

Industry & Trade Summary

Newsprint

USITC Publication 3355
September 2000

OFFICE OF INDUSTRIES
U.S. International Trade Commission
Washington, DC 20436



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PREFACE

In 1991 the United States International Trade Commission initiated its current *Industry and Trade Summary* series of informational reports on the thousands of products imported into and exported from the United States. Each summary addresses a different commodity/industry area and contains information on product uses, U.S. and foreign producers, and customs treatment. Also included is an analysis of the basic factors affecting trends in consumption, production, and trade of the commodity, as well as those bearing on the competitiveness of U.S. industries in domestic and foreign markets.¹

This report on newsprint covers the period 1994-99. Listed below are the individual summary reports published to date on the agriculture and forest product sectors.

<i>USITC publication number</i>	<i>Publication date</i>	<i>Title</i>
2459	November 1991	Live Sheep and Meat of Sheep
2462	November 1991	Cigarettes
2477	January 1992	Dairy Produce
2478	January 1992	Oilseeds
2511	March 1992	Live Swine and Fresh, Chilled, or Frozen Pork
2520	June 1992	Poultry
2544	August 1992	Fresh or Frozen Fish
2545	November 1992	Natural Sweeteners
2551	November 1992	Newsprint
2612	March 1993	Wood Pulp and Waste Paper
2615	March 1993	Citrus Fruit
2625	April 1993	Live Cattle and Fresh, Chilled, or Frozen Beef and Veal
2631	May 1993	Animal and Vegetable Fats and Oils
2635	June 1993	Cocoa, Chocolate, and Confectionery
2636	May 1993	Olives
2639	June 1993	Wine and Certain Fermented Beverages
2693	October 1993	Printing and Writing Paper
2702	November 1993	Fur Goods
2726	January 1994	Furskins
2737	March 1994	Cut Flowers
2749	March 1994	Paper Boxes and Bags
2762	April 1994	Coffee and Tea

¹ The information and analysis provided in this report are for the purposes of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under statutory authority covering the same or similar subject matter.

PREFACE—*Continued*

<i>USITC publication number</i>	<i>Publication date</i>	<i>Title</i>
2859	May 1995	Seeds
2865	April 1995	Malt Beverages
2875	May 1995	Certain Fresh Deciduous Fruits
2898	June 1995	Certain Miscellaneous Vegetable Substances and Products
2917	October 1995	Lumber, Flooring, and Siding
2918	August 1995	Printed Matter
2928	November 1995	Processed Vegetables
3015	February 1997	Hides, Skins, and Leather
3020	March 1997	Nonalcoholic Beverages
3022	April 1997	Industrial Papers and Paperboards
3080	January 1998	Dairy Products
3083	February 1998	Canned Fish, Except Shellfish
3095	March 1998	Milled Grains, Malts, and Starches
3096	April 1998	Millwork
3145	December 1998	Wool and Related Animal Hair
3148	December 1998	Poultry
3171	March 1999	Dried Fruits Other Than Tropical
3268	December 1999	Eggs
3275	January 2000	Animal Feeds

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ABSTRACT

This summary addresses trade and industry conditions for the newsprint industry for the period 1994-99. Newsprint is paper used principally in the production of newspapers.

- In recent years, U.S. newsprint producers have taken steps to maintain their competitiveness in the U.S. and foreign markets. Producers have closed high-cost capacity; undertaken capital-spending programs to reduce costs and to increase productivity and product quality; and bought foreign newsprint mills to gain access to other newsprint markets. The United States has traditionally been a large importer of newsprint because newsprint capacity has fallen short of domestic demand.
- U.S. shipments of newsprint rose from 6.4 million metric tons (mmt) in 1995 to 6.5 mmt (valued at \$3.4 billion) in 1999. During this same period, newsprint imports declined from 7.1 mmt to 6.8 mmt; import penetration fell from 56 percent in 1995 to 54 percent in 1999. Canada accounted for more than 90 percent of U.S. newsprint imports during 1995-99. Other suppliers included Korea, Russia, and Indonesia. Leading markets for U.S. newsprint exports were Japan, Mexico, and Brazil. In 1999, newsprint exports accounted for 11 percent of U.S. newsprint shipments.
- Daily newspapers account for almost 80 percent of newsprint demand in the United States. Newspapers' demand for newsprint is a function of their circulation and their advertising revenues, which have faced pressure from alternative media such as television, radio, and magazines for many years. The rapid emergence of the Internet as a new source of information and advertising poses further challenges to newspapers and hence to demand for newsprint in the United States.
- Canada is the world's largest producer and exporter of newsprint. The United States is the second-largest newsprint producer; other major producers include Japan, Sweden, Korea, and Germany. The United States is the world's largest consumer of newsprint, accounting for almost one-third of world demand in 1998. The European Union and Japan accounted for 25 percent and 11 percent, respectively, of world newsprint demand in 1998.
- Imports of newsprint enter the United States free of duty. Newsprint tariffs in major U.S. export markets are the same or higher than the U.S. level. Japan and Mexico, the two largest U.S. export markets, allow duty-free entry for U.S. newsprint.

INTRODUCTION

This newsprint summary covers the structure of the U.S. newsprint industry, the U.S. market for newsprint, trade in newsprint, and major foreign producers of newsprint. Appendix A explains tariff and trade agreement terms. The summary generally covers the period 1994 through 1999.

Newsprint is a relatively low-cost, low-quality printing paper used primarily in the publication of newspapers. It is an uncoated grade of paper made from mechanical pulp, deinked pulp, or various combinations of mechanical pulp, deinked pulp, and chemical pulp. The Harmonized Tariff Schedule of the United States defines newsprint as "...uncoated paper of a kind used for the printing of newspapers, of which not less than 65 percent by weight of the total fiber content consists of wood fibers obtained by a mechanical or chemimechanical process...weighing not less than 40 g/m² and not more than 65 g/m²."¹

In the United States, more newsprint paper is produced than any other grade of paper. U.S.-produced newsprint usually has a standard basis weight of 30 lb. (48.8 g/m²).² In recent years, U.S. newsprint producers have shifted to greater use of recycled fiber (old newspapers and magazines) in the production of newsprint in response to pressure from State and local governments and newspaper publishers to increase the recycled content of newsprint.

U.S. shipments of newsprint increased from 6.4 mmt in 1995 to 6.5 mmt in 1999; apparent U.S. consumption of newsprint fluctuated during the period and in 1999 was slightly below consumption in 1995. The United States is the world's second-largest producer of newsprint, accounting for 18 percent of world newsprint production in 1998. It is the largest consumer of newsprint in the world, accounting for almost one-third of worldwide newsprint demand in 1998. Demand for newsprint in the United States, however, far outstrips domestic production capacity, and consequently the country depends heavily upon imports. During 1995-99, imports as a share of U.S. apparent consumption ranged from 53 percent to 56 percent. Canada is the largest supplier of newsprint to the United States; in 1999, newsprint imports from Canada accounted for 94 percent of total U.S. newsprint imports.

The production of newsprint is a complex, capital-intensive process involving trees, old newspapers, old magazines, chemicals, water, skilled labor, and expensive machinery. Trees are harvested, cut into short lengths, debarked, and chipped. The wood chips are broken down into their component parts, principally cellulose fibers and hemicellulose fibers bound together by lignin, usually through a mechanical process to produce pulp, the intermediate product in the manufacture of newsprint. Old newspapers and old magazines are recovered and returned to a paper mill where they are broken down into fibers through a mechanical process. Contaminants and ink are removed from the fibers through a series of mechanical and chemical processes (deinking). The pulp produced from wood chips (virgin fiber) and from recycled newspapers and magazines (recycled fiber) is typically bleached (whitened). The pulp, or furnish, is refined, combined with chemicals, and then diluted with water to a

¹ Harmonized Tariff Schedule of the United States (1999), ch. 48, note 3.

² Standard basis weights for U.S. newsprint range from 24 lb. (39.5 g/m²) to 35 lb. (56.9 g/m²). Basis weight is the weight in pounds of 500 sheets of newsprint, each 24 by 36 inches.

consistency (of solids) of about 0.5 percent. The furnish is now ready to be made into paper on the paper machine. It flows onto a moving wire screen, and as water is drained off, the fibers begin to adhere to each other and the continuous paper web (sheet) begins to take form. Additional water is removed from the paper web by passing it through a series of heavy rollers, pressing out moisture and then through large drying cylinders. The dried paper sheet is wound onto a reel and transferred to a rewinder where it is cut into paper rolls of smaller widths, ready for shipment to customers.

U.S. INDUSTRY PROFILE

The Standard Industrial Classification (SIC) category for newsprint is 26211, and the North American Industry Classification System (NAICS) category for newsprint is 3221221. The structure of the newsprint industry in the United States (principal raw materials, producer types, major products, and principal consumers) is illustrated in figure 1.

Number of Firms, Geographic Distribution, and Integration

In 1999, there were approximately 24 establishments in the United States that produced newsprint, 20 of which were in the southern and western regions of the country.³ Bowater Inc. is the largest U.S. newsprint producer and one of the largest producers in the world. SP Newsprint Co., North Pacific Paper Corp., and Brant-Allen Industries are other significant newsprint producers. Some U.S. newsprint firms only produce newsprint while others produce a variety of other paper grades. Virtually all U.S. newsprint operations are integrated with virgin and/or recycled pulp operations. In an effort to ensure adequate supplies of newsprint, many of the major U.S. daily newspaper publishers traditionally have owned, partially or wholly, some newsprint capacity in the United States. Although the extent of this ownership has declined in recent years, it remains significant.⁴ Calhoun Newsprint Co., in Calhoun Tennessee, is a joint venture between Bowater Inc. and the Newhouse newspaper group; Ponderay Newsprint Co., in Usk, Washington, is a partnership between Bowater Pulp and Paper Canada Inc. and five newspaper publishers; SP Newsprint Co., in Dublin, Georgia, is a joint venture of Knight Ridder Inc., Cox Enterprises Inc., and Media General Inc.⁵ Newsprint capacity in the United States in recent years has been flat, increasing by only 2 percent between 1994 and 1998.⁶ No major change in capacity is forecast over the next few years because any new capacity will likely be offset by capacity reductions elsewhere.⁷

³ 1999 *Lockwood-Post's Directory of the Pulp, Paper and Allied Trades*, edited by Harry Dyer (San Francisco: Miller Freeman, Inc. 1998).

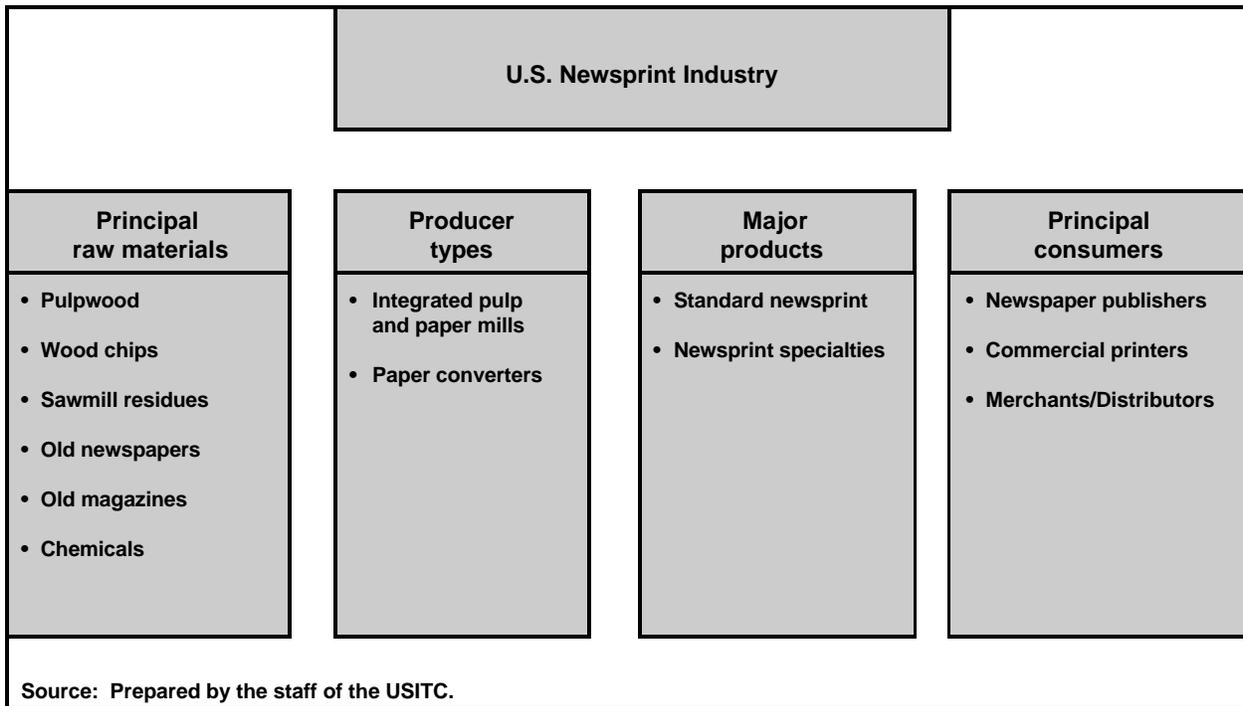
⁴ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), pp. 272-273.

⁵ 1999 *Lockwood-Post's Directory of the Pulp, Paper and Allied Trades*, edited by Harry Dyer (San Francisco: Miller Freeman, Inc. 1998).

⁶ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁷ "U.S. Capacity Growth Lowest in 40 Years," *Pulp & Paper*, Feb. 1999, p. 17.

Figure 1
U.S. newsprint industry: Principal raw materials, producer types, major products, and principal consumers



Employment, Labor Intensity and Skills, and Productivity

The production of newsprint is capital-intensive, requiring expensive and complex pulp and paper-making equipment. The production process is highly automated with equipment such as computers, sensors, flow meters, and test equipment that monitor output, maintain quality, and troubleshoot. A typical newsprint mill may use a variety of software programs to assist with inventory control, purchasing, preventive maintenance, production scheduling, invoice tracking, quality control, billing, and order entry. The labor force at a newsprint mill must be highly skilled and trained to keep all the equipment running properly and to understand and utilize all the benefits of software programs. In 1997, employment at U.S. newsprint mills totaled 9,562, of which 7,347 were production workers. The average hourly wage of these production workers was \$25.01.⁸

The increased use and sophistication of process control devices and software programs (process automation) in the paper-making process in the past few years have helped newsprint mills to increase their productivity and to improve product quality. To continue these trends, mills are counting on further advancements in process automation. One such advancement involves the development of intelligent control devices that will enable mills to improve product quality and productivity, to reduce off grade output, to solve certain production-

⁸ U.S. Department of Commerce, *1997 Economic Census Newsprint Mills*, 1999.

related problems, and even to predict equipment breakdowns.⁹ Mills have also been cutting their technical, research, and development staffs and increasingly turning to their suppliers for technical assistance as well as involving them more closely in the papermaking process.¹⁰

Marketing Methods and Pricing Practices

The largest U.S. consumers of newsprint are daily newspapers, and they usually purchase directly from newsprint producers on the basis of long-term supply contracts, with prices negotiated every month. Daily newspapers negotiate aggressively on price and attempt to obtain the same price as their competitors.¹¹ Newsprint producers also sell newsprint to commercial printers and to merchants/distributors. Some daily newspapers and commercial printers also purchase newsprint on the spot market when excess newsprint supply has pushed prices lower. The great majority of newsprint, however, is sold under long-term contracts.¹²

The U.S. newsprint market can be very competitive and prices fluctuate significantly at times. Fluctuation is based upon strength of demand, startup of new newsprint capacity, strikes at newsprint mills, and willingness of newsprint producers to cut production in times of excess supply.¹³ There are separate newsprint prices for the U.S. west and the U.S. east, with newsprint demand in the west generally supplied by mills in the Western United States and British Columbia, and newsprint demand elsewhere generally supplied by mills in the Southern United States and Eastern Canada. Newsprint prices in these two areas follow the same trend; the difference in prices is small. Producers maintain list prices for newsprint but usually sell at a discount to the list price. The largest purchasers tend to receive a bigger discount off the list price than smaller purchasers. Price increases for newsprint are typically announced by one producer, with other producers usually following suit; whether these price increases actually take hold is a function of newspapers' resistance to the price hikes and the willingness of newsprint producers to hold the line or to back down.¹⁴

⁹ Rob Ryan, "Process Automation: Science Fiction Becomes Reality," *PIMA's Papermaker*, Sep. 1999.

¹⁰ Sara Scharpf, "Mills, Chemical Suppliers Team Up in New Service Partnerships," *PIMA's Papermaker*, June 1999.

¹¹ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), pp. 283-284.

¹² *Ibid.*

¹³ *Ibid.*, pp. 277-286.

¹⁴ *Ibid.*

Special Factors Affecting the Industry

A shortage of landfill space and subsequent increase in the cost of garbage collection in some areas of the United States in the mid- to late-1980s led to efforts by consumers and local and State Governments to reduce the amount of garbage going into landfills by developing recycling programs for certain materials, including newspapers. The volume and bulkiness of newspapers made them a natural target for recycling efforts. Many States, beginning with Florida and California, have passed laws mandating the use of recycled newsprint by newspaper publishers. Other States have developed voluntary rules for the amount of recycled content in newsprint. In California, newspaper publishers are required to use newsprint with an average recycled content of 50 percent; in Texas and in Illinois, publishers are required to use newsprint with an average recycled content of 30 percent and 28 percent, respectively. In New York, there is a voluntary recycled content of 40 percent. Twelve States currently have mandatory recycling requirements and twelve States have voluntary recycling requirements.¹⁵

Newspaper publishers throughout the country responded rapidly to the drive for recycled newsprint, in part out of environmental concern and in part to forestall attempts at the Federal level to require recycled content. Publishers pressured newsprint producers to use less virgin fiber and more recycled fiber in the manufacture of newsprint.¹⁶ Over three-quarters of the newsprint purchased by Gannett Co. Inc., a large U.S. publisher of daily newspapers, has some recycled content. The newsprint purchased by Knight Ridder, another large daily newspaper publisher, has an average recycled content of nearly 40 percent. U.S. newsprint producers, in turn, responded to the increased demand for recycled newsprint by spending millions of dollars to build deinking capacity and to acquire all the other equipment to convert old newspapers into newsprint.¹⁷ Producers were aided in this transition by advances in deinking technology and by the cost competitiveness of recycled fiber with that of virgin fiber. Today, most U.S. newsprint producers are able to produce newsprint with some amount of recycled content. A few produce newsprint with 100% recycled content.¹⁸ The growth in newspaper recycling activity in the United States has been considerable. The volume of old newspapers recovered and recycled almost doubled between 1987 and 1997, and in 1997 almost two-thirds of the newsprint consumed in the country was recovered and recycled.¹⁹

¹⁵ Ibid., pp. 288-290.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Canadian newsprint mills, which are heavily dependent upon the U.S. market, have also responded to the increased demand for recycled content newsprint by investing in deinking capacity. Today most Canadian newsprint producers are able to produce newsprint with some recycled content.

¹⁹ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), p. 288. In addition to newsprint, old newspapers are also used to make tissue, containerboard, and printing and writing paper.

Globalization

In the past few years, the U.S. newsprint industry has experienced rapid change as producers have taken significant steps to maintain their competitiveness in the U.S. market and to take advantage of growing opportunities in foreign markets. U.S. producers have bought and sold newsprint capacity, shut down high cost capacity, undertaken capital investment programs, and invested in foreign mills. In late 1999, SP Newsprint Co., a producer with one mill in Georgia, purchased a large newsprint mill in Oregon to give it access to the West Coast market as well as to increase its overall share of the U.S. market.²⁰ Stone Container Corp. sold one of its newsprint mills to a Canadian newsprint producer as part of a strategy to exit the newsprint business and to concentrate on other paper grades.²¹ In 1998, Bowater Inc. bought Avenor Inc., a large Canadian producer, whose assets included three newsprint mills in Canada and partial ownership of a newsprint mill in Washington. During 1998, Bowater Inc. also purchased a low-cost newsprint mill in Korea from a financially ailing firm. The benefits accruing from these acquisitions included lower operating costs, greater market power, and access to rapidly-growing Asian newsprint markets.²² Producers have shut down newsprint capacity at mills in Washington and Texas in an attempt to reduce supply, strengthen newsprint prices, and increase profitability.²³ Newsprint producers have also launched capital-spending programs to cut production costs and increase product quality. Bowater Inc. has spent \$180 million to modernize operations at its largest newsprint mill in Tennessee; SP Newsprint Co. has indicated that it will spend approximately \$75 million to improve the quality of newsprint produced at its recently acquired mill in Oregon.²⁴

Canadian newsprint mills have traditionally supplied a significant portion of U.S. newsprint demand. Canadian producers have also invested in U.S. newsprint capacity through joint ventures and direct ownership.²⁵ Abitibi-Consolidated Inc., the largest Canadian newsprint producer, has joint venture newsprint mills in Alabama and Georgia and owns a mill in Washington. Kruger Inc., another Canadian producer, owns a newsprint mill in Michigan.²⁶ Canadian investment in the United States has picked up in the past few years as Canadian producers have attempted to increase their market share and achieve greater operating synergies. In 1998, Abitibi-Consolidated Inc. purchased a newsprint mill in Arizona, and Donohue Inc. purchased two newsprint mills in Texas; in 1999, Bowater Inc.'s newsprint mill in Maine was sold to a Canadian investment group.

²⁰ "Southeast to Buy Newsprint Mill," *Pulp & Paper*, Nov. 1999, p. 17.

²¹ "Stone Casts Off Newsprint," *PIMA's Papermaker*, Nov. 1998, p. 15.

²² Charles Swann, "Bowater: Going for Its Goals," *PIMA's Papermaker*, June 1999.

²³ Karl Jensen, "With Major Recovery Elusive, Mills Focus on Improving Performance," *Pulp & Paper*, Aug. 1999.

²⁴ Charles Swann, "Bowater: Going for Its Goals," *PIMA's Papermaker*, June 1999; "Southeast to Buy Newsprint Mill," *Pulp & Paper*, Nov. 1999, p. 17.

²⁵ In 1976, Nippon Paper Industries Co. Ltd. of Japan established a joint-venture newsprint mill with Weyerhaeuser Co. in Washington.

²⁶ *1999 Lockwood-Post's Directory of the Pulp, Paper and Allied Trades*, edited by Harry Dyer (San Francisco: Miller Freeman, Inc. 1998).

U.S. MARKET

Consumer Characteristics and Factors Affecting Demand

Daily newspapers account for nearly 80 percent of newsprint demand in the United States. The remainder of demand comes principally from commercial printers for the printing of weekly newspapers, advertising flyers, and newspaper advertising inserts.²⁷ In 1999, daily newspapers in the Northeast and North Central regions of the United States accounted for 43 percent of total daily newspaper newsprint demand; daily newspapers in the Southern and Western regions of the country accounted for 33 percent and 24 percent, respectively, of this demand.²⁸ In 1998, there were 1,489 daily newspapers in the United States. Eighty-four percent had a daily circulation of less than 50,000; 9 percent, a circulation between 50,000 and 100,000; 4 percent, a circulation between 100,000 and 250,000; and 3 percent, a circulation over 250,000. The largest newspaper company in the United States (by daily circulation) is the Gannett Co. Inc., with 74 dailies and a daily circulation of almost 6 million. Knight Ridder, 33 dailies and a daily circulation of 3.9 million, and Newhouse Newspapers, 23 dailies and a daily circulation of 2.8 million, are the second and third-largest newspaper companies, respectively. Other large newspaper companies include Dow Jones & Co. Inc., The New York Times Co., the MediaNews Group, and E.W. Scripps Co. The top 20 newspaper companies in the United States own a total of 532 dailies. The number of weekly newspapers in the United States in 1998 totaled 8,193, although the average circulation of these newspapers was only 9,067.²⁹

The demand for newsprint in the United States is driven primarily by the activity of daily newspapers, whose demand for newsprint, in turn, is a function of their circulation and advertising revenues. Daily newspapers have been under pressure for many years from alternative media such as television, radio, and magazines, which have eroded their readership and captured advertising dollars.³⁰ The rapid emergence of the Internet in the past few years has presented another challenge to daily newspapers. Daily newspaper circulation in the United States fell by 5 percent between 1994 and 1998, from 59.3 million to 56.2 million. Newspaper circulation on Sunday also declined during 1994-98, although to a lesser extent. Despite a large increase in the U.S. population, daily newspaper circulation in 1998 was 5 percent less than in 1960. Daily newspapers have not been as successful with young Americans as with older Americans; only 44 percent of Americans aged 18-24 read a daily newspaper compared with 70 percent of Americans aged 55-64. The decline in circulation has led to a drop in the number of daily newspapers in the United States, from 1,548 in 1994 to 1,489 in 1998. An increase in the number of morning daily newspapers during this period was more than offset by a decline in the number of evening daily newspapers.³¹ Daily newspaper advertising revenues depend upon the strength of the overall economy as well as the ability

²⁷ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), p. 270.

²⁸ Pulp and Paper Products Council, *Monthly Newsprint Statistics*, Dec. 1999.

²⁹ Newspaper Association of America, *Facts About Newspapers 1999*.

³⁰ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), pp. 277, 280.

³¹ Newspaper Association of America, *Facts About Newspapers 1999*.

of daily newspapers to compete with a host of alternative media, such as magazines, broadcast television, cable television, direct mail, and radio, for advertising dollars. In the past few years, the strong U.S. economy has led to increased spending on advertising in all media outlets, including daily newspapers.³² Nevertheless, in 1998, daily newspapers accounted for only 21.8 percent of all U.S. advertising expenditures, compared with 19.4 percent for broadcast television and 19.7 percent for direct mail.³³

The emergence of the Internet as a new medium for information and advertising may further erode daily newspaper readership as well as shift advertising revenues away from daily newspapers. Daily newspapers have responded to the Internet by going online themselves. More than 900 U.S. newspapers have web sites and more than 75 percent of these sites contains online classified advertisements.³⁴ However, daily newspaper companies appear firmly committed to the printed word on paper; indeed, they believe that print and online operations complement each other.³⁵ Another trend affecting demand for newsprint includes efforts by some U.S. daily newspapers to economize on their use of newsprint. *The Washington Post* and *The Los Angeles Times* have reduced their web widths to 50 inches in the past few years as a way to reduce the consumption and cost of their newsprint.³⁶ Opinions are mixed as to how all of these factors will affect future demand for newsprint in the United States. The largest U.S. newsprint producer is optimistic about U.S. newsprint demand, predicting “modest growth.”³⁷ One recent consulting report, however, concluded that demand for newsprint in the United States during the next 4 years would be negatively affected by the growth of online news services at the expense of traditional newspapers and by the growth of online classified advertising in place of traditional newspaper classified advertising.³⁸

Consumption

Apparent U.S. consumption of newsprint declined by 8.6 percent between 1995 and 1996, from 12.7 mmt (valued at \$8.3 billion) to 11.6 mmt (valued at \$7.6 billion). A strong U.S. economy led to a steady increase in newsprint consumption during the next 3 years; by 1999, consumption totaled 12.6 mmt (valued at an estimated \$6.5 billion), which was 8.7 percent above the 1996 level but slightly below consumption in 1995 (tables 1 and 2). Import penetration of the U.S. newsprint market declined gradually from 55.8 percent in 1995 to 52.9 percent in 1998, and then turned slightly upward in 1999 to 53.9 percent (table 1). Import penetration by imports from Canada, the dominant supplier to the U.S. market, paralleled that

³² A strong U.S. economy also leads to increased spending on advertising flyers and newspaper advertising inserts.

³³ Newspaper Association of America, *Facts About Newspapers 1999*.

³⁴ *Ibid.*

³⁵ The Hearst Corporation, “Q & A with President and CEO Frank A. Bennack, Jr.,” found at http://www.hearstcorp.com/exclusive_01.html, retrieved Mar. 23, 2000; Knight Ridder 1999 Annual Report, “Letter to Shareholders,” found at http://www.kri.com/fn_li/letter.html, retrieved Mar. 23, 2000.

³⁶ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), p. 277.

³⁷ Bowater Incorporated, *1998 Annual Report*.

³⁸ Harold Cody, “Where Are Printing and Writing Papers Going in an Internet World?” *Pulp & Paper*, Nov. 1999.

of total imports. In 1999, imports from Canada accounted for 50.6 percent of U.S. newsprint consumption. Imports from Korea, a new entrant to the U.S. market, accounted for 2.1 percent of newsprint consumption in 1998 and 1.7 percent in 1999.

Table 1
Newsprint: U.S. shipments, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, 1995-99

Year	U.S. shipments	U.S.	U.S.	Apparent	Ratio of
		exports	imports	U.S. consumption	imports to consumption
		<i>Thousand metric tons</i>			<i>Percentage</i>
1995	6,352	752	7,083	12,683	55.8
1996	6,304	1,013	6,306	11,597	54.4
1997	6,545	967	6,503	12,081	53.8
1998	6,577	781	6,521	12,317	52.9
1999	6,517	704	6,796	12,609	53.9

Source: Compiled from data from the American Forest and Paper Association and from official statistics of the U.S. Department of Commerce.

Table 2
Newsprint: U.S. shipments, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, 1995-99

Year	U.S. shipments	U.S.	U.S.	Apparent	Ratio of
		exports	imports	U.S. consumption	imports to consumption
		<i>Million dollars</i>			<i>Percentage</i>
1995	4,488	591	4,418	8,315	53.1
1996	4,201	652	4,063	7,612	53.4
1997	3,712	522	3,590	6,780	52.9
1998	¹ 3,912	460	3,766	7,218	52.2
1999	¹ 3,356	423	3,517	6,450	54.5

¹ Estimated by the staff of the USITC.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Newsprint produced in Canada is competitive with newsprint produced in the United States. Canada traditionally has been a significant supplier of newsprint to the United States, supplementing U.S. newsprint capacity which falls well short of domestic demand. Canadian producers are relatively close to large U.S. metropolitan centers and have well-established supply relationships with many U.S. newspaper publishers. Like U.S. producers, Canadian newsprint producers have ready access to the virgin fiber and the recycled fiber used to make newsprint. Paper-making technology and equipment are comparable between the two countries, and the quality of Canadian newsprint is recognized by U.S. newspaper publishers. Kruger Inc., a large Canadian newsprint producer, was awarded the Dow Jones Gold Award

for Best Supplier to Wall Street Journal Facilities in 1998, and in 1997 was the Supplier of the Year to the Gannett Corp.³⁹

Production

The United States is the second-largest producer of newsprint in the world, trailing only Canada. U.S. shipments of newsprint increased by 3.5 percent from 1995 to 1998, from 6.4 mmt (valued at \$4.5 billion) to 6.6 mmt (valued at an estimated \$3.9 billion) (tables 1 and 2). During this period, U.S. producers were able to increase their share of the domestic market by nearly 3 percentage points. Despite an upturn in domestic demand for newsprint during 1999, U.S. producers lost 1 percentage point of market share and experienced declines in the volume and the value of their newsprint shipments. Prices for newsprint in the United States declined steeply to a 5-year low during the first 9 months of 1999;⁴⁰ the value of U.S. newsprint shipments consequently fell by an estimated 14 percent in 1999. In an effort to strengthen newsprint prices, U.S. producers took downtime to reduce newsprint output.⁴¹ For the year, the volume of U.S. newsprint shipments decreased by 1 percent compared with the 1998 volume.

U.S. TRADE

Overview

Total U.S. trade in newsprint decreased irregularly from \$5.0 billion in 1995 to \$3.9 billion in 1999, as the value of imports and the value of exports fell by 20.4 percent and by 28.4 percent, respectively, over the period (table 3). The average unit values of imports and exports declined more than import and export volumes and thus accounted for more of the decline in the value of trade. The United States ran a large trade deficit in newsprint during every year of the period, although it did decrease from \$3.8 billion in 1995 to \$3.1 billion in 1999. As discussed above, the United States has traditionally been a large net importer of newsprint.

During 1995-99, the United States registered a large trade deficit with Canada, the primary source of its newsprint imports. However, the deficit declined from \$4.4 billion in 1995 to \$3.3 billion in 1999 (table 3). The United States also ran trade deficits with Korea, Russia,

³⁹ Kruger Inc., "Newsprint and Coated Paper Division," found at <http://www.kruger.com/english/divisions/body02.html>, retrieved Jan. 14, 2000.

⁴⁰ Karl Jensen, "With Major Recovery Elusive, Mills Focus on Improving Performance," *Pulp & Paper*, Aug. 1999; Joyce Routson, Noel Deking, Diane Keaton, Debbie Garcia, Nicola McIntosh, and Greg Rudder, "North American Industry Outlook Bright Over Next Two Years," *Pulp & Paper*, Jan. 2000.

⁴¹ "Newsprint Producers Set Downtime to Combat Rising Inventories, Falling Prices," *PIMA's Papermaker*, Apr. 1999, p. 8.

Table 3
Newsprint: U.S. exports of domestic merchandise, imports for consumption, and
merchandise trade balance, by selected countries, 1995-99

Item and country	1995	1996	1997	1998	1999
	<i>Thousand dollars</i>				
U.S. exports of domestic merchandise:					
Canada	8,481	4,492	7,756	18,452	10,844
Japan	310,187	294,784	236,780	198,085	204,988
Mexico	38,902	28,302	44,362	53,120	53,238
Brazil	10,823	41,656	34,628	27,471	17,172
Taiwan	33,226	26,818	23,183	13,888	11,172
Korea	24,688	15,062	1,960	10	9,775
Russia	0	85	18	0	13
Indonesia	500	1,829	4,278	0	0
Sweden	15	10	0	0	0
United Kingdom	1,392	7,685	14,400	5,695	4,565
All other	162,808	231,135	154,978	143,597	111,574
Total	591,022	651,858	522,343	460,318	423,341
U.S. imports for consumption:					
Canada	4,371,269	4,019,150	3,488,032	3,517,326	3,341,296
Japan	0	4	0	39	10
Mexico	3,480	8,889	12,288	24,371	10,789
Brazil	0	0	0	1,022	2,015
Taiwan	0	0	0	3	4
Korea	0	1,489	29,633	116,880	84,824
Russia	1,004	1,371	6,522	39,128	32,621
Indonesia	0	0	298	10,684	12,917
Sweden	18,984	13,983	19,081	20,979	10,614
United Kingdom	3,696	4,504	4,563	4,917	6,961
All other	19,638	13,959	29,953	30,401	15,321
Total	4,418,071	4,063,349	3,590,370	3,765,750	3,517,372
U.S. merchandise trade balance:					
Canada	-4,362,788	-4,014,658	-3,480,276	-3,498,874	-3,330,452
Japan	310,187	294,780	236,780	198,046	204,978
Mexico	35,422	19,413	32,074	28,749	42,449
Brazil	10,823	41,656	34,628	26,449	15,157
Taiwan	33,226	26,818	23,183	13,885	11,168
Korea	24,688	13,573	-27,673	-116,870	-75,049
Russia	-1,004	-1,286	-6,504	-39,128	-32,608
Indonesia	500	1,829	3,980	-10,684	-12,917
Sweden	-18,969	-13,973	-19,081	-20,979	-10,614
United Kingdom	-2,304	3,181	9,837	778	-2,396
All other	143,170	217,176	125,025	113,196	96,253
Total	-3,827,049	-3,411,491	-3,068,027	-3,305,432	-3,094,031

Note.—Because of rounding, figures may not add to the totals shown. Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Indonesia, and Sweden, albeit at much lower levels than that with Canada. A rapid increase in imports from Russia caused the deficit with Russia to jump from only \$1.0 million in 1995 to \$32.6 million in 1999. A modest trade surplus in newsprint with Indonesia during 1995-97 swung to a trade deficit of \$12.9 million in 1999 as U.S. newsprint imports from Indonesia grew rapidly in 1998 and 1999. The U.S. trade balance in newsprint with Korea swung from a surplus of \$24.7 million in 1995 to a deficit of \$75.0 million in 1999. U.S. newsprint exports to Korea plummeted because the country's recession reduced demand for newsprint; at the same time, significant new newsprint capacity came on line in Korea, which further reduced demand for U.S. imports and also led to a significant increase in exports to the United States as the Korean mills found a market for their additional tonnage.⁴²

The United States enjoyed trade surpluses in newsprint with Japan, Mexico, Brazil, and Taiwan during 1995-99 (table 3). The trade surplus with Japan declined irregularly from \$310.2 million in 1995 to \$205.0 million in 1999. The trade surpluses with Mexico, Brazil, and Taiwan fluctuated during the period and in 1999 totaled \$42.4 million, \$15.2 million, and \$11.2 million, respectively.

U.S. imports

Principal suppliers and import levels

The United States is the largest importer of newsprint in the world and in 1998 accounted for 34 percent of world newsprint imports. U.S. imports of newsprint declined by 10.0 percent between 1995 and 1996, from 7.1 mmt to 6.3 mmt (table 4). Imports gradually increased over the next 3 years to 6.8 mmt in 1999, a decrease of 4.1 percent from the 1995 level. The decline in the volume of imports occurred because U.S.-produced newsprint increased its share of the U.S. newsprint market by two percentage points. The value of U.S. newsprint imports fell by 20.4 percent, from \$4.4 billion in 1995 to \$3.5 billion in 1999. The U.S. rate of duty on newsprint is free.

Canada was the principal supplier of newsprint to the United States during 1995-99, accounting for over 90 percent of total U.S. imports (table 4). This percentage share has fallen slightly in the past 3 years, however, as other countries have begun to make some small inroads into the U.S. market. Newsprint imports from Canada decreased irregularly between 1995 and 1999, from 7.0 mmt to 6.4 mmt. On a value basis, imports fell from \$4.4 billion in 1995 to \$3.3 billion in 1999, a decline of 23.6 percent.

Korea became the second-largest supplier of newsprint to the United States during the period. Newsprint imports from Korea jumped from zero in 1995 to 256,000 metric tons (valued at \$116.9 million) in 1998 and to 210,000 metric tons (valued at \$84.8 million) in 1999 (table 4). Korea's share of the volume of total U.S. newsprint imports rose from zero in 1995 to

⁴² Fletcher Challenge Paper, "1999 Annual Review Chief Executive's Overview," found at http://www.fcl.co.nz/99_annual_report/annual_review/paper/ce_review.htm, retrieved Jan. 18, 2000.

Table 4
Newsprint: U.S. imports for consumption, by principal sources, 1995-99

Source	1995	1996	1997	1998	1999	Percentage change 95/99
	Quantity (thousand metric tons)					
Canada	7,005	6,232	6,296	6,005	6,382	-8.9
Korea	0	3	64	256	210	(¹)
Russia	2	2	15	92	81	3950.0
Indonesia	0	0	1	25	33	(¹)
Mexico	6	14	21	45	22	266.7
Sweden	32	23	26	29	15	-53.1
United Kingdom	6	7	9	11	17	183.3
Norway	6	13	48	18	9	50.0
Finland	16	6	7	19	6	-62.5
Netherlands	5	0	(²)	2	7	40.0
All other	5	6	16	19	14	180.0
Total	7,083	6,306	6,503	6,521	6,796	-4.1
	Value (thousand dollars)					
Canada	4,371,269	4,019,150	3,488,032	3,517,326	3,341,296	-23.6
Korea	0	1,489	29,633	116,880	84,824	(¹)
Russia	1,004	1,371	6,522	39,128	32,621	3149.1
Indonesia	0	0	298	10,684	12,917	(¹)
Mexico	3,480	8,889	12,288	24,371	10,789	210.0
Sweden	18,984	13,983	19,081	20,979	10,614	-44.1
United Kingdom	3,696	4,504	4,563	4,917	6,961	88.3
Norway	2,722	7,164	18,819	9,696	4,878	79.2
Finland	11,086	4,724	3,762	10,706	2,796	-74.8
Netherlands	2,839	0	25	981	2,671	-5.9
All other	2,991	2,075	7,347	10,082	7,005	134.2
Total	4,418,071	4,063,349	3,590,370	3,765,750	3,517,372	-20.4
	Unit value (dollars per metric ton)					
Canada	624	645	554	586	524	-16.0
Korea	(¹)	491	464	457	405	(¹)
Russia	465	591	444	424	404	-13.1
Indonesia	(¹)	(¹)	437	431	386	(¹)
Mexico	631	641	596	540	502	-20.4
Sweden	593	599	737	712	728	22.8
United Kingdom	644	630	484	465	405	-37.1
Norway	457	553	390	536	543	18.8
Finland	702	740	566	578	507	-27.8
Netherlands	594	(¹)	(¹)	464	387	-34.8
All other	598	346	459	531	500	-16.4
Total	624	644	552	577	518	-17.0

¹ Not applicable.

² Less than 500 metric tons.

Note.—Because of rounding, figures may not add to the totals shown; unit values have been calculated from actual quantity and value numbers, not the rounded numbers shown herein.

Source: Compiled from official statistics of the U.S. Department of Commerce.

3.1 percent in 1999. Newsprint imports from Russia, where producers looked to export markets to obtain foreign exchange, also increased strongly from only 2,000 metric tons (valued at \$1.0 million) in 1995 to 81,000 metric tons (valued at \$32.6 million) in 1999. Newsprint imports from Indonesia and Mexico have grown in the past few years but remain quite small relative to the aforementioned three suppliers.

U.S. trade measures

Table 5 shows the column 1 rate of duty, as of January 1, 2000, for the articles included in this summary, and corresponding U.S. exports and imports for 1999. An explanation of tariff and trade agreement terms is in appendix A. For many years, imports of newsprint have entered the United States free of duty. U.S. imports of newsprint are not subject to quotas, embargoes, or other nontariff barriers. No U.S. Government trade-related investigations specific to the newsprint industry have been conducted in recent years.

Table 5
Newsprint: Harmonized Tariff Schedule subheading; description; U.S. column 1 rate of duty as of Jan. 1, 2000; U.S. exports, 1999; and U.S. imports, 1999

HTS subheading	Description	Col. 1 rate of duty as of Jan. 1, 2000	U.S. exports 1999	U.S. imports 1999
		General	Million dollars	
4801.00.00	Newsprint, in rolls or sheets	Free	423	3,517

Source: Trade data compiled from official statistics of the U.S. Department of Commerce.

The Harmonized Tariff Schedule of the United States classifies newsprint as either standard newsprint paper (4801.00.0020) or other newsprint (4801.00.0040). According to the Harmonized Tariff Schedule,⁴³ standard newsprint paper is paper that conforms to the following specifications:

Weight	Not less than 46.3 g/m ² nor more than 57 g/m ²
Size	Rolls not less than 33 cm wide and not less than 71 cm in diameter; sheets not less than 51 cm by 76 cm
Thickness	Not more than 0.11 mm
Sizing	Time of transudation of water shall be not more than 10 seconds by the ground glass method
Ash content	Not more than 6.5 percent
Color and finish	White; or tinted shades of pink, peach or green in rolls; not more than 50 percent gloss when tested with the Ingersoll glarimeter

⁴³ U.S. statistical note to ch. 48.

The vast majority of the volume of U.S. imports of newsprint consists of standard newsprint. Imports of standard newsprint as a percent of total U.S. imports of newsprint ranged from 86 percent in 1999 to 95 percent in 1995.

U.S. exports

Principal markets and export levels

U.S. exports of newsprint increased by 35 percent between 1995 and 1996, from 752,000 metric tons to 1.0 mmt (table 6). Exports declined steadily during the next 3 years and in 1999 totaled only 704,000 metric tons, a decrease of 31 percent from 1996. The value of U.S. newsprint exports exhibited a similar trend, peaking in 1996 at \$651.9 million and then gradually falling by 35 percent to \$423.3 million in 1999. A decline in both the average unit value of exports and the volume of exports during the period contributed to the decrease in the value of U. S. newsprint exports. The economic downturn in Asia that began in mid-1997 caused a drop in newsprint demand in the region and a subsequent decline in U.S. newsprint exports to the area.⁴⁴ Newsprint exports as a percentage of U.S. newsprint shipments ranged from 10.8 percent to 16.1 percent during 1995-99.

The principal markets for U.S. exports of newsprint are in Asia and Latin America (table 6). Japan was the largest export market during the period, accounting for 40 percent of the total volume of exports in 1999. Newsprint exports to Japan fell from 357,000 metric tons (valued at \$310.2 million) in 1995 to 281,000 metric tons (valued at \$205.0 million) in 1999. Most of these exports originated from a newsprint joint venture between Weyerhaeuser Co. and Nippon Paper Industries Co. Ltd. The joint venture, the North Pacific Paper Corp., has an annual newsprint capacity of 700,000 metric tons, with one-half of the output sold in Japan and the other one-half sold in the western United States.⁴⁵

Mexico was the second-largest export market for U.S. newsprint. Exports increased from 66,000 metric tons (valued at \$38.9 million) in 1995 to 105,000 metric tons (valued at \$53.2 million) in 1999 (table 6). In 1999, exports to Mexico accounted for 15 percent of the total volume of U.S. exports of newsprint. Brazil was the third-largest market for U.S. exports of newsprint in 1999, although exports to that country declined from 78,000 metric tons in 1997 to 34,000 metric tons in 1999. The United States exported moderate amounts of newsprint to a host of other countries during the period, including El Salvador, Taiwan, Canada, Korea, Malaysia, and Argentina. In 1999, the value of exports to these six countries ranged from \$9 million to \$13 million.

⁴⁴ Bowater Incorporated, *1998 Annual Report*.

⁴⁵ Weyerhaeuser Co., "Fact Sheet on the Newsprint Business," found at <http://www.weyerhaeuser.com/facts/newspr.htm>, retrieved Jan. 13, 2000.

Table 6
Newsprint: U.S. exports of domestic merchandise, by principal markets, 1995-99

Market	1995	1996	1997	1998	1999	Percentage change 95/99
Japan	357	392	357	303	281	-21.3
Mexico	66	48	92	101	105	59.1
Brazil	13	67	78	57	34	161.5
El Salvador	10	10	14	12	21	110.0
Taiwan	54	48	49	29	26	-51.9
Canada	14	7	13	28	19	35.7
Korea	35	19	4	(¹)	14	-60.0
Malaysia	37	22	34	19	21	-43.2
Argentina	5	8	12	12	20	300.0
Panama	6	7	10	14	14	133.3
All other	155	385	304	206	149	-3.9
Total	752	1,013	967	781	704	-6.4
	Value (thousand dollars)					
Japan	310,187	294,784	236,780	198,085	204,988	-33.9
Mexico	38,902	28,302	44,362	53,120	53,238	36.9
Brazil	10,823	41,656	34,628	27,471	17,172	58.7
El Salvador	6,988	7,333	9,865	8,165	12,778	82.9
Taiwan	33,226	26,818	23,183	13,888	11,172	-66.4
Canada	8,481	4,492	7,756	18,452	10,844	27.9
Korea	24,688	15,062	1,960	10	9,775	-60.4
Malaysia	29,196	13,410	13,595	9,369	9,349	-68.0
Argentina	3,926	4,550	5,272	5,781	9,033	130.1
Panama	3,342	4,155	5,939	9,098	8,568	156.4
All other	121,263	211,296	139,003	116,879	76,424	-37.0
Total	591,022	651,858	522,343	460,318	423,341	-28.4
	Unit value (dollars per metric ton)					
Japan	870	752	663	653	730	-16.1
Mexico	585	589	484	525	507	-13.3
Brazil	840	623	442	480	498	-40.7
El Salvador	704	749	680	660	615	-12.6
Taiwan	620	560	469	483	424	-31.6
Canada	600	646	618	650	568	-5.3
Korea	708	808	527	(²)	713	0.7
Malaysia	786	609	395	503	445	-43.4
Argentina	732	565	431	472	448	-38.8
Panama	541	609	605	667	615	13.7
All other	782	549	457	567	513	-34.4
Total	786	643	540	589	601	-23.5

¹ Less than 500 metric tons.

² Not applicable.

Note.—Because of rounding, figures may not add to the totals shown; unit values have been calculated from actual quantity and value numbers, not the rounded numbers shown herein.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Foreign trade measures

Tariffs on newsprint in major U.S. export markets are the same or higher than the U.S. level:

Country	Ad valorem tariff on newsprint (percent)
Canada	0
Mexico	(¹)
Korea	8
Indonesia	5
Taiwan	5
Malaysia	5
Brazil	19
Japan	0
European Union	(²)

¹ Imports of newsprint from the United States and Canada enter Mexico free of duty, while those from other countries face a 15 percent ad valorem tariff.

² The European Union has a tariff-rate quota on newsprint—the first 650,000 metric tons of newsprint enter free of duty, anything above this amount has a tariff of 2.5 percent ad valorem.

Nontariff barriers are not believed to be a significant impediment to U.S. exports of newsprint or to worldwide trade in newsprint.

FOREIGN INDUSTRY PROFILE

Overview of World Market

Production of newsprint occurs in approximately 40 countries throughout the world but is concentrated in those countries with abundant forest resources and developed infrastructures. World newsprint production increased by 8.2 percent between 1994 and 1998, from 33.6 mmt to 36.4 mmt (table 7). Canada was the largest producer, accounting for 24 percent of world newsprint output in 1998 (figure 2). The United States was the second-largest producer, accounting for 18 percent of world output, followed by Japan, 9 percent, Sweden, 7 percent, Korea, 5 percent, and Germany, Russia, and Finland, each with 4 percent. The European Union (EU) accounted for 24 percent of world newsprint output in 1998. In recent years, production of newsprint in Asia has increased at a faster pace than that in the other major producing regions of the world. Between 1994 and 1998, Asian newsprint output rose by 34 percent, compared with an increase of only 4 percent in the United States, 9 percent in the EU, and a decline in Canada of 8 percent. Asian newsprint production as a percent of world newsprint production thus grew from 16 percent in 1994 to 20 percent in 1998.⁴⁶

⁴⁶ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

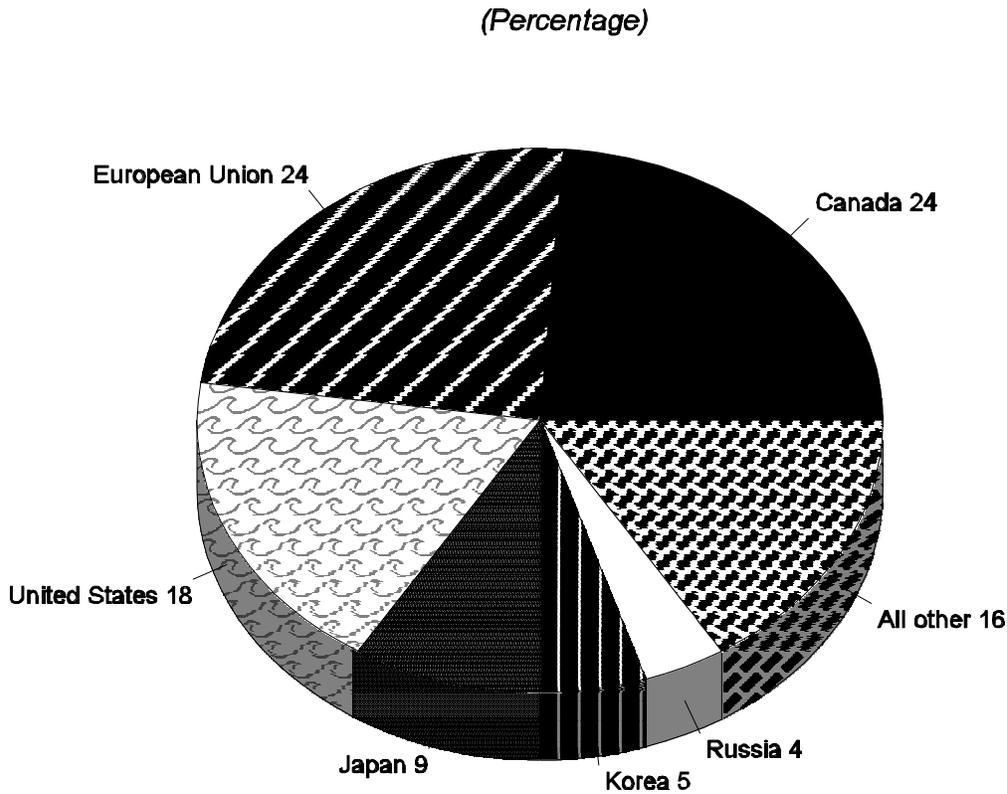
Table 7
Newsprint: Production by major producing countries, 1994-98

Country	1994	1995	1996	1997	1998
	Quantity (thousand metric tons)				
Canada	9,299	9,226	9,027	9,208	8,581
United States	6,335	6,352	6,304	6,545	6,577
Japan	2,972	3,098	3,132	3,192	3,265
Sweden ¹	2,415	2,346	2,283	2,411	2,478
Korea	874	948	1,305	1,592	1,689
Germany	1,499	1,726	1,557	1,673	1,596
Russia	1,038	1,457	1,243	1,198	1,543
Finland	1,446	1,240	1,326	1,467	1,507
All other	7,732	8,257	8,315	8,851	9,131
Total	33,610	34,650	34,492	36,137	36,367

¹ Production of newsprint in the European Union totaled 8.0 mmt in 1994, 8.2 mmt in 1995, 8.0 mmt in 1996, 8.7 mmt in 1997, and 8.7 mmt in 1998.

Source: Canadian Pulp and Paper Association.

Figure 2
Newsprint: Share of world production by selected countries and the European Union, 1998



Source: Canadian Pulp and Paper Association.

Newsprint is a commodity in demand throughout the world, although most consumption occurs in the developed countries. World consumption of newsprint rose by 5 percent between 1994 and 1998, from 34.2 mmt to 35.8 mmt.⁴⁷ In 1998, the United States accounted for 32 percent of world consumption, the EU, 25 percent of world consumption, Japan, 11 percent, Asia (excluding Japan), 14 percent, and Latin America, 6 percent (figure 3). Growth in demand for newsprint in Asia has outstripped that of other world regions in recent years and consequently Asia now accounts for a larger share of world demand.⁴⁸

Newsprint is a heavily traded commodity. World exports of newsprint rose from 16.2 mmt in 1994 to 17.1 mmt in 1998. In 1998, these exports accounted for nearly one-half of world newsprint production.⁴⁹ Canada was the largest exporter and accounted for 43 percent of world newsprint exports in 1998. Other significant country exporters and their respective shares of world newsprint exports in 1998 were Sweden (12 percent), Russia (7 percent), Finland (6 percent), Korea (5 percent), Norway (4 percent), and the United States (4 percent) (figure 4).

Although newspapers in the developed countries have survived the growth of alternative media such as radio and television, the rapid emergence of the Internet as an information and advertising medium threatens the growth in demand for newsprint in the developed countries.⁵⁰ Demand for newsprint in Asia, which had been growing at a faster rate than demand in the developed countries, tumbled by 10 percent between 1997 and 1998 as the Asian financial crisis reduced economic activity in the area. Latin America, another growth area for newsprint, also experienced a decline in newsprint demand in 1998 as the effects of the Asian crisis spread to this region.⁵¹ Nevertheless, the long-term outlook for newsprint demand in these two areas, particularly in Asia, is good. As the Asian economies rebound, growing and increasingly educated and affluent populations will want more reading materials, including newspapers.⁵²

The United States and Canada accounted for more than 40 percent of worldwide newsprint capacity during 1994-98, but combined capacity in these two countries grew by less than 2 percent over the period. The lion's share of the growth in worldwide newsprint capacity during the period occurred in Asia, where capacity rose by 33 percent, from 6.2 mmt to 8.3 mmt. Capacity also increased in the EU but to a lesser extent than in Asia.⁵³ Out of 13 new newsprint paper machines that have been installed or are planned to be installed during 1998-02, Asia accounts for 7, Europe for 4, and North America and Africa, for 1 each.⁵⁴ The newsprint industry has experienced consolidation, particularly in North America, as newsprint producers have bought competitors in an attempt to increase their market power, achieve

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Harold Cody, "Where Are Printing and Writing Papers Going in an Internet World?" *Pulp & Paper*, Nov. 1999.

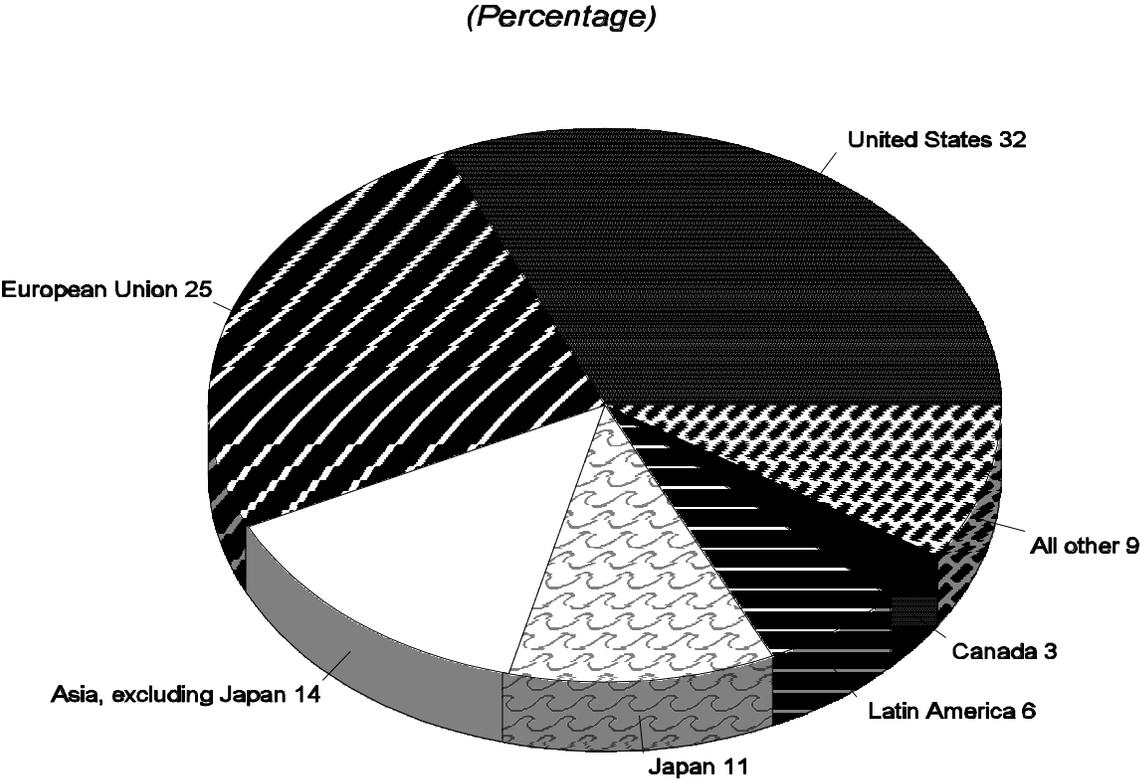
⁵¹ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁵² Bowater Incorporated, *1998 Annual Report*.

⁵³ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

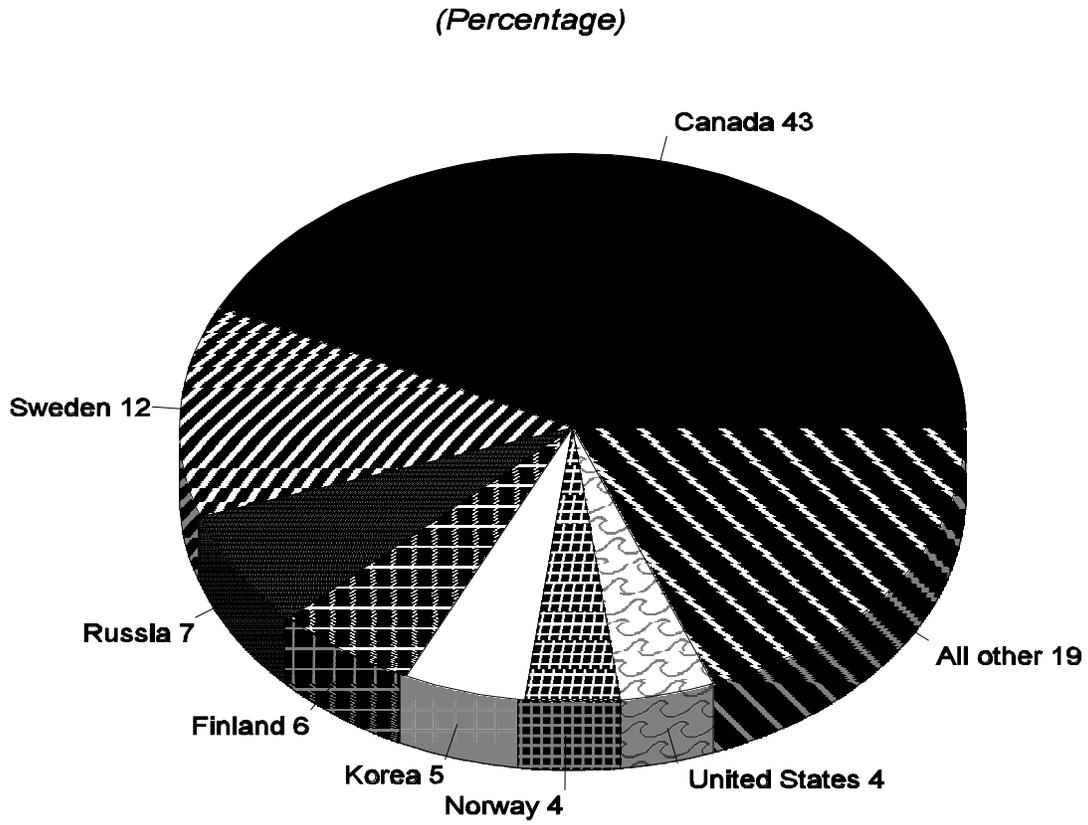
⁵⁴ "Most New Newsprint PMs in Asia, Europe," *Pulp & Paper*, Jan. 1999, p. 27.

Figure 3
Newsprint: Share of world demand by selected countries and regions, 1998



Source: Canadian Pulp and Paper Association.

Figure 4
Newsprint: Share of world exports by major exporting countries, 1998



Source: Canadian Pulp and Paper Association.

greater economies of scale, reduce costs, and retire high cost capacity.⁵⁵ Finally, the Asian financial crisis has provided an opportunity for Western newsprint producers to gain a foothold in fast-growing Asian newsprint markets by buying Asian newsprint capacity.⁵⁶

Market Profiles

Canada

An abundant natural resource (softwood trees),⁵⁷ competitive power costs, a trained labor force, proximity to the largest newsprint market in the world (the United States), and long-standing supply relationships with U.S. newspaper publishers have made Canada a dominant newsprint supplier. Indeed, the country has been the world's largest producer and exporter of newsprint for decades. Canadian newsprint capacity totaled 9.8 mmt in 1998, equal to 25 percent of worldwide newsprint capacity.⁵⁸ The Provinces of Quebec and Ontario accounted for 43 percent and 21 percent, respectively, of Canadian newsprint capacity; British Columbia and the Atlantic Provinces of New Brunswick, Newfoundland, and Nova Scotia accounted for most of the remainder.⁵⁹ Canadian newsprint producers range from Abitibi-Consolidated Inc., the largest newsprint producer in the world, to smaller producers with less than 500,000 metric tons of annual newsprint capacity. Some Canadian newsprint mills are partially or wholly foreign-owned. Howe Sound Pulp and Paper Ltd., a newsprint mill in British Columbia, is a joint venture of Canfor Corp., a Canadian producer, and Oji Paper Co. Ltd., a Japanese paper producer. Stora Enso Port Hawkesbury Ltd., a newsprint mill in Nova Scotia, is a subsidiary of Stora Enso, a large European paper producer.⁶⁰ In early 1998, Bowater Inc., a U.S. newsprint producer, purchased Avenor Inc., a Canadian newsprint producer.⁶¹ Canadian newsprint producers have invested in the United States. Abitibi-Consolidated Inc. has newsprint mills in Arizona, Washington, Texas, Alabama, and Georgia; Alliance Forest Products Inc. owns a newsprint mill in Alabama.

Newsprint is the leading type of paper produced in Canada, although its share of total paper and paperboard output has declined in recent years as production of other types of paper and paperboard has grown at a more rapid pace. In 1998, newsprint accounted for 46 percent of the total volume of paper and paperboard produced in Canada.⁶² Production of newsprint in Canada was relatively flat during 1994-97, totaling about 9.2 mmt per year (table 7). Production declined by 7 percent in 1998 as two major Canadian producers experienced long

⁵⁵ Charles Swann, "Bowater: Going for Its Goals," *PIMA's Papermaker*, June 1999.

⁵⁶ *Ibid.*

⁵⁷ In Canada, a large percentage of the softwood fiber is in the form of chips, shavings, and sawdust from sawmills, with the remainder in the form of softwood logs. Canadian Pulp and Paper Association, *Reference Tables 1999*, Sept. 1999.

⁵⁸ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁵⁹ Canadian Pulp and Paper Association, *Reference Tables 1999*, Sept. 1999.

⁶⁰ *1999 Lockwood-Post's Directory of the Pulp, Paper and Allied Trades*, edited by Harry Dyer (San Francisco: Miller Freeman, Inc. 1998).

⁶¹ Bowater Incorporated, "Bowater to Combine with Avenor," press release, Mar. 9, 1998.

⁶² Canadian Pulp and Paper Association, *Reference Tables 1999*, Sept. 1999.

labor strikes and the financial crisis in Asia reduced that region's demand for Canadian exports.⁶³

The Canadian newsprint market is relatively small and consequently Canada's newsprint industry has traditionally relied heavily upon export markets, particularly the United States. In 1998, 86 percent of Canadian newsprint production was exported. Canadian newsprint exports declined irregularly between 1994 and 1998 from 8.3 mmt to 7.4 mmt (table 8). Although the United States is the largest market for Canada's newsprint exports, Canada has other important markets throughout the world. In 1998, the United States accounted for 72 percent of Canada's exports, Western Europe, 8 percent, Asia, 9 percent, and Latin America and the Caribbean, 10 percent.

Despite its dominant size, the Canadian newsprint industry has faced challenges in recent years. The market for newsprint in the United States, Canada's largest market, is mature and slow growing; the Canadian industry has many old, small newsprint machines; its cost of wood has been increasing; it has had to respond to the demand for recycled content newsprint from U.S. newspaper publishers; and its financial results have been mediocre.⁶⁴ The Canadian newsprint industry has taken a number of steps to maintain its competitiveness. It has developed new markets for its newsprint exports to reduce its dependence on the U.S. market as well as to take advantage of faster newsprint growth rates, especially in Asia and Latin America. The industry has held the line on any new newsprint capacity; between 1994 and 1998, newsprint capacity grew by less than 2 percent. Old newsprint machines have been shut down or converted to the production of other grades of paper. Abitibi-Consolidated Inc., the largest Canadian newsprint producer, recently shut down two newsprint machines and is converting newsprint capacity at another mill to the production of other paper grades.⁶⁵ Many of the Canadian mills have installed equipment to process old newspapers and old magazines into newsprint and thus increase the recycled content of their newsprint output. The industry has also invested in new equipment and production processes to increase productivity and product quality. Finally, in an attempt to increase profitability, the Canadian newsprint industry has undergone a process of consolidation to reduce the number of suppliers and to cut costs by closing old, inefficient capacity, reducing employment, and achieving better operating synergies.⁶⁶ Abitibi-Consolidated Inc., itself a merger of Abitibi-Price and Stone-Consolidated in 1997, announced in February 2000 that it would combine with Donohue Inc., the second-largest Canadian newsprint producer. The two companies stated that the combination would provide C\$250 million in synergy savings, lead to the reduction of 515,000 metric tons of high-cost newsprint capacity, and create a "global low-cost producer."⁶⁷

⁶³ PricewaterhouseCoopers, *Global Forest and Paper Industry Survey, 1999 ed.*, p. 25.

⁶⁴ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), pp. 269-288.

⁶⁵ Karl Jensen, "With Major Recovery Elusive, Mills Focus on Improving Performance," *Pulp & Paper*, Aug. 1999.

⁶⁶ *Pulp & Paper 1999 North American Factbook*, edited by Joyce Routson (San Francisco: Miller Freeman, Inc. 1998), p. 279.

⁶⁷ Abitibi-Consolidated Inc., "Abitibi-Consolidated to Combine with Donohue in a \$7.1 Billion Transaction Following Quebecor's Decision to Divest Its Ownership Position," press release, Feb. 11, 2000.

Table 8
Newsprint: Canadian exports, by principal markets, 1994-98

Market	1994	1995	1996	1997	1998
	Quantity (thousand metric tons)				
United States	5,906	5,812	5,269	5,563	5,266
Western Europe	742	557	695	682	621
Latin America/Caribbean	672	712	531	826	700
Asia	907	879	1,180	1,095	692
All other	98	92	72	83	83
Total	8,325	8,052	7,747	8,249	7,362

Source: Canadian Pulp and Paper Association.

Japan

Japan is the third-largest producer of newsprint in the world, but virtually all production serves domestic demand. Exports totaled only 84,000 metric tons in 1998 and accounted for less than 3 percent of production. Production of newsprint in Japan rose gradually from 3.0 mmt in 1994 to 3.3 mmt in 1998 (table 7). Production declined during 1999 because a weak economy reduced advertising expenditures, leading to a drop in newspaper advertising pages and demand for newsprint.⁶⁸ Japan is one of the largest consumers of newsprint in the world, accounting for 11 percent of world demand in 1998 (figure 3). Consumption of newsprint in Japan increased from 3.5 mmt in 1994 to 3.8 mmt in 1997 and then fell slightly in 1998. Newsprint imports maintained a presence in the Japanese market during the period, ranging from 565,000 metric tons in 1995 to 643,000 metric tons in 1997; import penetration in 1998 was about 16 percent.⁶⁹ Most of these imports, however, were from Japanese joint-venture mills in the United States and Canada.⁷⁰

Japan is the second-largest producer of paper and paperboard in the world, producing significant volumes of printing and writing paper, corrugating materials, board, and other paper grades, as well as newsprint. Newsprint accounted for only 11 percent of total paper and paperboard output in Japan in 1998⁷¹ and is but one of numerous grades of paper produced by the major newsprint producers in Japan. Japan is a heavily forested country but much of the forest area is in mountainous terrain. In recent years, a declining and aging work force in rural areas, rising labor costs, and increasing costs of logging in steep terrain have made logging in many of Japan's forests increasingly unviable.⁷² Consequently, Japanese paper producers have turned increasingly to the use of lower cost imported wood chips and

⁶⁸ PricewaterhouseCoopers, *Global Forest and Paper Industry Survey, 1999 ed.*, p. 26.

⁶⁹ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁷⁰ *1999 Lockwood-Post's Directory of the Pulp, Paper and Allied Trades*, edited by Harry Dyer (San Francisco: Miller Freeman, Inc. 1998).

⁷¹ Pulp & Paper International, *Annual Review, 1995-99*.

⁷² Food and Agriculture Organization of the United Nations (FAO), "Asia-Pacific Forestry Towards 2010," *Asia-Pacific Forestry Sector Outlook Study, 1998*.

have correspondingly reduced their use of domestic wood chips.⁷³ These producers also rely on imported pulp and recycled wastepaper to make newsprint.

The sluggish Japanese economy during the past few years has slowed the growth in demand for paper in Japan and put pressure upon Japanese paper producers to cut costs, increase productivity, and reduce excess capacity.⁷⁴ Producers have responded by consolidating. Oji Paper Co., Ltd., the largest newsprint producer in Japan, merged with Kanzaki Paper Mfg. Co., Ltd. in 1993 and then merged with Honshu Paper Co., Ltd. in 1996.⁷⁵ Nippon Paper Industries Co., Ltd., the second-largest newsprint producer in Japan, was formed from the merger of two producers in 1993. Another challenge facing the Japanese newsprint industry is the growing popularity of the Internet in Japan as a source of news and advertising in place of the daily newspaper.⁷⁶

European Union

The EU is a major producer and consumer of newsprint, accounting for 24 percent of world newsprint production and 25 percent of world demand in 1998 (figures 2 and 3). Fueled by rising demand, production of newsprint in the EU increased by 9 percent between 1994 and 1998, from 8.0 mmt to 8.7 mmt. Sweden, Finland, and Germany are the largest EU producers of newsprint; combined output from these three countries totaled 5.6 mmt in 1998, 64 percent of total EU production. These three countries are also the largest exporters of newsprint, with most of their exports destined for other countries in the EU. The top three EU markets for newsprint, Germany, France, and the United Kingdom, accounted for 61 percent of total EU demand in 1998.⁷⁷

Most newsprint output in the EU comes from producers which make a range of paper products. Like their counterparts in North America and Japan, these producers have been under pressure to consolidate in order to cut costs, reduce capacity, and improve operating performance. Stora, a Swedish paper producer, and Enso, a Finnish paper company, merged in 1998 to become the largest paper producer in the world. Both companies have significant newsprint operations.⁷⁸ Despite the pressure to consolidate and rationalize capacity, some firms have recently brought on new newsprint capacity to serve growing demand in the EU. In 1998, a new newsprint machine started up in Spain, and in early 1999 a huge newsprint machine began operations in France.⁷⁹ In late 1999, new capacity started up in Germany.⁸⁰ Overall, newsprint capacity in the EU rose by 4 percent between 1994 and 1998, from

⁷³ Japan Paper Association, "Breakdown of domestically produced woodchips," found at <http://www.paper-jpa.or.jp/ekanren/egenryou01.htm>, retrieved Jan. 19, 1999.

⁷⁴ Japan Paper Association, "Chairman's New Year Greetings," found at http://www.paper-jpa.or.jp/saishin/pre99_e.htm, retrieved Jan. 19, 1999.

⁷⁵ Oji Paper Co., Ltd., *Annual Report 1998*.

⁷⁶ Harold Cody, "Where Are Printing and Writing Papers Going in an Internet World?" *Pulp & Paper*, Nov. 1999.

⁷⁷ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁷⁸ "Stora Enso Merger Gets the EC's Official Stamp," *Pulp & Paper International*, Jan. 1999, p. 11.

⁷⁹ PricewaterhouseCoopers, *Global Forest and Paper Industry Survey, 1999 ed.*, p. 25.

⁸⁰ "Palm Gets New News Line on Line," *PIMA's Papermaker*, Dec. 1999, p. 20.

8.5 mmt to 8.9 mmt.⁸¹ Newsprint producer optimism about the future growth in demand for newsprint in the EU is tempered, however, by the rapid spread of the Internet and the impact it may have on advertising expenditures and consumer reading habits.⁸²

Sweden is the fourth-largest producer of newsprint in the world, accounting for 7 percent of world newsprint production in 1998 (table 7). With a relatively small domestic market for newsprint, Sweden depends heavily upon export markets, particularly in Europe. In 1998, Sweden's exports of newsprint accounted for 83 percent of Swedish newsprint production. With exports flat during 1994-98, newsprint production in Sweden during the period remained flat.⁸³ Finland is another significant producer of newsprint, accounting for 4 percent of world output in 1998 (table 7). Like Sweden, Finland has a small domestic market and is thus very dependent upon export markets in Europe. In 1998, Finnish newsprint exports accounted for 64 percent of Finnish newsprint production.⁸⁴ During 1994-98, production of newsprint in Finland increased by 4 percent (table 7). Although Germany is a major producer of newsprint (accounting for 4 percent of world newsprint production in 1998), its output falls well short of domestic demand, causing the country to turn to imports to fill the gap. Production of newsprint in Germany rose from 1.5 mmt in 1994 to 1.6 mmt in 1998; demand for newsprint was flat at approximately 2.3 mmt per year. During the period, Germany was the third-largest importer of newsprint, behind the United States and the United Kingdom.⁸⁵

Sweden, Finland, and Germany produce significant volumes of a variety of paper and paperboard products. In 1998, newsprint output as a percent of total paper and paperboard output was 25 percent in Sweden, 12 percent in Finland, and 10 percent in Germany.⁸⁶ Sweden and Finland have vast forest resources which are utilized for the production of newsprint; the two countries rely to a lesser extent on recycled wastepaper as a fiber source for newsprint. Germany has some forests but relies to a larger extent on recycled wastepaper to produce newsprint.⁸⁷ All three countries have long traditions of making paper, skilled work forces, and they employ the latest in paper-making technology. Newsprint paper machines in these countries, on average, are newer, faster, and more productive than newsprint paper machines in the United States and Canada.⁸⁸

⁸¹ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁸² Harold Cody, "Where Are Printing and Writing Papers Going in an Internet World?" *Pulp & Paper*, Nov. 1999.

⁸³ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*

⁸⁶ Pulp & Paper International, *Annual Review*, 1999.

⁸⁷ Miller Freeman, *1999 International Pulp & Paper Directory*. Germany has a very well developed system for the recovery and recycling of paper products. Mark Payne, *European Analysis and Forecast* (Brussels: Miller Freeman Inc. 1998), p. 36.

⁸⁸ George Ionides, "North American Newsprint: A Maturing Market," *Pulp & Paper*, Apr. 1999.

Korea

Korea's rapid economic growth and development in recent years has been accompanied by a significant expansion of its paper and paperboard industry. Newsprint has participated in this expansion, with Korea becoming an important newsprint producer and exporter in the past 5 years. Newsprint capacity in Korea almost doubled between 1994 and 1998, from 890,000 metric tons to 1.7 mmt.⁸⁹ Production of newsprint exhibited a similar trend, jumping from 874,000 metric tons in 1994 to 1.7 mmt in 1998 (table 7). Korea was the fifth-largest producer of newsprint in the world and accounted for 5 percent of world output in 1998 (figure 2). Consumption of newsprint in Korea kept pace with production during 1994-97 as a healthy economy fueled demand for newspapers. In late 1997 and 1998, however, the Asian financial crisis worsened and the Korean economy entered into a severe recession, causing the demand for newsprint to fall by 35 percent in 1998 compared with 1997. Remarkably, Korean newsprint producers managed to increase production by 6 percent between 1997-98 by shifting output to export markets, including the United States. Korea's exports of newsprint, which were minimal during 1994-96, increased to 256,000 metric tons in 1997 and then more than tripled to 812,000 metric tons in 1998.⁹⁰ These exports accounted for almost one-half of Korean newsprint production in 1998⁹¹ and for 5 percent of world newsprint exports (figure 4).

There are numerous producers of paper and paperboard in Korea, but not all of them produce newsprint. Newsprint output in 1998 accounted for only 22 percent of total Korean output of paper and paperboard; there was also significant production of printing and writing paper, corrugating materials, and board.⁹² Reflecting a lack of forest resources, Korean newsprint producers are heavily dependent upon wastepaper (domestic and imported) and imports of pulp. Nevertheless, the Korean newsprint industry serves a domestic market that until the Asian financial crisis was growing at a much faster rate than markets in the United States and Europe. The industry also enjoys the benefits of new production machinery, with approximately 50 percent of its newsprint capacity having been installed in the past 5 years.

Despite the newsprint industry's ability to increase production and exports during the Korean economic downturn in 1998, the industry, nevertheless, was unable to escape the effects of the crisis. Producers experienced severe financial problems and even bankruptcy, which presented Western newsprint producers with the opportunity to purchase relatively new production assets and thus gain access to fast growing Asian newsprint markets. In July 1998, Bowater Inc., a U.S. newsprint producer, purchased a Korean newsprint mill from Halla Pulp and Paper Co. Ltd., which had earlier entered into bankruptcy. The purchase price reportedly was well below the cost of building the mill. This low-cost and modern mill will greatly expand Bowater Inc.'s presence in Asia.⁹³ In February 1999, Abitibi-Consolidated Inc., a Canadian newsprint producer, Norske Skog, a Norwegian newsprint producer, and Hansol Paper Co., a Korean newsprint producer, formed a joint venture to create one of the largest newsprint companies in Asia. Each producer owns one-third of the new company, the Pan Asian Paper Co. (PAPCO). PAPCO consists of four modern and low-cost production facilities in Korea,

⁸⁹ Canadian Pulp and Paper Association, *Newsprint Data 1999*, Aug. 1999.

⁹⁰ *Ibid.*

⁹¹ *Ibid.*

⁹² Pulp & Paper International, *Annual Review*, 1999.

⁹³ Charles Swann, "Bowater: Going for Its Goals," *PIMA's Papermaker*, June 1999.

China, and Thailand.⁹⁴ The largest of these production facilities is Hansol Paper Co.'s Chonju mill in Chonju, Korea. The sale of this mill to the joint venture for \$1.0 billion will provide Hansol Paper Co. with the funds to carry out its restructuring plan.⁹⁵

⁹⁴ Abitibi-Consolidated Inc., "PAPCO," found at [http://www.abicon.com/domino/aciweb2.nsf/\(pages\)/papco](http://www.abicon.com/domino/aciweb2.nsf/(pages)/papco), retrieved Jan. 13, 2000.

⁹⁵ "A-C, Norske Skog and Hansol Join Forces," *PIMA's Papermaker*, Aug. 1998, p. 10.

APPENDIX A
EXPLANATION OF TARIFF AND TRADE
AGREEMENT TERMS

TARIFF AND TRADE AGREEMENT TERMS

In the *Harmonized Tariff Schedule of the United States* (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989.

Duty rates in the *general* subcolumn of HTS column 1 are normal trade relations rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those listed in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam) plus Serbia and Montenegro, which are subject to the statutory rates set forth in *column 2*. Specified goods from designated general-rate countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the *special* subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The *Generalized System of Preferences* (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of September 30, 2001. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The *Caribbean Basin Economic Recovery Act* (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the *United States-Israel Free Trade Area Implementation Act* of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the *Andean Trade Preference Act* (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the *North American Free Trade Agreement*, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular *products of insular possessions* (general note 3(a)(iv)), *products of the West Bank and Gaza Strip* (general note 3(a)(v)), goods covered by the *Automotive Products Trade Act* (APTA) (general note 5) and the *Agreement on Trade in Civil Aircraft* (ATCA) (general note 6), *articles imported from freely associated states* (general note 10), *pharmaceutical products* (general note 13), and *intermediate chemicals for dyes* (general note 14).

The *General Agreement on Tariffs and Trade 1994* (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX. Pursuant to the *Agreement on Textiles and Clothing* (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

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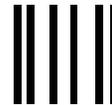
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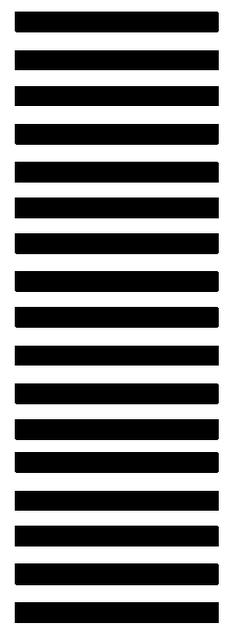
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