Corporate & Public Affairs
	Jacques Carette, Director, Harvesting & Wood Products

Industry, Science & Technology Cda	Rocco Delvecchio, Director General, Forest Products Branch Bruce Gourlay, Director, Pulp & Paper Division Doug Shaw, Manager, Sector Analysis and Strategies Division
Agriculture Canada	Yudi Singh, Associate Director, Domestic & Export Programs, Plant Health Division, Plant Health Directorate
British Columbia	Robert Plecas, Deputy Minister, Ministry of Forests W.C. (Wes) Cheston, ADM Operations, Ministry of Forests
Alberta	Geoffrey Davey, Executive Director, European Relations, Alberta House, London
Quebec	Eduardo Castillo, Quebec Delegation, Brussels
Council of Forest Industries of British Columbia	W.M. (Mike) Robson, Vice President, Wood Products Allan Sinclair, Vice President, Government & Public Affairs R.O. (Dick) McRae, Director, European Operations, London John Wansbrough, London Peter Watt, London Helen Griffin, London Leo Lukge, Aachen, Germany
Bureau de promotion des Industries du Bois	Jacques Castonguay, Executive Director Roger Southee, Manager (Europe), Bristol, UK
Canadian Pulp and Paper Association	Howard Hart, President
O'Malley Communications	Ron Drews Manfred Esser — under contract to Forestry Canada John Krabben

III. ENVIRONMENTAL ISSUES

1. The Questions

Internationally, concerns with the environment are at an all-time high and growing. The destruction of tropical rain forests focused attention on the earth's bio-mass. With 10% of the world's forests in Canada and half of Canada's landmass consisting of forests, it is perhaps not surprising that the management of our forestry resource has come under the spotlight domestically.

The central issue addressed at the meeting the first day was the question of whether, or to what extent, environmental issues related to Canada's forestry practices or products were being brought into question in Western Europe. If they were, was the situation in Canada being portrayed in a balanced manner? Were there other environmental concerns affecting the market for forest products? What, if any, impact might there be on Canadian trade? What, if any, actions should be undertaken?

2. Situation Across Western Europe

Officers from each post presented the situation in their respective countries. There were evident differences both in the definitions of environmental matters, and in the extent of environmental concerns.

Generally, an environmental awareness exists throughout Western Europe. The destruction of the Brazilian rain forest has been widely publicized in Europe, has registered in the public's consciousness, and is reflected in a conscious avoidance of tropical hardwoods. However, attention is most frequently focused on local issues. These vary, and include: air pollution and acid rain (Denmark, Norway, Germany), recycling (UK, Switzerland, Austria, Belgium), losses due to forest fires and storm damage (France, Spain, Greece), water pollution and mill effluents (Austria, Belgium, Germany, Norway, Sweden), forest management (Sweden, Germany, Portugal). Both the European Commission and the European Parliament are increasingly expressing concern over the state of the tropical forests of the world, as well as of Europe's own forests, and environmental standards figure prominently on the EC agenda.

With few exceptions, Canada has not been associated in the media, or in the minds of the public or of the trade with environmental problems, including any related to forest products. The principal exceptions are Germany and the United Kingdom.

There exists a deep-felt concern amongst Germans for the global environment, and environmental protection is a high political priority. The German public also attaches great importance to forests. Environmental activists have targeted forests and the forest products industry. Canada has been caught in the net and has been criticized by these groups for what they consider as wrong forestry policies. The scathing Vancouver-produced film "A Paradise Despoiled" shown on German television in early March 1991 was skilfully edited to misrepresent the Canadian forestry sector. The most recent activity in May, was the publication of a satirical magazine patterned on "Der Speigel" criticizing the production and use of chlorine bleached paper. There have also been press stories which have reported on domestic criticisms from within Canada. Indeed, Canadian environmental groups and the

Canadian media have been the most on issues related to forestry management and forest products processes. Most often, these are the stories which spill over into the foreign press.

In the UK, a number of environmental groups have attacked Canadian forestry practices. Key issues are recycling and the concept of sustainable yield. As is the case in Germany, these groups underscore their arguments with erroneous data and misleading photographs. However, factual corrections afterwards do not dispel the negative image left by the original impression.

In addition to Germany and the UK, Canada has received marginal coverage in the Netherlands (two of three articles appeared in left-leaning papers), Belgium (the German television program and a report originating in Canada on Canadian reactions to the program), Portugal (where there is a negative sentiment in some quarters as a result of the fisheries dispute), and in Switzerland (clear-cutting and bleaching).

3. Canadian Industry and Provincial Actions

Industry representatives at the meeting indicated that information from their trade sources corroborated the posts' description of developments. They recognized that criticisms directed at Canada were minimal and usually stemmed from fringe groups. However, they noted the risk of these becoming more public issues which could work their way into the marketplace. Essentially, the consumers want to be able to use wood and paper products with a clear conscience. The simple fact is that wood is an environmentally-friendly material which, in Canada, comes from generally well-managed forests.

The principle of sustainability has been embraced throughout the country. British Columbia and Alberta representatives described in detail not only the prevalent philosophy, but also a range of concrete practices which have been implemented over the last decade. Similar measures are the norm in Quebec and in the Atlantic provinces and elsewhere. The B.C. Government has already developed a letter of certification of sustainable yield which can accompany shipments.

The Canadian pulp and paper industry reacted immediately when traces of dioxins and furans were found in pulp mill effluents first in the USA and then in Canada. The Pulp and Paper Research Institute of Canada (Paprican) instituted a research program to find the source of these compounds and within a short period of time found that wood chips from sawmills using PCP's on lumber and the use, in the kraft pulp mills, of defoamers containing aromatic compounds were responsible during the bleaching process, for the formation of the dioxins and furans. Prompt action by the kraft pulp mills significantly reduced the presence of these two compounds in mill effluent.

The industry also initiated a program to significantly reduce or eliminate the use of elemental chlorine in the pulp bleaching process. This was and is being done by substituting chlorine dioxide for elemental chlorine and by inserting various processes into the bleaching process, ie extended delignification, oxygen, peroxide or ozone bleaching, oxygen delignification, brown stock washing, etc.

These expensive modifications, which do not increase production capacity, are being undertaken to reach levels that may prove to be lower than is necessary to protect human, animal and aquatic environments. In other words, scientific data to substantiate the lower levels has not yet been published but the industry, realizing its responsibilities undertaken to meet these levels.

The pulp and paper industry in Canada has developed an explicit "Environmental Statement" which constitutes a set of principles to which all member companies of the CPPA must adhere as a condition of membership.

Data used by environmental activists is frequently badly out of date. In spite of staggering financial losses over the past year, the Canadian pulp and paper industry has committed $5 billion in investment over the next 4-5 years on environmental controls. Silviculture expenditures have increased from less than $300 million in 1981 to over $700 million in 1990. Forestry Canada's 1990 report to Parliament, "The State of Forestry in Canada" was cited as a progressive step forward in defining the value of forests beyond strictly commercial terms.

On the issue of recycling, the observation was made that Canadian mills have been engaged in recycling for the past 50 years. In 1990, our mills used 1.8 million tonnes of recycled materials, 600,000 t of which were imported. By 1993, the forecast is for 3.1 million t, of which 1.5 million t will have to be imported (mainly from the US). Canada still has a relatively lower utilization rate of recycling waste paper due to its larger scale of exports and its lack of domestic recycling material. While newsprint is one recycled product, it is by no means the only use of recycled paper - boxboard and roofing materials are often better alternatives.

There is a real concern on the part of the Canadian forestry industry that environmental issues are not being dealt with any sense of impact on economic consequences.

The comparisons frequently drawn between Canadian and Scandinavian forestry practices are usually not valid. There are fundamental differences between the two settings. In Western Canada, the scale of terrain and operations are not comparable. It was pointed out that in British Columbia, 85% of the province is designated as Provincial Forests, only half of this area actually grows trees, only half of this treed area is suitable and available for harvesting, and every year only roughly 1% of available productive forest is actually harvested - 50% are naturally regenerated and the province ensures that the remaining 50% of the harvested sites are replanted. In Eastern Canada, the forests differ from those in most European countries due to the abundance of natural vegetation - harvesting often protects 50% of the original mix which becomes new growth, with the other 50% obtained through reforestation.

BPIB, COFI and CPPA each have their own initiatives and are ready to cooperate on environmental issues. Activities include education of members, information brochures, participation in seminars, visits of interested parties (Parliamentarians, journalists, environmentalists, foreign business groups), and other efforts. Provinces are likewise open and cooperative.

4. Assessment and Response

Public concerns with environmental questions are expected to grow, both in North America and in Europe. Major upcoming international conferences and Conventions will underline the interdependence between local actions and global impacts. Forestry-related issues are likely to figure prominently.

Although Canada has a commendable record of conservation of the natural environment, including with respect to forestry and production of forest products, we are not immune from criticism. National issues such as native claims and disputes over the efficacy of managed clearcutting can easily attract international attention.

The trend to eco-consumerism will result in product adjustments in the marketplace and will make buyers and distributors increasingly sensitive to the sources and methods of production. Canadian suppliers and government authorities must be prepared to certify products to evolving environmental standards.

While criticism in Western Europe of Canadian products and practices has been minimal and isolated to date, it can not be ignored. The situation across Europe is not homogeneous. Should one wait for crises to develop? One must anticipate without being alarmist. While it is difficult to win a public debate with environmental extremists, there are growing segments of the population genuinely anxious about the implications of processes and products. The goal is to provide honest, understandable, explanatory information. There should be no hesitation in engaging in reasoned, balanced discussions on environmental issues of the day.

Recognizing the wider interest, Canadian forests can rightfully be publicized as "international treasures" rather than just "national treasures". More attention should be drawn to Canada's extensive provincial and national parks.

The principle of "sustainable yield" is being replaced by "sustainable development", which better reflects the full range of uses of forests not only for production, but for much broader ecological purposes.

Canadian governments and industry have a good story to tell, but have done little to tell it outside of Canada. There is a requirement for consistent, factual information augmented by effective visual materials tailored to the interests and needs of individual European countries and markets. There is no such thing as a "Euro kit" which would meet every conceivable need.

It was agreed that a comprehensive bibliography listing the wide range of available scientific and statistical reports, brochures and information sheets, and photos and films would facilitate the work of the posts in developing more customized responses to requests and requirements. Provinces such as British Columbia have already begun to assemble useful materials, and were complimented for fast response times. Forestry Canada's compendium of issue sheets, and recently produced kit for the UK market was viewed as versatile and in need of versioning into other languages. Forestry Canada undertook to explore developing a bibliography, and to continue producing factual materials.

The industry associations clearly indicated that they look to government for guidance and leadership in addressing emerging criticisms in offshore markets. Both industry and provinces were unanimous in calling for a follow-up one-day meeting in Ottawa to continue this discussion and to explore better coordination of all efforts. Forestry Canada agreed to convene such a meeting as soon as possible.

5. Posts' Reports

Viewed from Brussels, there have been increasingly high level concerns with the state of European forests, especially following storm damage, fires, or reports of loss due to acid rain. In a regional development context, a series of 1989 regulations gave form to an EC Forestry Action Plan providing increased funding for the development, protection and enlargement of the Community's forests. Its significance was very much a function of the fact that it represented agreement across Member States. Historically, management of forestry resources has rested solidly with Member State authorities. In light of far more pressing issues on the EC's agenda, the European Commission is unlikely to give the European forestry sector a high priority. However, on the processing side, use of chemicals and preservatives has been given attention, as has water quality. And, on a more global scale, EC leaders at the 1990 Houston Summit did focus on environmental issues, which included discussion on tropical rain forests.

If Canadian forestry practices do gain prominence, they are most likely to emerge in the European Parliament. Some EP members have made statements concerning forestry, but none have been directed towards Canada. As a result of contacts between certain Euro Parliamentarians and native groups in Canada, Parliamentary Groups have been exposed to Canadian forestry practices. The Green Party is quite influential in Euro Parliamentary circles. Given the nature of block voting in the EP, there are frequently alliances of Greens and Socialists on such issues. The credibility of Canadian native people is high, and forestry issues raised by native peoples could get attention.

Turning to the situation in individual Western European countries, the following are summary situation reports.

(i) Austria

While the environmental movement is very strong in Austria, Canadian forestry practices are not of concern. High profile environmental issues relate to water pollution and waste management. Austria has its own major pulp and paper industry which is focusing on reductions in bleaching operations. On a larger scale, cross-border East-West environmental problems figure high.

(ii) Belgium

To date, only two media reports concerning Canada have been noted, both in March. Both originated outside Belgium - the German television program ("A Paradise Despoiled", and reactions in Canada to the program. Canadian practices are not a domestic concern. No concerns have been expressed by the wood importer community. There has, however, been concern regarding the import of tropical woods, but no links have been made to Canada.

Environmental issues are become increasingly important and it is quite obvious that Belgian environmental awareness is on the rise. Belgium has generally lagged behind its neighbours and must now move quickly to meet its own environmental commitments and those made to the EC.

Public and private awareness has recently focused on waste products and recycling. The increasing cost of waste transportation and processing has made recycling economically viable. The rising cost of waste treatment and past neglect, typical of many municipal bodies responsible for the treatment of garbage, has created new opportunities for the private sector. This has stimulated technological innovation and a move towards using cleaner technologies. Environmental controls are becoming an integrated part of the design of manufacturing facilities.

Belgian companies have increasingly taken the lead with respect to the environment. Today, the ecologically sound image of a company is an important factor. Use of environmental technologies can decrease operating costs relating to energy, raw materials and waste disposal. In addition to competitive pressures, firms will have to meet stricter EC standards in the future.

The Belgian government has recently attempted to developed policies to deal with growing environmental problems. The most pressing problems facing municipal authorities are air and water pollution caused by the heavy industry. These problems have been exacerbated by water and noise pollution from smaller and medium-sized enterprises, water pollution and odour nuisance caused by agriculture and stock breeding, and noise pollution from traffic.

Forest products have not been singled out by the government for special attention. However, recently there has been a local movement, organized through an ecclesiastical association, to ban the imports of tropical lumber into Belgium. The Belgian authorities have not yet reacted. In addition, measures are being taken to ban arsenium and chromium from impregnated wood products.

(iii) Denmark

Environmental issues figure high in Denmark. The Government has continually pressed the EC to raise Community standards up to Danish levels. Nationally, new environmental legislation now applies to many secondary industries, with rules on all aspects of production. On the forest products side, there have been concerns with resins and wood-dust. A list of exotic woods thought to cause allergies has been drawn up - cedar and redwood are on the list. Past media reports relating to forestry have dealt with tropical timber.

While Denmark is proud of its membership in the EC, it is equally proud of its status as a world leader in environmental legislation. Denmark would like to see all EC directives brought up to its standard, rather than harmonised to an average standard. Reasons include:

- Its small size makes pollution easily identifiable.
- There is general recognition that if the countries limited natural resources are not protected they will be permanently depleted.
- Its proximity to pollutant heavy industrial neighbours.
- The strength of the Social Democratic Party has enabled the party, even under the Conservative coalition, to press for environmental legislation (generally this has been done with little recognition of their possible financial consequences for Danish industry).

None of this legislation is specifically applicable to the wood product industry (apart from small family owned sawmills there is very little forestry industry in Denmark), but the broad range of the legislation hits the major wood working secondary industries both from a general environmental viewpoint and a labour environmental viewpoint. For example, wood dust in the plant environment is on a list of possible carcinogenic materials. Current regulations permit only 4 mlg. per m3 and coming legislation proposes to reduce this to only 1 mlg. per m3.

In the exterior environment (i.e. directly outside the plant) there are guidelines recommending only 0.025 mlg per m3. If wood dust is found potentially carcinogenic, there will be new legislation preventing re-circulation (even through a filter), which will result in higher heating costs to Danish industry.

In addition, tolerance levels for glue, paint and lacquer (in the busy furniture manufacturing industry) are lower than in other countrie. In wood impregnation, the use of pentachlorphenyl is forbidden and rules on resin and chrome are about to be tightened. There is a list of about 20, so-called exotic wood species, thought to cause allergies. Redwood and cedar are on these. Import of these species could be prohibited from a health viewpoint. Danish industry is fighting the introduction of further legislation but precedence, particularly in the agricultural sector, fails to indicate that it will be successful.

(iv) France

General Public Attitude

The first thing to bear in mind is that environmental matters do not have the same public support in France as in other European or North American countries. In a recent public opinion poll on the importance of environment protection, France ranked next to last, just ahead of Ireland. The last elections in 1989 showed an increasing vote share for Les Verts, which got 11 % of vote, but this seems largely due to the fact that they claim to be a non-political party.

There is however a "Green Plan", issued in late 1990 by the French Government, for the coming ten years. Key aspects are:

- Water: increase depollution rate of used domestic water.
- Waste: increase recycling and recovery of industrial and domestic waste with particular emphasis on packaging and construction materials.
- Air: reinforce emission standards.
- Noise: reinforce insulation of 200,000 dwellings and 500 schools.
- Develop regional and national parks and reserves, and urban gardens.

French Attitude Towards Forestry

The French have a special fondness for their forests, which cover a quarter of the territory and are the largest in the EC. Since 70% of these forests belong to some 3.6 million owners, there is a large interest in forestry problems which rank as follows:

- Fire: forest fires are a very important concern, as each summer particularly in South France, they destroy not only properties but also human lives.
- Dryness: forest growing is presently suffering from the consequences of three consecutive years of severe dryness.
- Storms: periodically trees are uprooted or damaged in storms.
- Acid rain: has very low profile in France, and is limited to forests close to the German border.
- Tropical forests: Amazonian deforestation is regularly mentioned in French media, without raising strong protest or demonstrations.

French Perception towards Canadian Forestry and Forest Products

To date no criticism have been noted in France on the subject of Canadian forestry management, and none is expected.

In fact, as a result of Canadian promotional efforts over the past 20 years, the French trade and public in general have a good image of Canadian forest resources and industry. Numerous missions to Canada are organized in this sector, aimed at finding ways and examples to improve France's forestry management and wood industry. In the minds of the general public, Canada is the country of CANADAIR water-bombers, highly valued in the fight against forest fires.

There is no concern about using wood products. Local associations base their promotional campaign on the fact that "wood is the only renewable material".

The only complaints against Canadian wood products noted in this country are of a commercial nature: French sawmills complain to their government as soon as softwood lumber imports from Canada exceed 20% of French lumber imports as a result of favourable exchange conditions, as was the case in 1990. Caution might be exercised so as not to give rise to calls for limiting such imports.

(v) Germany

Environmental Protection is a priority political theme in Germany at all levels. There is even a Green Party that owes a lot of it's support to those convinced that the main-line parties are not doing enough. Those parties - the ruling CDU/CSA and opposition SPD - recognize this and have active programs to meet the environmental concerns of the general public.

Germans generally are more concerned with issues close to home than far away, even though the media regularly dishes out programs on both the domestic and international scene.

International environmental concerns at the moment focus on the global warming effect ascribed to increasing CO_2, the hole in the ozone layer in the atmosphere (FCBs), and to some extent, pollution of the seas and rivers adjacent to or shared with other countries.

In addition, there is a general feeling by Germans that trees and forests are important - this is a well-established view and resulted, for example, in a real political furore a few years ago when a high number of dying trees were linked to environmental pollution. Forestry is controlled by an intricate set of laws and is highly regulated in Germany itself. Pressures in Nordrhein-Westfalen have, for example, reduced the area that can be clearcut to a maximum of 5 ha. in any one area. It is doubtful that Germans will ever be convinced that large-scale clear-cutting is acceptable.

Against this background there is the issue of the destruction of the tropical rain forest (Brazil) which receives a constant negative press and has aroused a high level of public awareness that this sort of thing is bad and should be stopped.

What can only be described as the environmentalist extremists, have taken the position that they must actively fight to bring pressure on any country that is seen as allowing significant wood cutting - chiefly Brazil - but also others that are perceived as pursuing wrong forestry policies. This has included Canada, although there is no general campaign aimed at Canada.

Such extreme elements are exploiting the general German concern about the destruction of the tropical rain forest, their own particular love of the woods, negative reaction to clear-cutting, and concern about the fate of native people associated with a special relationship with trees. This precludes their inclusion in any forestry management plan. In short, Canada is targeted by the extremists, but it is not a priority target. However, it is necessary to be alert to what is going on and take measures to resist any successful attempt to label Canada as some sort of environmental outcast because it does not live up to the judgement of a small minority. The real agenda of radical activities is not compromise but rather stopping forestry, in the same way that some are fundamentally opposed to an industrial society.

Paradoxically, accusations against Canada may also gain more credibility because of German attitudes towards Canada. We are very positively regarded, but it is a fuzzy image. We are generally seen as having a huge country with a wealth of national resources (read forests), but also still affected with a sort of pioneer spirit. This cuts two ways since, while it is admired it is also held to include our having a rather cavalier approach to harvesting of the forests and makes any attack on our forest management more believable in German eyes than we might expect.

What to do? First, Canada has a huge commercial stake - sales of $745 million in forest products in 1990 - and environmental extremists can not be permitted to set the agenda. Canadian forest management is not an issue to the general public and is unlikely to become one so long as we are able to demonstrate to serious enquiries and to the media that we engage in good forest management.

We cannot be successful if we attempt to start a public debate with those who simply want to end forestry. In this sense it is necessary to manage the conflict. It is a mistake to think of this as a "seal" issue since Germany itself is a large wood producer and the public could not conceive of doing without wood or paper.

The public will, however, want to have a good conscience in knowing that as much recycling as possible is done (paper), that production of paper or wood does not poison the water/atmosphere or will result in a permanent reduction in the forest stands, and that the wood they use is not potentially hazardous.

We can defend our forestry practices. There is no need to panic. Canada is not under heavy attack nor is there the danger of a massive public rejection of Canadian pulp, paper and wood products. However, we must continue to develop and enforce forestry management practices that are fully defensible and rational to people genuinely concerned with the global environment. Finally, we should consider how we might provide general public information material to the serious media, and how to inform the public at large.

(vi) Greece

Environmental matters are somewhat lower profile in Greece. The interrelationship between forestry and the environment has been mainly with respect to forest fires, which present a major problem. Canadian forests are generally not well-known in Greece, but Canada is often identified with the widely-used water-bombers. The Greek Government has recently formed a committee to examine forest protection.

(vii) Ireland

If Ireland achieves its target of planting 30,000 hectares in 1993, then the plantations established in that one year will fix some 400,000 tonnes of carbon dioxide each year for the next 35 to 40 years.

Whilst Environmental Impact Assessments (EIAs) as defined by Directive 85/337 are only required for new forestry developments over 200 hectares (10 hectares for conversion of broadleaved high forest to conifers), any application for grant aid may only be approved subject to certain conditions:

a. Private Forestry section and Environment section of the Forest Service will examine all grant aid applications for proposed forestry developments as to their environmental compatibility and standard of silviculture and general workmanship.

b. Approval of grant aid may only be given within the limits imposed by EC and national legislation. For instance, schemes likely to have negative impacts on such features as:

   - Areas of scientific interest, including boglands listed for conservation.
   - Areas of outstanding natural beauty.
   - Special amenity areas.

In addition, specific studies on certain environmental aspects of forestry will be carried out. In particular a study investigating the effects of forestry establishment and practices on water catchments, especially "non-buffered" water systems, will be undertaken.

The diversification of species, in particular the encouragement of broadleaved trees, will form an important aspect of the forestry programme. The aim will be to increase substantially the proportion of broadleaves planted from the current level of about 2%.

The provision of EC Directive 85/337/EEC on Environmental Impact Assessment will apply to forestry development projects above 200 hectares (10 hectares for conversion of broadleaved high forests).

Legislation is currently being prepared with a view to having an Environmental Protection Agency in operation in 1991.

Ireland conserves a network of representative types of ecosystems which form the habitat of communities of wild flora and fauna. This network, which is increasing annually, covers woodlands, peatlands, grasslands, sand dune systems, fens, bird sites, coastal heathland and marine areas. The Statutory mechanisms based on the Wildlife Act 1976 for the protection of these areas are:

- Statutory Nature Reserves (68 in number).
- Refuges for fauna (5 in number).

- Ministerial orders for the protection of the habitats of birds listed in Annex 1 of EC Directive 74/409.
- Wildfowl Sanctuaries (68 in number).

Under legislation, forestry development cannot be implemented in the first three areas listed above.

The felling of trees is restricted by law and the environmental impact of proposed felling is taken into account before such operations are permitted.

International Aspects

Ireland's role in tropical deforestation is small but in one instance 7,500 acres of Iroko are logged on the Ivory Coast to satisfy the Irish demand for hardwoods.

No anti-lobby exists vis-à-vis the Canada forest products industry. Media have not focused their attention on Canada's forest sector in a negative sense. Environmentalists have, however, emerged and are active against mining projects, chemical plants, fish farms, agricultural pollution, and any other industry that is seen as polluting. To a large extent, the focus is on what is happening in Ireland or in regionally/locally.

The following groups are active:

- Green Party (I.M.P.)
- Greenpeace
- Friends of the Earth
- Animal Rights
- Local groups who may dispute planning permission for a new project.

(viii) Italy

Environmental issues have been the focus of increasing public attention and concern in Italy in recent years. This concern has resulted in the creation of a surprisingly strong Italian Green Party. Founded only a few years ago, the Green Party won the fourth largest percentage of the popular vote in the elections for the European Parliament in June 1989 (6.2%). Two environmental problems in Italy have recently become the focus of public outrage: severe pollution of the Adriatic Sea off Italy's eastern coast has deprived vacationers of the opportunity to swim in safe waters, and the air and noise pollution in Italy's large cities has reached alarming levels.

All of the major Italian political parties are very sensitive to environmental issues and Italy assumed a leading role, along with Canada, in raising environmental issues at the Toronto and Paris G-7 Summits. Italian interest in both national and international environmental problems has been sharpened by the domestic environmental hazards Italy must deal with in the coming years, and no player in the Italian political arena can afford to give the impression of being environmentally insensitive. Italy has consistently supported international initiatives for environmental protection at the United Nations and international conferences such as the Montreal Conference on the Protection of the Ozone Layer in 1988.

Reflecting this heightened level of concern about the environment, the Andreotti Government last year introduced draft legislation to impose a "green tax". In essence, the legislation would impose financial costs for water use and the use of airports, and most significantly, would introduce specific taxes on industrial smoke emissions and the production of plastic polymers and herbicides. The Italian Government would authorize Italy's regions to take measures to control certain agricultural wastes as well as the disposal through the waste water system of non-biodegradable substances. The proposed legislation would not only tax polluting industries but would also provide incentives in the form of financial assistance for the adoption of production techniques consistent with environmental protection. While there is considerable popular support for the "green tax", it has been strongly opposed by some sectors of Italian industry. It is still under consideration.

The annual report submitted to the May 14, 1991 annual meeting of the Federation of Italian Wood Merchants referred to the growing preoccupation of Italian environmental and conservation groups with the destruction of the tropical rain forests. The report indicates that concerns over the future of the rain forests have led to resolutions by a number of local councils against the use of wood from those forests and has dampened demand for tropical hardwoods.

Although there is no mention in the Federation's annual report of any such adverse publicity surrounding Canadian forest products, there remains a possibility that the campaigns being conducted against the destruction of the tropical rain forests could be broadened to include an attack on alleged inadequacies of Canadian forest conservation.

(ix) Netherlands

The Importance of the Environment in The Netherlands

Generally, the Netherlands is seen as having a high level of environmental awareness, on the part of government, industry and the public.

The Dutch spend 1.34% of GNP on environmental protection, compared to 0.7% in the USA, and it is expected that Dutch industry will have to double its spending on environmental protection in the next four years. The local environmental technology/equipment industry is strong in waste water, sewage, and soil treatment. The total market, including services (e.g. collection, processing) is estimated at some $4.9 billion. Short to medium-term environmental policy objectives are set out in the ambitious Netherlands "Environmental Policy Plus" program.

While Environmental Policy and its application obviously involve measures to combat environmental problems affecting forests, the Netherlands does not have substantial forests of its own. For this reason, environmental issues in this country tend to focus to a greater degree on less abstract problem areas (such as the country's manure surplus).

There is no substantial commercial exploitation of forests in the Netherlands, so the issue of "responsible forest management" is an issue only inasmuch as it relates to forestry practices abroad.

General Public Attitudes and Perceptions

The above focus on environmental conservation and protection is reflected in a generally high level of public awareness of environmental issues and concerns. The Dutch consumer is well educated to separate waste glass and paper from the rest of his garbage, for example. The percentage of waste paper used as a raw material in the paper industry is higher in the Netherlands than anywhere else in the world.

The Effect on Canada's Export of Forest Products

There are several active environmental interest/pressure groups in the Netherlands. Their focus, as far as the forestry/lumber sector is concerned, has to date been very much on the depletion of the tropical forest, which has received considerable coverage in the Dutch press and media. While it is not inconceivable that such groups may next turn their attention to practices in non-tropical producing countries, there has not yet been very much negative reporting in the press or media on North American forestry practices.

There already exists some relevant material (such as the dossier recently compiled by Forestry Canada) which is useful in presenting the situation in Canada. Canada is not by any means one of the largest suppliers of forest products to the Netherlands; the majority of the lumber comes from Scandinavia and the USSR. For this reason, attention may be turned to other non-tropical producers before Canada.

The post has not pursued a proactive policy on the issue. It is, perhaps, worth noting that some other producing countries, especially the Scandinavians, have gone to considerable efforts to bring across an image of responsible forestry and forest management, usually in a relatively low-key approach, by means of circulars, participation in wood and forestry-related conferences, etc.

To date, the post has not perceived any effect on Canada's exports of forest products to the Netherlands resulting from the minimal negative reporting on environmental issues relating to forests or forestry in Canada.

Actions Which Could or Should be Taken

In addition to building up a good general "case" and a good supply of material to illustrate responsible forestry in Canada, a subtle approach to trade and consumer target groups could be considered, perhaps along the lines of the excellent softwood brochure recently brought out by the Swedish-Finnish lumber promotion bureau. The brochure focuses very much on technical descriptions of the various softwoods, their applications, etc., but at the same time includes a section illustrating "responsible forestry". The brochure was initially circulated to subscribers to one of the leading trade publications "Het Houtblad" as a supplement, and subsequently reprints were used as PR material for mailings, fair participation, and such.

Conceivably, there could be inputs into such a brochure by Federal Government, Provincial Governments, COFI, BPIB and individual companies in the lumber industry.

(x) Norway

The most severe environmental problem that the Norwegian forest industry faces is acid rain. In the beginning, the problem was found only in rivers and lakes in the southern part of the country, but soon the forested areas in the same region were damaged. The problem has spread to most parts of Norway, and the latest area hit is the northern most county of Finmark, bordering towards the Soviet Union.

The pollution is believed to have come mostly from the U.K. and Northern Europe, but now most attention is paid to the pollution coming from the Kola Peninsula in the Soviet Union. Norway, and the other Nordic countries are negotiating with the Soviets to help them clean up their industry's air and water pollution. Most of the Nordic economic aid to the Soviet's will be as environmental cleanup technology for their industries in the Kola area.

Norway has already reached its international commitment to reduce the $S0_2$ emissions by at least 30% by 1993, in relation to 1980 levels. Because of the acid rain problem, the Norwegian coniferous forests are declining. In 1985, 70% of the trees in the central forests had full density crowns. In 1988, in some areas of southern Norway, these figures had dropped from 76% to 38%, while the same numbers for central Norway are 54% and 36%.

A brief investigation did not turn up any severe forest management problems. Most of the little controversy there is, deals with where to put roads to bring out the logs. Media has focused very little on forestry issues.

There is some over-production in the forest industry. The lumber industry is producing for storage because the Norwegian building industry has declined dramatically the last three to four years, and is now at an all time low since World War II.

Canadian forest management concerns have not been raised in the Norwegian media.

(xi) Portugal

While a small country without a strong environmental movement, the Portuguese, in general, are somewhat aware of resources management, and much more specifically at the government level.

With the highest population density in Europe, Portugal, still has important forest stands and has an important wood and paper industry. As a producer and importer, they are aware of the value of their forests and the possible dangers relating to the mismanagement of this renewable resource (as has happened to their diminishing pine forests). They are well informed about their former colonies and have an interest in what is happening to the tropical rain forests of Brazil and Angola, as well as the desertification process in Africa and the problem of soil erosion in Indonesia (Timor), India (Goa), and China (Macao). They believe in the multiple use of land, including forest production.

Linkages have been made between Canadian capabilities to manage fish resources ("that do not even belong to you") and our inability to manage our forests.

Forest protection has become an issue of national interest in Portugal, and the man on the street identifies massive eucalyptus plantations with an environmental threat (eucalyptization). Growing shortages of domestic raw materials and forest fires are also issues of public concern.

Generally, the major concern about Canada is that we seem to be mismanaging what we were given in abundance. We are seen as wasteful - "you are not the beautiful country we thought you were". "You clear cut your forest like the Brazilians (but it is understood that you certainly do not need it as much as they do), and you let the environmentalists run all over you over the seal issue, so now there are too many seals and a declining stock of cod (because each seal eats 2.2 kg of cod each day)".

The Portuguese pulp and paper industry is concentrated (5 companies) and relatively modern. However, it has still an agreement with the Government to match a $250 million investment in environmental protection in 1991.

(xii) Spain

General Background

Until recently, the Spanish public was not very concerned with environmental problems. Exceptions to this in recent years have been: (a) The sometimes violent protests against the planting of eucalyptus trees in the Basque region to serve the domestic pulp industry. The introduction of these "foreign" trees, it was claimed, could harm the ecological balance in the area. (b) The public dismay almost every summer when large forest areas in Spain are devastated by fires. These are often provoked by separatist/radical groups and, according to some sources, even by the local mills themselves in order to push up the price of domestic lumber.

However, environmental issues are receiving increased attention in Spanish TV programs and in the media generally, and Spaniards are becoming increasingly aware of the problems facing them.

The presence of Greenpeace and similar organizations in Spain has been relatively low key. The Spanish "Green" Party has very few supporters.

From the Government's position, the question is of growing importance with the realization that Spain, fast approaching full integration with the EC, will in future have to play by the Community's rules.

Trade in Forest Products

On phytosanitary issues Spanish plant health officials, if they sometimes appear over-zealous, as professionals are mainly preoccupied with the risks to the Spanish environment which could be damaging if adequate precautions are not taken in time. They consider that Spain, with its extreme climatic conditions, is often more susceptible to certain types of pests and virus than other member states.

Forest Fires

The incidences of forest fires in Spain are very high, affecting from 60,000 to 70,000 hectares of forest land every year. Fortunately, in the same way that vegetation quickly ignites in this country for various reasons of climate, regeneration is also very rapid with more than 50% recovery annually. In addition, annual reforestation is carried out over 60,000 hectares so that the tree population actually grows from year to year.

The Spanish Institute for the Conservation of Nature (ICONA) is conducting campaigns to educate the general public, the rural population (the hardest to influence) and children (best target), as to forest fire prevention and these are proving effective. One result it that fires caused by carelessness have sharply declined to 20% of total.

For various reasons the number of forest fires is increasing each year (in the 70s the number was 1,500 fires per year and in the 90s, - 20,000 per year). However, Spain's vigilance and firefighting services have become increasingly effective and are considered to be among the best in Europe. These include 15 fire-fighting planes (Canadian CL 15s), a fleet of planes which load up with fire-fighting chemicals, foams etc., and 30 U.S. helicopters which carry 8 people to the site of the fire so that extinction can take place very rapidly.

Spain is now following EC Regulation 89 on prevention and treatment of forest fires.

ICONA works closely with ecologists who provide an invaluable source of information to the public. One of the results of this cooperation is undoubtedly the adoption of conservationist attitudes by the Administration, and trees are not planted solely for commercial motives, as in the past.

Acid Rain

This is not a serious problem in Spain and only occurs in a few areas located near power and industrial plants.

(xiii) Sweden

Forest Management

Swedish forest management goes back to the end of the last century. At that time long periods of mismanagement had resulted in a heavily depleted and badly exploited forest. However, as forest products were being put to new and different uses, the trend was reversed and forest products acquired greater economic value. At that time new knowledge of silviculture and forest husbandry also made a breakthrough.

In 1903 the first modern silviculture law was passed, in which it made it a legal requirement to replace harvested forests by new forest. The "Greens" in those days were represented by the reforestation movement. Forest conservation societies, school classes (the latter by a law enforced in 1907) and thousands of enthusiastic people were engaged in planting trees, talking about the requirements of the future and the importance of the forests.

Throughout the 20th century, comprehensive restoration of the Swedish forests has been carried out. Bare land has been planted and devastated forests replaced by thriving young forests. More than 600 million new trees are planted every year and the amount of standing timber in Swedish forests has doubled over the last century and now Sweden has more forest than ever.

Forest Policy

The Swedish forest policy is of the conviction that there will continue to be a demand for forest products and the forestry sector will in the future be of major importance for the country. One of the implications of this policy is that forest owners are legally obliged to apply a certain minimum standard of silviculture density in their forests.

The most recent Forestry Act was enforced in 1980 based on the Acts of 1948, 1923 and 1903. Some amendments were made in 1983. This act provides further regulations on cuttings, cleanings and thinnings. Furthermore, it stipulates the drawing up of a forestry plan for each holding, with guidelines for forest management on that holding. The plan is to be in accordance with regulations issued by the government or the authority designated by the government.

The National Board of Forestry performs overall supervision of the compliance with this law. The County Forestry Boards perform more detailed supervision at their respective county level.

A special Wood Raw Material Act has been passed in order to keep the expansion of wood-using industries and heating plants under control.

Environment Policy

In the mid-1960s there was a growing opinion in Sweden in favour of environment protection and nature conservation. The breakthrough in the political area for ecological issues came with the debate on mercury pollution from agriculture and the pulp and paper industry.

In 1964, the Parliament adopted a new Nature Conservancy Act (similar laws had previously been passed in 1952 and 1909). In 1967, the National Environment Protection Agency (NEPA) was formed with the mandate to deal directly with environment issues.

The Environment Protection Act was enacted in 1969. This Act deals with pollution and other environmental disturbances caused by permanent industrial plants.

There are also special regulations governing new establishments or modifications of certain types of industries (pulp mills, aluminium smelters etc). As such, the industry has to apply for a permit from the National Franchise Board for Environment Protection and the respective County Administrations. In permits granted, criteria such as maximum levels of emissions, measures required to protect the environment etc. will be stipulated. When an application is filed with the Franchise Board, the National Protection Agency, and the regional authorities concerned, as well as the local press are informed.

Since the establishment of these and other Acts, and a number of government agencies working on various aspects of environmental protection and control, increased measures have been taken to improve the environment in the past 20 years.

For the Swedish forest industry, the summer of 1988 was long and hot. (The environmental debate was then very heated.) Stories about poisoning of the seas, death of seals and dioxin were constantly front page news in Sweden. The industry responded by declaring that it would accept its environmental responsibility. In 1988, the Parliament ordered a reduction of organically bound chlorine from 3.5 to 1.5 kilos per ton of chlorine-bleached pulp by 1992. This resulted in heavy investments for 15 pulp mills (representing 30-40% of the total investment of these mills), but thanks to new Swedish techniques, currently being applied by the mills, results have been successful.

Parallel-to the work on dioxin, progress has also been made into the reduction of total emissions of chlorinated compounds.

The extensive commitment by the pulp and paper industry to environmental conservation and pollution control has lead to a reduction of about 80% of the emission of chlorinated matter since the middle of the 1970s.

Contemporary Swedish forestry is now a matter of ecology. "Site adaption" is the new guiding principle. Large-scale, standardized logging systems, introduced in the 1960s and 1970s for economical reasons, are now giving way to silvicultural methods adapted to the biological conditions prevailing on each individual site. Great efforts have been made to train forest workers and forest owners in preserving important habitats for fauna and flora, and areas of cultural value.

Public Opinion

Opinion polls reveal environment has long occupied first place. Among political issues to which the general public gives highest importance.

Environmental matters attract a great deal of media attention. There is no doubt that the pressure of public opinion in the 1980s has been a driving force behind environmental improvements in forestry and forest industry in Sweden. The changes in attitudes in forestry also led to better understanding between foresters and environmentalists at local levels. However at the central level the debate goes on, although not as heated as a year ago.

Attention in the media has contributed to spreading myths about devastation, extermination of primeval Swedish forests and so on. The Swedish forest industry has often countered acted by publishing informative, educational advertisements and articles in the local press. Locally, there have not been any boycotts against Swedish forest products.

(xiv) Switzerland

Environment is an important issue in Switzerland, with policies covering all sectors of the economy. Recycling is very important. In forestry, two major storms in 1990 led to a doubling of raw material production. Clearcutting and pulp bleaching are the two issues which have been noted. There have been pressures from Swiss trade associations to increase cutting rights. We can expect increased pressures on chlorine bleaching.

Action

- may come indirectly through the EC's European Parliament especially if the 1992 conference does not meet expectations
- need to wage arguments on scientific grounds only
- well-documented information package is required
- honesty is essential

(xv) United Kingdom

Concern about the environment as a total issue is near the top of the list in the UK. In fact, a White Paper on the subject was published recently. But there are many facets, and in the broad spectrum of environmental concerns, the image of Canadian forestry and other environmental forest industry issues is not high profile.

Essentially, we have two sectoral components: wood products and pulp and paper. The trades are different and the environmental sub-issues are not identical. For the most part, we deal with these sub-issues along their sectoral lines. The question of the forestry image is common to both and we use essentially the same factual information for both sectors. There is a much greater range of environmental concerns about pulp and paper. Of these, recycling is currently the most significant in the UK.

So far, our trade has not been adversely affected. Canadians are seen as responsible in forestry, both at public and trade levels.

But Canadian forest products exports are over one billion dollars per year to the UK ($1.3 billion in 1989 and $1.1 billion in 1990). We have a lot of trade at risk and we cannot ignore the threat. We believe that the risk of trade impact is significant enough that we must take steps to minimize it. The prime threat is from the environmental movement, notably the extreme elements. On the wood products side, it is Friends of the Earth. For pulp and paper, it is the Women's Environmental Network. Greenpeace looms ominously in the background.

The critical question is credibility and so far the extreme environmentalists have had their limitations in this area. It is important to note, as well, that a UK citizen has views on the subject of forestry that are quite different than those in many other countries, including Canada.

The post views the issues as:

- the image of Canadian forestry in the UK
- the concern that negative publicity and/or perceptions could damage our forest product trade to the UK
- conversely, the opportunity that positive perceptions could have on expanded trade.

Objectives and strategies include:

- reinforcement of the already positive image of Canadian forests that exists at trade/consumer levels
- heading off any serious threats by media and environmental groups
- avoiding introducing extraneous but potentially damaging issues
- keeping the message simple.

Activities have included:

- distribution of information at all levels
- direct discussion with major UK buyers
- trade journal articles and letters to editor
- national press articles and letters to editor
- encouraging leading Canadians to present papers or to give interviews in the trade press
- responding to potentially damaging publicity
- responding to environmental organizations
- liaising with provincial governments
- liaising with Canadian companies and associations
- speeches
- work with importing trade associations and committees

- trade shows
- monitoring UK press and television

Canada has a good story to tell and in the UK the post is telling it in an effective, but low key way. We are presenting facts through articles and information brochures to key associations and directly to the importing trades. We discuss Canadian forestry directly with major buyers of Canadian forest products often at the Managing Director level. We are keeping an eye on the media and environmental groups and responding quickly as required.

We liaise with the key UK trade associations and UK trade journals. The Pulp and Paper Information Centre has been particularly helpful in distributing information to all levels of the trade and the UK school system. We also work closely with Canadian companies and associations, including CPPA, COFI and BPIB. Their support and co-operation is much appreciated.

We look upon the question of the Canadian forestry image, as it exists in the UK, as rather basic, i.e. not complex. The trades at their various levels are essentially seeking assurances that we are responsible foresters. The key term, as hackneyed as it may be to some, is sustained yield. The trade wants to know that Canadians practice sustained yield forestry, and we are able to substantiate this practice well.

In our public relations on this issue, we have to keep the information simple because we find that everybody, including the trades, get very confused if the issue is at all complex.

We are not saying that international forestry is simple. Indeed, it is not. One simply has to look at the terms - international forestry instrument, tropical timber, global warming, biodiversity, preservation, forest ecology, old growth, sustainable development, clear-cutting - to realise that these issues are, indeed, very complex. This is part of our problem in the UK and one reason we are concerned about the transfer of misinformed publicity in Canada and elsewhere on these items to the UK. They can be too easily distorted, too easily sensationalised, and too easily misunderstood.

IV. MARKET ACCESS ISSUES

1. Pinewood Nematode

PWN Mission to Europe

EAITC, BREEC and Agriculture Canada representatives provided a comprehensive debriefing on the May 06-17 PWN Mission which met with plant health officials and trade representatives in Denmark, Italy, Germany, UK, France and the Netherlands.

A Canadian Delegation called on plant health officials and trade representatives in six EC member state capitals, and in Brussels, to develop the basis for an extension of the derogation for Canadian softwood lumber beyond the end of this year. The delegation emphasized the significant progress on the part of Canadian industry towards kiln-drying over the past year, the comprehensive and intensive inspection and control mechanisms of the Canadian Mill Certification Program for Bark and Grubhole Control (MCP), and the extensive research underway regarding alternate PWN control treatments and the biology and transmission of the organism.

However, plant health officials were not prepared to consider the MCP as an instrument acceptable for a permanent control regime particularly in the absence of all relevant biological data. Nevertheless, the infraction-free record of shipments under the MCP since the beginning of the derogation this year, the clear evidence of Canadian commitment to the successful operation of the Program, and the description of the substantial research effort underway, lead a majority of the importing countries and the EC to a positive attitude with respect to an extension for a limited period of time. This attitude could deteriorate immediately if any infractions are recorded.

One or more EC member states will be encouraged to request the EC Standing Committee on Plant Health to consider an extension of the derogation at an early date.

Related to this, were presentations of technical information on the susceptibility of certain coniferous wood species (hemlock and western red cedar) to infestation by the PWN and its vectors. EAITC will be tabling with the Commission scientific-based cases for the exemption of these species from any EC regulation requiring kiln-drying or any other treatment. These species do not present any significant risk if exported as green roundwood.

Canada-EC Cooperation in Research

In 1990, Canada initiated a very extensive multiphase research project specifically designed to develop key information regarding coniferous timbers that could host pinewood nematode and its suspected vector, Monochamus sp. This project is in addition to other ongoing research projects that have been performed over the years and mostly concentrating on the drying characteristics of difficult-to-dry wood species, as well as on thick lumber. Following is a brief summary of the heat treatment (pasteurization) project which is now carried out jointly with an EC team of scientists under the direction of Dr. Joe Evertsen, of the Irish Research and Technology Agency of Dublin.

Heat over a defined period of time is well recognized as the main killing agent of insects such as the sawyer beetles and nematodes. Moisture content and wood species, as well as other wood characteristics, are either known or suspected of having little or no effect on the long term viability of insects. The Canadian technical development program will bring statistically significant responses to very essential points as follows:

- Determination of the thermal death rates of PWN. In this five-step experiment, time and temperature ranges critical to nematode mortality will be investigated and mortality curves developed. In addition, effect of species of wood and moisture content will be examined and their impact on mortality measured. This phase of the project will be based on the worst case scenario, i.e. the most heat-resistant strain of PWN, worst wood species, and moisture content situation.

- Determination of the temperature and time treatments in coniferous timbers. In this three-step experiment, the heating rate of various wood species will be determined using a single dimension, namely, 75 by 150 mm. Eight commercially important species will be studied. Then, using a single species, standard export thicknesses will be investigated and the impact of thickness on the heating rate will be assessed. Finally, a preliminary investigation of industrial equipment, methods and economics of heat treatment will be conducted.

- Field testing of pasteurization schedules. Three industrial kilns, representing the most common type used in Canada, will be selected and field testing carried out to assure that the heat treatment schedules selected are practical. Mortality of both PWN and Monochamus will be verified.

- Potential alternate technologies. The potential of alternate technologies to eradicate PWN will be assessed. Treatment using anti-sapstain chemicals, gamma irradiation, electron-beam sterilization, and microwave treatments will all be examined and their potential for further study determined.

The Canadian project is carried in close cooperation with the program headed by Dr. Evertsen. Experimental protocols have been exchanged and agreed to, and the technical work is proceeding rapidly such that a final report be available in October 1991. The Canadian Team Leader is Mr. Jacques Carette of Forestry Canada.

Discussion

It is evident that industry has been taking the regulatory developments in the EC very seriously. In spite of difficult times in the industry, kiln-drying capacity has been increasing. COFI outlined its system of inspection and tracking of shipments, and publication of monthly lists of firms which do not comply. BPIB also has in place a rigorous system for ensuring quality control. It was noted that for smaller mills the kiln-drying requirement is creating difficulties. COFI noted the longer term technical problems of applying kiln-drying to over-sized lumber. The immediate impact of the MCP has been an overall upgrading in the quality of lumber shipped, without any increase in price.

Perhaps most problematic was the lack of technical kiln-drying specifications in the current EC directive. While it is expected that the research results will provide the necessary time-temperature parameters, it was hoped that the Canadian research activities might identify some effective alternate method of satisfying EC concerns.

The fact remains that there will continue to be a demand in Europe for green lumber, but will the trade to pay kiln-dried prices when it simply needs industrial grade lumber? Canadian industry is expected to be in a position to respond to the requirements of British importers who have specified dried (not necessarily kiln-dried) lumber for carcassing as of April 1992. The overwhelming sentiment of Canadian industry was that the demand for kiln-dried materials should be market-driven rather than mandated by regulations.

2. EC Newsprint Duty-Free Quota

In 1985, the EC set the duty-free quota for newsprint at 650,000 tonnes (bound under GATT), and allocated 600,000 t to Canada with the remaining 50,000 t available to other non-EFTA countries. If the 650,000 t quota is exhausted by December 1, the EC can open an autonomous duty-free quota for at least 30,000 t for Canada. If it does not do so, there is a provision for the EC to open a supplementary quota for 32,500 t for unwaterlined newsprint at 4.9% duty. Waterlining, a method of marking newsprint, is a requirement under the duty-free quota, but has always been waived by all Member States (MS) except Italy.

This quota arrangement has since 1988 become problematic. In late fall, Canadian shipments approach 600,000 t and EC newspaper publishers and Canadian suppliers face the uncertainty of a potential duty. Sales are forfeited to Nordic suppliers which have EFTA free trade arrangements, with buyers reluctant to risk commitments to purchase Canadian newsprint which might carry duty of 4.9% for waterlined and 9% for unwaterlined over quota. (The view is that the water-lining requirement is not likely to be dropped by Italy, due to large capacity increases which are leading Italy to self-sufficiency in newsprint.)

Commercial and diplomatic channels are then used to elicit publishers support, and MS and Commission support for the quota expansion. Ultimately, the European Commission opens an autonomous duty-free quota of 30,000 t, which is quickly filled. In early December, a supplementary duty-free quota is granted. This has become an annual ritual consuming much energy and curtailing year-end shipments. The issue is the subject of the Uruguay Round negotiations.

The current regime is in need of change. It is disadvantageous to European publishers. The system discriminates against non-EFTA suppliers, and protects domestic suppliers (an increasingly large number of which are EFTA-controlled companies) from open competition. It requires time-restricted mediation to obtain the autonomous quota, creates uncertainties among buyers and limits Canadian sales.

The CPPA forecasts another difficult year, with projected 1991 shipments in the 700,000 to 800,000 range. Shipments in the first quarter totalled 200,000 t. The situation has been discussed with the European Federation of Newspaper Publishers (CAEJ), and with the European Commission. As in past years, initiatives will be taken to smooth out the duty-free quota barriers, and the support of posts will be sought.

3. EC Plywood Duty-Free Quota

The EC has a 650,000 cubic metre duty-free quota on imports of softwood plywood, with 10% duty applying above the quota. Since total annual imports exceed 1 million cu m, the quota distorts the pattern of shipments, causing an influx early in the year. In 1990, the quota was exhausted by March 5. In 1991, the quota was used up in February. An added factor is the current low US landed prices, and mounting concerns in the EC that US producers may be dumping plywood.

Canadian negotiators are addressing the plywood issue in the Uruguay Round.

4. Standards

Canadian industry has given COFI the lead role in obtaining information concerning EC standards, assessing its impact on Canadian interests, and informing industry of developments. COFI/London presented a comprehensive review of the status of EC codes and standards.

As of June 27, 1991, the EC Construction Products Directive (CPD) comes into effect. Civil and engineering structures, and timber products are the main end-use categories of this directive. The CPD is mainly concerned with codes and standards affecting engineering and design. The CPD provides for six essential requirements. A series of six EEC interpretive documents, now approaching completion, will spell out in detail the standards matching the essential requirements. A whole mass of testing and certification procedures will follow.

Both political and technical issues are involved. The process is being driven by the European Commission, with technical committees appointed by the EC. The process is evolutionary, not revolutionary.

Eurocode 5, pertaining to timber structures, is product-neutral since it does not contain product information, and as such does not concern Canada to a great extent. The product standards themselves are in various states of development. When completed, they will ultimately replace individual Member State standards. This is where Canadian interests could be affected. Our objective has been to get as many Canadian products as possible included on the product standards list.

Over the next 18-24 months (beginning to mid-1993), a number of product standards (including those pertaining to timber) will likely be in place. Drafts of the technical committees (TCs) are ultimately released for public comment. The EC will soon deal with the certification and recognition of bodies outside of the Community. The Commission will be inviting third countries to discuss the identification of certification and testing bodies, but not to actually accept those bodies.

There are two grading standards - visual standards and grading rules. It will be important that the Canadian grading rule be accepted, and included directly in the document. On machine grading, Canadian rules have already been incorporated in EC rules.

The timetable for full development of standards is extremely uncertain at this time. Posts can assist by identifying and establishing contact with individuals in Member States who are involved in the CEN standards. Information on the timetables for

Member State implementation would also be useful. Finally, identification of competent testing and certification agencies in Member States will be useful.

A detailed status report on European codes and standards as of February 1991 (Annex A) is situated at the end of this report.

V. MARKET DEVELOPMENT

1. Canadian Industry Situation

In 1990, the Canadian forest products industry had shipments totalling $38 billion, down 8% from 1989 levels. Exports totalled $21.5 billion, for a net trade balance of approximately $19 billion. Industry employment was 340,000. There are 350 single industry dependent communities in Canada.

In the pulp and paper sector, the CPPA characterized the current industry situation as one of over-supply, with drastic weakening of prices, and staggering balance sheet losses. CPPA member companies' tonnage shipments to the UK declined by 19% in 1990 over 1989, and to Western Europe by 4%. Canadian operating rates in the paper industry in 1991 are only slightly over 80%. The Canadian industry is not alone in this setting - US and Nordic companies are also experiencing difficulties.

COFI reported that the BC forestry industry lost $9 million on sales of $11.8 billion in 1990. The return on capital employed was barely 1.7%. The major companies lost $80 million in the first quarter of 1991. In 1986, BC industry paid $250 million in stumpage fees; in 1989, the figure was $800 million. Solid wood sales to Europe in 1990 totalled $662 million.

BPIB reported strong increases in exports to Europe, both of softwood and of hardwoods, during the past decade. BPIB represents producers from Ontario east to Newfoundland.

CANADIAN EXPORTS TO THE EUROPEAN COMMUNITY - 1990

	$000	%
Forest Products	3,280,786	28.5
Pulp	1,654,496	14.4
Wood, wood products	1,000,129	8.7
Newsprint, paper, books	626,161	5.4
Total Canadian Exports	**11,507,872**	**100.0**

CANADIAN EXPORTS TO THE EUROPEAN COMMUNITY - 1989

	$000	%
Forest Products	3,499,403	31.1
Pulp	1,943,418	17.3
Wood, wood products	881,252	7.8
Newsprint, paper, books	674,733	6.0
Total Canadian Exports	**11,261,330**	**100.0**

2. **Market Development Programs**

ISTC presented a detailed overview of several programs, beginning with the cooperative overseas market development program (COMDP) for wood products in Western and in Eastern Canada. The objectives of the COMPD include:

- expansion to include Alberta
- reduction in dependency on North American markets
- levelling of the playing field with the US
- encouraging better utilization of resources (eg, value-added products)
- targeting new product and market opportunities
- linkage to related product opportunities (building systems).

The export growth targets for Europe for the 1991-95 period are a 30% increase in standard wood products, and a 30% increase in specialty/value-added wood products. The strategy includes:

- ensuring EC Eurocode acceptance
- developing environmental programs to address market-related concerns
- resolving phytosanitary issues
- focusing on energy-efficiency (R.2000 system) and new technology (stressed skin panels) in the promotion of the timber frame housing system
- stimulating demand for higher value specialty products (such as concrete forming plywood, window blanks, laminated/engineered wood products).

There will also be a focus on penetration of new markets, including Eastern Europe.

COMDP activities encompass market access, product promotion, product quality assurance and technical support, program supervision and planning and administration.

In addition to the COMDP, ISTC is also leading a Research & Development and Innovation Program. Launched in January 1990, its objective is to support the development, application, promotion and diffusion of R & D and innovative technology. To date, 35 projects have been approved, for a commitment of $11 million; another 35 projects are under review.

Another initiative, with PAPRICAN (the Pulp and Paper Research Institute of Canada), is a Memorandum of Understanding on R & D. This five-year agreement is to develop a science and technology base for the clean-up of mill effluents, and for effective management of recycling.

3. **Value-Added Wood Products**

The posts' reports which follow provide extensive details on the specific market situation in the respective Western European countries. Both the reports and the related discussions revealed the strong message that Europe offers high potential. However, the marketing function in this product sector is markedly different from that which is applied to commodity grades.

There is a far greater need for knowledge of specific end-use and end-user. Distribution channels are more complex and vary from country to country. Profit margins are also greater with value-added products. Competition is in place, and can only be overcome with good market knowledge and a strategic approach on the part of Canadian producers.

EAITC is currently completing a study of the Western European wood products market, with particular emphasis on the marketing requirements for the four major countries. This study will form the basis for a targeted campaign to inform and educate the Canadian industry so as to better prepare companies to take advantage of the opportunities.

Detailed Canadian industry situation reports on (i) Wood Products, (ii) Softwood lumber, Plywood, Particleboard, Waferboard, Shingles and Shakes, (iii) Value-Added Wood Products, (iv) Pulp and Paper, and (iv) Value-Added Paper Products are situated at the end of this report.

Following are market situation reports for individual Western European countries.

4. Posts' Reports

(i) Austria

Economy

While most industrialized countries experienced a slow-down in 1990, the economic upswing in Austria continued. Real GDP grew by 4.6%. During this year, foreign demand, strengthened by the import pull in Germany, replaced domestic demand as the driving force of the upswing. Despite the high rate of economic activity and large employment gains, unemployment increased (5.9%) as a result of the huge inflow of foreign labour. Inflation was modest (3.7%).

Economic outlook 1991/92

Early signs of a slow-down of activity have shown up in recent months. Foreign markets other than Germany are stagnating. Industrial firms are receiving fewer orders and have become more cautious in hiring new personnel. Demand for additional production capacity and for consumer durables has largely been satisfied. Apart from the slow-down in other countries, domestic demand will also come down from recent boom levels towards more sustainable rates of growth. Real GDP is projected to increase by 3% in 1991 and by 3.25% in 1992. Multiplier effects from the strong expansion of income and employment, the brighter international outlook after the gulf crises and continued demand stimulus from Germany should prevent the Austrian economy from slipping into a recession.

Pulp and paper

The paper industry comprises 32 plants with about 13,000 employees earning higher than average salaries. Exports of paper were about 6% of total exports. The industry is highly export-oriented, mainly to the EC. During the last decade the pulp and paper industry invested some 30,000 million AS in plant and equipment.

Most of the money spent was on pollution control and modernization, followed by rationalization and capacity extension (every 3rd metric ton of Austrian-made paper is produced on machines less than 5 years old). The biggest newsprint machine in the world - 280.000 metric tons per year, went into production in May of 1990). Austria's paper industry is one of the top in the world (16th in paper and board and 15th in wood pulp). Austria has only one pro mille of world population and yet produces 1% of world paper production. Austria is the biggest producer in Europe of woodfree coated papers and largest kraft paper manufacturer for corrugated board production in Central Europe. It is also the European leader in coated multiple board from waste paper.

Internationalization and concentration is also taking place in Austria. KNP of Holland acquired some 50% of Leykam AG. SCA-Sweden has majority of Laakirchen group. Haindl, Germany, has 20% of Steyrermuhl. Within the country, the ownership structure has had several changes and has lead to investment in Hungary, Slovenia and other European areas. Firms are now waiting to see how and if a boom will develop.

In 1990, the pulp and paper industry went public, for the first time, with an environment report. In certain areas the "green party" has become very active. A major emphasis has been placed on a reduction in the use of chlorine for bleaching.

One company, where pulp from fir and beech was used to produce artificial fibres, has changed to an oxygen and hydrogen peroxide process. A pilot plant with ozone is located in Lenzing where fibres are made. The Austrian Pulp Research Ltd. has a chlorine-free bleaching pilot-project running. A major effort is underway to produce "clean" waste water in order to restore water quality in rivers.

Sawmilling Industry

Production of sawn lumber increased in 1990 by 8% to 11.5 million coniferous and deciduous trees. Sawmilling side product (sawdust and chips) was 12.2 million metres. Total production value was about $2 C billion. Production increase was mainly due to falldown from windstorm of February 1990. Export value was about Cdn $1.2 billion. Forests are well managed with forest laws being in place for most of this century. The sector is looked after by strong chambers of agriculture and forestry as well as the Ministry of Agriculture and Forestry.

Austria's Forests

The distribution of ownership breaksdown as follows: 15% owned by the Republic, 34% by private groups, monasteries and noble families (holdings over 200 hectares in size) and 50% by private groups (holing under 200 hectares in size). In 1989, sawn wood production was 6.9 million m3 (coniferous, 6.6 million m3 and the balance deciduous). The total cut in the same year was some 13.8 million m3 (federal forests 2.2, private over 200 hectares 4.7, and under 200 hectares 6.9). Exports of coniferous sawn wood totalled 4.2 million m3 of which 2.8 went to Italy, 0.6 to Germany, 0.2 Switzerland and 0.08 to Yugoslavia. Other large buying countries were Libya and Saudi Arabia. Total reforestation was 15,560 hectares and new forestation 2,420 hectares. By value, the forest sector was worth about Cdn $35.4 million. The total number of employees in the sector in 1989 was 3,750 persons.

COMPARISON BETWEEN AUSTRIAN AND CANADIAN EXPORT AND IMPORT TRADE STATISTICS

Statistics Canada Valuation
Imports - less transportation
Exports - at port of export
and country of origin

Austrian Statisics Valuation
Imports - CIF Austria border
Exports - FOB Austria border

CANADIAN EXPORTS TO AUSTRIA		C$ million	C$equals AS
1984	Stats Cdn	45.6	
	Stats Aus (1.64 billion)	109.5	15.00
1985	Stats Cdn	56.6	
	Stats Aus (1.75 billion)	116.6	15.00
1986	Stats Cdn	49.4	
	Stats Aus (1.22 billion)	110.9	11.00
1987	Stats Cdn	92.0	
	Stats Aus (1.36 billion)	151.1	9.00
1988	Stats Cdn	105.2	
	Stats Aus (1.87 billion)	187.0	10.00
1989	Stats Cdn	106.5	
	Stats Aus (2.41 billion)	241.7	10.00
1990	Stats Cdn	151.7	
	Stats Aus (2.74 billion)	274.7	10.00

AUSTRIAN EXPORTS TO CANADA		C$ million	C$equals AS
1984	Stats Cdn	155.6	
	Stats Aus (2.52 billion)	168.4	15.00
1985	Stats Cdn	182.2	
	Stats Aus (2.98 billion)	198.6	15.00
1986	Stats Cdn	212.9	
	Stats Aus (2.59 billion)	235.4	11.00
1987	Stats Cdn	247.5	
	Stats Aus (2.68 billion)	297.7	9.00
1988	Stats Cdn	282.6	
	Stats Aus (2.74 billion)	274.1	10.00
1989	Stats Cdn	376.9	
	Stats Aus (4.17 billion)	417.7	10.00
1990	Stats Cdn	406.5	
	Stats Aus (3.49 billion)	349.5	10.00

(ii) Belgium

Contrary to some other European countries, the Belgium economy is still performing well. Real 1990 GNP growth was 3.4 %; the Belgium franc, aligned with the Deutsche Mark, is very strong; inflation remains around 3 %; unemployment is declining; consumer demand is on the high end and corporate profitability is up. The Belgium economy should remain one of the most dynamic in Western Europe in the coming years.

In 1990, annual consumption of softwood lumber in Belgium rose to more than 1 million cubic meter. Canadian exports of 244,000 m3 represented more than 25% of total Belgium imports. It was a record year notwithstanding that total imports decreased as a whole, 1,025,000 m3 to 971,000 m3 in 1990.

This means that Canada was the second largest supplier after the USSR. Imports of Russian lumber decreased substantially from 434,000 m3 to 279,000. The traditional suppliers of Belgium, the Scandinavian countries, continue to reduce their exports. Finland and Sweden together now export some 115,000 m3.

The lumber sector is closely related to the construction sector. Activities in the construction sector have tended to increase for the last five years. Housing construction, based on the number of building permits actually granted, has risen sharply from 26,000 permits issued in 1986 to 40,000 in 1990. This favourable trend coincided with the stream-lining of the secondary market and the introduction of reasonable mortgage rates. Furthermore, activities in the sector of renovation and refurbishment of older housing remained particularly strong in 1990.

It is worth noting that in Belgium approximately 20% of the single family dwellings are being built following the Canadian timber frame construction system.

What are the reasons for this apparently successful year for Canada, and what are trends in the coming months? As a result of the economic recession in the United States and Canada, combined with the low rate of the US and Canadian Dollars, lumber suppliers have decided to concentrate on the European market. Moreover, the supply of Russian lumber was reduced drastically. However, lumber prices are very low, the Canadian dollar is on the rise and importers' stocks are above normal. In the construction sector interests rates have become very high (11% or more). This, together with the Gulf war earlier this year, has resulted in fewer housing starts and building permits in the first months of 1991. Furthermore, there is the competition of Belgian sawmills. Their stocks are very high due to windthrown wood in February 1990. The conclusion is that 1991 will be a difficult year and the prospects for 1992 will depend on the recovery of the international economy.

Concerning hardwoods, reduced imports and useage of tropical hardwoods presents opportunities for Canadian exporters able to replace tropical hardwood species with softwood species. Species such as hemlock, SPF, Douglas fir and western red cedar could be used in the production of windows, doors, staircases, and other end-uses.

The panel sector, for Canada, has become insignificant in Belgium, since American CDX plywood has supplanted Canadian plywood (2.5 thousand m3 forecast for 1999, from 0.9 m3 in 1989). There exists a market for waferboard, however, because of import duties this panel is not competitive. On the other hand, the promotion of the waferboard is very limited, the importers are concerned that some particle board mills will convert their lines to waferboard production. This is apparently an easy process. Finally, I would like to state that the market for MDF is growing rapidly.

In the Belgian pulp and paper sector, after five years of prosperity, 1991 and 1992 will be difficult years. An expected, general slow-down in the world economy the war in the Persian Gulf which has affected the pulp and paper trade in the previous months, the surplus capacity in some grades of market pulp and newsprint as well as in packaging and printing paper grade, the rise of the US and Canadian dollar, and the collapse of the market price will all have negative implications for the pulp and paper sector in the coming months.

In the newsprint sector, Canada has improved its share of the Belgian market in 1990 from 7 to 11 thousand tons. The grammage trend for newsprint is 45 grams versus the previous 48.89. Paper prices which are very low have increased by one percent. In 1991, the situation is not optimistic because of the reduced advertising in newspapers and magazines. This may be due to the Gulf war crisis, competition from television and radio, and general economic factors. Canada is also handicapped by the limited duty-free quota which favours Nordic suppliers.

As for pulp, prices are very low: between $480 to $600 in comparison with the $840 of two years ago. This is due to over-capacity and competition from the southern US-suppliers, South America, and the Scandinavian countries (especially in bleached softwood pulp).

The packaging sector has a growth rate of 4% a year. Prices are at a reasonable level of $425 in the corrugating and kraftliner. Because our competitors, the Scandinavians and Brazilians, are not paying entry duties, Canadian products we are not competitive. The same applies to the printing and writing papers.

The wood processing sector in Belgium, worth more than $3.5 billion, progressed favourably, with more than 10% growth throughout 1990. This sector is heavily export-oriented with more than 50% of its production being exported to EC countries (France 35%, Holland 25%, Germany 22% and UK 8%).

Import demand has risen by more than 16%. Imports represented $1.5 billion and 50% of the national consumption. Germany with 30%, Holland 22%, and France 13% were the main suppliers.

In Belgium, furniture is the most important wood product sub-sector representing 40%, followed by particle board 20%, seating 15%, construction elements 13%, crates and pallets 5%, plywood and block board 2.5%, and frames and mouldings 2.5%. All of these sectors continue to be characterised by sustained activity. However, the expectations for the coming months are less optimistic. The Belgian economy is expected to slow down; and, the residential construction market, which is a very important for semi-finished and finished wood products, is declining. The renovation market, however, will continue to grow.

As for exports from Canada, presently the value-added wood products sub-sector accounts for less than $500,000 in a market worth $3.5 billion. Pre-fabricated buildings ($185,000), hardwood flooring ($141,000), doors ($43,000) and furniture stock ($42,000) are the main export items.

Few enquiries are received from Canadian companies. There exists, however, an excellent potential over the medium and long-term for products such as hardwood flooring, furniture components, window stock, interior and exterior doors, mouldings, finished boards, OSB and MDF.

The reduction in use of tropical hardwoods has opened new prospects for Canadian exporters which should be carefully explored. In this respect, it is very important that our promotional activities are increased. Missions and trade fair participation should help Canadian companies increase their export sales of value-added wood products.

(iii) Denmark

FOREST PRODUCTS INDUSTRY

Denmark is only slowly emerging from a long-term national recession, where government policy designed to curb consumer spending, coupled with a change in income tax legislation which reduced the permitted percentage of interest deductible on housing mortgages, hit private owners of residential property very hard. Higher interest rates and heavily reduced property values have also hurt the building sector. Housing starts in 1990 were only 18,500, down from an average of 25,000 in the last 5 years. Furthermore, the private repair and reconstruction sector has been affected by the long-term belt-tightening. While political action implemented this week to encourage the private repair and reconstruction sector will likely have some affect, it is also likely to further reduce property values which is a vicious circle.

This situation is reflected in a very slow market. The major wood importers indicate that business in the first quarter of 1991 is down 45%, and that they have very heavy stocks.

1000 m3	1985	1986	1987	1988	1989	1990	1991 (est)
Stock - start of year	600	500	520	460	430	430	450
Annual import	1332	1640	1478	1376	1420	1450	1350
Annual Consumption	432	1620	1538	1406	1420	1430	1360
Stock - end of year	500	520	460	430	430	50	440

Danish imports are expected to be reduced by approximately 100,000 m3. Only an unexpected increase in the exports of Danish furniture and wood based building components could influence this. Furniture exports, in fact, are increasing slightly and the rise in the dollar's level aids this export.

Typically, the major importers have long-term contracts with Finnish and Swedish firms and their current lack of interest in Canadian products reflects this. However, Denmark also consists of a lot of small, very sharp trading companies, and the current situation in Eastern Europe has prompted many of these to look to Canada for supplies.

While Denmark is a member of the EC, it still has strong ties with the other Nordic countries. This was particularly apparent when the PWN Mission met with the Danes. Prior to this mission, we had suspected that Denmark's diverging attitude towards derogation, together with Ireland's, reflected retaliatory policy as part of overall Agricultural policy. It quickly became apparent that its attitude stems from its Nordic connections. This is an area where environmental issues have previously had major impact on Canada's exports. (Asbestos is a case in point.) On the other hand, increasingly stringent regulations on the wood processing industry could open up a market for more semi-finished components for Denmark's wood working industries.

Greenland

Greenland building authorities are reviewing standards based largely on Denmark's. They requested and we obtained for them, copies of some standards used in the Canadian North which are likely to be more appropriate than Danish standards. This could open opportunities for supply from Canada in the future.

(iv) France

FOREST PRODUCTS

Importance of Sector

France has the largest forested territory in the EC, i.e. 14 million hectares, only half of which is actually log-productive. Three quarters of French forests are privately owned and scattered among 3.6 million owners. This diversification of ownership renders all restructuring efforts difficult. In 1989, harvesting totalled about 34 million m3 of round wood; 66% of which went to the wood industry, the remaining to pulp and various industrial uses.

The total forest products sector (including furniture), called "Wood Channel", employs about 470,000 people working in some 85,000 firms.

In spite of these large forest resources, the forest product sector ranks second after petroleum products in the deficit of the French trade balance. In spite of efforts made by successive governments during the past 15 years to improve productivity in this sector, this deficit is steadily increasing, and reached close to 24 billion francs in 1988: 33% for the furniture sector, 29% for pulp, 24% for paper and board, and 14 % for lumber and wood products.

Foreign Presence

In order to meet the needs of a large industrial sector, which is important to the general economy of the country, France has to import 40 to 50% of its needs in pulp, 25% in paper and board, and 25 to 30% of its requirements in softwood and tropical hardwood lumber. The trade balance is positive only in certain sectors of the industry, such as pulpwood, railway ties, flooring, fibreboard, hardwood lumber and logs.

Traditionally, Scandinavian countries dominate the market with 32% of French imports of pulp, 36% of paper and board (54% of newsprint), and 48% of softwood lumber. The USSR also has a significant share of French softwood lumber and pulp imports.

Canadian Presence and Possibilities

Canadian exports of forest products to France depend and will continue to depend on availabilities from Canadian industry, Scandinavian competition, monetary fluctuations and the French economic situation.

After a sharp decrease from 1982 to 1985, owing to the strong value of the dollar as compared to European and Scandinavian currencies, our exports have returned to a more normal level since 1986. In 1990, Canada represented 19% of French pulp imports, 23% of softwood lumber imports, and 12% of newsprint imports. In 1990, our sales of forest products to France totalled $ 345 million, i.e. 28% of our total exports to this country, a 3% increase over 1989. It should be noted that whereas our exports of pulp decreased by 15%, that of lumber and newsprint increased respectively by 68% and 69%. Main figures are as follows:

Pulp	$192 million
Wood Products	91 "
softwood lumber ($82 million)	
hardwood lumber ($5 ")	
plywood ($4 million)	
Paper and board	62 "
newsprint ($50 million)	

Prospects for 1991 do not seem so favourable because of an increasing dollar exchange rate, and also a decreasing activity in the construction and furniture industries, which will affect local imports of wood products.

One should also note the activities of Cascades in France, which has purchased three French paperboard mills and is contemplating further investments in the European paper sector.

Regulations - EC

Canadian pulp and softwood lumber, not further processed, enter France duty-free. Newsprint and softwood plywood are also duty-free, but within the limits of EC quotas.

On the lumber side, phytosanitary regulations require that imports of softwood lumber be accompanied by a mill debarking and grub-hole certificate. Some hardwood lumber (oak, elm, poplar) must also be accompanied by a phytosanitary certificate signed by Agriculture Canada.

Marketing

Basic forest products (pulp, lumber and plywood) are imported through specialized agents responsible for contracts with importers or large end-users. Other products are marketed by distributors covering the whole French market.

Outlook for 1993

Numerous foreign investments are being or will be made in the French paper industry in anticipation of 1993. Main projects are Feldmühle (FRG) with Beghin LWC paper, NSI (Norway) newsprint, UPM (Finland) with Stracel newsprint, Scott Paper (USA) tissue papers, James River (USA) with Kaysersberg tissue papers, and International Paper (USA) with Aussedat-Rey printing and writing papers.

Additional Sources of Information

Useful addresses:

- Fédération Française du Commerce du Bois
  8 rue du Colonel Moll
  75017 PARIS
  Tel: (1) 43.80.37.55

- Centre Technique du Bois et de l'Ameublement
  10 avenue de Saint-Mandé
  75012 PARIS
  Tel: (1) 40.19.49.19

- COPACEL (Confédération Française de l'Industrie des Papiers, Cartons et Cellulose)
  154 boulevard Haussmann
  75008 PARIS
  Tel: (1) 45.62.87.07

Magazines: "Le Bois National", 3 rue Claude Odde, 42000 ST ETIENNE
"Papier, Carton, Cellulose", 96 rue Montmartre, 75002 PARIS

Trade fair: BATIMAT, Paris, November 12-19, 1991

CANADIAN EXPORTS TO FRANCE ($ 000)

	1988	1989	1990
HS Chapter 44 - Wood			
TOTAL	81,659	61,067	90,871
Hardwood logs	1,820	1,718	1,285
Softwood lumber	55,245	45,929	77,163
Hardwood lumber	15,120	6,124	4,577
Softwood plywood	3,455	4,572	4,060
Shingles & Shakes	513	470	652
Millwork	416	349	436

	1988	1989	1990
HS Chapter 47 - Pulp			
TOTAL	198,780	225,229	191,551
HS Chapter 48 - Paper			
TOTAL	36,939	47,063	62,120
Newsprint	28,988	29,787	50.371
Fine paper wood cont	3,681	12,925	3,141
LWC	594	1,399	4.796
Kraftliner	18		136
Corrugating Medium			502
Sack Kraft	889		
TOTAL FOREST PRODUCTS	317,378	333,359	344,542
TOTAL CANADA	1,173,750	1,266,985	1,231,475
% FOREST PRODUCTS	27	26	28

(v) Germany

FOREST PRODUCTS MARKET

Mission Responsibility

Economic and commercial activities are divided among the five Canadian missions in Germany along product and functional lines rather than on the basis of geography. As a result, Duesseldorf holds responsibility for the export promotion of all forest-based products including basic products such as lumber, pulp and paper right through to building materials, furniture components and giftware items. As a result, we are frequently in contact with members of the German trade and industry organizations and our view of Canadian forestry-related issues tends to reflect this German market experience.

Canadian Exports to Germany

Germany is an important market for Canadian forest products. In 1990 our exports were:

Wood pulp	$541.5 million
Paper and paperboard	$111.4 million
Wood/articles of wood	$92.1 million
TOTAL	$745.0 million

Furthermore, the German market is significant in that it absorbs product at the higher end of the price range, e.g. cedar and hemlock clears, hardwood flooring and the better grades of both pulp and paper. We see increasing volumes in the medium to longer term as a result of the unification of the two Germanies and the rebuilding of the former GDR.

Thus our continued access to this market is of paramount importance and we are vitally concerned with the question of continued market access in the face of negative publicity on environmental and forestry management issues.

(vi) Greece

FOREST PRODUCT MARKET

- Total market size is about 700,000 m3.
- Most of imports (about 300,000 m3) come from Scandinavian countries.
- About 1/3 of the market is for redwood and about 2/3 for whitewood.
- About 20,000 m3 (3% of the market) are imported from Canada.
- A few year ago, imports from Canada were about 2,000 m3.
- Value-added products are of specific interest. Prefabricated wooden homes from PANABODE LTD are being imported into Greece. Agency has recently been established and we expect about Cdn $500,000 of sales in Greece.
- The newsprint market is about 60,000 tons per year. Most imports come from Scandinavia and the local market is controlled by the Newsprint Organization, which buys and stocks newsprint and distributes the newspapers.
- Pulp is a market of about 90,000 tons per year and potential exists in Greece for fluting, liner board, Sack Kraft.
- Missions to Canada have been most helpful in strengthening Canadian exports to Greece.
- Extension of the derogation for kiln-dried lumber beyond January 1992 will help a lot in our efforts to promote lumber in the Greek market, as kiln-dried facilities in Canada would not be able to cope with demand worldwide.
- Council of Forest Industries of B.C. and Bureau de Promotion des Industries du Bois have been very helpful in promoting lumber in the local market and in organizing incoming missions.

LUMBER MARKET

The size of timber market in Greece is about 700,000 cu. metres. Major suppliers are as follows:

Sweden	250,000 cubic metres (80% in redwood)
Finland	100,000 cubic metres (mostly Scandinavian Pine)
USSR	120,000 cubic metres (mostly spruce and redwood)
Rumania	30,000 cubic metres (mostly spruce)
Hungary	30,000 cubic metres (mostly spruce)
Austria	30,000 cubic metres (from LIGNA)
Yugoslavia	30,000 cubic metres
Czechoslovakia	30,000 cubic metres
U.S.A.	30,000 cubic metres (mostly Douglas Fir and Yellow Pine)
Canada	15,000 cubic metres

SOFTWOOD - GENERAL DIMENSIONS AND SPECIFICATIONS REQUIRED

1. **SPF** Containing Minimum Percentage Pine;
   Quality # 1 and 2 including max. 10% # 3;
   Dimension 22 mm x 100 mm L.P.;
   22 mm x 115 mm;
   Lengths 2.40, 3.00, 3.60, 4.20 metres and the following odd lengths like (2.70, 3.30, 3.90 metres);
   3.00 metres length - minimum 40%;
   2.40 and 4.20 Metres length - maximum 30%;

   Goods to be anti-stain treated and kiln-dried (20%).

2. **SPF** One EX log.
   Quality # 1 and #2 including 20% # 3;
   Dimension 75 mm x 75 mm only;
   (also some 115 mm x 115 mm and 135 mm x 135 mm and 155 mm x 155 mm)
   Length 2.40, 3.00, 3.60, 4.20, 4.80 metres and the following odd length but mainly the 3.90 metres length which is the most desired one;

   Goods to be anti-stain treated and sticked every two layers.

3. **SPF**
   Quality # 1 and # 2 including 10% max # 3
   Dimension 2" x 5" full size - (for manufacture of doors and windows)
   Also 80 mm 2 x 6 full size, 2" x 8" and 2" x 10" as well as 3" x 6" - 10"
   Length Max 14 feet (for door frames).

HARDWOOD - GENERAL DIMENSIONS AND SPECIFICATIONS REQUIRED

1.	**White Oak**	kiln-dried to 15% moisture;
	Quality	FAS (1 face) 1) mixed grain 2) quartered;
	Dimension	a) 1" x 4" and wider, lengths 7 feet and up (4"/5" widths up to 10% maximum); b) 2" x 5" and wider, lengths 7 feet and up (5" width up to 10% maximum); Net tally. Length packed.
2.	**White Oak**	1" x 3" floorings T.G, 4 Sides
3.	**Pink Oak**	Quality: quartered, clear end better.
4.	**White Ash**	
5.	**Maple**	

Certificates

Apart from a phytosanitary certificate, there are no special import rules and regulations. If lumber is kiln-dried then the phytosanitary certificate must state so.

A grub hole certificate should also be obtained.

Exchange Control

The Greek importer must obtain a foreign exchange permit, which is a routine procedure and guarantees the availability of the necessary foreign exchange to settle the foreign suppliers' invoice.

Payment Terms

Payment terms for new customers should always be an irrevocable letter of credit until such time as confidence has been established in the reliability of the local buyers then terms could be extended. The Embassy can ask ICAP - Hellas S.A., an associate company of Dun and Bradstreet U.S.A., or local banks to carry out a credit check on the financial situation of Greek firms on your behalf.

Duties and Taxes

Import duty on sawn lumber of third country origin, including Canadian, is assessed at the rate of 15% ad valorem vis-à-vis 6% on lumber from Yugoslavia and zero for EC and EFTA countries. As far as taxes are concerned, lumber from all sources has Value Added Tax (VAT) of 16%.

Transport

A list of major shipping companies with their full addresses in Canada and their representative offices in Greece is available.

Greek lumber importers are basically asking for continuity in the quality with no worm-holes. Furthermore, they are asking for lumber with no blue stain or uneven thickness and length. A list of major importers and agents is available.

(vii) Ireland

FOREST PRODUCTS

Softwoods

For the purposes of this report, we must now examine Irish market prospects particularly with reference to kiln-dried lumber and how Canadian shippers are adapting to 'new market conditions'. Pages could be written on the trauma and intricacies of the ban on green lumber but we must look to the future.

1990 was actually a good year for some of the companies who shipped kiln-dried lumber to Ireland. It was not easy for them in that

1. they were facing new market parameters
2. they had to contend with strict moisture content regulations/policing
3. they had to pare their prices right back even though the dollar was favourable.

Sawn Timber Imports

Country of Origin	1986	%	1987	%	1988	%	1989	%	1990	%
Finland	57,520	24	34,037	16	54,744	24	49,613	18	29,569	11
Sweden	78,246	33	55,592	27	39,378	18	76,727	28	69,934	27
Russia	60,892	26	70,797	34	51,911	23	80,661	29	62,359	24
Canada	30,457	13	40,543	19	64,454	29	44,812	16	67,683	26
Brazil	1,275	-	1,144	2	1,226	1	1,368	1	1,578	1
Norway	2,868	1	2,701	1	8,061	3	16,463	6	17,232	6
Other	4,274	2	3,892	2	4,485	2	6,547	2	13,726	5
TOTAL	235,532 m3		208,707 m3		224,259 m3		276,191 m3		262,081 m3	

1989 volume and market share were up considerably from 1988; 1989 - 67,683 m3 (26%); 1988 -44,812 m3 (15%). The situation was helped during 1990 by the exchange rate and there was considerable buying forward during the year.

There are several new Canadian entrants to the trade, prepared to supply kiln-dried lumber. The new entrants include several Eastern shippers who have adjusted well to the market conditions. They have to a certain extent taken market share away from British Columbia exporters. Their CIF prices have been much lower and they can negotiate direct charters into Irish ports. They will also ship smaller quantities.

The most recent shipment (which arrived 13 May) was for approximately 150 standards S.P.F.

The timber importers have generally welcomed imports of a higher value added product from Canada, plus the performance and flexibility of those prepared to ship kiln-dried lumber. However, the situation is very price sensitive and current CIF prices are causing concern.

Some local representatives (brokers and importers) have also indicated to us that several of their Canadian shippers have benefitted from the experience in meeting the new market 'conditions' in Ireland, i.e., they will be better prepared to meet changing conditions in other EC markets (if derogations are not renewed).

One aspect that was brought to our attention is the fact that some Northern Ireland importers are buying larger quantities of Canadian kiln-dried lumber, even though they are subject to British regulations.

Whereas 1990 was a reasonable year in terms of volume and market share, we are concerned that the situation will be very difficult for the balance of 1991. Forward buying has slowed considerably due to the strength of the dollar, and local recessionary trends. It is probably impossible for Canadian mills to hold down their prices. In the last two months prices have appreciated by 10%.

One encouraging aspect is the increase in timber-frame housing, albeit from a small base - 500+ are anticipated during 1991. A local company is one of the largest timber-frame factories in Western Europe although in the past most of its production has been exported to Northern Ireland and Great Britain.

The adoption of SR11 (Irish Building Regulations) which has also been perceived as an irritant (moisture content of under 22%) has, however, boosted local demand for timber-frame construction.

Hardwoods and Hardwood Products

Canadian exports of hardwoods have been modest during the past few years. Quantities (of oak, maple, ash, beech and cherry) would fluctuate between 2 and 5000 tonnes per annum - depending on the exchange rate.

Maple flooring performed well during 1989-90 but the apparent construction downturn is evident for the latter half of 1991. The export of casks (for whiskey) has been a somewhat resilient product over the years.

Other Timber Products

Canadian exports of MDF board and particle board have been vibrant during the past two years, aided by new production capacity in Canada. The major Irish agent purchased approximately 80 containers of MDF during 1990. At the beginning of 1991 he anticipated orders of 120-150 containers but the stronger dollar and downturn are threatening this potential. The landed price of Canadian boards have escalated by approximately 14% during the last 3 months.

Plywood sales during 1990 also increased but currently the market is very competitive.

Recent sales forays by manufacturers of ice-cream sticks, internal doors and other joinery and turned products have been quite successful.

Pulp

One local buyer is responsible for purchasing 800 tonnes per month of chemical wood pulp. This is for specialty use and for the manufacture of binding chemicals which are ultimately used in the pharmaceutical and food industry.

Newsprint

Unfortunately, Canada is now a lesser newsprint supplier in the face of Scandinavian competition. The complexities in applying for quota allocation and the fact that buyers can order smaller quantities regularly from Scandinavia work against Canadian suppliers.

A new local agent for a new Canadian supplier is a hopeful sign. Supplies from this source during the past few months are encouraging.

There is not much to report with respect to other paper products - there is a modest trade in certain fine papers, labels, self-adhesive and tissue products.

Forestry Operational Program (1989-93)

(for 1989)	Public	Private	Total
Forest Area	350,000 ha	60,000 ha	410,000 ha
Planting Levels	10,000	8,600	18,600
Wood Production	1470,000	80,000	1,550,000
Employment	2,500	10,500	13,000

(Of production 55% was sawlog and 45% smallwood)

Forecast Production		
1993	2.0 million m3	(57% sawlog)
2000	3.0 million m3	(68% sawlog)

The main market for roundwood consists of 100 sawmills and 2 pulpwood using mills. Sawmills use 0.75 million m3 per annum. Eighteen of the larger mills represent approximately 70% of total consumption.

Pulp Mills

The MDF plant uses 270,000 m3 of round pulpwood per annum (+ residue/bark from sawmills, etc.). The chipboard plant uses 85,000 m3 of round pulpwood per annum.

Output

Sawmills	75% to Irish market	25% to UK
MDF	5% to Irish market	95% to UK
Chipboard	75% to Irish market	25% to UK

(Two months ago 3,000 tonnes of woodchips were exported to Sweden [SCA pulp]. This was undertaken by a joint-venture between two sawmillers - 1 based in the Republic and 1 based in Northern Ireland.)

During 1990, Coillte, the Irish Forest Products crown corporation, announced a joint-venture project with STORA of Sweden for a 120,000 tonne plus a chemi-thermo mechanical pulp mill. At the feasibility study stage STORA decided to hold off, due to their take-over of Feldmühle-Nobel of W. Germany.

As a result, Coillte has been in contact with other world pulp producers including various Canadian companies. Coillte is optimistic that a JV-CTMP mill (probably fluff mill) will commence production 1995-96. They indicate that they have the 'uncommitted supplies'.

There are also plans for a CTMP mill in Northern Ireland between NI company and Rauma of Finland.

Imports of Newsprint (Tonnes)

	1990 (11 mths)	1989	1988	1987	1986
Canada	2,902	3,010	5,117	4,182	4,716
Sweden	24,447	25,334	22,821	18,387	16,932
Finland	19,232	21,354	20,499	18,052	7,411
Norway	12,208	13,119	12,298	13,657	11,587
Great Britain	3044	1,414	1,143	2,720	2,255
Others	182	798	1,107	112	541
TOTAL	62,015	65,029	62,985	57,111	53,442

(viii) Italy

LUMBER MARKET

Canada is only a "marginal" supplier of lumber products to Italy (in total, about 120,000 m3 per year of softwoods and 20,000 m3 of plywood all from B.C., plus 30,000 m3 of hardwoods from Quebec/Ontario, and 50,000 m3 of SPF from Eastern Canada). However, Canada is one of Italy's largest suppliers of wood pulp, and this item alone, at approximately $ C 350 million per year, remains the mainstay of Canadian exports to Italy in terms of overall balance of trade between the two countries.

From our vantage point (about 70-75 percent of all Italian wood pulp and wood processing industries are concentrated in the northern Italian regions), we can fairly say that both the Italian public and the local forest products importing trade are simply unaware of the ecologist debate. All environmental battles and disputes as featured in the local media (both press and television) seem, for the moment, to concern only the tropical rain forests, viz Brazil etc.

The bulk of Italian temperate lumber supplies comes from sources other than Canada, e.g. Austria, USSR, USA, Sweden to a total of about 10 million m3 per year. The importation by Italy of tropical species has been steadily declining over the last ten years and currently totals just over 1 million m3 per year.

In the context of tropical lumber, an interesting facet of the Italian pattern of importation is that the decline of exotic hardwoods is hardly attributable to ecologist pressures, but rather to:

1. a change in fashion from the tropical/rich coloured woods (e.g. mahogany, meranti, etc.) to pale/neutral coloured temperate hardwoods (yellow poplar, white oak, white ash, beech, etc.):

2. restrictions imposed by exporting countries about log and sawn lumber (e.g. Indonesia) due to desire to develop their own manufacturing operations

3. replacement of tropical species in joinery manufacture (e.g. windows) with temperate softwoods (i.e. douglas fir, hemlock, Swedish pine, Russian pine, etc.) and increasingly widespread adoption of glued-laminated window stock components and secondary wood products dimension stock (e.g. Alta company from USA).

The Milan post is taking a proactive stance to obtain editorial coverage in the local media on positive aspects of Canadian forestry management practices. A one month trip by an Italian journalist and photographer to Canada is planned for June 1991.

Market Situation

Italy imports the major part of its wood requirements, with total purchases approaching $ C 3 billion.

Italian Imports of "Common" Wood in 1988 (last published year)

Logs	3,387,660 t	for	572,662	million lire
Canada	35,314 t	for	5,380	million lire
Sawn lumber	3,349,299 t	for	1,618,047	million lire
Canada	52,903 t	for	45,681	million lire
Plywood	97,183 t	for	95,063	million lire
Canada	6,128 t	for	4,843	million lire

While Canada supplies significant quantities of pulpwood, hardwood lumber and plywood, by far the most important product is softwood lumber.

Canadian Exports to Italy (millions $Cdn)

	1988	1989	1990
Logs, Poles, Softwood	4.0	5.0	5.90
Lumber, softwood	31.5	40.8	54.5
Lumber, oak	5.9	2.2	1.6
Lumber, hardwood n.e.s.	2.1	2.4	4.3
Plywood	4.1	3.5	5.5
TOTAL Wood & Products	49.1	57.1	75.0

Canadian sales of softwood lumber to Italy have risen strongly in the past two years (from 49.1 million dollars in 1988 to 75 million in 1990) and we have moved up in rank to become Italy's number 6 supplier. On the other hand, this represents only about 4% of the market, while Austria, Italy's most important source, supplies roughly 60% of her imports, followed at a considerable distance by the USSR, USA and Sweden.

Softwood Lumber Suppliers to Italy in 1990 (in m3)

Austria	2,659,287
USSR	470,863
USA	274,910
Sweden	167,665
Canada	165,913

It should be noted, however, that Canada does not directly compete with Austria in the Italian market, as the Austrian product is essentially cheaper, lower grade lumber, as compared to the Canadian product which ranks at the higher end of the quality scale.

It should also be noted that compared to other European countries Italy tends to purchase larger dimensioned lumber, with roughly 74% of her purchases from Canada being of 2 1/2 inch and thicker sizes (this compares with 25% in the UK and 36% in Germany). This is significant in light of the EC requirement for kiln-drying, as drying costs are higher for thicker material.

Plant Health Considerations

Italy has relatively limited forest resources, and their concerns regarding pine wood nematode are balanced by serious concerns for liberal access to extra-EC lumber supplies. The Italian plant health authorities have never encountered any problem with Canadian wood. Italy was one of the Member States which pushed strongly for the current derogation permitting the use of Debarking and Grub Hole Control Certificates in lieu of kiln drying. Above and beyond that, the Italian authorities are also taking the initiative to request a further derogation for our pulpwood, but on a product-specific and port-specific basis.

Environmental Considerations

While there is awareness and sensitivity in Italy regarding the tropical hardwood issue, there has been no evident interest in the question of Canadian forest management. Given the limited knowledge of the Italian man-in-the-street regarding such issues, however, it is always quite possible that a TV "documentary" or a slanted series of newspaper or magazine articles could raise a momentary stink. The potential for damage is aggravated by the seal hunt issue, which has faded somewhat from the public consciousness for the moment, but still remains at the back of some minds here as an indication of Canada's "callousness" in environmental matters.

(ix) Netherlands

MARKET FOR WOOD PRODUCTS

Traditionally, the main category of Canadian wood and wood products imports into the Netherlands, which is basically a whitewood (Spruce) market, has been sawn softwood lumber, most of it for use in the construction industry. CLS SPF from British Columbia is the major item and many of the major lumber shippers in B.C., and some in Eastern Canada, are represented in the Netherlands by an agent. Key softwood lumber suppliers are Sweden, Finland, West Germany and the USSR. In addition to CLS SPF, Western Red Cedar for interior and exterior facing, is a well established item.

Canada is not by any means the largest supplier of wood and wood products to the Dutch market. In 1989, based on a total import market size of some $1.9 billion, Canadian product accounted for some $27.7 million, or 1.45%. In 1990, imports of Canadian product amounted to some $37.5 million or 1.9% of the total import market.

The shipper -> agent -> importer route is the traditional channel for lumber imports, although there is an increasing tendency for importing wholesalers to go direct to overseas shippers. Details of companies in both these categories are, of course, known to us and are available.

Despite the relatively small percentage of total imports accounted for by Canadian product, imports of North American sawn softwood lumber did very well in the Dutch market last year. Imports of Canadian product in the first half of 1990 amounted to 26,906 m3, an increase of some 63% in volume over the same period last year. Imports levelled off somewhat in the second half of the year and, taking 1990 as a whole, imports of Canadian sawn softwood lumber were up 52% by volume over 1989, totalling some 45.664 m3. Imports of US product increased by a dramatic 87%, although the quantity involved was much smaller (14.985 m3). Reports from some other producing countries actually fell in 1990, resulting in a total import figure for sawn softwood lumber of 2.335.790 m3 - down just 1% from the total for 1989. Current reports from the trade indicate substantial stocks. Low Scandinavian prices and possibly additional material to be released by the USSR coupled to a stronger Canadian dollar raise doubts as to whether the increase for 1991 will be of a similar magnitude.

Import volumes of hardwood lumber dropped in 1990 by an average of 14% from 1989 figures (imports of tropical hardwood lumber fell by 20%). Whether this indicates enhanced market opportunities for replacement product (hardwood or softwood) in the short term is open to question. Although, we have reports of Eastern Canadian shippers making hardwood sales in the Dutch market recently.

While exports of Eastern Canadian softwood or hardwood have never been significant in the past, there is evidence of increasing interest from local importers and increasing attention to the European market on the part of exporters. A Mission of Eastern Canadian lumber exporters visited the Netherlands last fall in 1989 and a delegation of Dutch importers is planned to visit various locations in Eastern Canada in September 1991. We hope such missions will help ensure that local interest is maintained and hopefully increased and will help reinforce the idea that Eastern as well as Western Canadian product is of high quality. In this context, the upgrading of Eastern Canadian lumber (if this can be considered a value-added activity) could do much to support this "quality" image.

Some concern has, logically, been expressed regarding the EC requirement that as of 1 January 1992 Canadian sawn softwood lumber must be kiln-dried. While practically all CLS SPF currently imported is kiln-dried, smaller producers, particularly in the East, could find this a great impediment.

Canada's exports of plywood to the Netherlands have dropped significantly over the past three years due to substantially lower prices for American yellow pine plywood although there are encouraging signs of an upturn in volumes imported in 1990. The Canadian product used in the market tends to be higher value product, such as reusable concrete shuttering plywood.

Efforts to promote OSB in the Dutch market have met with some success. OSB is gaining in market acceptance and is felt to be an item which will certainly grow in importance in the future, at the expense of plywood. At the moment, however, the prices for American plywood are so low that they undercut OSB and buyers tend to stay with the traditional plywood. OSB stocks are currently high and market opportunities for Canadian shippers in the short term are not encouraging. It should also be remembered that plywood, imported under the Netherlands' share of the European plywood quota, is free from import duties, while OSB is subject to 10% import duties. There should, nevertheless, be opportunities for increasing OSB's level of penetration in the future and perhaps also that of other panel products, such as MDF, a product which is still supplied mainly from within Europe but which is becoming increasingly popular, for example, in the furniture industry.

The concept of adding value to forest products at source is sometimes more topical in the producing countries than in the potential markets. Difficulties arise in the Netherlands market, for example, as a result of a multiplicity of dimensions (e.g. in constructional joinery) which make it hard for a Canadian exporter to supply ready made windows, although there could be possibilities for supply of two or three standard sizes, for example, particularly in some up-market specifications. Other building products, such as doors, are less sensitive to the "dimension" criterion, although in certain products it is questionable whether Canadian shippers can compete with supplies from Europe.

The local building sector is characterized by a large number of smaller companies, requiring custom-specific product (e.g. in window frames and doors) for a particular project. Flexibility in production and fast delivery, especially when additional quantities are required unexpectedly, are easier for a European supplier close to the market, than for a Canadian shipper.

Value added lumber (e.g. pre-planed for window manufacture) could have possibilities. Pacific Coast Hemlock and Lodgepole Pine from West Canada and Jack Pine from East Canada could be suitable. We also understand that promotion of Canadian gluelam lumber for the window frame industry (3 x 5 and 3 x 4) to replace Meranti, has already been taking place. High quality flooring, for example in White Oak (lacquered and tongue-and-grooved) could have possibilities, although the total parquet flooring market in the Netherlands is not large and is dominated by European suppliers. It is however, growing substantially (total volumes imported in creased from 819 m3 in 1989 to 9.571 m3 in 1990).

While the basic constructional lumber is still the mainstay of imports from Canada, it seems clear that there will be a gradual move away from this toward materials for specific market needs (e.g. product cut to specific thicknesses for manufacturers of products such as windows or graded for knots). The pallet industry in the Netherlands has also expressed interest in Canadian pallet stock recently and pre-cut lumber, to Europallet or other pallet dimensions, could offer opportunities. The application of board materials, such as OSB, in the packaging industry is an area which has not yet been explored fully but which could offer prospects.

The home improvement (DIY in Europe) and garden centre retail sectors, both of which show steady growth in the Netherlands, are possible avenues of opportunity for Canadian product. Pre-packaged mouldings, shrink-wrapped solid panelling, precut packaged lumber and pre-finished flooring are possible items, either for DIY use or for easy laying by a contractor, for example. Quality of product and attractive packaging will probably be key factors to success. In view of the large supply of low value, low quality product in the DIY sector from suppliers in the Far East and Eastern Europe, Canadian exporters may be well advised to concentrate on the up-market segments, specializing in quality product.

The Netherlands, being a small country (14.7 million population) presents inherent limitations on market opportunities for some products. Just as the building sector is characterized by smaller firms requiring smaller quantities of specialized product, the furniture industry in the Netherlands cannot be compared in size with that in some other EC countries. And the (smaller) Dutch manufacturers in many cases do not use North American wood species. The physical size of the country means, too, a limited market for log homes, for example, where the second home market is less developed than in some other markets and where consumer preference is still for "conventional" brick and concrete building methods.

In spite of the limitations, there can, nevertheless, be interesting opportunities in the Netherlands market for Canadian exporters of quality product willing to commit themselves to supplying the market on a regular basis, rather than using it as a back-up in case the US market contracts. Generally speaking, a Canadian exporter is in our opinion well advised to make use of the services of a local representative - a lumber agent or an active importer. We shall be pleased to assist any company in locating a suitable "partner" of this kind.

Main Categories of Lumber and Wood Products Exports from Canada to the Netherlands (1989/1990)

	1989 m3	Fl.	1990 m3	Fl.
Sawn soft lumber	29,986	21,208	45,664	25,507
Planed soft lumber	10,518	5,021	22,168	9,603
Sawn hard lumber	11,046	10,300	9,746	10,401
Hardwood logs	826	751	339	280
Veneer	51	184	50	139
Plywood	10,373	6,383	13,502	8,654
Chipboard (treated)	42	19	204	89
Chipboard (non-treated)	1,427	582	12,140	4,812
Furnitureboard	-	-	45	19
TOTAL	64,269	44,448	103,858	59,504
($ Cdn 0.6)		(26,669)		(35,702)
Additional items, measured in m2				
Hardboard	8,900	35	86,766	223
Softboard	3,722	10	17,865	50
Mediumboard (n-treated)	51,845	511	259,746	1,867
Mediumboard (treated) (incl. MDF)	133,974	1,128	130,353	863
Planks for flooring	-	-	1,070	33
TOTAL	198,441	1,684	495,800	3,036
$ Cdn (0.6)		1,010		1,822
GRAND TOTAL		46,132		62,540
$ Cdn		27,679		37,524

Note:
- the above statistics are based on the official Netherlands import statistics (Central Bureau of Statistics, the Netherlands),
- values are in thousands of Dutch Guilders (Fl.),
- the statistics encompass only imports officially cleared through customs in the Netherlands, i.e. not shipments officially imported into the EC at the Port of Antwerp (Belgium) and subsequently forwarded to clients in the Netherlands,
- a "national" rate of exchange of Dfl. 1.00 = $Cdn 0.60 has been used to convert the official amounts in Dutch Guilders into Canadian Dollars.

(x) Norway

Market Situation

The Norwegian market is close to self-sufficiency in all the commonly used forest products, lumber, pulp and paper, and raw material. The industry is reporting some over-supply of most products, and they are very active in the export market trying to sell. Still, some of the production is being stored. The Norwegian publishing industry buys only Norwegian paper. There is an agreement between the newspaper producers and the publishers which is negotiated every year, and approved by the Norwegian Price Directorate. The price Norwegian companies pays for newspaper is within plus or minus five percent of the price on the European market. The Norwegian newspaper producers' sales organization estimated that the average price was 4,130.00 krone per ton of 48.8 gram paper, and 4,370.00 krone per ton of 45.0 gram paper.

Due to the declining economy, high unemployment and high interest rates the Norwegian construction of homes and commercial buildings is at an extreme low. Less than 20,000 new homes are expected to be built in 1991. The norm is 30,000 plus. Since supply is larger than demand, there is a certain price pressure, but storing the product is a short term effort to keep the price level up.

Canadian manufacturers might find niche markets in Norway. Hardwood products, especially oak products, could do well. Other value-added products, e.g. parquet floor covering, plywood for offshore industry and wafer boards have been in demand. The nematode issue has made it problematic for Norwegian importers because of the government, strict regulations and requirements. Furthermore, in the past year regulations have changed to bring them in line with other Nordic countries. All imported lumber must be kiln-dried and not exceed a certain moisture level. These regulations are the same as for the EC countries. Norwegian authorities will most likely follow any new EC regulation when the current one expires at the end of this year.

In 1990, Canadian firms exported lumber products to Norway for $ C 2,200,000 and paper/cardboard for 1,483,000 to Norway. The largest single group was plywood, $ C 1,263,000.

(xi) Portugal

WOOD INDUSTRY

Primary Wood Production

- Wood crates, pallets, building wood, doors and windows, veneers, plywood, particle board and fibreboard.

Sawmill and Woodworking

- Units are small and medium size (573 sawmills and 764 woodworking mills).
- Units have very diversified productivity levels. Primary to secondary production in the same unit (pine, tropical woods).
- 1991: expected growth of 3%, though international prices are expected to remain depressed.
- Investment in drying has increased value-added and stabilized demand for those who invested.
- New investment opportunities for parquet flooring are opening up. 1991 has good export prospects.
- Domestically, 50% of wood products are consumed by the construction and furniture industries. 50% of total production goes to exports - pallets, building wood and particle board.

Particle Board and Fibreboard

Particle Board

- A small number of large, well capitalized and high-technology units (5 to 9), are the Products of strategy of the 80's.
- 1990: two new MDF particle board plants opened.
- Production is mostly for export. Industry is presently hurt by low EC demand. They must lower their energy costs (gas - LNG). Still, there has been growing quality and productivity in the sector.
- 80% of particle board produced is exported. Major users in the EC are UK and Spain.

Fibreboard

- Demand was less hurt by recession, but there is growing competition from Brazil, Argentina, Chile and even the US. Only large groups with their own distribution network abroad are not suffering
- The excessive concentration in the British market is hurting the sector.
- Single market requires concentration and new investment to modernize and improve quality.

PULP AND PAPER INDUSTRY

Portugal has not escaped vertical integration and concentration in the industry. Affects of the recession have been felt since the last quarter of 1989. There has been a 40% decrease in prices since late 1990. Recycled fibre represents 42% of raw materials in EC countries. Paper and cardboard has grown by 2 to 3% per year.

Portuguese Market

Pulp & paper industry has a substantially higher than average level of productivity as compared to other domestic manufacturing sectors.

Portugal is a major producer of eucalyptus pulp. There are four major producers; Portucel, Soporcel, Celbi and Celulose Do Caima. 8% of the bleached eucalyptus pulp is used in manufacturing production, while a further 7.1% is exported.

The pulp and paper industry is a strategic industry for Portugal since it uses both domestic raw materials and is high-tech oriented. Due to capital and technological requirements, as well as market developments, there is substantial foreign-ownership in the sector (exception is Portucel which is 100% state-owned)

Portucel

Portucel has a production capacity of 700,000 tons, eucalyptus and pine pulp, and possesses the largest domestic mill in the country. 1989 sales were $600 millions. This represented 70% of the exports and 50% of domestic consumption. Portucel is the only firm with an integrated pulp and paper operation through part ownership of a paper mill (INAPA, 35%), and direct ownership of Viana do Castelo (kraftliner) and Cacia (extensible kraft paper). Portucel also use pulp made of recycled fibre (110,000 ton in 1990). In addition to paper production capacity of 350,000 tons per year, Portucel also produces cardboard, 50% of national market. It also possesses a good distribution network through agents and 8 subsidiaries in the EC and Asia.

Following a period of rationalization, cost cutting, modernization and a reduction in energy consumption, Portucel is now improving its raw material supply with new stands, genetic improvements and diversification. Portucel has been hurt by low demand for pulp and high capital cost (debt leverage), and is trying to re-orient its main activities and divest parallel operations. Portucel will be privatized.

Soporcel

Soporcel has a production capacity of 400,000 tons, bleached eucalyptus. Soporcel has 25% of the domestic market. Firm was set-up in 1984 by Wiggins Teape. It has enjoyed the benefits of the group's technology, market know-how and reputation for quality. Move to integrate the paper sector by mid-1991 was delayed by Wiggings Teape's attempt to sell Soporcel. Soporcel uses up to half of its own pulp production. Strategy is to dominate Southern Europe office paper market which has good growth prospects.

Celbi

70% of Celbi is owned by Stora and 30% by IPE. Celbi has a production capacity of 240,000 tons and 20% of the domestic market. Celbi is improving its strand productivity in order to increase its direct supply of raw materials from 30 to 60%.

Celulose do Caima

Company is having to invest to meet EC pollution control standards, treatment of liquid effluent and improved production process. Modifications must be completed by the end of 1991 and will cost over $250 million. Celulose do Caima is also diversifying, investing in tissue paper, writing and printing paper, improving its bleaching process and attempting to cut energy consumption.

Raw Materials

Mid-term shortages are foreseen. Government has not approved Celbi's enlargement plans, which according to the forest inventory of 1987, will distabilize the already precarious balance of supply and demand. It would also increase prices to a non-competitive level.

Portucel is looking at BCMTP, chemical/thermo - mechanical pulp plant. KENAF is also an alternative (Feder support for reconversion of Mediterranean agriculture).

PAPER INDUSTRY

Industry consists of mostly small and medium size firms which are not very competitive due to price, quality, specialty and a limited distribution network. However, a few firms are well dimensioned such as INAPA. INAPA is an integrated producer, 180,000 tons per year and is aiming to become a player in the European photocopy/offset paper market.

Sector is suffering from increased competition from Spain, Nordic Countries and Brazil. Market downturn in 1990 has lead to a reduction in pulp production. Production fell to 1.18 million tons in 1990. A further reduction is forecast for 1991.

In 1991, Soporcel's new fine paper plant will become operational with a capacity of 200,000 tons per year. It will be the largest operation in the world and will substantially improve integration of the pulp and paper sector in Portugal. Integration will be above 50% soon.

Distribution integration is also important. Presently 70% of pulp is exported. In the case of paper and cardboard, 70% is for domestic consumption. Market for tissue paper is increasing rapidly.

CONCLUSION

The industry should be more aggressive in promoting construction lumber in Portugal, use of timber-frame housing.

The newsprint market is growing quickly, but Canadian firms face the same constraints as elsewhere in the EC. Canadians should position themselves in the EC pulp/fine paper market by acquiring operations in Portugal (Portucel privatization).

In the medium term, there will be a growing pulp market in Portugal. Canadian pulp is able to compete with local origin pulp.

There is also room for investment in the "tissue paper" market. Portugal is a good location from which to take advantage of emerging markets in North Africa and Portuguese-speaking Africa (Angola etc. 80 millions people market).

PORTUGESE TRADE IN FOREST PRODUCTS (metric tonnes)

	1989		1990	
	Imports	Exports	Imports	Exports
TOTAL	810,345	1,875,831		
TIMBER				
Exotic Species	661,821	9,288	591,837	8,144
Coniferous	90	21,567	5,358	34,436
Oak	23,109	47	12,750	-
Beech	12,440	234	9,570	147
Eucalyptus	-	396,395	-	282,965

Major Suppliers:
Exotic Species - Ivory Coast, Zaire, Gabon
Others: coniferous, oak, beech - EEC countries
Major Buyers: EEC countries

LUMBER				
Exotic Species	37,095	25,871	48,997	23,443
Coniferous	6,681	780,895	6,377	837,950
Oak	2,632	14	6,434	499
Beech	648	33	732	-

Major Suppliers:
Exotic Species - Brazil, Ivory coast, Gabon
Others: Coniferous - EEC Countries
Oak - EEC Countries, USA
Beech - EEC Countries, USA
Major Buyers: EEC countries

VENEER	2,521	88,460	2,346	93,505

Major Suppliers: EEC Countries
Major Buyers: EEC Countries

PARTICLE BOARD	5,479	283,801	14,414	373,350

Major Suppliers: EEC Countries
Major Buyers: EEC Countries

FIBRE BOARDS	4,718	73,994	8,415	104,055

Major Suppliers: EEC Countries
Major Buyers: EEC Countries

	1989 Imports	1989 Exports	1990 Imports	1990 Exports
PLYWOOD	1,488	1,693	1,516	2,740

Major Suppliers: EEC Countries
Major Buyers: EEC Countries

BUILDERS' JOINERY AND CARPENTRY WOOD	3,387	31,416	3,093	28,317

Major Suppliers: EEC Countries
Major Buyers: EEC Countries

CANADIAN EXPORTS TO PORTUGAL

Logs	75 MTQ	$27,000
Lumber, oak	200 MTQ	$103,000
Lumber (non-coniferous)	50 MTQ	$18,000
Veneer	39,981 MTK	$54,000
Parquet panels	407 MTK	$12,000
Chemical pulp (dissolving grades)	198,828 KSD	$190,000
Chemical pulp (soda-sulphate bleached)	47,372 KSD	$34,000
Semi-Chemical pulp	98,000 KSD	$57,000
Paperboard	567,851 KGM	$237,000
Newsprint	4,603 TNE	$2,666,000
Paper fine, wood-free	719 TNE	$430,000
Paper fine, wood-containing	5,005 TNE	$4,020,000

CANADIAN IMPORTS FROM PORTUGAL

Veneer, tropical woods	58,530 MTK	$75,000
Particle board (wood)	389 MTK	$132,000
Parquet	29,607 MTK	$232,000
Cork tiles, agglomerated	$6,000,000	

PORTUGUESE MDF (PARTICLE BOARD) PRODUCERS

Industrias Jomar, SA
Freixieira-Perafita
4450 Matosinhos

Siaf-Soc. de Iniciativas e Aproveitamentos Florestais SA
Via Norte, AP. 41
4471 Maia Codex

Agloma, SA
Quinta Da Poça
Sáo Paio de Gramaços
3400 Oliveira do Hospital

Somit, SA
Rua Prof. Dr. Antunes Varela
3400 Oliveira do Hospital

IFM - Industrias de Fibras e Madeirar, SA
Quinta Do Castelo - Famalicão
2450 Nazaré

PORTUGESE TRADE IN PULP AND PAPER PRODUCTS (METRIC TONS)

	1989		1990	
	Imports	Exports	Imports	Exports
PAPER	247,759	260,983	294,004	289,237
NEWSPRINT				
Britain	1,195	-	1,469	-
Spain	3,516	266	6,685	-
Norway	8,186	-	7,632	-
Sweden	22,710	-	14,913	-
Finland	10,408	-	9,015	-
Soviet Union	1,371	-	834	-
South Africa	7,878	-	5,432	-
Canada	8,408	-	5,152	-
Others	1,642	10	2,897	370
	65,310	276	54,029	370
PRINTING AND WRITING PAPER				
France	925	614	449	736
Belg/Lux	666	6	502	
Netherlands	166	987	240	425
Germany	1,433	822	2,497	1,503
Britain	630	3,991	839	3,930
Greece	-	1,261	15	2,551
Spain	5,621	27,353	3,434	27,697
Sweden	527	-	1,204	-
Finland	6,612	-	8,870	-
Austria	2,968	-	22	-
Others	5,265	4,968	15,978	10,261
	24,813	40,002	34,050	47,440

	1989 Imports	1989 Exports	1990 Imports	1990 Exports
KRAFT PAPER AND PAPERBOARD				
France	139	18,140	194	21,780
Belg/Lux	2	8,528	72	8,953
Netherlands	1	10,852	-	9,602
Germany	100	29,436	131	27,427
Italy	22	16,596	74	17,767
Britain	49	21,033	52	8,580
Spain	6,713	45,023	8,409	41,285
Sweden	4,890	-	5,789	-
Finland	600	401	710	-
Others	1,180	20,224	205	45,479
	13,779	170,233	15,642	180,873
WOODPULP				
Total	69,015	1,055,720	97,102	1,079,693
MECHANICAL WOOD PULP				
France	24	-	-	24
Italy	10	-	-	-
Spain	2,594	119	2,962	956
Norway	1,576	-	700	-
Sweden	1,834	-	320	-
Finland	3,525	-	6,234	-
South Korea	-	1,976	-	-
Others	149	-	3,056	-
	9,712	2,095	13,272	980
CHEMICAL WOOD PULP				
Norway	41	-	-	-
Canada	864	-	288	-
Others	1	-	148	-
	906	-	436	-

	1989 Imports	1989 Exports	1990 Imports	1990 Exports
CHEMICAL, WOOD PULP, SODA OR SULPHATE				
France	1,549	154,324	2,774	137,554
Belg/Lux	-	17,246	26	18,839
Netherlands	-	163,747	244	163,643
Germany	-	149,743	-	139,366
Italy	-	93,585	-	93,180
Britain	-	173,366	-	144,161
Denmark	-	4,008	-	11,402
Greece	-	1,502	-	-
Spain	50	65,301	6,301	70,609
Sweden	5,369	5,133	2,745	5,252
Finland	6,081	2,221	2,225	6,266
Switzerland	-	13,001	-	7,338
South Africa	496	10,120	-	-
USA	2,259	15,952	7,501	39,182
Chile	9,380	-	8,729	-
South Korea	-	15,263	-	16,716
Japan	-	-	-	54,423
Others	677	57,828	780	42,154
	25,861	942,481	31,325	950,085
CHEMICAL WOOD PULP, SULPHITE				
France	1,415	23,038	3,366	22,846
Belg/Lux	-	225	51	144
Netherlands	-	3,872	-	2,048
Germany	13	5,718	17	11,149
Italy	-	8,160	-	7,566
Britain	-	16,612	-	16,339
Greece	-	8,562	-	701
Spain	-	10,898	-	10,742
Finland	-	-	-	12,982
Sweden	622	6,310	216	-
USA	515	-	1,690	-
Others	340	12,005	1,032	21,664
	2,905	95,400	6,372	106,182

(xii) Spain

FOREST PRODUCTS INDUSTRY

Competitive Position

Spain is now on the last lap of its preparations for the European Single Market and some important issues have still to be resolved to improve the competitive situation.

1. Reliance on imports to supply raw materials for pulp and paper industries.
   - Due to absence of a vigorous forestry policy, large imports of pulpwood are necessary (1990 - 2.7 million m3 of hardwood and 1.6 million m3 of softwood.) It is considered that at least 200,000 hectares of fast-growing species must be reforested if the industry is to survive.
   - Some 500,000 tons of recycled paper is still being imported, thus putting up the cost of Spanish paper, particularly because of high transportation charges vis-à-vis their European competitors. It is essential to organize selective collection of waste paper on a nation-wide basis.

2. High value of the peseta.

3. High cost of electricity.

4. A taxation system which does not stimulate investment in new projects.

5. Not taking advantage of EC financial mechanisms which exist to assist poorer members such as Spain.

Pulp Sector

Spanish market followed world trends with a fall in demand beginning in the 4th quarter of 1989. As a result, production dropped by 9.7% and consumption by 5.2% in 1990.

('000 tonnes)	1990	1989	% 90/89
Production	1,541.6	1,706.5	-9.7
Imports	383.8	323.6	+18.6
Exports	523.4	551.0	-5.0
Consumption	1,402.0	1,479.1	-5.2

Newsprint

Spain, with a population of almost 40 million, is an attractive market for paper. This market is now being exploited by major European producers. Newsprint imports are up by 20.9% in 1990, while domestic production rose by only 4.7%.

('000 tonnes)	1990	1989	% 90/89
Production	173	165.2	+4.7
Imports	261.5	216.3	+20.9
Exports	24.1	5.9	+308.9
Consumption	410.4	375.6	+9.3

(Main sources of imports are Sweden, Finland, Norway, Canada and Netherlands. Canada's share in 1989 was 15,370 tonnes, and in 1990 it was 17,477 tonnes.)

Spain's major paper company, La Papelera Española, went into receivership in March of 1991 after failing to reach an agreement with creditors (banks) to refinance its debt of $22.2 million dollars. It is hoped that the Basque Government will assist in plans to restructure the paper industry in the region. La Papelera Española, in partnership with Papelera Peninsular, intends to go ahead with agreement reached with the German Haindl group (through a Dutch subsidiary) for the implementation of the **Padesa Project**. This ambitious project calls for the construction of a newsprint plant in Navarra, northern Spain, with annual production capacity of 255,000 tonnes. The investment involved is approximately $600 million. The mill will use mostly recycled paper and a sizeable part of production will be for export. Construction is expected to commence in 1992.

Changes in market for newsprint may be attributed to the following:

1. the change over to high speed offset presses requires high quality newsprint which local industry is unable to supply. Many Spanish newspapers have switched to improved high brightness qualities from Norway and Finland

2. a move by foreign suppliers to step up operations in EC countries (e.g. two Finnish paper companies are participating in a French mill and a Norwegian company has invested in the U.K.) is a trend likely to continue and will affect Spanish newsprint manufacturers

Printing and Writing Paper

Total production was 832,700 tonnes in 1990, 1.4% lower than in 1989. Imports increased by 32.7%, which included 164,690 tonnes of LWC, which is not made in Spain. Demand increased significantly by 18% in coated papers and 2% in uncoated papers. This had to be met by imports.

Hygienic and Sanitary Papers

Increased demand for papers for domestic use has led to an 85.1% increase in imports in 1990.

Paper for Corrugated Board

Recent measures enforced by the Spanish Government to cool down the overheated economy has led to stagnant demand, reduction of working day in many cases and building up of stocks, which in turn has created a drop in prices. Basic raw material used is waste paper, which was imported from the EC at reasonable prices.

Sack Kraft

Production continues to fall, while imports rose 14.6%. Canada's share was 70 tons.

Pulpwood

Consumption in 1990 was 4.3 million m3 (2.7 million m3 hardwood and 1.6 million m3 softwood). There is a large deficit in eucalyptus, which is imported from South America. Low wood pulp prices caused a drop in consumption of 20.1% for hardwood and 15.2% for softwood.

Waste Paper

1990 was characterized by an abundance in the supply of waste paper, mostly imported, and low prices. There is a growing awareness of the effect of garbage on the environment and the need to recycle waste material such as paper. Legislation is gradually being introduced which will oblige local authorities to develop recycling programmes. Most collection in Spain is voluntary and 40% of unsold newspapers are collected by paper mills for recycling. De-inking machinery is being installed in many plants and there is a greater utilization of waste paper in newsprint and other paper production.

LUMBER MARKET

Main Problems

1. An overheated Spanish economy and high interest rates are adversely affecting the cash flow situation of importers who are trying to sell their lumber quickly before interest payments fall due.

2. A 15% rise in the exchange rate for the dollar in the past few months has worsened Canada's competitive position. Scandinavians and Russians have lowered their prices recently, which makes it more difficult for Canada to sell SPF. Sweden intends to limit its exports to value-added lumber.

3. There is a crisis in the Spanish building industry, especially in the tourist coastal resorts where entire buildings are unsold. There has been no comprehensive Government plan to build low cost housing for several years, which has resulted in a severe housing shortage. Spain's Socialist Government has now promised the construction of 400,000 workers flats, and is committed to ensuring low interest rates for mortgages, depending on income level. Added work in connection with Expo'92 in Seville and the Barcelona Olympics in 1992 has alleviated the crisis somewhat.

Species most in demand in Spain

Previously, 80% of the demand was for Douglas Fir, Hemlock and West Red Cedar (top grades - Nos. 2,3 and 4). There has been greater demand in past 2 years for kiln-dried SPF construction grades and for joinery, which was very competitive with Scandinavian lumber. However, the Scandinavians and the Russians recently reduced prices for comparable grades and this has affected Canada's competitive position.

The pinewood nematode problem influenced imports of green debarked coniferous lumber to Spain until the Spanish Government finally published a derogation order on April 6 authorizing imports if accompanied by grubhole certificate. Spanish importers lost 4 months trade as some orders were cancelled and others are only now being filled which is rather late in the season. This lost business has been further aggravated by the fact that the dollar was low during the limbo period and high when the derogation order was finally approved.

Kiln Drying

It is the opinion of local importers that the future is in kiln dried lumber. Four major U.K. lumber importers will import only kiln-dried from Canada as of 1993. Canadian mills are investing in dryers though smaller mills will have to depend on drying facilities available to them. Major Spanish importers report 80-90% of business is now in kiln dried as is the case with U.S. lumber.

Value-Added Products

Canadian lumber suppliers have to consider exporting new value-added products according to European needs, grading to European standards and providing metric sizes.

Logs and Veneer Flitches

These are supplied green as they have to be steamed for veneer cutting and so cannot be kiln-dried. There is uncertainty as to how this type of lumber will be imported when derogation ends.

Boarding

Douglas fir pinewood is currently too expensive for Spanish requirements, especially as there are no timber frame houses in Spain.

LPP - Lodge Pole Pine

Graded in European manner (i.e. 5th and 6th grades, 5th is best in this species - Balfour is supplying) should be classified separately rather than being included in SPF as it is now. In this way, it could obtain a higher price. It is used in glue laminates (e.g. table tops). Canada can supply more specific sizes. Sweden, for example, is not willing to do this.

Decorative Lumber (West Red Cedar, Hemlock, Douglas fir)

Hemlock is being purchased by a Barcelona importer as it can be stained to look like cherry and is in demand in the furniture industry. So far, however, these species are not commonly imported to Spain. It will be important to kiln dry everything for the future. Green lumber brings problems of stain etc. quite apart from possible derogation problem (D. Fir).

Plywood

Some is used for packaging but it depends on availability and size. As a matter of interest, a contract was obtained by a Spanish importer to supply Canadian plywood used in the roof of the Barcelona Olympic stadium. This condition was imposed by the Japanese architect. Canadian, Russian and Scandinavian softwood is being supplied to Spanish manufacturers of glue laminated plywood for furniture.

MDF

Huge production capacity in Spain and Portugal, 5 mills. Spain self-sufficient.

SPF

Spanish construction industry is definitely in recession at present and has been for past 6-9 months, which in turn affects sales since primary use for this kiln-dried/sanded lumber is for interior door framing etc. Cheaper quality green/non-sanded SPF used in cement block forming is also affected by adverse market conditions. Some U.S. and Canadian companies, which have been accused of "dumping", are shipping SPF at ridiculously low prices in an effort to maintain export volume to Spain. This only adds to the general depressed price situation.

(xiii) Sweden

Forest Resources

Sweden's geographical position puts the country on the same latitude as Alaska. However, due to the warm Atlantic Gulf Stream the climate is fairly temperate and favours the production of long-fibred conifers. About 60% or 24 million hectares of Sweden's total land area is forested. This is equivalent to the area of the U.K.

The tree species are very few. The growing stock consists of 46% Norway spruce (Picea abies), 38% Scots pine (Pinus silvestris) and in Northern Sweden some Pinus contorta originating mainly from Canada, 11% birch and the remaining 5% aspen, oak, beech, alder and other deciduous trees.

The annual forest growth is around 93 million cu. meter, total volume over bark, while the drain (felling and natural mortality) amount to some 65 million cu. meters, total volume over bark.

The structure of the Swedish forest ownership is somewhat different that in Canada. 49% of the forest land is owned by some 250, 000 small private owners, while the State, the Church of Sweden, local authorities and County councils own 26%. The Swedish forestry companies, headed by STORA, SCA, MODO and Korsnäs, own the remaining 25%.

Forestry Sector

The collective term used in this paper for forestry and the forest industry is the Forestry Sector. This sector which is of great importance to Sweden in that it creates employment, provides raw materials and products for the country's needs. Also, it favours the country's exports and trade balance. Last but not least there are also the intangible values accruing to the forest as a source of recreation.

The forestry sector provides direct employment for about 180,000 individuals of the country's total work force of 4.4 million and accounts for about 15% of Swedish industry's added value and 25% of its investments. One fifth of all the goods exported from Sweden originate in the forestry sector. In 1990 forest product exports amounted to SEK 64 billion (approximately $ C 12.8 billion).

Forestry Industry

The Swedish forest industry has undergone a substantial change during the past 5 years with reconstructions, through mergers and acquisitions, into large, highly integrated companies, the foremost being STORA and SCA - MODO. Some of the forces behind the formation of large industrial forest enterprises are global trends, increased financial strength required for large projects, increased competitiveness, the growth in size of customers, and better capacity for penetration of foreign markets.

The Swedish forest industry was very successful in the mid-80's, profits were converted into conventional heavy machines for the newsprint, pulp and fine paper industries. Recent investments in Sweden have been somewhat modest. Essentially there are two large domestic investments in products of a more "offensive" nature made recently viz. STORA's SEK 200 million ($ C 40 million) investment in its EC ("Environment Compatible") fluff pulp mill at Skutskär, and SCA's LWC (Lightweight Coated) machine at Ortviken - an investment totalling SEK 2.0 billion ($ C 400 million).

The EC and Other Markets

The European Community is the biggest market for Swedish forest industries, pulp, paper and sawmills. 78% of Swedish paper and paperboard exports are shipped to the EC countries similarly 77% of its pulp exports.

It is significant that every 10th kilometre of paper consumed within the EC comes from Sweden and every fifth newspaper in the EC is made of Swedish paper.

In 1987 when the likelihood of Sweden joining or even associating with the EC was uncertain, the Swedish forest industries decided to take their fate in their own hands by moving into the EC market primarily through acquisitions.

A contributing factor, which prompted such decisions, was the Swedish government's determination to start the phasing out of nuclear power reactors in 1995 for a complete stop by year 2010 (as had been decided in a referendum held in 1980) with no guarantees given to the industry of any other source of energy which could economically replace nuclear. The industry foresaw domestic energy costs increasing heavily to levels far above those offered by European power producers.

Since 1987, when MODO acquired the German companies MD Papier Gmbh (printing papers) and SCA Acilla (soft tissue paper), and NCB bought Medway Packaging, U.K. (sack paper), the Swedish forest industry has made several investments in European countries totalling SEK 30 billion ($ C 6 billion). The two most significant single investments are SCA's in Reedpack, U.K. and STORA's in Feldmühle-Nobel. Over the past four years Swedish investments in the Common Market have exceeded those of American and Japanese enterprises. STORA decisively placed itself on the European map and became the second largest producer of LWC in the world.

In forestry, Swedish companies have also expanded outside of Sweden. STORA for instance acquired fast growing forest plantations in Portugal (through its subsidiary company Celbi, where some 60,000 hectares have been planted with eucalyptus trees) and Chile where STORA, since 1989 jointly with a Chilean company, owns forest holdings consisting of some 87,000 hectares of which about 42,000 hectares are forested with Pinus radiata.

A map showing the European companies acquired by the Swedish forest industry since 1987, follows. (see next page)

The Swedish forest industry has also been looking at Eastern Europe. In early May of this year a local business paper reported that all three companies, STORA, SCA, and MODO, were engaged in discussions with the Swedish-based consulting company, NLK-Celpap, concerning the possibilities of joint-ventures in Poland. On behalf of the Polish government, NLK-Celpap is organizing the restructuring of the Polish forest industry and has earmarked 6 of Poland's largest paper and pulp plants for modernization. Foreign partners will be needed to help pick up the tab for this restructuring, the cost of which is expected to be SEK 7 billion ($ C 1.4 billion).

Swedish pulp and paper companies now own enterprises outside of Sweden with an annual capacity to produce 4.7 million tons of paper. The total capacity in Sweden is 9.1 million tons.

As employers, the Swedish forest industries have grown considerably abroad. 25 years ago STORA employed 12,000 people of whom only 400 worked abroad. Today, STORA has 70,000 employees of whom 47,000 work abroad. SCA has 10,000 employed in Sweden, 27,000 are employed in other countries.

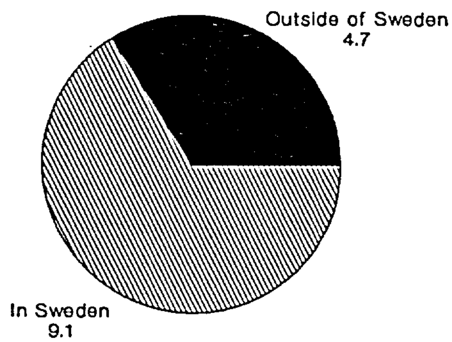
With respect to Sweden's future position vis-à-vis the EC it now seems that the government has changed its opinion. According to recent information the government indicated their intention to apply for membership of the EC in 1991. Such a step will naturally be welcomed by the Swedish forest industries. This will strengthen their position in the European market and also facilitate their participation in the restructuring and modernization of forest industries on the European continent. Domestically, it is now unlikely that the phasing out of nuclear power plants will commence until the latter part of the first decade of the 21st century.

COMPANY ACQUISITIONS IN OTHER EUROPEAN COUNTRIES BY THE SWEDISH FOREST INDUSTRY SINCE 1987

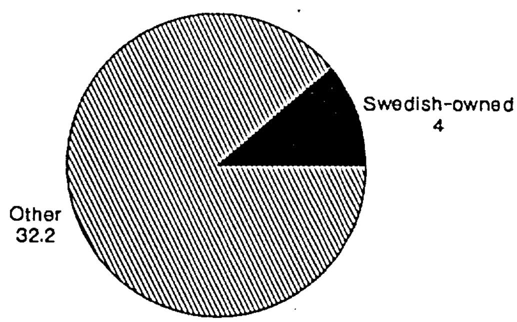
	Acquisition	Type of Business	Turnover at time of Purchase	Location	Year
ASSI	Belgica (Bel)	Corr. Fibreboard	SKr 300 million	Turnhout	1989
	Nottoli (It)	Corr. Fibreboard	SKr 350 million	Lucca	1989
DUNI	Dispo International (N)	Soft Tissue Paper	SKr 25 million	Amsterdam	1990
	Moyet Enterprises (Fr)	Paper Tableware	SKr 250 million	Grenoble	1990
Korsnäs	DRG Northfleet (UK)	Sack Paper	SKr 275 million	Northfleet	1988
MoDo	MD Papier Gmbh (FRG)	Printing Paper	SKr 525 million	Dachau	1987
	Thames Board (UK)	Paperboard	SKr 800 million	Workington	1988
	Papropack (UK)	Sack Paper	SKr 280 million	Hull	1989
	Printpack (FRG)	Sack Paper	SKr 110 million	Nienburg	1991
Munksjö	Björnbak (Den)	Envelope Paper	SKr 83 million	Hedelhusene	1988
	Chapman (UK)	Envelope Paper	SKr 405 million	London	1989
	Sunland-Eker (Nor)	Soft Tissue Paper	Skr 200 million	Drammen	1990
Ncb	Medway Packaging (UK)	Sack Paper	SKr 432 million	Maidstone	1987
	Charfa (Fr)	Sack Paper	SKr 973 million	Paris	1990
SCA	Ancilla (N)	Soft Tissue Paper	SKr 250 million		1987
	Itaicarta (It)	Corr. Fibreboard	SKr 1,100 million	Lucca	1988
	Bowater (Bel)	Corr. Fibreboard	SKr 480 million	Gent	1988
	Helna Verpakking (N)	Paperboard	SKr 75 million	Barnevald	1988
	Peaudouce (Fr)	Soft Tissue Paper	SKr 2,800 million	Linselles	1988
	Laakirchen (Aus)	Printing & Soft Tissue Paper	SKr 2,200 million	Vienna	1988
	Tallineau (Fr)	Corr. Fibreboard	SKr 30 million	St. Sebastian	1989
	Scatolificio Fratelli Ronca (It)	Corr. Fibreboard	SKr 85 million	Verona	1989
	Cartonnerie Norembal (Fr)	Corr. Fibreboard	SKr 50 million	Etreaupont	1990
	SCA Packaging (Fr)	Corr. Fibreboard	(newly established)	Bretagne	1990
	Reedpack Ltd (UK)	Corr. Fibreboard & Printing Paper	SKr 9,000 million		1990
STORA	De Forenede Papierfabrikker (Den)	Printing Paper	SKr 1,700 million	Copenhagen	1989
	Feldmühle (FRG)	Paperboard & Printing Paper	SKr 18,300 million		1990

Total investment was over 30 billion Swedish Krona.

Swedish Paper and Paperboard Production Capacity
(in millions of tonnes)



Paper and Paperboard Production Capacity in the E. C.
(in millions of tonnes)



(xiv) Switzerland

Market Facts

In 1989, the domestic wood yield in 3,700 public forest operations and 250,000 privately owned forest areas increased to 4.7 million m3, slightly above the level of the previous year. In October 1989, the price for wood was 6.1% higher than the previous year. Considerable federal and cantonal subsidies were not of great assistance in increasing production. In 1989, exports of wood, semi-finished products and wood products rose by 2.6% in volume and 13.4% in value. Imports, however, went up during the same time by 3.4% to 1.5 million tons and 17,6% to 1.3 billion Swiss francs respectively, thus increasing the traditional deficit in wood trade once again. Switzerland is a net exporter of log wood, while it is a net importer of sawn timber; this is explained by the high production cost (wages) of the Swiss processing industry. In 1989, Canada sold 12,315 metric tons of wood and wood products (19.1 million Swiss francs); it is now Canada's tenth most important export item to Switzerland. As regards total wood imports, Germany, France and Austria are the main suppliers accounting for 85% (Canada: 0.8%). However, as regards sawn timber (accounting for 92% of wood imports from Canada), Canada holds a 3 per-cent share with 11,384 tons, valued at 17.5 million Swiss francs. The opportunities for Canadian wood are certainly in the area of special, high-quality timber, preferably without branch-holes. Species imported from Canada so far include Hemlock, Sitka-Spruce, Western White Spruce, Western Red Cedar, plywood boards (e.g. OSB).

Access

There are about 10 Swiss companies which regularly import wood products from Canada, all of them entertaining close relations to the major Canadian wood exporters. A certain emphasis on wood from B.C. can be observed. An obstacle for Canada is the import duty, though moderate for the overall sector, from which major competing countries are exempted (either EC/EFTA members or status of developing countries). No import permit is required. Swiss importers stress the need for continuity of supply and quality at reasonable prices. Therefore, the exchange rate plays an important role. Since measurements are mostly in inches, exporters should be flexible enough to make the conversion to the metric system for the Swiss market to meet local standards.

Trade Promotion

The major target audience are architects and construction companies who both create the demand for a certain type of wood. Based on this demand, the major wood importers normally visit major trade fairs such as the bi-annual construction fair BATIMAT in Paris and others in Europe. The Swiss Trade Fair for Woodworking, held every three years in Basle (last event was held in October 1989) has purely national scope but may be a suitable platform to display Canada's capacities in this sector. The Swiss wood importers also regularly visit the major wood-exporting provinces in Canada.

Sources of Information

Schweiz. Saegerei- und Holzindustrie-Verband
(Swiss Association of sawmills/wood industries)
Mottastrasse 9
CH-3000 Berne 6
Phone 31/44 75 21
Fax 31/44 27 70

Publications
Schweizer Holzboerse (Swiss Wood Exchange)
Bahnhofquai 7, P.O. Box 7075
CH-8023 Zuerich
Phone 1/211 28 70
Fax 1/211 28 72

Schweizer Holzzeitung (Swiss Wood Journal)
Schueck Soehne AG
P.O. Box
CH-8803 Rueschlikon
Phone 1/724 10 44
Fax 1/724 22 58

For further information:
Canadian Embassy
Kirchenfeldstr. 88
CH-3005 Berne/Switzerland
Werner Naef
Commercial Officer
Phone 31/44 63 81
Fax 31/44 73 15

PULP AND PAPER PRODUCTS

Pulp: Market Facts

Switzerland's only pulp mill in Attisholz (sulphit cellulose only) produces 120,400 tons annually. In 1989, total imports of cellulose amounted to 353,000 tons, 54,000 tons were exported and 419,000 tons consumed locally. Canada exported to Switzerland 60,000 tons (17 per-cent of total imports) of sulphat cellulose (valued at 77 million Swiss Francs). It is now Canada's fourth largest export item to Switzerland. The main supplier is Sweden with 25 percent of total imports, followed by Canada (17%) and Finland (13%). In addition, Canada exports about 280 tons of wood chips to Switzerland.

Paper: Market Facts

In 1989, Switzerland's 30 paper and cardboard producing companies produced 1.26 million tons of paper and cardboard (+3.6% versus 1988), imports amounted to 719,000 tons (9.9%, mainly from Scandinavia and Austria), consumption was at 1.4 million tons (+4.9%) and exports at 540,000 tons. Imports from Canada are negligible at 35 tons per annum (263,000 Swiss francs).

Recycled paper has become a major raw material in this industry with 674,000 tons collected in 1989 (plus 10 percent versus 1988).

Purchases for pulp and paper are normally made through European agents of the major suppliers. Swiss buyers tend to split their requirements for pulp into Scandinavian and Canadian sources with the exchange rate playing a major role since quality is considered to be more or less equal.

A sensitive issue is the use of chlorine (containing dioxin) for bleaching sulphat cellulose; some Swiss buyers of pulp feel that Scandinavia is doing more than Canada to reduce chlorine in favour of more oxygen.

Access

Customs duties for pulp are 2 Swiss francs per 100 kilograms gross weight, with EC and EFTA countries being exempt.

For paper, customs duties range from 8 to 62 Swiss francs depending on the exact specification of the product. Here, too, the EC and EFTA countries are usually exempt from paying duty.

No import permit is required.

Trade Promotion

International conferences or seminars are usually attended by the leading Swiss companies in this sector, with particular emphasis on events held in the FRG (e.g. Munich, Baden-Baden).

Sources of Information

Association of the Swiss Industry for Pulp, Paper and Cardboard
P.O. Box 134
CH-8030 Zurich
Phone 1/261 97 47
Fax 1/252 38 82

"Papyrus" Central Office of the Swiss Paper Mills
P.O. Box 656
CH-8027 Zurich
Phone 1/249 21 21
Fax 1/249 29 78

HESPA Central Purchasing Office for the Swiss Paper and Pulp Industry (Purchase of Wood)
P.O. Box 3164
CH-6002 Lucerne
Phone 41/23 50 87
Fax 41/23 15 13

Publications
Allgemeine Papierrundschau APR
P. Keppler Publishers
D-6056 Heusenstamm

Pulp and Paper International Brussels.

TRADE FACTS AND STATISTICS

Total Imports 1989: 1.3 billion SF, of which
815 M (million) from EEC
420 M (million) from EFTA
19 M (million) from CDA

(xv) United Kingdom

CANADIAN FOREST PRODUCTS TRADE

In 1990 the U.K consumed $1.1 billion of Canadian forest products, down from $1.3 billion in 1989. Forest products account for one-third of total Canadian exports to the U.K. which is our largest market for these products in Europe.

The Canadian supply of forest products is particularly important to the U.K. as its plantation forests are able to supply only about 15% of total consumption.

Our major export items are primary forest products: softwood lumber, newsprint and kraft pulp. Softwood plywood and hardwood lumber are exported at much lower volumes. Additional export products include medium density fibreboard, oriented strand board, softboard, groundwood specialities, linerboard, kraft paper, other printing and writing and speciality grades of paper and value added wood products including dimension stock and doors. These additional items are in relatively smaller volumes as the competition is particularly keen from U.K. and other sources. The U.K. has a significant manufacturing capability in most of these areas and in newsprint.

The overriding economic factor affecting demand for forest products in the U.K. is the recession which is relatively deep and protracted. Unemployment and interest rates are high as are the levels of bankruptcy and corporate restructuring. Consumer spending and construction are among the sectors hardest hit and these directly impact forest products.

Softwood lumber is our largest single export item at an annual level of about $0.5 billion. Despite significant declines in U.K. demand in late 1990 and early 1991, Canada maintained its volume of supply at about 3 million M3 annually (3.15 in 1990) and, therefore, substantially increased its market share. Canada now supplies about 35% of total U.K. sawn softwood consumption and between 55% and 60% of carcassing (structural) grades. Price competition, however, is particularly keen in the recession and profit margins have been reduced or eliminated. Improvements are unlikely until 1992.

The U.K. consumption of newsprint in 1990 was 1.8 million tons, down from 1.95 million tons in 1989. This volume may decline further in 1991 with pagination of newspapers currently 30% below that of 1989. The Canadian share, which fell to below 300,000 tons in 1990, may increase slightly in 1991. Prices, however, have continued to slide with discounts running between 10% and 20% off the £450 per ton list price. Nordic and domestic suppliers now dominate U.K. supply with 50% and 30% respectively.

While Canada is one of the major suppliers of chemical pulp to the U.K., both overall demand and prices continue to erode as a result of diminished U.K. paper production. Canadian softwood plywood exports at 134,000 M3 in 1990 (185,000 in 1989), continue to lose ground to significantly cheaper U.S. plywood, which in 1990 tripled Canadian sales in the U.K., and to U.K. produced oriented strand board. The 1991 outlook is negative. Canadian hardwood lumber continues to increase marginally its sales volumes to the U.K. but faces very competitive prices.

VI. ANNEXES

A. Status Report on European Codes and Standards, February 1991 - Prepared by COFI, London

Executive Summary

Eurocode 5 effectively moves into a higher gear with the creation of CEN/TC250 SC5. Task groups are to be formed to expedite completion of EC5 itself. EC5 is still a neutral code as far as Canadian products are concerned, indeed recent size factor inclusions in its redraft are helpful to our interests for structural timber.

A number of wood based panel product standards covering plywood, fibrebuilding boards and particleboard have received technical approval and they will now be passed to Brussels for formal national voting to take place. If so approved they are ready for publication and implementation as European standards.

Further panelboard pre-standards are due to be issued over the next few months as public comment documents. The panelboard work programme alone comprises the production of over 80 European technical standards.

The United Kingdom is close to being given the green light to publish its own stalled national standards on waferboard and OSB which were held up over 16 months ago because of European standards standstill arrangements.

COFI and many other participating Canadian organisations have been spending the past four months putting together and presenting detailed technical comment on 13 European prestandards for structural timber. Sizes, strength classes and strength determination are included.

COFI has been successful in convincing the U.K. European structural timber delegation to argue for the direct inclusion of CLS sizes in the sizes standard. Lobbying at other European levels will continue to reinforce this point.

A meeting of the European technical committee responsible for writing grading rules for structural timber is to be held in March. It is expected that the two principal standards on visual and machine stress grading will be approved for issue as public comment drafts (PrENs).

Some working groups of the European technical committee dealing with non-structural timber have now agreed or nearagreed work programmes for standards writing.

A production standard for trussed rafters is in an advanced state of drafting and a German proposal has arisen to write one on timber framed wall components.

Several European pre-standards on preservation of timber have run into acceptance difficulties during their public comment stage.

There is a proposal to form a European 'Agreement Group' for wood products under

EOTC. If it materializes this could have an important role in the pan-European acceptance and recognition of certification bodies.

As 1992 draws closer an important European seminar on the CE mark and its application is to be held in the U.K. at the end of February.

Eurocode 5 Developments

The first meeting of CEN/TC250 SC5 was held in Copenhagen on 19 and 20 November 1990. Technical committee 250 is the group responsible for the production and maintenance of all Eurocodes (the European engineering design codes) and SC5 is the sub-committee responsible for Eurocode 5 dealing with structural timber. Eurocode 5 itself is now split into three parts namely;

Pt. 1 - Common Unified Design Rules For Timber Structures

Pt. 2 - Timber Bridges

Pt. 10 - Structural Timber Fire Design

At the meeting of SC5 it was agreed to set up additional task or project groups to be responsible for each of the three EC5 parts. Each project group is to comprise no more than six people and the representation within project groups will be such that each of the main languages of English, French and German will be covered. H.J. Larsen has already been nominated as convenor of project group 1 while E. Gehri has been appointed to convene project group 2. Nominations are currently open for a convenor for the third project group covering fire design and also for membership of all three project groups. The project groups are likely to be given the day-to-day responsibility of developing Parts 1, 2 and 10 respectively of Eurocode 5 for timber structures. The philosophy of small project groups is to facilitate speed and practicality of working.

Although CEN has effectively run out of money in the current financial year and this has temporarily slowed work on the development of all the material Eurocodes, EC5 for timber structures has been progressed by SC5 and its technical secretariat. Currently EC5 has had the first four chapters rewritten in accordance with the public comment received on the original draft document. Substantial technical and editorial revisions have been made to these initial chapters of EC5 including the chapters on timber and wood-based panels design and in-service moisture content. Further progression of the draft will now depend upon TC250 SC5 and its newly created project/task groups.

Wood-Based Panels and CEN/TC112

Various meetings have taken place of many of the working groups to TC112 since the last Quarterly Review. A meeting of the TC112 plenary committee was also held on 13, 14 and 15 February at Turin, Italy.

At the TC112 plenary meeting a number of wood-based panel standards were approved by the technical committee as final drafts. These standards are:

- EN309: Wood Particleboards - Definition And Classification
- EN311-1: Particleboards - Surface Soundness, Test Methods; Part 1: Uncoated Flat Pressed Particleboards
- EN312-1: Particleboards - Quality Specifications; Part 1: General Requirements For All Board Types
- EN313-1: Plywood - Classification
- EN314-1: Plywood - Bonding Quality; Part 1: Test Methods
- EN315: Plywood - Tolerances For Dimensions
- EN316: Wood Fibreboards - Definition, Classification And Marking
- EN318: Fibreboards - Determination of Dimensional Changes Associated With Changes In Relative Humidity
- EN320: Fibreboards - Determination of the Resistance of Axial Withdrawal of Screws
- EN321: Fibreboards - Wet Cyclic Test
- EN322: Wood-Based Panels - Determination of Moisture Content
- EN323: Wood Based Panels - Determination of Density of Test Pieces
- EN324-1: Wood Based Panels - Determination of Dimensions of Boards; Part 1: Determination of Thickness, Width and Length
- EN324-2: Wood Based Panels - Determination of Dimensions of Boards; Part 2: Determination of Squareness and Edge Straightness
- EN325: Wood Based Panels - Determination of Dimensions of Test Pieces
- EN120: Wood Based Panels - Determination of Formaldehyde Content, Extraction Method Called The Perforator Test

These 16 EN's have now cleared technical committee and will be passed to the CEN Secretariat in Brussels for the formal (and final) voting procedure. If adopted at this last stage they are then ready for publication as fully implementable European standards.

The meeting of CEN/TC112 also agreed to release four further draft standards as PrEN's for the public comment process. These draft standards are as follows:

- Document 112.201-2: Plywood - Terminology (Will be PrEN313-2)

- Document 112.205-1: Plywood - Ability for Finishing; Part 1: General Rules for Classification by Appearance

- Document 112.207-1: Plywood - Quality Specifications; Part 1: Plywood for Non-Covered Exterior Use

- Document 112.307-2: Fibreboards - Determination of Surface Absorption; Part 2: Test Method for Hardboards and High Density Mediumboards (Will be PrEN382-2)

These four standards will be circulated through the normal channels when received by COFI.

The recent plenary meeting of TC112 in Turin returned to the question of formaldehyde standardization. There is still considerable argument over which test method(s) should be pursued even though the Perforator Test, EN120 is nearing the final hurdle towards publication as a European standard. France, for example, would prefer to see concentration of effort on gas analysis methods, the U.K. on the perforator test although calibration work on large chamber testing is still going ahead under Brussels funding arrangements.

During plenary discussion a call was made for the co-ordination of all work on structural performance standards for wood-based panels. The current situation is that each working group of TC112 is allocated its own "material" standards for performance uses thus allowing up to 9 performance based standards under TC112's banner. Agreement has now been reached that WG4 of TC112 (common test methods under U.K. convenorship) will first look at this problem on a common basis relevant to all panel products at its next meeting in April.

Upon request from the U.K. delegation TC112 plenary also agreed to the release of standards standstill in the United Kingdom for Waferboard and OSB. At the moment BS5669 for Particleboards has no Part 3 for Waferboard and Part 5, the user code of practice, contains no guidance in construction application for these products. This situation has caused problems in the U.K. for the potential expansion of waferboard products, there currently being no material standard available for specification. TC112 approval to allow the U.K. to publish the missing standard and revisions to the user code of practice means that this gap can now be closed. One final hurdle remains to be cleared before U.K. publication of BS5669 Parts 3 and revision of Part 5 and that is the approval of CEN in Brussels who are required to ratify the TC112 technical committee decision taken at Turin.

In the November issue of this Review it was reported that six further panelboard PrEN's had been issued by CEN for public comment and these were also fully referenced. During the last three months COFI has been busy channelling these drafts to interested parties in Canada and correlating and submitting Canadian comment on these back through the European standards system. The process of dissemination, communication, comment correlation and submission of comment all has to be achieved in the remarkably short timescale of 2 to 3 months. So far the coordination has worked well and all standards issued have been reviewed and processed within the timescale allowed by the CEN process.

Update on Structural Timber Standards and Work of TC124

In the period elapsed since the last Review COFI Europe have also been actively engaged in correlating technical comment on thirteen draft structural timber standards issued by CEN at the end of 1990 for public comment. Of these thirteen standards three were considered to be of utmost importance to Canadian interests and these covered timber sizes, structural strength classes and strength determination. The correlated Canadian comment on strength determination alone occupied some half-dozen typed pages of detailed appraisal of this standard. A great deal of time has also been spent on arguing for these points of view in U.K. technical committees where COFI direct access is greatest. As a result of this effort a number of achievements have been made of which some of the most important are summarized below:

- The U.K. response to the sizes standards will include a demand for CLS sizes to be directly incorporated in the sizes table. COFI are also encouraging other friendly European user countries to support this stance when debated at the European technical committee level.

Modifications will be suggested to the sizes standard to allow processing/planing of green timber (not just dried timber as currently implied by the standard) to be in accordance with the regularizing tolerances.

Improvements will be requested of the sizes standard to give more practical and achievable reduction tolerances when further processing from the basic sawn section size.

Strength class density boundary levels have been reviewed by Canadian interests and COFI to make sure that higher grades of Canadian lower density timber products, such as certain S-P-F MSR products, are not penalized in strength usage by the European standards.

COFI has campaigned for certain factors concerned with size effects associated with structural timber to be altered in the standard concerning strength determination. The U.K. has accepted this point and will argue at European technical committee level for this change. If this is finally accepted by CEN then this one issue alone will facilitate the more ready adoption of Canadian structural timber strength data into the Eurocodes.

Many other issues concerned with these thirteen CEN structural timber standards have been argued and obviously such effort requires a great deal of time expenditure both by COFI Europe and Vancouver and also by many other participating Canadian interest groups. All national comment and initial voting on these first batch of TC124 standards is now with CEN and document revision by the working groups will follow.

CEN/TC124, the structural timber technical committee will hold a plenary meeting in Zurich, Switzerland on 14 and 15 March. Amongst the agenda items will be consideration of at least two draft standards from WG2 covering visual and machine stress grading of structural timber. These drafts are now at an advanced technical committee stage and it is expected that both will be approved for issue as drafts for public comment (PrEN'S) at the March TC124 plenary. Peter Watt from COFI London has been invited to attend this TC124 plenary as the representative of the European Woodworking Federation (FEMIB).

CEN/TC175 Activities

This is the CEN group concerned with producing standards for round and sawn timber and non-structural products generally. It was a late starting committee and has had many teething problems in formulating working groups and in particular agreeing on a programme of work. It has now moved forward however, and WGl has an agreed scope and programme of work regarding terminology, definitions, methods of measurement/testing definition and nomenclature. Language has been a problem in CEN activities right from the start and this barrier and the basic understanding of terms etc. has led to much confusion in the standards writing exercise. The TC175 WGl work programme may ultimately be extended to cover all timber work in CEN.

WG2 covering sawmill output have now also agreed on a work programme with ambitious target dates extending from June 1992 to June 1993 for the delivery of draft standards.

User requirements under WG3 has only put forward to date a draft work programme and is also proposing to split its workload amongst a number of task groups, six have so far been formed.

A listing of the WGl, WG2 and WG3 work programmes of TC175 as currently known are attached as Appendix 'A'.

Timber Component Production Standards

Amongst a huge European standards work programme, which is growing by the day, two specific items of work are worth mentioning in isolation from the rest. These are the standards concerned with production requirements for trussed rafters and for timber frame wall components respectively. CEN/TC124 WG2 has for over a year had an item on its programme of work for a production standard for trussed rafters. An advanced draft of this standard is now reaching finalization and it may shortly be ready for approval to issue as a PrEN document. The production standard for timber framed walls is only a proposal within CEN at present and it is currently going through the initial national voting to determine if it is required. Results of this voting are not yet known. DIN of Germany is the originator of the proposal to standardize timber frame wall production requirements. Both trussed rafters and timber frame walls are an important area for the Canadian industry and these standards will need to be monitored.

CEN Preservation Standards

As expected and as predicted in the last Quarterly Review a number of the TC38 preservation standards issued as PrEN's for public comment at the end of 1990 have failed to achieve the necessary vote during public comment, these are:

PrEN351-2: Durability of Wood and Wood Based Products Preservative Treated Solid Wood; Pt.2: Sampling and Analysis of Preservative Treated Wood

PrEN351-3: Durability of Wood and Wood Based Products Preservative Treated Solid Wood; Pt. 3: Identification of Preservative Treated Wood

A third pre-standard, PrEN350-1 dealing with the principles of testing and classification of the natural durability of solid wood passed the public comment voting procedure, but there were still a considerable number of editorial and technical comments made which will have to be dealt with.

PrEN'S 351-2 and 351-3 will now have to go back to TC38 working group level for disagreements to be sorted out and the drafts will consequently have to be revised to reflect a better consensus of opinion. This is currently under way. PrEN350-1 will be revised in working group in the normal way to take account of public comment.

Two other TC38 pre-standards have also run into procedural trouble at public comment stage and these are PrEN351-1 (requirements for preservative treated wood according to hazard class) and PrEN3351 (definition of hazard classes of biological attack).

EOTC Agreement Group for Wood

EOTC is the European Organisation For Testing And Certification. It has a director and a secretary, but at the moment little else. Ultimately it will probably be responsible for organizing and controlling material and product conformity certification under the Construction Products Directive. One of EOTC's framework principles is the setting up of European wide industry agreement groups. These agreement groups 'could' control product certification and certifying organizations. Initial moves have already been instigated by the U.K. in liaison with France and Germany to test if the time is right for setting up a wood/timber products agreement group.

National Application Documents (NAD's)

Although Eurocodes and CEN product standards are well on the way and will harmonize the design and specification process for construction and engineering across Europe there will, of course, always remain areas where individual national interpretation will be required. Some such areas are structural loading, safety factors to be used in design calculations, specific levels of materials performance to be achieved versus end-use etc. National Application Documents are intended to be nationally produced documents addressing these areas of interpretation of both Eurocodes and CEN Standards. The U.K. already has a model NAD for structural steelwork and one in the course of preparation for structural concrete. NAD's will also be required for the other structural materials including timber.

Interpretative Documents

These are the link between the functional requirements for building structures of the Construction Products Directive and the detailed design guidance given in documentation such as the Eurocodes and supporting product standards. There are six proposed interpretative documents currently in the course of preparation, five of which have recently been issued in revised draft form. These five are:

- Mechanical Resistance And Stability (final draft)
- Hygiene, Health And The Environment
- Safety In Use
- Protection Against Noise
- Energy Economy And Heat Retention

Only 'Safety In Fire' has not been re-issued with this series. The interpretative document for mechanical stability is now expected to go before the Brussels Standing Committee for construction products for approval. Copies of the five re-issued ID'S are held by COFI, Vancouver.

Policing the CE Mark

The CE mark for construction products is the mark of product conformity to the requirements of the European Construction Products Directive. It is the mark which will ultimately be required to be applied to all structural application products to show conformity with European harmonized technical requirements. Many decisions still have to be taken on exactly by whom and how the CE mark is to be applied. Policing of the mark in use is one of the problems. In the U.K. tentative decisions have been made to involve the local trading standards officers of local authorities in this objective. At the moment there are no details.

A major conference on the CE mark and its application is to be held in London at the end of February.

The Enormity of our Task

Construction Products Directives, Interpretative Documents, National Applications Documents, Eurocodes, CEN Product Standards, Testing and Certification, Product Conformity are just some of the many issues confronting us in Europe and 1992. Each of these aspects is a whole work area in its own right and each is enjoying the attention and contribution of dozens if not hundreds of experts in a particular field. The CEN product standards alone have an ambitious programme to produce literally several hundred technical standards covering all aspects of timber products. Obviously one person or even one organization has its work cut out to keep any sort of reasonable monitor on all these activities as they progress, develop and expand. The enormity of the process is now such that we must concentrate more closely on issues which directly affect the industry and ignore other less relevant areas even though they may be interesting. Critical areas can be identified as:

CEN Product Standards for wood and wood-based materials,

Certification and testing procedures for timber products,

Acceptance of Canadian products directly or indirectly in the 1992 process, Supporting research/development to ensure the appropriate level of acceptance of Canadian timber products (e.g. strength properties acceptance),

Quality assurance acceptance for Canadian bodies and agencies,

The ability to be able to apply the CE mark at the point of product manufacture and hence gain EEC wide market acceptance.

B. Canadian Industry Situation Reports - Prepared by ISTC

(i) Wood Products

Overview

The wood products sector is comprised of the commodity wood products including lumber, plywood, veneer, oriented strand board/waferboard, medium density fibreboard(MDF) and other fiberboards, particleboard, shingles and shakes as well as a range of primary products such as logs, pulpwood and pulp chips. In 1990, the estimated value of shipments in the sector totalled $10 billion of which $6.4 billion was exported.

Current Situation

The wood products sector is dependent on North American residential construction activity and, in recent years, increasingly on the industrial and residential renovation and alteration market. Canadian housing starts in 1990 were down by 16 percent compared to 1989 to 181,600 units, its lowest level since 1985. For the year 1991, housing activity is forecast to total 152,000 units, a further decline of 16 percent from 1990 as interest rates remained high for the first quarter and the economy is not expected to show signs of growth until the fourth quarter.

With respect to the United States, housing starts in 1990 were 1.19 million units down by 14 percent compared to 1989. Housing starts in the U.S. are expected to be slightly higher in 1991 at 1.24 million units as the economy begins climbing out of its recession in the second half.

Softwood Lumber

The softwood lumber industry is the largest component of the wood products sector. The industry currently employs about 55,000 in manufacturing and approximately 35,000 in related harvesting operations. In 1990, softwood lumber production totalled 53.8 million cubic meters valued at over $6 billion. Exports account for about 70 percent of shipments and flow is primarily to the United States, although offshore markets such as Japan and the EC continue to be important. Canada is the world's largest exporter of softwood lumber accounting for over 50 percent of international trade. In 1990, Canada exported 37 million cubic metres valued at $5.2 billion.

Canada's share of the U.S. softwood lumber market has declined to 27 percent in 1990 from 33 percent in 1987. Conditions confronting the industry have altered appreciably since the inception in 1987 of the 15 percent export charge on Canadian softwood lumber to the United States. In the two largest lumber producing regions (B.C. and Quebec), the provinces introduced replacement measures (substantially increased stumpage charges) to offset in whole or in part the export charge to the U.S. This has had a major impact on the cost of production (raw wood input costs increased 54% in B.C.) between 1986-1990. At the same time, lumber prices throughout the period have remained depressed and companies have experienced major losses in earnings as profit margins have been eroded. The current recession and the high Canadian dollar have continued to compound this situation.

A large number of softwood lumber mills across Canada closed on a temporary or permanent basis in the latter part of 1990 and the first quarter of 1991. Mills have also eliminated shifts in response to the soft market conditions and more production curtailments are expected until mid - 1991. This has had a significant impact on the level of employment in the lumber sector as an estimated 10,000 - 12,000 persons have been affected.

Panel Products

The Canadian panel products sector is divided into two sub-sectors; structural and non-structural panel products. Structural panel products include oriented strandboard(OSB)/ waferboard and softwood plywood. These commodities are traditionally used in construction applications. Canadian structural panel demand is small compared to the U.S. and is much more dependent on export markets particularly in the case of OSB/waferboard. Sheathing grades of softwood plywood are continuing to face increased competition from the lower cost OSB/waferboard. The trend over the past several years has been an increase in market share of OSB/waferboard at the expense of softwood plywood and forecasts suggest that this trend will continue into the 1990's with plywood's share of the total structural panel market declining from 51 percent in 1989 to 31 percent in the early part of the next century.

Canadian structural panel production declined 9 percent in 1990 to 3.9 million cubic meters from the record level of 4.3 million cubic meters achieved in 1989. Although total exports of structural panels declined in 1990 by 4 percent, steady growth in exports of softwood plywood to Japan continues as more Canadian manufacturers grade stamp plywood conforming to the Japanese standard. Softwood plywood exports to Japan increased by 33 percent over 1989 and now accounts for 20 percent of total exports.

Total structural panel capacity and employment figures will show significant decreases by year end 1991 as a result of permanent plywood mill closures in late 1990 and early 1991. With continuing soft markets and increased competition from OSB, additional closures of older waferboard facilities are possible.

Non-structural panel products include particleboard, hardboard, hardwood plywood, medium density fibreboard (MDF) and softboard. With the exception of softboard, these products are traditionally used mainly in the furniture and kitchen cabinet industries. The particleboard industry represents over 55 percent of production in this sector.

Total non-structural panel products output in Canada reached record levels in 1989 due to strength of the domestic furniture and kitchen cabinet markets. However, as housing slumped in 1990 and the economy slipped into a recession, production declined by 10 percent from 1989 level. Exports increased in 1990 by 5 percent as demand in international markets remained bouyant.

MDF has the greatest potential for growth over the next several years as new facilities come into operation and volume of exports increase. The Canadian industry is presently comprised of two large scale mills and one new thin MDF mill, while others are under consideration.

International Trade/Competitiveness

The wood products industry is highly export oriented and traditionally generates a substantial trade surplus ($6.4 billion exported vs. $970 million imported in 1990). However, high interest rates, a strong dollar and a significant increase in wood costs have impacted negatively on the industry.

In addition to the above, offshore markets such as the EC are developing new common standards which may or may not impact on Canada's wood products export position. EC concerns regarding certain phytosanitary problems relating to softwood lumber have resulted in a strong probability that after January 1992 all softwood imports from North America will have to be kiln dried. These problems are of real concern to Canada due to insufficient kiln drying capacity in our major export regions.

There are several issues that continue to influence Canadian wood products exports to the United States. A ban on the use of wooden shingles and shakes for roofing was imposed in the Los Angeles area in September 1989. The industry fears this could eventually affect the use of other wood products such as wood siding in traditional U.S. markets. The 15 percent export charge on softwood lumber exports to the U.S. is still a major concern to the industry. Although replacement measures have been put in place by B.C. and, in part, by Quebec, these actions have resulted in increased raw wood input costs. At the same time, these actions have also affected overall production costs for products ultimately destined for other export markets e.g. the EC and Japan as well as the domestic market.

In terms of the Free Trade Agreement FTA, most sector products are duty free. However, the plywood standards issue is of considerable importance since it impacts on tariff reductions for several products including OSB/waferboard and particleboard. This issue should be resolved during 1991 when U.S. and Canada performance standards are harmonized.

Financial Conditions

Profitability in the wood products sector declined for the third consecutive year in 1990. This decline was the result of a continuing general business slowdown, a strong Canadian dollar, high interest rates and low prices. Annual financial data for some major forest products companies for 1990,, show a 5 percent decline in sales compared to 1989 and net earnings down by over 75 percent. The amount of investment in the wood products sector has also declined substantially in 1989/90 from the levels achieved in the 1986/88 period.

Outlook

With no economic growth in Canada forecast for 1991 and Canadian housing starts projected to be 16 percent below the 1990 level and U.S. housing projected to increase by only 3 percent over 1990, total wood products demand in 1991 will show a further decline from that of 1990.

Prospects in 1992 are for low rates of growth due to the recovering North American economy. However, the wood products sector should show a significant increase in production and exports as housing starts in both Canada and the U.S. are forecast to rise by over 20 percent from their 1991 levels.

ISTC Initiatives

In December, 1987 the government of Canada put in place a policy to improve competitiveness in the forest products sector through assistance in two major areas; market development and diversification and research and development(R&D). Since that time a number of ISTC initiatives have been undertaken in the Wood Products Division including the following;

The Cooperative Overseas Market Development Project- COMDP East

- Market development program for lumber and wood products in Ontario, Quebec and Atlantic Canada
- Timing - January 1, 1990 to December 31, 1994

The Cooperative Overseas Market Development Project- COMDP West

- Market development program for lumber and wood products in Alberta and British Columbia
- Timing - January 1, 1991 to December 31, 1995

In addition, the department also established in 1990 a **Forest Industries R&D/Innovation Program** to stimulate R&D and improve competitiveness. This program is being well utilized by the wood products sector.

Sector profiles on Lumber, Shingles and Shakes and Panels are currently being prepared by the Wood Products Division and will be available in the early fall.

WOOD PRODUCTS CANADIAN PRODUCTION, EXPORTS AND IMPORTS

	1988	1989	1990
Softwood Lumber (H.S. 4407.10.10,20,30) (million cubic metres)			
Production	59.25	57.98	53.78
Exports			
U.S.	31.96	31.03	27.79
Japan	3.43	3.95	3.96
Britain	2.92	2.71	2.77
Continental Europe	0.96	0.86	1.27
Others	1.27	1.45	1.23
TOTAL	40.54	40.00	37.02
Imports	0.86	1.04	1.00
Softwood Plywood (H.S. 4412.19.90) ('000 cubic metres)			
Production	2162	2165	1971
Exports			
Britain	181	161	104
Continental Europe	91	79	87
Japan	35	45	60
Others	40	25	48
TOTAL	347	310	299
Imports	67	135	123
OSB/Waferboard (H.S. 4410.10.10) ('000 cubic metres)			
Production	1647	2168	1966
Exports	762	1199	1154
Imports * NA (see Particleboard)	* NA	* NA	
Particleboard (H.S. 441 .10.90) ('000 cubic metres)			
Production	1213	1279	1146
Exports	149	185	201
Imports (include Waferboard/OSB)	156	124	126
Hardboard/MDF/Softboard (H.S. 4411.11 to 4411.39) (H.S. 4411.91 & 4411.99) ('000 cubic metres)			
Production	NA	827	783
Exports	NA	223	227
Imports	NA	138	123

* NA - not available

NOTE The tables above were the only items revised on the May 17 1991 date.

(ii) Softwood Lumber, Plywood, Particleboard Waferboard, Shingles and Shakes

General

The Canadian economy continued to grow in 1989 but at a much slower rate than in 1988. The Gross Domestic Product (GDP) increased by 2.9 percent in 1989 as compared to 5.0 percent in 1988. Relatively high interest rates and a strong Canadian dollar during 1989 contributed to the slowing down of the economy. Housing starts in Canada were also down about 3 percent in 1989 to 216,000 compared to 223,000 in 1988. In 1990, the Canadian economy will continue to slow down with GDP forecast to increase by only 1.2 percent.

In the U.S. the rate of economic growth declined in 1989 to 3 percent from the rate of 4.4 percent in 1988. Total U.S. housing starts fell 7 percent to 1.39 million. This decline in housing starts was due to rising interest rates and falling underlying demand. Non-residential wood demand in the U.S. remained quite strong. In 1990, although the economy is forecast to grow at only 1.5 percent, housing starts are estimated to show some moderate improvement.

Canada's strong dollar combined with a slowing down in offshore economies caused a decline in Canada's exports of lumber and panel products to these markets. Only Japan with its continued strong economic growth had a increase in their demand for Canada's wood products.

Softwood Lumber

The Canadian softwood lumber production of 58.0 million cubic metres (m^3) in 1989 was 2 percent less than 1988 and 4 percent less than the record established in 1987. Production in B.C. was down 2 percent to 35.9 million (m^3) while production in the other provinces also declined by 2 percent to 22.0 million (m^3). Domestic demand for softwood lumber declined slightly in 1989 in response to slowing down of the economy and the housing decline.

Although exports to most major markets were down in 1989, overall exports declined only 1 percent. Exports to the U.S. declined by 3 percent while Britain and the Continental European markets were down by 7 and 10 percent respectively. However, Japan continued its upward consumption of Canadian softwood lumber with exports to Japan increasing by 15 percent. Other offshore market exports were up by 14 percent.

Softwood Plywood

The production of Canadian softwood plywood during 1989 remained essentially unchanged when compared to 1988 at about 2.16 million cubic metres. Steady demand in the domestic market reflected strong activity in both the residential and commercial building sectors and several industrial end-uses.

The strong activity in the domestic market was offset by losses in most export markets. In volume terms, exports declined by 37,000 cubic metres including losses of about 11 percent and 13 percent to Britain and Continental Europe respectively which historically have been the principal export markets for Canadian softwood plywood.

Exports to Japan increased by about 10,000 cubic metres or 28 percent. Softwood plywood exports are increasing to Japan as more Canadian manufacturers grade stamp softwood plywood conforming to Japanese standards following recognition several years ago of COFI as a Foreign Testing Organization by the Japanese government. Imports of mainly low grade U.S. plywood increased substantially during 1989 when compared to the previous year and reflect the strong domestic market.

Sheathing grades of softwood plywood are continuing to face increased competition from the lower cost oriented strandboard (OSB) and waferboard. Some rationalization has already occurred in softwood plywood mills on the B.C. coast and others are considering product specialization and manufacturing value-added products.

Oriented Strandboard (OSB)/Waferboard

OSB/waferboard production grew very rapidly during the past decade and by the end of 1989 represented about 50 percent of the total structural wood based panel industry. OSB/waferboard shipments in 1989 were almost 2.2 million cubic metres, up about 32 percent over the previous year with most of the increased volumes of production being exported to the U.S. During 1989, over 55 percent of the Canadian production was exported. Almost all of the exports were to the U.S. which, as a result of several natural disasters (Hurricane Hugo and the California earthquake), increased demand for all structural panels in that market. Exports during 1989 were some 52 percent above the level achieved in 1988. Offshore export shipments to both Asia and Europe also increased but are estimated to total less than 2 percent of production.

Several new production lines were started during 1989. Lanofor Inc, a new OSB mill in Quebec entered production and Grant Forest Products added a second OSB line at its facility in Ontario. In addition, an OSB mill in Chambord, Quebec attained design production levels after starting up in 1988. While no new mills are under construction at this time, several mills are in the planning stage in various locations across Canada.

Particleboard

During 1989, the Canadian particleboard industry increased its output by about 5.5 percent as compared to the previous year. During the year exports increased 24 percent to about 185,000 cubic metres representing 14 percent of production. Imports of particleboard were down approximately 20 percent from 1988. Although the domestic and export markets remained strong through most of 1989, it is understood that the demand weakened towards the end of the year and some manufacturers undertook extended closures over the Christmas holiday period.

Shingles and Shakes

In 1989 there was a turn around in the steady decline in the export of western red cedar shingles and shakes since the imposition of a 35 percent tariff by the U.S. in June 1986. Exports to the U.S. (which make up 90 percent of total production) were up 6 percent in 1989, with a volume of 33 million square metres (MSM) compared to 31 MSM in 1988. The main reason for the increase in 1989 was that effective December 7, 1988 the U.S. tariff on Western red cedar shakes and shingles was lowered from 35 to 20 percent and on December 7, 1989 it was further reduced to 10 percent. A 5 percent tariff will remain in effect from December 6, 1990 until June 1991 when it will be eliminated.

Outlook

According to private sector forecasters, the Canadian economy in 1990 will grow at about 1.2 percent, which is at a much slower rate than in recent years. Canadian housing starts in 1990 are projected by CMHC to be about 202,500, a drop of about 6 percent from 1989. Private sources site the sharp rise in interest rates along with slowing employment and income growth for this decline.

The U.S. demand for lumber and panels is expected show a modest increase in 1990 as U.S. housing starts are forecast to increase by 4 percent and the non-residential, repair and alterations, and industrial markets are expected to have an increase in consumption. Accordingly, Canada's exports to the U.S. for 1990 should remain unchanged.

Canadian exports of lumber and panels will further decline to offshore markets in 1990 as economic growth also continues to slow in their economies, especially in Europe.

(iii) Value-Added Wood Products

Overview

The value-added wood products industry in Canada is characterized by a preponderance of small, mainly Canadian owned, non-integrated companies, which use or further process primary wood inputs such as lumber and panels to produce a wide range of intermediate remanufactured and end use products. Major sectors included are: kitchen cabinets; wood windows and doors; manufactured housing and structural components; pallets; containers; turnings; flooring; furniture components; and remanufactured wood products. In 1990 total industry shipments were estimated to be in the neighbourhood of $4.4 billion.

Current Situation - Domestic Market

Domestically, the downward easing in new residential construction, which began in 1987, continued to dampen demand for products from the industry. As a result, capacity utilization rates in some key sectors such as kitchen cabinets and windows and doors, have also continued to ease. While some other sectors have fared better, notably manufactured housing and log homes, capacity utilization in the overall wood industry (including commodities) has declined to 70% in the first quarter of the year, compared to 90% during 1988. Given the most recent forecast of just 152,000 new housing starts in 1991, a further decline of 16.0% from 1990, and 32% below the level of 1989, companies in the sector can anticipate continued capacity utilization problems for some time.

In addition, there are signs that demand in the "do-it-yourself" (D.I.Y.) and renovation markets is also continuing to weaken in response to escalating interest rate levels, which cause homeowners to delay major renovation projects. Growth in this sector has continually been strong, in contrast to the post-1987 easing in new residential construction, and has helped, in a major way, to counterbalance declining demand for value-added wood products, targeted at the new housing market. This trend, should it continue, can only serve to aggravate the worsening capacity utilization situation throughout the industry.

Kitchen Cabinets

The impact of the Free Trade Agreement (FTA) on the industry currently presents a varied picture across key sectors. In kitchen cabinets, the anticipated adverse impact appears to be materializing as indicated by qualitative feedback from firms across the country. Six U.S. kitchen cabinet companies, including Merillat and Kitchen Maid, both large U.S. companies, under the control of Masco U.S., have moved into the Canadian market strongly at the low to medium end. These firms have concluded distribution arrangements with a number of large retail chains, one of the largest being Beaver Lumber. A couple of factors seem to be reinforcing the FTA effect, namely declining U.S. housing activity and the strengthening Canadian dollar. The consensus in the kitchen cabinet industry is that a market penetration will occur, within six months to a year, and that job losses can be expected to follow. Many of the companies also feel that there is considerable potential building for dumping by U.S. kitchen cabinet manufacturers in the Canadian market.

While the major impact so far has been in the Ontario market, companies on both the East and West coasts are also importing significant quantities from the U.S. and are making life difficult for the incumbent industry in these areas. Quebec, at this point in time, appears to be meeting the challenge well, but this market has traditionally been somewhat insular since most large Canadian kitchen cabinet firms do not compete in it and U.S. companies appear to be taking the same approach.

On the other side of the coin, however, the larger Canadian companies that do export significant quantities of product to the U.S. are finding expanding opportunities at the high end of the market and are pursuing these aggressively. They note nevertheless, that over the last year they have been meeting increasing U.S. customs harassment at the border and considerable product has been returned for what they feel are insignificant customs documentation infractions.

Exports of kitchen cabinets increased in 1990 to $40.0 million from $33.3 million last year, an increase of 20%, while imports grew from $20.4 million to $23.4 million. Of these totals, exports to the U.S. increased from $29.9 to $38.3 million while imports from that country increased from $10.1 to $14.2 million.

Windows and Doors

In the Window and Door sector much the opposite situation appears to be the case. Here, significant mechanization, increased company size, production line improvements and industry rationalization have taken place. As a result, companies in this sub-sector do not appear to be overly concerned with U.S. penetration of the domestic market. In any event, they are not taking any chances and are taking full advantage of the ten year FTA phase-in period to further mechanize their own operations.

In the window and door sector total exports have declined from $54.6 million in 1989 to $35.2 million in 1990 with that portion going to the U.S. dropping from $42.7 million to 20.4 million. Imports, on the other hand, have increased in total from $45.8 million, to to $49.6 million with that portion from the U.S. increasing from $40.5 million to $41.9 million.

Manufactured Housing

The manufactured housing segment of the converted wood products industry continued to record productivity growth in 1990, as it had in 1989. Total exports of prefabricated buildings, which include the six principle types of manufactured wood buildings, reached $93.4 million versus imports of $73.2 million in 1990. This compares to exports of $76.2 million and imports of $61.7 million in 1989.

The mobile home industry, led by strong demand in Alberta and B.C., recorded starts of 4,100 units. Modular housing, which is centred in Ontario and Quebec, also recorded strong growth with 3,230 starts.

The log home industry, which numbers 31 machine-profiled and 147 handcrafting companies, produced in excess of 2,500 structures in 1990. Approximately fifty per cent of the homes produced in 1990 were exported and this trend is expected to continue this year despite the rise in the value of the Canadian dollar.

Industrial camp units and mobile sales and showed continued strength due to enhanced demand and the economic recovery in Alberta and British Columbia.

The final segment of the manufactured housing industry, penalized and pre-cut package homes, recorded a significant slowdown in 1990, particularly in the recreational or second home market. However, pre-cut package home exports to Japan are anticipated to exceed 1000 units in 1990, as are log home exports.

Hardwood Flooring

There has been considerable slowdown in the hardwood flooring business during 1989 and 1990 with a 10-15% decline in domestic activity and a drop of 25% in exports. Companies are now building inventory and western Canada is the only part of the country that has remained reasonably strong. Companies are also experiencing stiff U.S. competition in southern Ontario with the high value of the Canadian dollar being blamed.

One small company in Western Quebec recently announced a shutdown of its parquet flooring plant for at least a month. Moreover, a number of Ontario and Quebec forestry companies have closed a number of sawmills which supply the sawn lumber for the flooring producers. There is, however, no immediate concern about the remaining sawmills to be able to supply the needed hardwood lumber.

Recent missions to Europe have identified a potential market opportunity for Canadian hardwood flooring. As well, recent publications from the Japanese External Trade Relations Office predict an increase in consumer demand for hardwood flooring products.

Current Situation - International Market

Internationally, export and import trends since 1988 have had significant impact on Canada's balance of trade in value-added wood products. After a record level of $608 million in exports from the sector in 1988, 1989 and 1990 have been virtually stagnant as far as export growth is concerned, recording small declines in each year. Importantly, while the declines are small, 2.3 percent in 1989 and an estimated 2.0 percent in 1990, when matched against the increase in imports to $470 million in 1989 and an estimated $520 million in 1990, the balance of trade in Canada's favour has shrunk considerably to less than 12%. This compares to only a few short years ago when exports from the sector were more than double imports into the country. It is also noteworthy that the major portion of this shrinkage can be attributed to the U.S., which accounts for $418 million of the imports in 1990, or 80% of the total.

One particular bright spot in the export performance of the sector is the sizeable and rapidly expanding export opportunity for log homes to the Japanese market. Japan is now the largest single export market for this product, accounting for 682 out of the total of 862 log homes exported in 1989, while the U.S. accounted for an additional 135 units. In dollar figures, the total value of this product exported by the seventy-six companies was slightly more than $30 million.

The Evolving Environment

It is difficult to establish a primary reason for the significant shifts taking place in both Canada's domestic and international market performance, with respect to value-added wood products. Clearly the significant strengthening of the Canadian dollar vis-a-vis the U.S. and declining residential and renovation construction activity in both countries have tended to reinforce any adverse effects from the FTA which, as discussed, are just beginning to emerge. It is becoming increasingly clear, however, that some wood products sectors will be facing considerable restructuring, particularly kitchen cabinets and to some extent, wood windows and doors. While a number of companies in these sectors are internationally competitive and have developed significant export opportunities in the U.S., Western Europe and more recently, Japan, on balance, the total sector can be expected to undergo restructuring in the future.

ISTC Activities 1990/91/92

Trade Shows and Missions

Some of the major Departmental priority market activities in support of the sector that have been recently undertaken and others that are slated for the near future are: the National Association of Homebuilders (NAHB) building materials show in January of this year in Atlanta, Georgia; the Northeastern Retail Lumbermans Show in Boston in January; the Northeast Construction Show in Boston in March; an incoming Japanese building company mission to the National Home Show in Toronto in April/90; the Japan Build building materials show and Solo Building Products Show in Tokyo and Osaka, Japan in October/90; and the Kobe International Housing Fair in Japan in June/90. In November and December of this year the Division will be participating in Batimat in Paris and Interbuild in Birmingham and the National Association of Homebuilders show in Las Vegas in January 1992.

The Cooperative Industrial and Market Development Program (CIMDP)

A new initiative in 1989 was the CIMDP, which is a program funded jointly by the federal and provincial governments and by industry. This five year program is administered by industry and is aimed at raising the level of industrial development in the remanufactured wood products sub-sector, and provides assistance in exploring and developing new markets for these converted wood products. The program is available to all regions and one regional initiative has already commenced in British Columbia. As per the program criteria, the B.C. initiative is being jointly funded by Industry, Science and Technology Canada, the Province of British Columbia and B.C. industry.

The Converted Wood & Paper Products Division is continuing discussions with several other regions with a view to creating initiatives similar to the CIMDP in B.C.

Timber Frame Construction (TFC) Demonstration Housing Program

As part of the forest products initiatives of the Forest Products Directorate and the Converted Wood and Paper Products Division, a new program has been established to promote Canadian timber frame housing and converted wood building products in priority offshore markets. The budget for the program is $2.5 million spread over the next five-year period. The objective of the program is to assist trade associations and company alliances in their efforts to enhance the acceptance and competitiveness of Canadian TFC building techniques and standards, manufactured housing systems and building products in priority international markets. In addition to demonstration housing projects, the TFC Program involves assembling worldwide market intelligence; assessing market opportunities; selecting priority markets; undertaking building and fire research studies and seminars; and the transfer of TFC technology.

As a final item, an update of the Value-Added Wood Products Industry Profile will be available early this year.

(iv) Pulp and Paper

Performance

Canadian shipments of pulp paper and board in 1990 were down 2.9 percent or 700,000 tonnes over the previous year but are expected to rise by almost 2 percent in 1991 according to the Canadian Pulp and Paper Association. Operating rates were only 87 percent last year and will drop again this year to 84 percent. The weak sectors last year were pulp and newsprint. This situation was due in part to a strong dollar, general recession and strikes in some Eastern Canadian mills and world over capacity. A survey of financial results from 16 Eastern and Western Canadian companies showed a total net loss of $140 million in the fourth quarter of 1990, compared with earnings of $174 million in the same quarter a year earlier. Anticipated final total net losses for 1990 will be $114 million compared to earnings of $172 million for 1989. These financial results exclude all extraordinary gains and losses.

In "other papers and boards" category 1990 shipments were up by 3 percent particularly to the United States markets where Canada is by far the leading foreign supplier (68 percent of market share) in the uncoated free sheet grades as well as coated paper (34 percent market share).

Market Pulp

Pulp exports should revive this year after dropping 7.9 percent in 1990. This was caused by weak printing and writing paper markets in the United States, more integrated productions and customer inventory reduction. Inventory reduction also caused Canadian exports to Japan to drop by 28 percent and to Europe by 9 percent, two major overseas markets. Although CPPA forecasts that pulp shipments will increase by 2.4 percent in 1991, or a total of 7.9 million tonnes, capacity utilization will decline from 82 percent to 78 percent due to large increases in Western Canadian chemical pulp capacity. BCTMP shipments are expected to improve in 1991 but continuing weak prices will keep earnings low.

Newsprint

Newsprint shipments declined by 5.5 percent in 1990 to 9.1 million tonnes. Labour disruptions caused part of the 665,000 loss but increased capacity in the Southern United States combined with lower demand in both the United States and Britain were also factors. Industry estimates suggest a growth rate of 2 percent will bring shipments to a level of 9.2 million tonnes in 1991. Customers in the E.C. and Japan will help the estimated 9.2 percent rise in offshore shipments providing the Canadian dollar remain stable. Capacity utilization will decline to 88 percent from 90 percent. Of the supply coming on stream this year (five new machines) only about 170,000 tonnes of this will be standard newsprint destined for sale in North America. The balance will replace old machines or exported to Japan.

Printing and Writing Papers

Shipments in this category increased by 12 percent in 1990 to 3.6 million tonnes, boosted mainly by exports to the United States. Of this coated mechanical papers rose by 32.4 percent due to new Repap capacity and the off machine coater at Island Papers. Uncoated woodfree shipments expanded by almost 19 percent. The modern high speed commodity grade machines at Domtar, Canadian Pacific Forest Products and Weyerhaeuser were the major beneficiaries of the increased sales. The continuing recession in North America will reduce the pace of Canadian shipments to 2.4 percent in 1991 reaching 3.7 million tonnes, for an operating rate of 85 percent.

CANADIAN PULP AND PAPER INDUSTRY STATISTICS
('000 Metric Tonnes)
(1990-1989)

Production	1990	1989	Change %
Total Wood Pulp	23 639	23 614	-5
Newsprint	9 069	9 640	-6
Other Papers	4 591	4 243	8
Paperboard	2 806	2 700	4
Total Paper and Paperboard	16 466	16 583	0
Shipments by Product			
Wood Pulp	7 686	8 347	-8
Newsprint	9 075	9 607	-6
Other Papers	4 568	4 218	8
Paperboard	2 825	2 695	5
Total	24 153	24 867	-3

Shipments by Area	1990	1989	Change %
Canada	4 703	4 886	-4
Exports	19 450	19 982	-3
United States	13 131	12 993	1
Europe	3 044	3 314	-8
Latin America	605	555	9
Other Countries	2 670	3 120	-14
Total	24 153	24 868	-3

Operating Rates		
Wood Pulp-Chemical Paper Grades	84%	93%
Newsprint	90%	96%
Other Papers	86%	90%
Paperboard	92%	93%

Source: CPPA, May 1991

(v) Value-Added Paper Products

Overview

The converted paper products industry is comprised of manufacturers of the following value-added paper products: a) corrugated containers, folding cartons and other packaging products; b) sanitary tissue and other consumer disposables; c) specialty commercial papers (office equipment rolls and sheets for telex, adding machines and copiers, self-adhesive paper, self-copy paper, tapes and labels); d) specialty institutional papers (products used by the service industry such as paper cups, plates, placemats and food containers); and e) wallpapers. There is a wide range of products manufactured by firms whose characteristics range from small, non-integrated and labour intensive establishments to large, integrated, capital intensive operations. They are generally dispersed across Canada with a concentration of production in Ontario and Quebec. Actual shipments appear to have remained stable between 1989 and 1990 at about $5.3 billion. This follows a period of negative growth in the last half of the year, particularly in the packaging and wallpaper industries, and this trend is continuing in 1991.

Economic performance of the converted paper sector is closely tied to the business cycle. Because of the continued weakness in the economy, many firms are taking down time resulting in layoffs and idle capacity. Capacity utilization ranges from a low of 60 to 65% in folding cartons, corrugated containers and paper bags to over 90% in self-adhesive labels and paper consumables.

Current Situation - Domestic Market

Canadian production in some segments of the industry such as corrugated containers, folding cartons, paper bags, multi-wall sacks and wallpaper are experiencing zero or negative growth as a result of decreased consumer purchases and higher imports. Reduced housing activity in both Canada and the U.S. has caused a slowdown in the wallpaper industry. Other segments are showing small to moderate gains, particularly sanitary tissues and consumer disposables, specialty commercial papers and specialty institutional papers.

Corrugated Containers

The largest industry segment, corrugated containers, experienced a reduction in growth during 1990 by 7.7% in terms of volume and 6.9% in terms of area when compared to the same period in 1989 (a decrease of about 80,000 square metres). Central Canada seems to have been hardest hit with shipments falling by 10.2% in Quebec and 7.0% in Ontario. Industry growth in the Prairies and British Columbia is negligible.

Imports, mainly from the U.S.A., appear to be levelling off in 1990 after increasing by about 16%, in unadjusted value terms, in 1989 over 1988. This is due in part to higher prices and a 1.3% rate of growth in the U.S.A. market. Domestic producers continue to be faced with higher raw material and labour costs than their counterparts in the U.S.A.

The domestic industry is currently operating at low profit margins and has not been able to sustain price increases in 1990. During this period of weak economic performance, the industry is reducing the number of shifts and plant closures have occurred such as the following:

- Paper Board Industries Corporation has recently closed plants on Hickmore Street in Montreal and in Hollands Landings, Ontario;
- Atlantic Packaging has closed Brock Containers, Brampton, Ontario; and
- Domtar has closed Jellco Packaging, Barrie, Ontario, a corrugated plant in Kitchener and is scaling down operations in Peterborough.
- CPFP has closed its plant in Toronto.

These closures have resulted in the layoff of about 500 employees.

Folding Cartons and Flexible Packaging

The folding carton, multi-wall sack and paper bag segments of the sector experienced zero or slightly negative growth based on volumes in 1990, as compared to 1989. Again, these industries are affected by reduced consumer spending.

Folding carton producers saw a decline in business activity resulting in negative growth in the domestic industry in the order of -1 to -2%. However, some firms are continuing to export to the U.S. market and/or establishing a production base in that country. As a result, exports have increased by over $5 million in the first eight months of 1990 (increase of 38%) over the comparable period last year. This trend is expected to continue as Canadian firms look to the U.S.A. for more business activity. Imports are not an important factor for the industry at this time.

The folding carton industry is also restructuring in the wake of weak domestic market conditions:

- Somerville Packaging has closed its plant in London, Ontario and Longueil Que.
- Sherwood Packaging, Toronto, has purchased Toronto Carton; and
- Willco Packaging, Montreal, has purchased Bourguignon & D.H. Inc., Montreal.

Plant closures have resulted in the layoff of over 400 employees.

Multi-wall sack and paper bag production continues to be flat. Hardest hit are multi-wall sacks used in the packaging of construction products (negative growth of -1%to-2.5% in 1990 as compared to 1989). Grocery bags and multi-wall sacks used in the food industry are showing marginal real growth during this same period. As well, domestic producers have indicated that some business has been lost recently to lower-cost producers from the northeastern U.S.A., such as Union Camp, Chase and Gillman. Union Camp will start up its new plant in Hazelton, Pennsylvania in the next few weeks and a considerable portion of this production is believed to be destined for the Canadian market.

Some Canadian producers are in the process of announcing price increases in the range of 4%-7% in response to recent cost increases in sack kraft paper and resins.

Sanitary Tissue and Consumer Disposables

The industry continues to experience a moderate rate of growth in the order of about 2-3% a year in volume of production. New investment for plant and equipment in the production of sanitary tissue will increase existing capacity from about 525,000 tonnes a year to 600,000 tonnes a year during 1990. Also, the industry has expanded recycling capacity by about 100,000 tonnes during the last year at Atlantic Packaging, Papier Cascades and Scott Canada. Perkins Paper is in the process of increasing its recycling capacity, and this should come on stream early in 1991. Imports of finished tissue products are being monitored in the wake of increases of 50% and 80% for bathroom tissue and facial tissue, respectively, between 1989 and 1990, albeit from relatively low levels in previous years. Toilet tissue and facial tissue imports grew by 3% and 17% in 1990.

Specialty Commercial and Institutional Papers

The specialty commercial and specialty institutional paper industries are experiencing marginal growth in volume during 1990 over 1989 of .5% and 1.5%, respectively, following a reasonably long period of moderate to good rates of growth. Demand for core commercial products remains flat, reflecting the decline in business activity of product users, while demand for computer papers and labels, facsimile paper and certain graphic arts products remains high. Institutional papers used by the service industry such as cups, trays, placemats and food containers have levelled off, largely due to the saturation of the fast-food market and in part to the slowdown in the economy.

Wallpaper

The wallpaper industry remains in a period of strong decline because of a continued slump in housing starts and resales in both Canada (down between 10%-15% in 1990 over 1989) and the U.S.A. May, June and July have been particularly slow months in terms of sales and as a result firms have reduced production. Some small and medium-sized firms have reduced the number of shifts worked from an industry norm of 2, and sometimes 3 shifts/day, 5 days/week to 1 shift/day, 5 days/week. This is the situation at Waldec, International Wallcoverings and Ultima. The largest Canadian producer, Sunworthy Wallcoverings, a Division of Borden Chemical Inc., continues to operate on a 3-shift basis. However, it has shut down 2 of its 15 wallcovering machines and may shut down others if the poor market conditions prevail. Since housing start forecasts, one of the main barometers of decorating product sales, indicate about a 6% decline in 1990 over 1989, weak demand for wallcoverings could continue into 1991.

The industry is currently restructuring operations and ownership changes are occurring. For example, some companies are investing in equipment aimed at reducing unit costs and displacing labour, while others have scaled down operating capacity by up to one-half.

- Waldec and Cape Breton Wallcovering have closed shop with a loss of about 260 employees.
- Ultima Wallcoverings has changed hands from Colour Your World to Blue Mountain Wallcoverings.

Environmental Issues

The National Protocol on Packaging (NAPP) is the most significant issue facing the paper packaging industry. In response, the paper packaging industry has established the Paper Packaging Environmental Council representing all facets of the industry including corrugated containers, folding cartons, paper bags and recyclers. The Council is represented on the NAPP Task Force and will participate in its implementation. The Forest Products Directorate will continue to monitor the NAPP and play an active role in the implementation of the Protocol by participating on various implementation committees particularly those involving technology development. The Task Force is currently working on a "Code of Practise" for the packaging industry and regulations which would be implemented if the 1992 target is missed (reduction of packaging materials going to landfill to that of 80% of base year 1988).

The "Environmental Choice Program" remains the sanitary tissue industry's main concern. Only about 18% of domestic production would be able to meet the criteria proposed for sanitary tissue. The Canadian industry faces competitive disadvantages related to cost of production as well as availability and cost of recycled material. The final sanitary tissue guideline has not been submitted by the private sector Environmental Choice Board for review by the Minister of the Environment.

Current Situation - International Market

The packaging, sanitary tissue, specialty institutional papers and specialty commercial papers are domestically oriented industries. Most production is consumed in the Canadian market. Increased imports of corrugated sheets and containers, sanitary tissue, multi-wall sacks and paper bags from the U.S.A. are beginning to appear in statistics collected by Statistics Canada. The situation is being monitored to determine if a trend is developing.

Evolving Environment

Most industries in the sector are expected to experience zero or negative growth in production volume extending well into 1990. This is particularly the case for corrugated containers, folding cartons, multi-wall sacks, paper bags and wallpaper. Reduced consumer confidence and housing starts are the contributing factors and a turn-around is not expected in the near future. Sanitary tissue, specialty institutional papers and specialty commercial papers will perform only moderately better at an annual growth of about .5%-1.5%.

Environmental issues will be the main challenge to the industry in the 1990s as strategies are developed and implemented to meet the objectives of such initiatives as the National Protocol on Packaging and the Environmental Choice Program. These programs will ultimately have an impact on all segments of the converted paper products sector in their pursuit of solutions that will reduce the volume of solid waste entering landfills. Industry committees are being formed to deal with the issues and to attempt to present industry's views, concerns and approaches.

ISTC Activities

The focus over the next few years will be on new technology and innovation for the converted paper sector. The department, working with industry, will promote the development of new products and processes through ISTC's new Forest Industries R&D and Innovation Program. Also, the department is working closely with Environment Canada, industry associations and firms to find solutions and approaches to the environmental programs being proposed by the Government of Canada.