

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(84)13/Corr.1
23 August 1984

Working Party on Trade in Certain
Natural Resource Products:
Forestry Products

PROBLEMS OF INTERNATIONAL TRADE IN FORESTRY PRODUCTS

Background Study by the Secretariat

Corrigendum and Supplement

1. At its meeting on 26 June 1984, the Working Party on Trade in Certain Natural Resource Products - Forestry Products, carried out a preliminary review of the background study prepared by the secretariat on "Problems of International Trade in Forestry Products", document Spec(84)13 and Add.1. A draft summary of the main points made by delegations was circulated in Spec(84)43/Add.1.¹ The Chairman of the Working Party invited delegations to submit to the secretariat, preferably not later than by the end of July, their comments and any corrections that may be required. As of mid-August, comments and certain corrections had been submitted by Japan, the Nordic countries and Canada. Some of the comments made provide additional technical details while other comments emphasize the importance and possible impact of different policy measures which may affect trade.

2. Comments provided, mainly involving additions to the existing text, relate to the paragraphs: 47, 67, 92-94, 111, 129, 135, 138, 164, 167, 168, 171 and 174 of Spec(84)13. There are also corrections to data in Table II, where the entry for Finland, in column 9, should read I 2.45 (Finland being a net importer of pulpwood) and in regard to certain tariff data for Canada in Table V-A. The detailed corrections to Table V-A are shown in the Annex to this note.

¹Re-issued, with amendments, as document MDF/W/2

3. Comments, additions and corrections to the paragraphs cited above are as follows:

- para. 47 At the end of the paragraph add: Canada has, however, pointed out that the somewhat greater variety of tree species found in Canada has only a marginal impact at the logging stage, given modern technologies, and little, if any, with respect to woodworking.

- para. 67 At the end of the paragraph add: "This is, of course, due to the fact that growing conditions, i.e. climate and soil, are less favourable in Nordic countries than in central Europe. The removal percentage (annual removals' share of standing stock) is, however, higher in the Nordic countries than in other parts of Europe". In the footnote to para. 67 the last word of the first line should read: "forest"; the fourth line should read: "are well organized and are being said to hold back supplies in ..."; in the sixth line the last four words should read: "forest industry consulting firm"; in the seventh line insert "industry" instead of "wood processors"; in the eight and ninth line delete the percentage reference and insert, instead, "considerably higher than"; at the end of the footnote add the words: "as well as other areas".

- para. 92 In the second sentence replace the word "loss" by "contraction" and delete the words after "pulp" on the fourth line. Delete existing footnote 1, relevant to this sentence, and insert new footnote 1, as follows:
"¹Since the cellulose fibre component represents about 50 per cent of the wood substance [cf. also footnote 1 on page 53], yields of 48-56 per cent are achieved in making

chemical cellulose pulp: 4.2-4.5 m³ solid volume per ton (production figures for pulp are normally reported in tons rather than cubic metres) of unbleached sulphate pulp or 4.5-5.0 m³ per ton for bleached grades. The other main component of the wood substance, the lignin, is dissolved in the cooking liquor and used as fuel, enabling modern sulphate pulp plants to obtain self-sufficiency with regard to steam needed for cooking and drying the pulp, often allowing also back pressure power to be generated by the drop in the steam pressure; in integrated mills the steam will cover, instead, part of the needs for heat in the paper mill. When producing mechanical pulps the pulp yield attains 94-98 per cent of the wood input (about 2.5 m³ per ton) but, on the other hand, there is no spent liquor to burn and the power input normally exceeds 1,200 kwh/ton and may reach 2,000 or more for thermo-mechanical pulps (TMP)."

At the end of the eleventh line provide for another footnote which should read as follows:

"2/In this context it must be pointed out that the volume-loss in saw-milling (35-40 per cent) is not a loss, strictly speaking, when the residues are chipped and sold to pulp mills. In all major softwood producing countries saw-mill chips represent a large proportion of the total wood supply to the pulp mills."

- para. 93 As a consequential change with respect to footnote 1 of para. 92, insert on the fourth line, after "inexpensive energy" the words "for mechanical pulp mills".

- para. 94 In the fifth line from the top, on page 57, delete "of" before "40", and delete also in the tenth and eleventh line from the bottom, the information set out in parentheses.

- para. 111 The sentence starting on the eighth line from the bottom should be amended to read: "The increasing and repeated use of recycled waste paper in paper manufacturing, replacing pulp made from virgin fibres (i.e. less fresh wood (trees) needed) may eventually also require an additional input of virgin fibre pulp to give the end-product sufficient strength."

- para. 129 The beginning of the fourth line should read [One]"... fourth of world consumption of soft- and hardwood"; at the end of that sentence, line 7, provide for an additional footnote which should read as follows:

"2/The biggest producer of sawn-softwood is the USSR, also the biggest consumer, despite an export varying between 8 and 10 million m³ annually. The US is sawing some 70 million m³ annually and imports large quantities, some 25 million m³, while at the same time the export volumes from the US West Coast are running high."

At the end of the paragraph provide for an additional footnote which should read:

"3/Canada produces some 45 million m³, exports about 70 per cent thereof and is by far the largest single country exporter on the world market."

- para. 135 The sentence starting on line 14, on page 79, with the word "Finland" should be amended to read: "Finland has arrangements containing tariff preferences with several eastern European countries."

- para. 138 The Nordic countries supplied the following comment:
"The subjects covered by this paragraph are very important among factors which have a direct bearing on the competitiveness of a saw-milling industry.
Government aid to regional development, to improve

transport facilities, to assist in reforestation and investment programmes, tax exemptions, import duty relief etc. is often of substantial importance to the individual company, but at the same time they are so generalized and often disguised that the effects are difficult to assess. Any attempt to analyze the trade in sawn-wood and pulp could not forego to try to evaluate the effects of public aid, open or hidden. Of greater importance, though, is the ownership conditions with regard to the wood supply. In two of the major producing and exporting countries for sawn-wood, pulpwood and pulp, the forests are owned or administered by the state and/or provincial governments, with possibilities to adapt the return required on the forest capital so as to retain the competitiveness of their companies on the world market."

- para. 164 Slightly below the middle of page 99 the words "section and diameter" should be replaced by "size specifications" to be followed by an insert, so that the rest of the sentence will read: "which in the mind of the reader could than be crosslinked to whether or not the wood in question has been kiln-dried."¹
- para. 167 In the first sentence, delete the text after "involved", occurring in the third line.
- para. 168 Amend the first sentence to read: "The Japanese post-and-beam construction method has a tradition of many centuries, is scientifically proven to provide anti-seismic protection, but it is also costly."
- para. 171 At the end of the paragraph add the following: It is, however, not only new standards which may create problems for interested exporters and importers, but also existing standards and the way in which these are administered, providing in some instances for time-consuming and costly re-inspection, testing and certification, for instance on softwood plywood, lumber etc. and , as a related issue, difficult customs formalities."²

The new footnote 2 reads: "As regards the latter measures cf. GATT NTM Inventory, No. 11. D. 21."

- para. 174 In the third line from the bottom, after "quota", insert:
"In this connexion, it has been pointed out that the opening of annual quotas tends to bunch imports into the first part of the year, forcing importers to keep large inventories and exporters to skew their production operations. Moreover, they ..."

At the end of the same paragraph, it is suggested to add the following: "Action along the same lines is apparently envisaged in one important market in response to acid-rain-kill damage."

4. Corrections and/or additions should also be made in respect of paragraphs 41 (misprint), and paragraphs 64, 65, 66 and 76, to reflect data which have come to the notice of the secretariat since Spec(84)13 was issued, or which had inadvertently been omitted.

- para. 41 On the second line, the fourth word from the end should read "latitude".
- para. 64 On the seventh line from the bottom after "... considerations", the following may be added: "Part of the explanation is probably that much of the Japanese forest was replanted after World War II, so that, in many instances, the optimal time for harvesting has not yet come.
- para. 65 On page 38, fifth line, insert after wood;" ,
complementing coal, ...".
- para. 66 On the sixth line after "... absolutely" insert ", but most of the forests are not yet mature."
- para. 76 On the second line, after "coastal areas" add "and the inland Amazonas Basin regions."
- para. 92 On line 13, after "veneer logs" insert "bought and traded as such". In the same paragraph, on the following page, delete the sentence starting on the second line and, consequentially, in the following sentence add a comma after "leftovers" and delete the following words: "Here too"...

Annex

Corrections to Table V-A - Canada

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Pre-....
...post-

Tokyo
Round

CCCN No	Summary description	Canada Approximate CCCN Correspondence M.f.n. duties
44.02	Wood charcoal	1.4/ free*
44.13	Wood planed tongued, jointed, etc.	free, ex 3.1, ex 5.0/free**
44.15	Plywood - block-, lamin-, and inlaid wood	ex 10.0, 15.0, 8.0/ 8.0, 9.2, 15.0 ****
44.17	Improved wood	(17.5)/15.0
44.18	Reconstituted (chips, shavings, - flake-) - wood board	15.0 / 4.0***
44.19	Wooden beadings, mouldings	10.0, 15.0/6.8,9.2**
44.24	Household utensils of wood	13.4 (17.5)/8.0, 9.2
44.25	Wooden tools,-handles, brush bodies, shoe-last	10.0, 15.0/ free - 15.0
44.26	Spools, cops, bobbins etc. of turned wood	(17.5)/9.2

* 44.02 - ex, agglomerated wood charcoal containing more than 10 per cent, by weight, of binder = 10.2 per cent.

** 44.13 -)
44.19 -) Coniferous, treated 6.8 per cent; oak flooring = 5.5 per cent.

*** 44.18 - final Tokyo Round rate to become effective 1.1.1990

**** cf. Spec(84)13, page 104, para. 171. US post-Tokyo Round tariff data on softwood plywood, shown in Table V-A, will also require amendment.