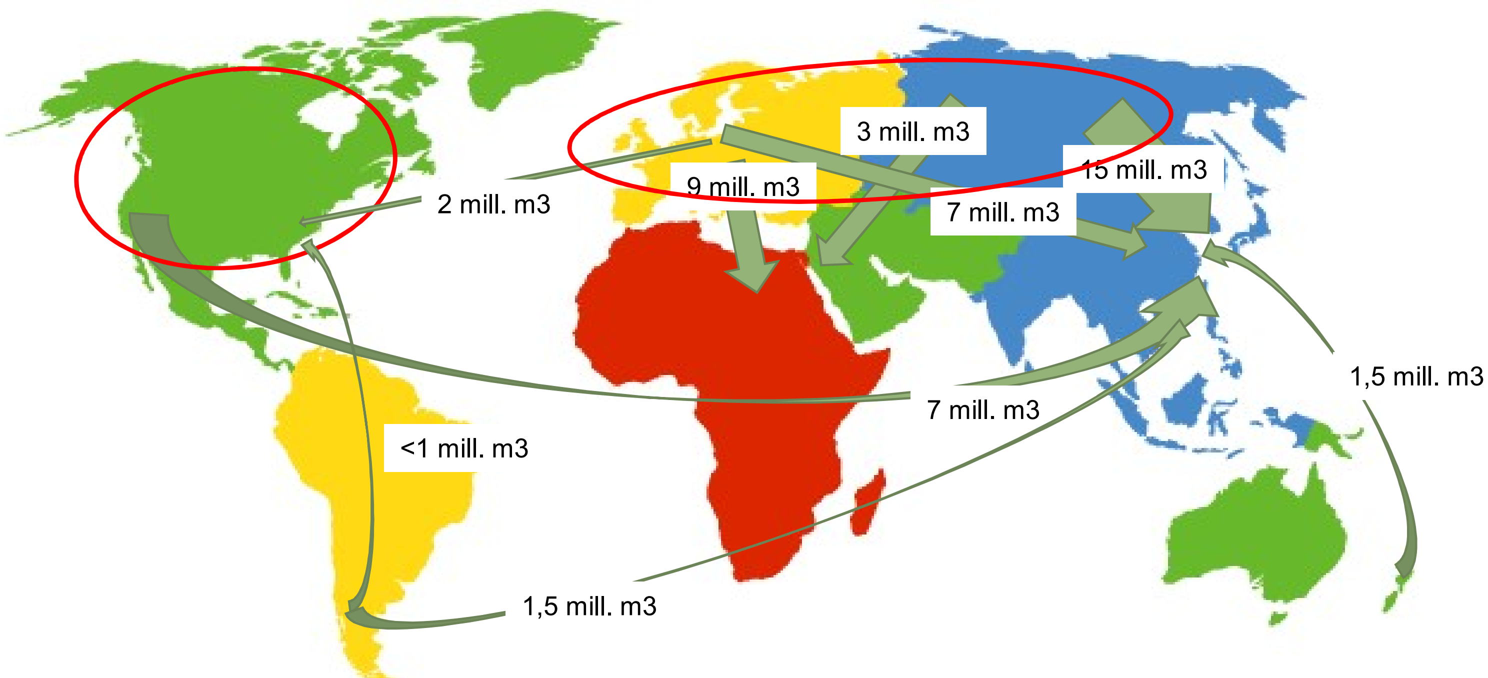
Protectionism on the rise?

Perspective of the Swedish saw mill industry.

Magnus Niklasson, Swedish Forest Industries Federation

Skogs Industrierna

Global softwood trade: 130 million m^3 or 37% of the global production



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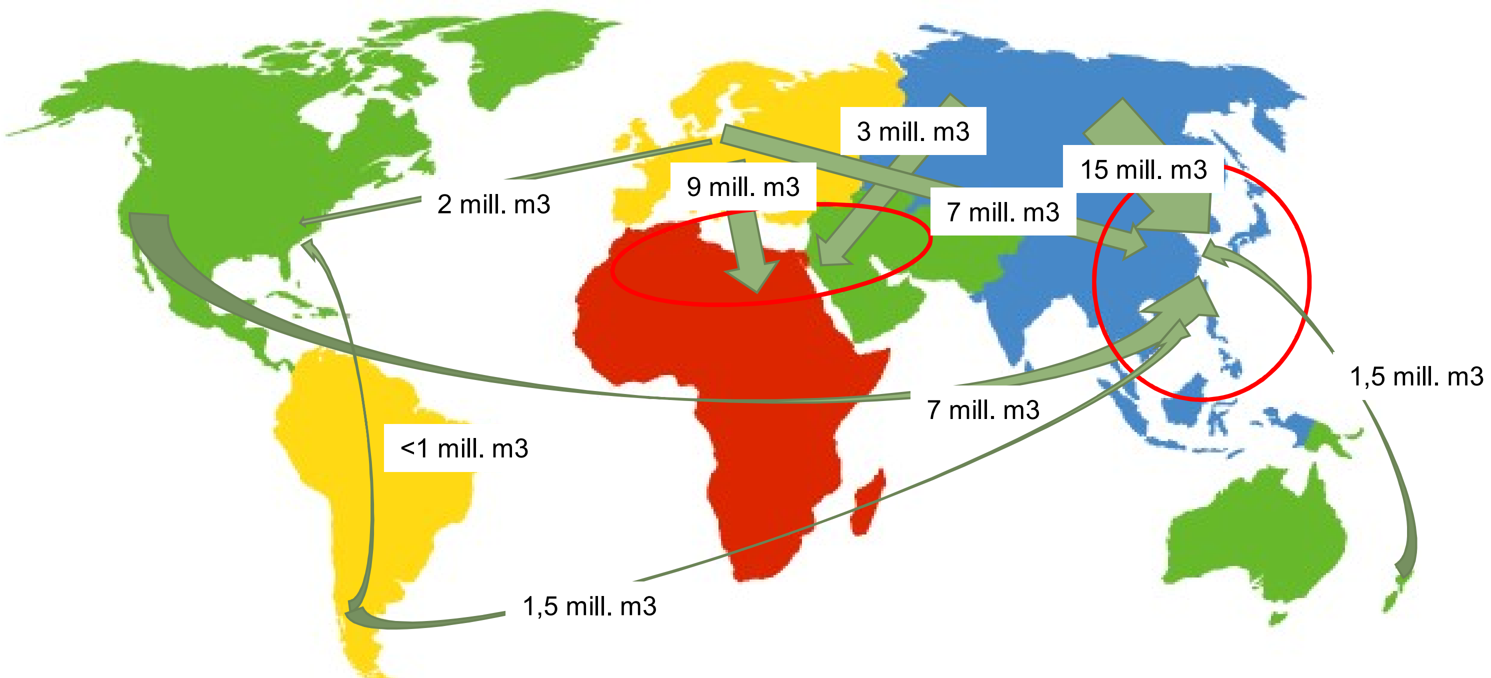
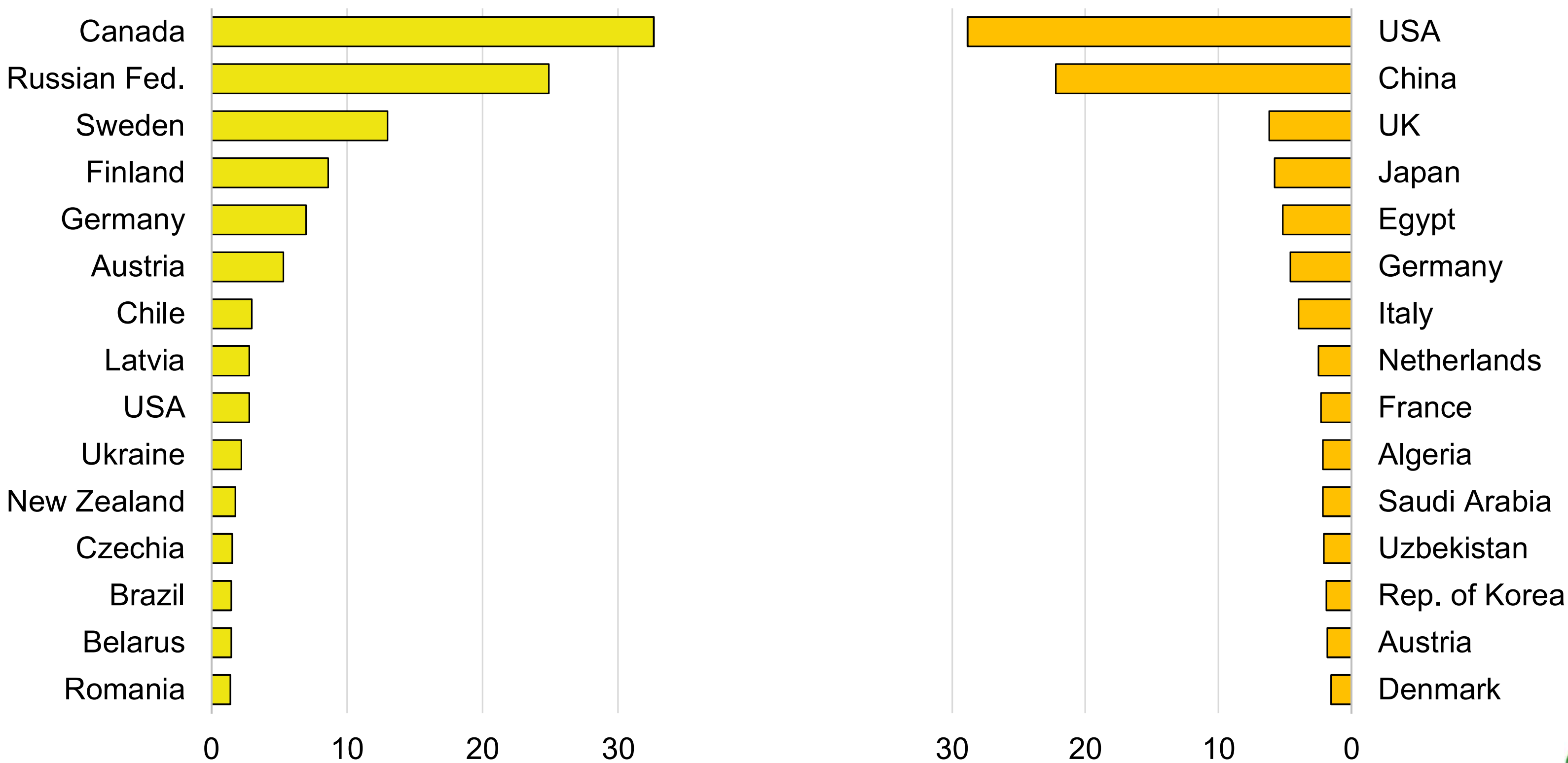


…but **EU** (incl. UK) is the main export region for **Sweden** with 60% of the exports.

Global softwood trade: Sweden third largest exporter

Main exporters and importers 2016 (in million m³, Top 15)

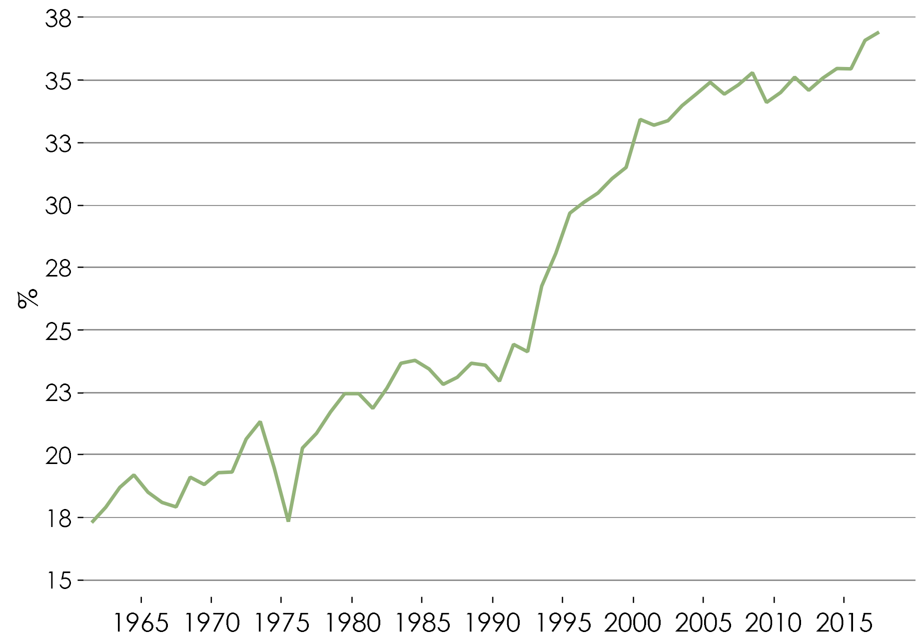


Global softwood market has increased

- **Global production today: 350 million m^3**
- **From 1992 to 2000 softwood export increased from 65 to 94 million cubic meters of from 23% to 33% of global production.**
- **Imports to USA and Japan**

- **Sweden's export share: 12%**

Global trade volume as a share of total softwood production

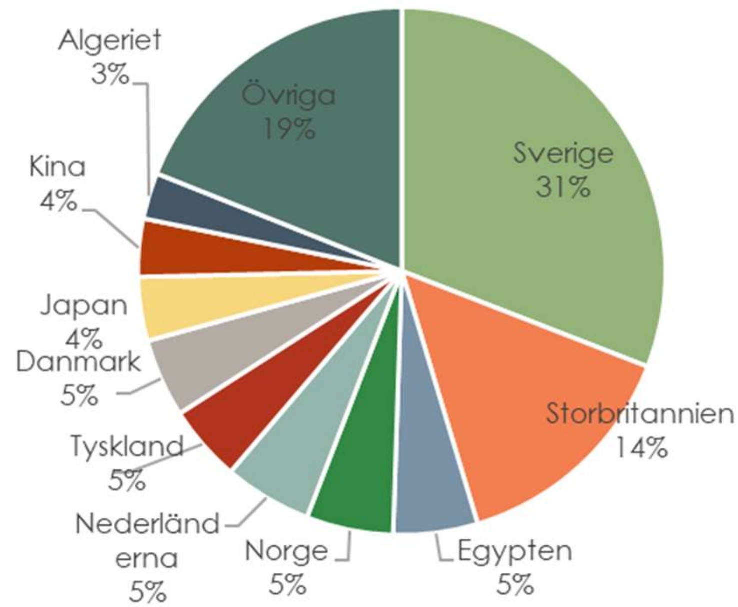


Swedish softwood exports: Free trade with a few exceptions

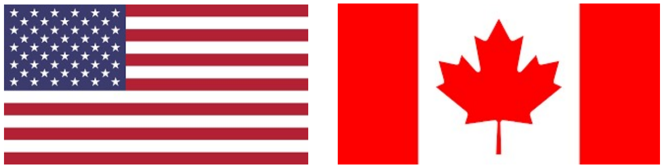
Swedish softwood production: *18,3 million cubic meters. 70 per cent exported with a total value of SEK 29 billion*

	Tariff, %	Export volume (m3 per year)	Tariff cost, Million SEK	Comment
Sudan	40%	59 400	50	
Saudi-Arabia	5%	288 000	30	
Japan	4,2%*	228 000	20	*To expire
Australia	5%	58 000	6	Growing market!
India	10%	26 700	6	Growing market!
Yemen	5%	44 000	5	
Total		**727 000**	**118**	

5,5% of the Swedish softwood export volume



The USA-Canada lumber dispute



- **Big impact on global (and Swedish) softwood markets**
- **“Lumber V”: Since 2017 ”Countervailing- and anti dumping duties” on at average 20,8% on Canadian lumber exports to the USA.**
- **Outcome this time uncertain, but Canada has won in the end all times before.**

Litigation	Year	Decision	Outcome	Trade restriction
Lumber I	1981	Victory of Canada	Free Trade	None
Lumber II	1988	Victory of Canada	MOU	Weak
Lumber III	1993-96	Victory of Canada	SLA	Moderate
Lumber IV	2001-06	Victory of Canada	SLA-2006	Strong
Lumber V	2017-			

US Lumber prices (2x4, Western SPF)

The USA-China ”trade war”

Direct implications this far:

1. USA imposed import tariffs on 10 – 25% on many wood products
2. China answered with tariffs, see table.

USA threatening to increase tariffs …

…leading to (even) lower U.S. exports to China.

Indirect impact on Swedish softwood trade.

Product	Tariff	Volume 2017
SYP logs	25% tariff	About 1 mill. m3 from US South
Other logs	5-10% tariff	Almost 4 mill. m3 from US NW
Lumber (Doug fir, SYP, Hemlock)	10% tariff	About 500.000 m3 mainly from US South

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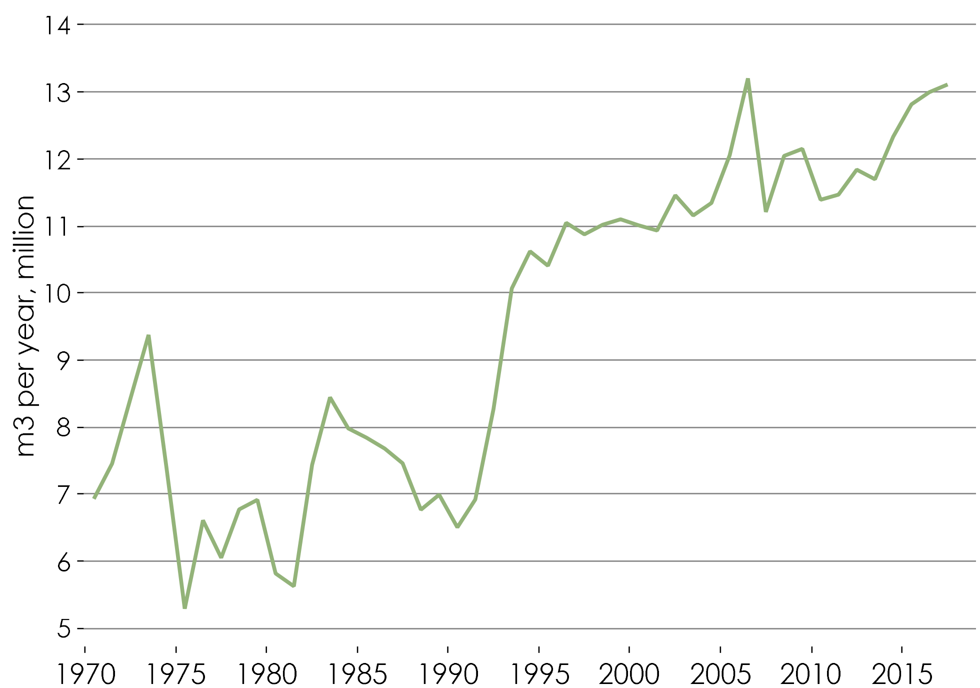
Perspective of the Swedish sawmill industry

- **The long trend is *decreasing* protectionism and decreasing other trade/customs related measures. Less than 6% of the exports today imposed by tariffs.**
- **Swedish sawmills has benefited on the decreasing protectionism. Algeria is one example.**
- **But, an escalation of the USA-China "trade war" would restrain Swedish exports**
- **Liberal trade is important for Swedish sawmills as export-dependent companies.**
- **Other factors have been much more decisive for the competitiveness than protectionism**

Sweden, Exports of softwood



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Tariffs in perspective: Exchange rates the by far most important factor for competitiveness

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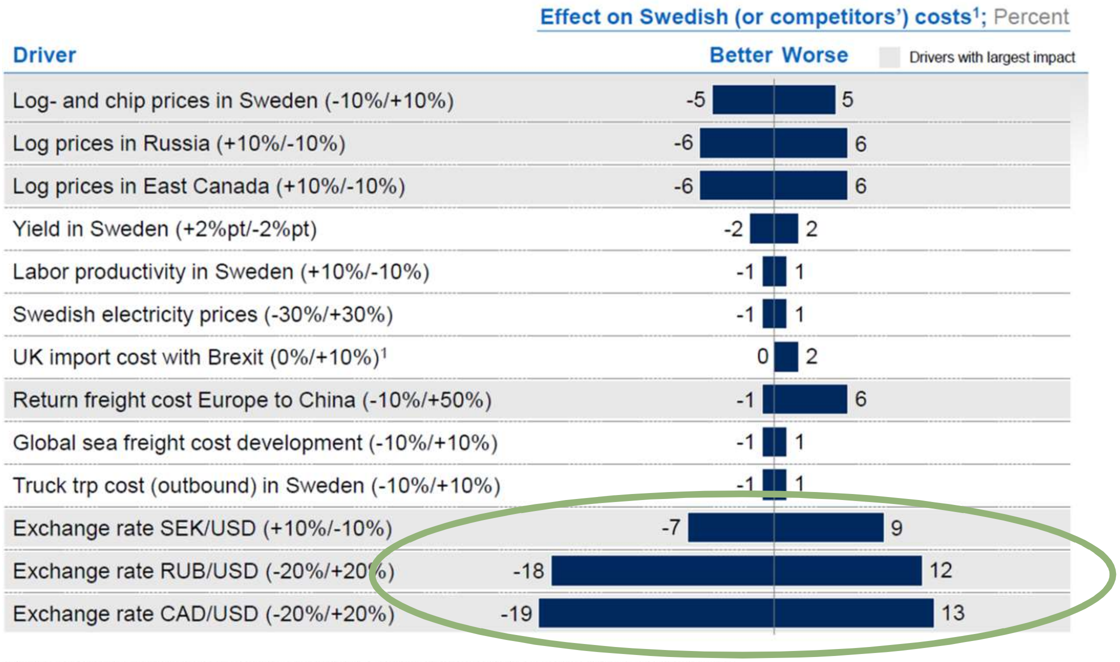
Swedish cost position most sensitive to log prices and exchange rates



1 Higher cost for Sweden shown as positive value, lower cost for Sweden (or higher cost for competitors) shown as negative value
2 Assumes import cost currently at ~4 USD/m^3 (2% of value, 10% of transport cost), OECD estimates cost of trade procedures to 2-15% of product value)

SOURCE: McKinsey

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