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Canadian Pulp and Paper Association

## ***VIEWS ON THE ESTABLISHMENT OF A FREE TRADE AREA OF THE AMERICAS***

**Submission to the Committee of Government Representatives on the Participation of Civil Society**

This submission is made on behalf of the members of the Canadian Pulp and Paper Association (CPPA). CPPA is a national association representing most of the pulp and paper produced in Canada. As a longtime proponent of global free trade in forest products, CPPA welcomes the opportunity to communicate its views on this groundbreaking initiative to unite the economies of the Western hemisphere into one single trading bloc.

### **THE ISSUE**

The area under consideration includes 34 countries and would extend benefits now enjoyed under the North American Free Trade Agreement and the Canada-Chile Free Trade Agreement to form the world's largest free-trade bloc.

Since 1990, Canadian pulp and paper shipments to Latin America have more than doubled rising from 600,000 tonnes to just over 1.2 million tonnes in 1998. This growth occurred despite the fact that tariffs in Latin America remain very high. In some countries, duties are in the double-digits and can add as much as \$50 per tonne to the cost of Canadian shipments. Tariff escalation is a problem which denies North American producers the opportunity to realize optimal economic returns from their paper resources.

The Canadian pulp and paper industry supports a single comprehensive free trade agreement that would expand market access and establish clearer trading rules throughout Latin America and the Caribbean.

### **THE OPPORTUNITY**

As a vital part of the Canadian economy, Canada's pulp and paper industry depends largely on trade with 80 percent of its annual production exported to markets all over the globe. In fact, the Canadian pulp and paper industry is the world's largest exporter of pulp and paper, shipping to more than eighty countries world-wide. Without increased access to foreign markets (particularly in the developing economies of Latin America and Asia), the ability of Canada's forest products industry to sustain 1 million direct and indirect jobs, support over 300 rural communities and remain the country's largest contributor of foreign exchange is at risk.

While the zero-for-zero agreement concluded under the last multi-lateral trade negotiations, known as the Uruguay Round, was a considerable achievement, Canadian exporters still face tariff barriers in the EU and especially those markets with the greatest potential for growth in the future, Asia and Latin America. This is why the Canadian industry advocates having the zero-for-zero agreement accelerated to

January 1, 2000 and participation expanded to include as many key trading partners as possible. A successful FTAA agreement could enhance and complement this greater multilateral initiative.

Apart from the tariffs aspect of these negotiations, negotiating countries have an opportunity to clarify and establish rules on non-tariff barriers which could threaten future market access in the region. Non-tariff barriers are technical regulations or requirements that can provide for discriminating treatment of imported foreign goods versus domestically produced goods. Building on disciplines already within World Trade Organization (WTO) agreements, negotiations for an FTAA should seek further discipline in areas such as standards development and use to ensure that these tools cannot be misused for protectionist purposes.

## THE BENEFITS

Trade liberalization would directly benefit paper users such as newspaper and magazine publishers, commercial printers and the packaging industry in Latin America. Domestic producers have built up capacity that has been made inefficient by high tariffs and the absence of effective import competition. These factors combine to limit choice and increase the cost of paper which adversely affects the competitiveness of end-user industries, and the affordability of paper products for consumers.

In addition, policies designed to protect producers of forest products from competition have significant resource

allocation and efficiency implications for the environment and economy as a whole. Such policies encourage production of paper products on the basis of other than strictly economic criteria. The consequent distortion of investment decisions results in a misallocation of resources, producing sub-optimal economic performance and lower income and welfare standards than would potentially be achievable in a non-distortional policy environment.

In conclusion, the elimination of paper tariffs would rationalize existing trade flows and represent a win-win situation for producers and consumers throughout the Americas. Free trade promotes the efficient use of resources by creating conditions for long-term economic growth. Liberalization would help to open new national markets to all producers in the hemisphere thereby stimulating intra-regional trade.

The opportunity to create a hemisphere-wide trading block encompassing both developed and developing economies worth \$US10 trillion is compelling. A successful FTAA would produce economic, environmental and social benefits for all parties to such an agreement. Given the great potential that this initiative has to offer, CPPA believes that the countries involved should pursue this objective intensely and looks forward to working in partnership on this and other trade liberalization initiatives.

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