THE EXPORT OF FOREST PRODUCTS
FROM THE UNITED STATES
TO THE EUROPEAN COMMUNITY
by
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ABSTRACT

This paper looks at the current situation in the export trade of forest products from the United States to the European Community. There has been an increase in the levels of integration and interdependence seen in the world economy and the international forest products markets. The U.S. is presently in a position to expand its exporting base with the E.C.. The recent moves towards the liberalization of the E.C. markets through the passing of legislation which will largely be in operation by 1992 has sparked interest in the future of this, the world's largest trading bloc.

The E.C. currently imports over half of its wood requirements and the volume required in the future is predicted to increase at a faster rate than can be met by home grown demands. The paper breaks down some of the idiosyncrasies of the E.C. and attempts to provide an insight to likely future scenarios of the E.C. as a market for U.S. forest products.
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TRADE IN FOREST PRODUCTS FROM THE UNITED STATES TO THE EUROPEAN COMMUNITY

INTRODUCTION

The U.S. has a long history of supplying the forest product markets of the countries of the European Community (E.C.). Indeed, the high handed manner in which the British took naval stores, timber and other forest goods from their North American colonies played a significant role in fueling the revolution that led to the creation of this nation.

Today the U.S. is still supplying the British (and European) markets with forest products. The value of these products has been increasing, especially over more recent years. This paper examines the current trends in marketing forest products to the E.C. and tries to highlight some of the peculiarities of the market.

WHAT IS THE EUROPEAN COMMUNITY?

The E.C. as it stands is an economic union of the countries of Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, United Kingdom and West Germany. It is the largest trading block in the world. The E.C. is founded on three treaties and its present size is the result of three enlargements, the last enlargement being that of 1986 when Portugal and Spain joined.

The level of integration of the economies of the member nations has been increasing. A major action is currently under
way as the agreements (some 300 initiatives) contained in the Single Europe Act of 1986 are being set into place. The agreements are designed to leave a free market in which goods services, people and capital can all move without hindrance. The plan calls for all of the agreements to be operational by 1992. The possible new level of integration has led to much speculation amongst U.S. exporters of forest products. There is a fear that the integration of the marketplace might lead to even greater European centered trade-distorting practices. It is thought that a united E.C. market may be more protectionistic than its component parts. The questions concerning the likelihood of a "Fortress Europe" being created are being balance by the hopes that the act will have a stimulating effect on the E.C. economy, and hence create a bigger demand for forest products. The demand for forest products by the E.C. is currently not met from internal sources. The E.C. spends approximately 1.3 billion U.S. dollars per year on the importation of forest products, a sum that is only exceeded by the amount required for imports of oil and oil-based derivatives.1

At present, the member countries act as one unit in the international arena. The E.C. is represented at multinational talks and agreements conducted through the General Agreement on Trade and Tariffs (GATT) and member nations share a common customs tariff. One of the principle stumbling blocks in the Uruguay Round of multinational trade negotiations currently being conducted through GATT is the program of subsidies for
agricultural products that the E.C. carries out under the Common Agricultural Policy (CAP). The CAP is a very powerful European program and accounts for over 60 percent of the E.C. budget.

Forest products are linked to agriculture in both the E.C. and the U.S.. This has led to forest products being used in trade negotiations, an example is the 50,000 cubic meter increase in the E.C. tariff quota on plywood as compensation for the loss of U.S. cereal exports when Spain and Portugal joined the E.C. in 1986. On the U.S. side the recent Omnibus Trade and Competitiveness Act of 1988 strengthened the links by adding forest products to pre-existing legislation concerning agricultural goods.

The E.C. also has trade agreements with two other trade groups, the European Free Trade Association (EFTA) and the nations of Africa, the Caribbean and the Pacific (ACP) who are members of the Lome convention. These groups have particular importance to U.S. forestry products exporters.

The EFTA group includes the major Scandinavian producers of forestry products. The degree of free access that these countries have in the E.C. market place is considerable. Most of their products enter duty-free, but there are still some restrictions. The member nations of EFTA do have advantages in terms of trade in forest products when compared U.S. industry. These advantages include traditional trade patterns, closeness to markets (hence lower transportation costs) and also a high level of knowledge of E.C. markets. There is, however, a well publicized near-term fiber supply shortfall in these countries which has been brought about by an inability to achieve a
predicted cut from small, mostly private, woodlots.

The second major group is the members of the Lome Convention. This agreement is between the E.C. and over fifty nations in Africa, the Caribbean and the Pacific. Many of these nations are former colonies of the member states of the E.C. The influence on the export trade of U.S. forestry products by these nations is small but should not be overlooked. Several of these nations have in the past been major suppliers of tropical hardwoods to the E.C. This supply has been dwindling both through the overcutting of the resources and increased efforts to preserve the remaining tropical hardwood ecosystems. The E.C. does encourage the forestry sectors of the ACP nations by providing both technical and financial support. It is likely that this group will increase the supply of wood and wood products to the E.C. but the increase is unlikely to be of great magnitude and will be of less valuable species.

Forestry Within the European Community

The E.C. has no comprehensive forestry policy. There have been several E.C. funded forestry programs (such as the monitoring of the effects of acid rain) and several E.C. proposals (all afforestation schemes being accompanied by an environmental impact assessment for example). The call for a fundamental forest policy statement by the E.C. has still to be answered. Forestry policy is largely left to the individual member governments. The individual member states vary greatly in the amount of forest land, species grown, productivity and
utilization of the produced wood fiber.

The E.C. imports approximately half of its forest products requirements. Demand (consumption) has increased by about 50 percent in the past 25 years and an estimate has been given of an annual increase of 2 percent per annum for the next twenty years.

The forests of the E.C. are expected to increase production by just 1 percent (if the forestry policy remains as it is and growth rates are not adversely affected by acid rain or global warming). The increasing imbalance of demand (consumption vs. production) will have to be met from external sources or the productivity/land base/utilization efficiency of E.C. forest resources will have to be increased.²

The three main policy guiding institutes of the E.C. (the Council, the Commission and the Parliament) have recently renewed their investigations into the use of the forestry sector as an alleyway to escape some of the problems associated with the Common Agricultural Policy (CAP). It can be expected that the E.C. will endeavor to formulate a progressive E.C.-wide forest policy in the near future.

TRADE DISTORTING PRACTICES

There are numerous trade distorting practices that exist in the exporting of forest products to the E.C.. In general they can be broken down into those which depress the trade and those which increase it. The depression practices nearly all come from the E.C. while the efforts to increase come from the U.S.
External interested parties also try to enter the equation, normally in trying to keep a piece of the market pie from U.S. companies.

**E.C. Practices**

The main tool employed by the E.C. are tariffs. Recently the effectiveness of tariffs has been reduced due to negotiated reductions in their rate. They are still in operation and tariff escalation can be seen in that higher tariff rates are given for goods which receive a greater proportion of the value-added through production in external countries. An example of this is hardwood logs entering duty-free while furniture can face up to a 19 percent *ad valorem* duty.³

Another practice which depresses U.S. export trade to the E.C. is a pesky insistence on using the metric system on forest products, not only when measuring products to tax them, but also in their standards and uses. The American system of measuring and rating products is, however, accepted in several countries. Exporters still face the need to convert production to meet European standards. Efforts are being made to gain a fuller acceptance of American grades through ongoing negotiations, negotiations which include efforts to achieve uniform customs treatment. It is hoped that a pan-European code of standards will be produced to save the costly work needed to fit products to markets as exists at present. Some work has been done to try to promote U.S. building practices in an effort to increase sales⁴.

Phyto-sanitary regulation on the import of wood products
burden U.S. producers with additional costs. Oak hardwood lumber has to be treated against oak wilt disease and conifers are inspected to prevent importation of bark and pests. It is only good practice when exporting lumber to the E.C. to have it kiln-dried and well packaged. Appearance counts for a lot and also helps in getting past customs inspection.

The subsidies given by individual countries to encourage forestry production varies. The effect of monies spent in this area has not been too deeply researched but it is likely that they aid the local wood using industries by supplying them with low-cost raw material. The influence of these subsidies will be increasingly felt in the coming decades as post-war afforestation programs near maturity.

**U.S. Export Assistance**

The U.S. government is presently trying to aid efforts to export as it considers this an element required in the solution of the trade deficit. The U.S. producers have a comparative advantage in the production of most forest products. This advantage is due to the natural resources of the country, the technical and innovative skill of management, and a comparatively high output capacity. These producers have historically looked to the domestic markets to meet their sales requirements. The cyclical nature of these markets, increased capacity and increase earning potential in foreign markets has led to a greater proportion of U.S. forest products being placed on the international market place.
There are numerous assistance schemes offered by the federal government aimed at the export markets. Most of these are designed for the small to medium-sized companies. The main organizations involved are the Department of Commerce and the Department of Agriculture. Other include the U.S. Export-Import Bank, the Small Business Administration, the U.S. Trade Representative and the Agency for International Development. Aid in developing exports in forest products can be found at the state level as well, as evidenced by the World Trade Center of the State of Maine.

Private businesses and individuals also seek to expand exports in forest products. A study of lumber traders in Oregon found that these private groups were most likely to be the initial contact for companies who subsequently began exporting.6

The scale of the forest products company also gives an indication of the likelihood of exporting. Larger companies tend to have greater resources of the time, money and expertise that are required in exporting to the E.C..

A more recent development in this area is that companies are looking for alternative methods of entering the European markets. Distribution organizations which are presently in operation mean forest products pass through several hands, tending to reduce the profit received by the initial exporter. Retail outlets, building suppliers and other marketing ploys are also being developed.

So too are direct investment and licensing projects. There has recently been a scramble to invest monies in forest product operations in Scotland by both Scandinavian and North American
investors. This is due to several reasons, including an increasing supply of raw material; governmental and local authority incentives for green site development; favorable forecasts for growth in the U.K. economy; and a pessimistic view of the results of the Single Europe Act of 1986.

All of these schemes are presently being aided by a weak U.S. dollar. The dollar has depreciated by 40 percent in the last two years against the ECU (a monetary unit used whose importance has been steadily increasing since its inception in 1978). 7.

THE FUTURE OF EXPORTS OF U.S. FOREST PRODUCTS TO THE E.C.

The future for exporters of forest products to the E.C. appears bright. The prices that the discerning markets in the E.C. will pay for quality U.S. goods is high. Exporters have to work hard to establish a good name as conscientious suppliers, ones who do not turn back to supplying purely the U.S. market when the home business is good. The market place in Europe tends to be competitive, the advantage that U.S. exporters now have should be seized. Efforts should be made to increase the use of U.S. forest products and exporters should be willing to adapt their outputs to meet the demands of the market.

The arena for trade agreements is presently murky. The incoming U.S. administration shall be quickly faced with some important policy decisions on how best to manage the potential for exporting U.S. forest products in a world where U.S. trade has become interdependent with the trade of other nations.
The E.C. is the largest trading block in the world. Care must be taken in dealing with exporting U.S. forest products to this group which has such a strong commitment to the CAP.

SOURCES


Appendix I.

Model of Trade
An Econometric Model

The concepts of excess demand and excess supply lie at the base of the model for describing international trade which was constructed by Darr. This model is described here and has been altered to applied specifically to the export of forest products from the U.S. to the E.C..

Excess supply is the volume of a product that U.S. producers are willing to sell to the E.C. market at various prices. Excess demand is the amount that E.C. consumers are willing to buy at various prices. The U.S. excess supply schedule for a particular product is defined as the supply minus demand of the domestic market at prices above the U.S. market price (see P_{U.S.}, figure 1).

The excess supply schedule is the amount that producers are willing to sell after taking into account all domestic demand. At prices above P_{U.S.}, domestic consumers are not willing to buy any more, therefore, that volume is considered excess to the domestic market. The excess demand schedule in the E.C. for the product is the supply minus demand at prices less than P_{E.C.}. Consumers in the E.C. are not willing to sell more at lower prices. This demand is at lower prices is considered to be in excess to the market.

Trade tends to equalize prices in the E.C. and the U.S. but transportation costs and other additional costs, like tariffs and value added tax, alter the prices. The effects of imports from other sources also influence the potential price received
by U.S. products.

Changes in supply or demand of the U.S. or E.C. marketplace influences the schedules and therefore the price of forest products traded. An indication of the likely direction and magnitude of any change can be found by estimating the elasticity of demand. The elasticity should also be calculated for products originating from other sources as this has an influence on the likely change in market share that the U.S. exporter will have after a change has been made. An attempt can then be made at estimating the cross-elasticities of the product in question.

<table>
<thead>
<tr>
<th>Product</th>
<th>U.S. price</th>
<th>price of product from non-U.S. source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Softwood lumber</td>
<td>0.21</td>
<td>0.21</td>
</tr>
<tr>
<td>Hardwood lumber</td>
<td>0.64</td>
<td>8.36</td>
</tr>
<tr>
<td>Pulp &amp; Waste paper</td>
<td>0.88</td>
<td>1.43</td>
</tr>
<tr>
<td>Plywood</td>
<td>2.01</td>
<td>2.01</td>
</tr>
<tr>
<td>Other paper/board</td>
<td>2.52</td>
<td>1.95</td>
</tr>
</tbody>
</table>


It can be deduced from Table 1 that the proportion of the market met by products from U.S. versus non-U.S. sources will likely change if there is a change in demand (given the example is based on a product that has differing elasticities). In cases where the elasticity for the product supplied by the U.S. has a lower(higher) assigned elasticity the U.S. would gain a larger (smaller) share of the market if the demand increased (decreased).
E.C. Demand for Forest Products

The economies of the E.C. member countries has been relatively stable over the last few years, growth rates have been sluggish in general. The E.C. currencies have been appreciating against the weak U.S. dollar which has reduced the competitiveness of E.C. domestic industries when compared with those of the U.S..

The uses of wood are in general similar to those of the U.S. but areas of the E.C. which are traditionally resource poor in terms of wood have different overall patterns of wood use (e.g. in the U.K. construction tends to be conducted using methods which require less wood).

The demographic trends are similar in the E.C and the U.S.. The increase in the proportion of older people has the same influence on the forest products sales as in the U.S., as evidenced by the increase in the amount of adult incontinent products that are being predicted in both areas.

When assessing the market for a particular product, research yields more usable results if it is conducted on the level of an individual country. This enables national tastes and trends in wood use to be considered, as well as allowing for easier identification of any sources of competition. Market research can be conducted with the help of numerous agents. The Department of Commerce offers much assistance in researching the trends and potentials of markets, as does the Foreign Agricultural Service of the Department of Agriculture.
Supply from the U.S.

The potential of the U.S. to supply a greater amount to the E.C. forest product markets is heavily linked to domestic demand and the availability and quality of wood resources. The old growth forests of the U.S. have all but disappeared, and in some areas there are forecasts of fiber shortages given the current forest management practices and demand forecasts.

Presently U.S. forest products exporters are starting to take advantage of the political will to increase exports and their desire for profit and expansion and are increasing activities in the E.C.. The production that is presently earmarked for the E.C. could be redirected to the Canadian market with the integration of the markets expected with the introduction of the Canadian /U.S. free trade agreement. This being cause by a differential tariff reduction which generally lies in the favor of U.S. producers.

SOURCES


3) Personal communication with Bob Galligan, ITT Rayonier, Stamford, CT.


Figure 1

Source: Darr, David R. "How Export Promotions Programs Influence Trade"

*Forest Products Journal* Vol. 33 No. 4: 15-20. 1983

![Graphs showing trade relations and quantities](image-url)
Appendix II

Development and Structure of the European Community
THE DEVELOPMENT OF THE EUROPEAN COMMUNITY

The organization of the nations of Europe called the European Community has been evolving since the Second World War (WW 2). The need for a stable, peaceful Europe was recognized and many politicians threw their weight behind European and United States efforts to help Europe get back on its feet. The European efforts date prior to WW 2 when French statesman Aristide Briand submitted a detailed scheme for a European union to the League of Nations Assembly in 1929. The U.S. effort was publicly born with a famous speech given by General George C. Marshall at Harvard in 1947.¹

The nations of Europe recognized the need for close international harmony amongst themselves and recognized the need to get away from the regressive trade policies which helped to bring about the war. One of the earliest moves was a customs union between Belgium and Luxembourg in 1922. This was dissolved in 1940 but re-established in May 1945 by the governments in exile. This merger was expanded into a customs union called Benelux with addition of the Netherlands, which came into force in 1948.

The Council of Europe was signed into existence at London in 1949. This council aided greatly to the stability of Europe and gave a dream of a united Europe. Its dream of a fully integrated Europe has yet to be fully met due to the serious political and social differences found in the signing nations. The Council of Europe was originally founded due to the work of about 1,000 individuals, including Winston Churchill, who wished
for a united Europe. It still exists today and is mainly concerned with the social rights of the population of Europe and endeavors to instill cooperation and understanding between nations.

The next intergovernmental agreement was based on the spread of communism in Eastern Europe. The west recognized that it was necessary to protect itself against a possible communist invasion. The need to build up armed defense was obvious and this was seen to require the production of steel and hence the participation of the recovering heavy industries of West Germany. The countries of Europe, France in particular, were nervous about the possibility of another war with a rearmed Germany and sought to integrate the coal and steel industries of the two nations. The Treaty of Paris in 1952 created the European Coal and Steel Community (ECSC).

The path of cooperation took another big step forward with the signing of the Treaty of Rome on May 17, 1957. This treaty was signed by Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands. The treaty formalized the creation of the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). Both of these communities were added onto the pre-existing European Coal and Steel Community (EDSC), and collectively they can be thought of as the European Community (E.C.).

The E.C. is basically an economic union with the prospect of a political union lying behind it. However, many of the hopes for a political union are dashed when the question of national
sovereignty is raised. Some of the member states are more willing to forego some national control for the sake of a stronger pan-European authority, while others, particularly the Thatcher-led United Kingdom, are less willing to release controls. The popularity of a stronger central power waxes and wanes. At present it appears to be on the ascent due to the enactment of the 1986 Single European Act which has caused a review of the status quo and calls for greater integration of economic activities which, in turn, forces political integration to become more necessary.

The membership of the E.C. has increased with the accession of Denmark, the Republic of Ireland and the United Kingdom in 1973, the accession of Greece in 1983 and that of Spain and Portugal in 1986. Further expansion does not seem likely in the near future. It is during these times of accession that external nations may seek to have any preferential treatment, or traditional trading practices that exist between them and the joining nation, to be extended over the whole E.C. membership. An example of this can be seen in the recent agreement between the E.C. and the U.S. concerning the accession of Spain and Portugal. The E.C. operates a very powerful agricultural control mechanism under the Common Agricultural Policy (CAP). This control dictates the price of agricultural products bought from the farmers within the E.C. and tends to exclude imports from non-E.C. countries. The U.S. has been a major supplier of cereals to the Iberian Peninsula and the accession was viewed in the U.S. as a loss of these markets. An agreement was reached by which the U.S. was compensated for this loss of cereal exports
by gaining a reduction in the tariff quota level for coniferous plywood for imports into the E.C., a market that has traditionally been met with U.S. imports.

The E.C. also maintains special economic, political and social links with several nations and groups of nations. From a forest products exporters point of view there are two major agreements which influence trade. One of these relationships has been established with the members of the European Free Trade Association (EFTA).

Countries of EFTA include Austria, Finland, Iceland, Norway, Sweden and Switzerland. The importance of the Scandinavian countries in the international trade of forest products is well known. The benefits that they enjoy both through their close proximity to the E.C. markets and their favorable trade agreement place them in a strong position when competing in the marketplace with U.S. companies.

The E.C. countries also look to the developing nations of the Third World to be trading partners. Thus far three treaties have been signed with a large number of African, Caribbean and Pacific (ACP) countries. The treaties are known as Lome 1, 2, and 3. The treaties give these nations preferential entrance to the E.C. markets and also provide a mechanism for aid through education, technical assistance and finance to be transferred to these nations. Although the volume of trade in forest products with these nations is only a small percentage of the total volume, a substantial part of the imported tropical hardwood demand is met from this source.
The last main area competing against the U.S. for a share of E.C. forest products pie is Eastern Europe. To date there has been no E.C.-wide agreement with this block but traditional markets, proximity, abundant resources, and bilateral agreements makes Eastern Europe a major supplier. Many of the countries in this region look to the forestry sector to supply their economies with western currency. The central planning of their economies leaves them with the option of offering products at prices that are not always related to production costs.

E.C. ORGANIZATIONAL STRUCTURE

The E.C. has five main functional units.

1) The Council of Ministers. This is a body of politically appointed senior ministers who represent their member states. The membership of the council is set at one political appointment from each individual member state, but it is common for other political leaders to be present at council meetings which address their particular field of responsibility.

The council is backed up by a permanent supporting body which normally screens the material that is brought to the attention of the council.

The council is the body which has the ultimate power in the European Community. Until recently, decisions reached by this group had to have unanimous agreement before it would pass. The Single Europe Act of 1986 made provision for a qualified majority vote to carry a proposal. This was a breakthrough because previously one country could impose its own wishes on
the workings of the E.C. by refusing to agree to a particular course of action. The issues decided upon are normally proposed through the European Commission which is the civil service of Europe. It can be said "the commission proposes, the council disposes".1

2) The European Commission. The civil service of Europe has expanded greatly since the signing of the Treaty of Rome. The expansion has lead to burdensome bureaucracy with much effort wasted on redtape details. It is named after the body of Commissioners, one or two nonpolitical representatives from each member country, which lies at its head. The organization is then broken-down into twenty administrative departments. The largest of these by far is the Agricultural and Fisheries Department which, in itself, is further broken-down into 8 directorates and 91 divisions.

The main functions of the Commission are to prepare policy decisions for the Council for the council to vote on, to implement the decisions of the Council in cooperation with the member nations and to manage the finances of the E.C..

3) The European Parliament. This is a body of politicians who are directly elected from the member nations by the general public. The main task of the parliament is to review the actions of the Commission and the Council. In this capacity they have the right to alter a proposal that the Commission is preparing for the Council and can review subsequent changes that are made. The body may debate any topic whether it is within the area covered by the founding treaties or not. It also has the
responsibility of allocation of the nonmandatory expenses (about 3-4% of the total E.C. budget).

The organization of the members into political groups tends to be independent of national parties. There are several groups and there are often amalgamations of seemingly incompatible bedfellows, for example, it is not uncommon for a socialistic member from the U.K. to join forces with French conservatives in order to achieve mutual goals. The Parliament has the right to dissolve the Commission and Council but uses this right sparingly as its existence could be terminated with over-zealous use.

4) The European Court of Justice. This unit is common to all three treaties and supersedes the earlier Court of Justice of the ECSC. The Court's task is to ensure compliance with the treaties and legislation of the E.C..

In the recent past it has decided upon several key cases and is becoming the center of some important issues. These issues are being decided by trial law which is unusual in that several of the countries of the E.C. can be said to be ruled by common law. One of the most important cases resulted in a West German importer of alcoholic drinks from France being awarded the decision in a case brought against its own government (Rewe Zentral AG vs. GDR). It is likely that many more such cases are going to take place in the near term as the guidelines provided in the Single Europe Act are examined in the court room.

5) The Economic and Social Committee. The functions of this body
are similar to those of the Parliament but it has limited power. Their task is to provide background information on topics that come before the other units.

Its members are appointed by the governments of the member countries. They tend to be from various walks of life. About one-third are industrial employers, one-third from trade unions and the last third being termed the social partners (a mixed group, from farmers to shopkeepers to consumers).

THE FUTURE OF THE E.C.

The future of the E.C. appears to be one of continued economic growth and integration. The levels of both of these factors are greatly dependent on the political will of the peoples of the member nations. At present there are two major tests that the E.C. is undergoing that will indicate the likelihood of further integration.

First is the manner in which the CAP is directed. This area has been one of constant political argument. The pressure upon the E.C. to modify this program has been increasing with the latest challenge being headed by the U.S. at the Toronto mid-session talks of the Uruguay round of multi-national trade talks.

The second is the success of the Single Europe Act in creating a truly common market. To date, much progress appears to have been made with private industry preparing for a predicted liberalization of trade by seeking to create production units which have a scale that suits a pan-E.C.
market. However, there are still large areas of economic policy that need to be agreed upon by the member nations, one being the level of Value Added Tax to be waged and on which products or services to tax.

If greater political unity is achieved, the results to U.S. forest product exporters may well be an increase in volume and value traded. This being due to trade with a prosperous wood-resource-poor trading bloc. The long term opportunity may not be as rewarding to the U.S. as the production from land which will be converted from marginal agriculture to forestry comes onto the market.

SOURCES

There are three main sources:


Appendix III

Aid for U.S. Exporters of Forest Products
FACTORS WHICH INFLUENCE U.S. EXPORTS IN FOREST PRODUCTS

The U.S. producers of forest products enjoy several advantages, when compared with E.C. producers, regarding the factors of production. Historically, the U.S. industry has been well placed to take advantage of the rich forest resources found in North America. Timber has long been exported, the earliest recorded shipment occurred in 1608 from the Virginia Company's sawmill at the Jamestown colony to Britain.¹

Other advantages include a dynamic managerial style that has always tried to take advantage of new methods of production; a rich pattern of investment into the industry; cheap energy from domestic reserves and governmental reduction of imported energy costs; a productive labor force; excellent transportation infrastructure and a large domestic market to absorb production.²

Competition has been high amongst producers and this has led to efficient company organization. A recession in the early 1980's in the forest products trade encouraged these companies to update their operations and manning levels. The industry is thought to in a good state of health with certain areas, such as pulp and paper, being currently very profitable.³

The organization of the forest products companies has been changing. The size and shape of the individual companies has been expanding. Production in most fields of forest products has been concentrated in the hands of fewer companies and they tend
to have become more horizontally and vertically integrated. This has left the companies more fitted to provide the resources required for exporting. The degree of concentration is well illustrated in the work of G. Robinson Gregory.4

It is in the interests of the economy of the U.S. that something is done to reduce the current deficits in both the Federal Budget and the Nations balance of payments. The forest products sector is capable of helping with the trade deficit by actively pursuing a policy of seeking export markets.

**U.S. GOVERNMENTAL ASSISTANCE**

The economic policy of the U.S. government has taken two main outlooks. The one that was most apparent during the period surrounding World War 2 (WW 2) is that of national defense being of the highest importance. The second, which was in evidence before WW 2 and has appeared in more recent times is an inward looking policy which tends to be protectionistic of the domestic commerce of the U.S. with less regard of the world in general.

The recent rise of protectionistic measures that have been seen in Congress can be typified by the passing of a countervailing duty against the importation of Canadian shingles and shakes. This act was even more noticeable as it was passed during the final negotiations of the U.S./Canadian Free Trade Agreement.

The U.S. government has been actively supporting export efforts since the 1930s, a period when the government entered
the international trade scene to stop exports of goods to U.S. enemies and to divert productive capacity to help its allies. The government was less active during the postwar years, admittedly the Marshall plan had a great deal to do with the recovery of western Europe, but in essence, the export of U.S. production was driven by the market rather than governmental interference. This period was seen as a time of laissez-faire with the government interested only in the reduction of trade barriers.

The after shocks of the devaluation of the dollar in 1971 and 1973 and a worsening balance of trade led to a more protectionistic attitude in Congress. The president gained power in determining the levels of protection that are enforced. This power has subsequently been reduced by the passing of the Omnibus Trade and Competitiveness Act of 1988. The Congress now has substantial authority in determining the levels of protection and the methods of retaliation if unfair trade practices are thought to exist.

One method of aiding exports is to "make the playing field more level" by combating trade restrictions imposed on U.S. goods by other countries by giving U.S. exporters assistance in overcoming these barriers. This method has spawned numerous programs which are designed to allow for greater market penetration in foreign markets, particularly by small to medium sized companies. Not all of these schemes are directly applicable to trade in forest products to the E.C.. Many are designed to open up trade in the Third World, such as the Commodity Credit Corporation (CCC) which operates through the
Department of Agriculture's Foreign Agricultural Service (FAS).

The number of programs that federal agencies offer exporters is impressive. The major bodies that support forest products exports are the Department of Commerce, mostly through its International Trade Administration, and the aforementioned FAS. Other federal export assistance agents are the U.S. Export-Import Bank (Eximbank), the Small Business Administration, the U.S. Trade Representative and the Agency for International Development.

Forest products exporters also can receive assistance from state and industrial agents. An example of this industrial support is the program developed by the National Forest Products Association, in tandem with the FAS, of constructing houses made with U.S. forest products. The success of these methods is hard to estimate but there was great interest in the street of houses designed and constructed in the U.K. ⁵

Assistance is also offered by private companies or individuals, such as timber brokers, who operate for profit. Indeed a study of Oregon lumber producers showed that the most likely source of meaningful contact (out of 23 government, industry, individual company sources, state government and other private sources) was likely to come from this group. ⁶

This assistance is seen by many as counteracting trade distorting practices used by other nations. The influence that governments and other sources have upon the export of forest products is likely to grow. The potential to earn a profit in these markets will attract the attention of those in the forest
products industry. The government is likely to be faced with a deficit balance of trade for quite a while to come and therefore will be active in promoting exports.

The taxation of export trade places a big role in the potential profitability of export programs. Recently companies have been creating Foreign Sales Corporations which exempts a portion of foreign income from sales abroad from federal income tax. This program was established in 1984 as a replacement for the Domestic International Sales Corporation which was found to be GATT-illegal.7

Presently, political activists are working on expressing the need for a strong governmental support system of export assistance to the incoming team that President-Elect Bush is creating. Only time will tell which direction the new U.S. government shall take but the selection of ex-Trade Representative Clayton Yeutter to be the Secretary of Agriculture should leave agriculture and hence forest products well positioned for consideration in international trade agreements.
SOURCES.


3) Personal communication with Bob Galligan, ITT Rayonier, Stamford, CT. October 1988.


Appendix IV
Tariffs
TARIFFS

Tariffs tend to be a protectionistic measure used by countries in an attempt to alter trade to aid their own economies.

The theories of "comparative advantage" and "specialization" call for the concentration of production in certain areas which have an advantage over other areas in the cost of producing a particular product. The advantage may lie with several different products. The theories call for the areas to specialize in production of products in which they have the greatest advantage. The specialization is to be carried out to the degree that equalizes the balance of production so that the greatest benefit is given to all areas.

Trade is called upon to distribute the products and production. This enhances the welfare of all who participate allowing goods to be from low-cost sources, with competition making for efficient allocation of resources.

Tariffs, the imposition of a duty, are used to perform two separate functions. First, they can be used to protect the domestic industry by reducing or eliminating competition from external sources. Second, they can be used to raise funds for the importing government.

Their use can be traced back to the early part of this millennium to Greece where the city of Athens imposed a 2 percent ad valorem levy on all imports and exports. The Sung Dynasty in China (960-1279) also used import duties which varied from 10 to 40 percent as they tried to find the revenue-
maximizing rate.\textsuperscript{2}

The use of tariffs to influence the pattern of trade has often not been able to bring about the desired results. Trade warfare has been in existence since the nations of the world developed sufficient political and economical sophistication to try to manipulate trade to their advantage. The most common tool used in this warfare has been tariffs. The height of this warfare could be said to have occurred just before the start of WW2. At that time of economic difficulties, nations took extreme measures to protect their ailing industries; these steps were often country-specific, quantitative restrictions in trade.

In turn these led to defensive economic alliances and bilateral trade agreements. There were also competitive currency devaluations and subsidization of exports as countries tried to export their unemployment by using "beggar-thy-neighbor" tactics. Events came to a head after the U.S. passed the Smoot-Hawley Tariff Act in 1930. World trade spiraled downwards, resulting in increased unemployment and reduced production in all countries. Between 1923 and 1933 world trade fell by approximately two-thirds. U.S. exports fell from $5.2 billion in 1929 to $1.6 billion in 1933. Over the same period, U.S. imports fell from $4.4 billion to $1.5 billion. Over three dozen governments formally protested against the Smoot-Hawley Tariff Act.\textsuperscript{3} The problems of international trade deepened as retaliation and discrimination led to the formation of alliances. Before conciliatory measures could stabilize the situation, WW2 broke out.

Today the escalation of trade wars is controlled to some
extent by the working of the General Agreement on Trade and Tariffs (GATT). This is an administrative agency of about two hundred professional staff which facilitates the trade negotiations of some 92 full signatory countries with 30 more who apply its rules de facto.

Originally, GATT was part of the International Trade Organization, one of three major institutions which were set up with the intent to stabilize world economy in the aftermath of WW 2 (the other two being the International Monetary Fund and the World Bank). The U.S. did not favor the potential power of the International Trade Organization but did support the control of tariffs. U.S. support led to the GATT remaining after the parent organization dissolved.

The GATT was designed to give the participants a way in which to liberalize trade without the need to expose themselves to competition from still-protected economies. It was hoped to create a free market arena. GATT serves as a meeting place for the contributing countries (initially twenty-two) who voluntarily join in negotiations. The negotiations have historically been initiated by the U.S.

There have been seven rounds of talks so far with the most recent being the "Uruguay Round". The talks are normally named after the country in which the first meeting of the round is held. The results of the different rounds have been a significant reduction of the tariff levels. This reduction has lead to greater awareness of other methods of distorting trade, such as the so-called non-tariff barriers which include
differential application of health and product standards, subsidies to local producers, free-trade agreements and governmental procurement practices. The talks are usually protracted. The mid-term results of the Uruguay Round have just taken place in Toronto (December 1988). The overall impression is that the participant have a lot to do in order to reach an agreement with the problems of the agricultural subsidies of the E.C. and the U.S. being major stumbling blocks.

The area of negotiation has also been expanded to try to accommodate some of the more topical problems facing international trade. These include improved communications and increased emphasis on services and high technology, as well as the increased mobility of intellectual capital. Another trade issue that needs to be addressed is the use of voluntary restraint agreements (VRAs), whose use has been expanded over the last decade.

The member states of the E.C. act as a single unit for most of their external tariffs. The creation of the E.C. dictated a Common Customs Tariff (CCT) for all members with the phased elimination of all interior tariffs. The phasing out of interior barriers has taken place with the exception of Greece, Portugal and Spain who joined the E.C. more recently. Eventually there will be no tariff barriers within the Community affecting internal trade.

The effects that tariffs have on trade are very complicated. The situation facing U.S. producers is one in which there is a common customs union in the E.C. markets. This union has extended preferential treatment to certain other countries
or groups of countries for specific forest products. An example of this is that paper and board produced by members of the EFTA is allowed to enter into the U.S. duty free while similar product from the U.S. face a duty of between 6-12 percent, dependent on the specific product in question. The influence of tariffs in the forest products sector of the E.C. is to aid the internal forestry sector. The ability of this sector of industry to compete on level terms in the international market has been reduced by the cost of production of the basic raw material, a lack of suitable fiber in sufficient quantity and a reluctance of business, in general, to invest in forestry.

Present Tariffs Facing U.S. Forest Product Exports to the E.C.

The present tariff barriers facing the export of U.S. forest products to the E.C. are governed under the Treaty of Rome which established the EEC, in particular Articles 28 and 113 of this treaty. The Common Customs Tariffs are also constructed to be in general compliance with the GATT. Section IX of the schedule of customs duties of the CCT deals with the majority of forest products while Section II considers live trees and other related vegetation.5

The U.S. comes under the status of most-favored-nation in most of the tariffs but autonomous duties can still be used by individual member states.

Tariffs are assessed by measurements in the metric system and valuations based on the ECU. The valuation takes place as a product enters into the country and includes the cost
of insurance and freight. This method of valuation differs from that used by the U.S. customs service in that the U.S. bases its appraisal on cost to get the products loaded and ready for export but does not include subsequent transportation and insurance costs.

The type of tariffs faced are straight forward ad valorem duties and tariff quotas. The general levels of tariff are low but they are considered to be important in the eyes of potential exporters.

A study has shown that overall average tariff rates facing wood imports to the E.C. in the post-Tokyo GATT era are:

<table>
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<th>Import from</th>
<th>Developed market</th>
<th>Developing countries</th>
<th>Socialist countries</th>
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</thead>
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<tr>
<td>Wood in the rough</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Primary wood products</td>
<td>0.8</td>
<td>1.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Secondary wood products</td>
<td>1.7</td>
<td>1.5</td>
<td>3.2</td>
</tr>
</tbody>
</table>


These figures are averages and do not indicate the U.S. position. They do, however, show a general pattern of tariff escalation, which is an increase of duties payable on products which receive a greater degree of value-added in the exporting country. The effect of tariff escalation is to increase the tendency to export raw materials and hence lose the potential of receiving additional return for increased value added through further manufacture.
An example of tariff escalation in trade in forest products from the U.S. to the E.C. is that of pulpwood and its end-products. Chips or particles may enter with no tariff, while fiberboard, a product of similar base material, faces an **ad valorem** tariff of 10.3 percent.

The tariff quota currently facing "plywood, blockboard, laminboard, battenboard and similar laminated wood products (including veneered panels and sheets); inlaid wood and wood marquetry" currently stands at 650,000 cubic meters. Above this quota a tariff of 10.4 percent has to be faced. This tariff quota has had the effect of importers buying up to the quota limit early on in the year and then stopping all purchases of foreign goods. As this market is 70 percent met by U.S. exports this trend has a very disruptive influence on production.

The prospect of the tariff treatment of U.S. forest products by the E.C changing is difficult to determine. The linking of forest products with agricultural products leaves a strong possibility that both sides will try to use forest products as an avenue to use in trade-offs in the deep disparity they have with agriculture. An indication of this is the trade-off that occurred in forestry and agriculture when Spain and Portugal joined the E.C.. It may be likely that similar trade-offs might occur in the future as the E.C. tries to protect the CAP.
DETAILS OF THE E.C. CUSTOMS TARIFF SCHEDULE

Currency Values, December 1984

The values are calculated in terms of the European Currency Units (ECUs)

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<th>Currency</th>
<th>Rate</th>
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</thead>
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<tr>
<td>German marks</td>
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<tr>
<td>Dutch guilders</td>
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</tr>
<tr>
<td>Pound sterling</td>
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<tr>
<td>French francs</td>
<td>6.95940</td>
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<td>Italian lira</td>
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</tr>
<tr>
<td>Greek drachmas</td>
<td>92.1772</td>
</tr>
</tbody>
</table>

Selected Quotes from E.C. Tariff Schedule

Description                                                                 Rate of duty %

Chapter 6: Live trees and other plants

Live trees;
  unrooted cutting and slip 8.5
  other 13.0

Foliage, branches and other parts
  fresh 10.0
  no further prepared than dried 4.5
  other 17.0

Chapter 13: Lacs; gums, resins and other vegetable saps and extracts

Shellac, natural gums, resins
  Conifer resins 0.5

Chapter 44: Wood and articles of wood; wood charcoal

Rough wood poles,
  6m< length<18m
  45cm< butt circumference<90cm 2.6

Conifer lumber,
  length <=125cm
  thickness <=12.5cm 4.1

Railway\tramway sleepers of wood
  injected or impregnated to any degree 4.1
  other 2.7
Description | Rate of duty
---|---
Chapter 44: cont. Wood sawn lengthwise, sliced or peeled but not further prepared, thickness ≤ 5mm; veneer sheets for plywood, of a thickness ≤ 5mm Small boards for manufacture of pencils free other 6.1
Plywood, blockboard, laminboard, battenboard and similar laminated wood products (including veneered panels and sheets); inlaid wood and wood marquetry 10.4 (imposed on volumes over 650 000 m³)
Complete wooden packing cases, boxes, crates, drums and similar packings: A. Wholly or partly of plywood, blockwood, laminboard, battenboard or similar laminated wood products (including veneered wood panels and sheets) 8.2 Other: Of fibre building board 9.1 Other 8.1
Chapter 47: Paper-making material Pulp derived from mechanical or chemical means from any fibrous vegetable material free
Chapter 48: Paper and paperboard; articles of pulp and paper or paperboard Kraft paper and kraft board paper for large-capacity sacks 8.0 other 7.0 Paper weighing less than 15g/m² for use in stencils 4.1 Hand-made paper and paperboard 5.7 Paper and paperboard, corrugated (with or without flat surface sheets), creped, crinkled, embossed or perforated, in rolls or sheets paper and paperboard, corrugated 11.8 other 10.8 Boxes, bags and other packing containers, of paper or paperboard; box files, letter trays and similar articles, of paper or paperboard, of a kind commonly used in offices, shops and the like: A. Boxes, bags and other packing containers 12.8 B. other 11.8
Description rate of duty
Chapter 48: cont.
Other articles of paper pulp, paper, paperboard or cellulose wadding:
A. Perforated paper and paperboard for Jacquard and similar machines 5.3
B. Napkins and napkin liners for babies
   I not put up for retail sale 11.0
   II other 7.8
SOURCES


2) "The History of Trade Conflict"***


Appendix V

Monetary Systems
WORLD MONETARY SYSTEM

The worldwide exchange rate system used in this century has changed several times. The gold standard, which was a rigidly fixed exchange rate system, did not require any cooperation between nations to set the exchange rate; currency's values were simply set to be so many ounces of gold with little other control. The gold standard operated well until the start of the First World War (WW I) in 1914.

The 1919-1939 period was marred by a series of competitive devaluations which had very disorganizing results. The value of individual currencies were very changeable and the general economic downturn of the depression led to amazing inflation rates, an example is the extreme inflation experienced in Germany during 1922-23. The world of international commerce was very unsettled to say the least.

The Bretton Woods Agreement, named after a meeting of the United Nations Monetary and Financial Conference in 1944 at a holiday resort in the White Mountains of New Hampshire, was instrumental in the establishment of the International Monetary Fund (I.M.F.) and the World Bank. Under the Bretton Woods Agreement there was greater stability in exchange rates. This system called for greater multinational cooperation and allowed for occasional currency alignment. The dollar emerged as the linch-pin largely due to the dominant position the U.S. held in the economic, military and political arenas. The influence and power of the U.S. in the immediate postwar years was supreme.

The economies of Western Europe and Japan were in a
rebuilding mode and the U.S. did much to aid their recovery. This help was given with a degree of self-interest, as the U.S. saw healthy foreign economies as a method of offsetting the emerging Soviet Bloc aggression.

The domestic U.S. economy of this period faced little competition from either Europe or Asia. The active U.S. international economic policy took advantage of the struggling production potential of other nations to build world markets for its traders.

In response, the recovering nations were not willing to expose their industries to the full competitive force that would face them in a free market and raised barriers to the entrance of U.S. goods. They also made currency devaluations against the dollar. This situation was acceptable to the U.S. as its superpower status enabled it to further boost its balance of trade despite such measures. The value of the dollar appreciated to an extent that was beyond its true worth.

The economies of the industrialized nations did not take long to recover. The dominance of the U.S. as an international economic power slowly eroded and other nations entered the ring. Several factors, including the emergence of the European Community and Japan trade surpluses, an attack on the dollar started by a gold-buying spree of President de Gaulle of France in the mid 1960's and increasing U.S. external deficits, led President Richard Nixon to remove the dollar from its position of being directly convertible to gold. This action was taken in 1971 and was coupled with a new U.S. international trade policy. This move caused chaos in the international economic scheme.
The fixed-rate exchange system was replaced by a floating exchange system that had barely time to settle into working order before the Organization of Petroleum Exporting Countries (OPEC) gave the world its first oil-price shock. Nonetheless the floating exchange system was maintained.

The floating exchange rate system that is presently in operation is by no means perfect. The exchange rates tend to either overshoot or undershoot the rates that would lead to an equality of purchasing power. The inability to achieve parity has been exacerbated by the numerous distortions in international trade practices.

Some of these practices that affect trade in wood products are tariffs, quotas, subsidies, customs specifications, product and health standards.

The dollar has been particularly unstable under the free-floating exchange rate system. President Reagan has twice been given aid by his allies in the economic world to help in the regulation of the dollar exchange rate, firstly with the Plaza agreement of September 1985, then with the Lourve accord of February 1987. The dollar, though not having the dominance that it once enjoyed, is still the leading player in world trade and has been seen as having a firm base.

Floating exchange rates are thought to allow for adjustments to be made to the rates that allow for the fairer exchange of goods. They also may allow a currency to have some insulation from the pressures of other currencies. In the past, a country with a strong currency might import inflation from a country
that had a weak currency. However the problems aforementioned, of overshooting and undershooting the correct rate call for some control of the adjustment so that stability can return.

EUROPEAN MONETARY SYSTEM

The E.C. financial system is quite complex. There are several different levels of monetary control and the member nations all possess individual quirks which reflect their history of, social, political, cultural and trading factors. Added to this are the interactions on a global scale which add more layers of uniqueness onto an already complex situation. Although it is inherent in the nature of seeking a economic community that there be monetary union, to date, there has not been a scheme that all of the member states can agree to.

The present scheme in use is the European Monetary System (EMS), which was initially set up in December 1978. This system also created the European Currency Unit (ECU). Under this system the central banks of the member countries contributed 20 percent of their reserves of gold and dollars to the European Monetary Cooperation Fund (EMCF). This fund was used to create the primary stock of "official" ECUs. It is worthwhile to distinguish between the "official" and "private" ECUs.

The official (or primary) ECUs are governed by the rules of the EMS. They are used as an international financial instrument by the central banks of the E.C. and are the basis of the Exchange Rate Mechanism (ERM). In this capacity the ECU is used as a measure of the divergence of the currencies which are
members of the ERM (Belgium, Denmark, France, Ireland, Italy, Luxembourg, the Netherlands and West Germany). These currencies are expected to maintain a uniform exchange rate with respect to the other currencies in the ERM basket. The amount of divergence allowed is fixed. Italy has been granted a special allowance for the lira due to the lira joining the ERM after the other currencies and because of its inherent instability. The working of the ERM and hence the EMS has been dominated by the deutschmark. The system has been further complicated by the U.K. keeping the pound sterling out of the ERM while at the same time being part of the EMS. The currencies of Greece, Portugal and Spain also hold unique positions with regard to the EMS but they are likely to be more fully amalgamated into the set up after their economies have come more in line with the others of the E.C..

This system quite closely resembles its predecessor, "the snake". The snake also called for a limitation of divergence of currencies and also had the proviso that the European currencies involved would be further guided by the U.S. dollar exchange rate. The difference is that the U.S. dollar has been eliminated as being the guiding exchange rate mechanism of the snake.

The private use of the ECU has been growing. The ECU is used in the private banking market, the private bond market and also in the private exchange market. It is in the last role that exporters of wood products are likely to use the ECU. The advantages that it offers are that the exchange rates for ECU are in general more stable than those of the individual
currencies. This reduces the risk of unfavorable changes in exchange rates while trading internationally.

In arranging transactions in ECUs, care must be taken to assure the convertibility of the ECUs and also that the ECUs are a recognized financial unit for trade in the particular country in question. For instance, individuals in West Germany are not allowed to furnish a debt in ECUs.

The Influence of the Dollar

The U.S. dollar has undergone a series of swings in its exchange rate in the last two decades. Since President Nixon removed it from its position of convertibility with gold in 1971 it has swung down, up, and is now on the downswing again. Stability in the alignment of exchange rates is important in the reduction of risks in international trade.

The swings of rates have had a marked influence on exports to the E.C.. Over the last three years the dollar's decline has given the U.S. exporter an increased comparative advantage when trying to sell to the E.C. The dollar dropped by about 40 percent against the ECU during 1986-1987 and the decline is still continuing. This has been due in part to the policies of the Reagan administration. The dollar's decline is expected to continue into the start of President-Elect Bush's term.

The decline has given the producers of the U.S. a comparative cost advantage over competitors in the E.C.. The advantage, however, is not carried over to competitors where the currency has either remained stable with, or actually risen against the
dollar. This is particularly true of the Canadian dollar where although the exchange-rate has fluctuated with the dollar the currencies have followed a very similar path vis a vis the ECU.

The increase in U.S. worldwide wood products exports (running at 7 percent up over last year, with an expected year end total of $5 billion\(^2\)) is expected to continue. This increase cannot be placed solely at the feet of exchange rate differences. Other factors that have played a role include a general attempt by the wood using industries to seek export markets; a concerted attempt by federal, state, and in some cases, local government to aid industry in making these sales; and the fruit of capital investment which has produced a sleek, efficient industry and reduced competition from other wood product producers.

The long-term effects of this depreciation of the dollar might be less desirable with increased inflation, higher energy prices and less capital investment possibly becoming issues.
Sources

Main reading


Specific


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Anon. "Export Now, it makes good business sense" Business America Vol. 109, No. 7. 1988


Wilson, Harold W. Market Constraints Dept. of Forestry, Virginia Polytechnic Institute and State University. undated.

<table>
<thead>
<tr>
<th>Country</th>
<th>U.S. Exports 1986</th>
<th>% Change</th>
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<th>Reexports 1987 Jan-Dec</th>
<th>% Change</th>
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<td>+2.0</td>
<td>217,304.2</td>
<td>252,865.8</td>
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<td>Percent of Grand Total</td>
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<td>28.4</td>
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<td>+3.6</td>
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<td>3,148.3</td>
<td>+20.4</td>
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<tr>
<td>United Kingdom</td>
<td>11,418.2</td>
<td>+1.3</td>
<td>11,418.2</td>
<td>14,113.9</td>
<td>+23.6</td>
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<tr>
<td>European Free Trade Association (EFTA)</td>
<td>6,691.9</td>
<td>+5.8</td>
<td>6,691.9</td>
<td>7,033.1</td>
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<tr>
<td>Other Western Europe</td>
<td>1,798.2</td>
<td>-8.9</td>
<td>1,798.2</td>
<td>2,109.6</td>
<td>+17.3</td>
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Data include Special Commodities
Exports--f.a.s.
* = denotes absolute value
Source: FT 990, December 1987 U.S. Department of Commerce, Bureau of the Census
Compiled by: Office of European Community Affairs EUR/IEP/ITA
February 17, 1988
**Comparison of exploitable forest area between main trading groups, by species type and increment rate**


<table>
<thead>
<tr>
<th>GROUP</th>
<th>Exploitable forest area x 1,000HA</th>
<th>Coniferous forest area x 1,000HA</th>
<th>Broadleaf et.al. area x 1,000HA</th>
<th>Annual increment m³/HA</th>
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<tr>
<td>E.C.</td>
<td>38,655</td>
<td>19,329</td>
<td>19,326</td>
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<tr>
<td>U.S.</td>
<td>195,256</td>
<td>83,537</td>
<td>111,326</td>
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<tr>
<td>Norway</td>
<td>48,275</td>
<td>44,267</td>
<td>4,008</td>
<td>3.02</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>U.S.S.R.</td>
<td>534,500</td>
<td>405,900</td>
<td>128,600</td>
<td>1.40</td>
</tr>
<tr>
<td>Canada</td>
<td>214,780</td>
<td>N.A.</td>
<td>N.A.</td>
<td>1.66</td>
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</table>
## EUROPEAN MEMBER NATION BREAKDOWN

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>POPULATION</th>
<th>WOODED AREA</th>
<th>TOTAL WOOD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MILLION</td>
<td>X1,000HA</td>
<td>X1,000M³</td>
</tr>
<tr>
<td></td>
<td>%E.C.</td>
<td>%E.C.</td>
<td>%E.C.</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>9.8</td>
<td>617</td>
<td>2,786</td>
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<tr>
<td></td>
<td>3.1</td>
<td>1.1</td>
<td>2.6</td>
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<tr>
<td>DENMARK</td>
<td>5.1</td>
<td>493</td>
<td>2,312</td>
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<tr>
<td></td>
<td>1.6</td>
<td>0.9</td>
<td>2.2</td>
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<tr>
<td>FRANCE</td>
<td>54.7</td>
<td>14,765</td>
<td>30,233</td>
</tr>
<tr>
<td></td>
<td>17.0</td>
<td>27.5</td>
<td>28.7</td>
</tr>
<tr>
<td>GREECE</td>
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<td>5,755</td>
<td>2,683</td>
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<tr>
<td></td>
<td>3.1</td>
<td>10.7</td>
<td>2.5</td>
</tr>
<tr>
<td>IRELAND</td>
<td>3.5</td>
<td>397</td>
<td>987</td>
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<tr>
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<td>1.0</td>
<td>0.7</td>
<td>0.9</td>
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<tr>
<td>ITALY</td>
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<td>9,162</td>
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<td>11.9</td>
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<td>LUXEMBOURG</td>
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<td>300</td>
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<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
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<tr>
<td>NETHERLANDS</td>
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<td>348</td>
<td>913</td>
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<tr>
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<td>4.5</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>PORTUGAL</td>
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<td>9,224</td>
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<tr>
<td></td>
<td>3.1</td>
<td>5.5</td>
<td>8.8</td>
</tr>
<tr>
<td>SPAIN</td>
<td>38.2</td>
<td>12,511</td>
<td>13,696</td>
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<tr>
<td></td>
<td>11.9</td>
<td>23.3</td>
<td>13.0</td>
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<tr>
<td>WEST GERMANY</td>
<td>61.3</td>
<td>7,207</td>
<td>29,150</td>
</tr>
<tr>
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<td>27.7</td>
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<tr>
<td>U.K.</td>
<td>56.5</td>
<td>2,230</td>
<td>3,869</td>
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<tr>
<td></td>
<td>17.6</td>
<td>4.1</td>
<td>3.7</td>
</tr>
</tbody>
</table>

**SOURCE:** POPULATION. Anon. European Marketing Data and Statistics Euromonitor Publications Ltd. London. 1987

WOODED AREA PER PERSON

Source FAO Population & areas
ECE Wooded area
base year 1984

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>E.C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POPULATION</strong></td>
<td>233,982</td>
<td>320,058</td>
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<tr>
<td>(million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AREA</strong></td>
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<td>225,330</td>
</tr>
<tr>
<td>( \times 1,000 \text{HA} )</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>WOODED AREA</strong></td>
<td>298,076</td>
<td>55,745</td>
</tr>
<tr>
<td>( \times 1,000 \text{HA} )</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HA/ PERSON</strong></td>
<td>1.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>
Kenneth Ewan Fergusson was born on March 8, 1959 in Banff, Scotland. He attended several schools throughout Scotland before joining the Forestry Commission in November 1978 as a General Wood Worker. He worked in the forests of Moray until 1981 when he left to attend the University of Aberdeen.

Mr. Fergusson graduated with a B.Sc. in Forestry in 1984 after spending a year as the President of the University Forestry Society. He was employed as a Site Supervisor with Fountain Forestry Ltd. in Glen Morriston in the Northwest Highlands of Scotland before rejoining the Forestry Commission as a Probationary Forester on the Thetford Forest of East Anglia, England.

Mr. Fergusson emigrated to the U.S.A. in July 1986 and was married in September of that year. He was employed by Weston Arborists Inc. of Weston, Connecticut for over a year before joining the Master of Forestry Program at the University of Maine in January 1988. He graduated in December 1988, the first student to start and complete the M.F. Program.

Mr. Fergusson's studies were heavily supported by his wife and he hopes to secure employment in the near future.