Industry & Trade Summary

Newsprint

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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 1987 through 1991 and represents one of approximately 250 to 300 individual reports to be produced in this series during the first half of the 1990s. This is the first individual summary report published to date on the forest products sector.

[1] The information and analysis provided in this report are for the purpose 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.

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INTRODUCTION

This summary covers newsprint paper. Information is provided on the structure of the U.S. industry and the major foreign newsprint paper industries, domestic and foreign tariffs, and the competitiveness of U.S. and foreign producers in both domestic and foreign markets. The summary generally covers the period 1987 through 1991.

"Newsprint" as a generic term includes both standard newsprint paper used in the publication of newspapers,[1] generally considered to be the lowest grade of printing paper produced, and newsprint used in commercial printing, shopping news, religious and fraternal publications, school writing and drawing tablets, and various government publications. This summary does not address types of printing paper generally used for purposes other than newspapers but generically defined as newsprint (e.g. groundwood printing papers for magazines, catalogs, and directories). Printing papers other than newsprint covered in this report will be covered in a separate summary: *Printing and Writing Papers.*

In terms of tonnage, the U.S. share of consumption of newsprint supplied by imports decreased from 64 percent in 1987 (8.8 million metric tons) to 55 percent in 1991 (6.8 million metric tons). As this occurred, domestic shipments of newsprint increased from 5.3 million to 6.2 million tons. Domestic shipments have increased largely because of cost reductions, including product modifications (thinner paper), that have been obtained throughout the industry. The United States is, by far, the world's largest consumer of newsprint. In 1990 about 39 percent of the world's 34 million-ton consumption of newsprint was marketed in the United States.

Canada is the world's largest producer of newsprint (28 percent of the total in 1990), followed by the United States (18 percent of the total). Canada, with its vast supply of wood pulp for making newsprint, supplies virtually all U.S. imports of newsprint. U.S. imports of newsprint enter free of duty. International trade in newsprint generally is limited to contiguous countries or areas, because newsprint is heavy and bulky and thus costs too much to transport across large distances.

Papermaking is a scientific process that utilizes highly sophisticated equipment in the manufacture of thousands of varieties of paper and paperboard. The process for newsprint begins with managed timberlands where trees suitable for pulpwood are harvested, cut into short lengths, and transported to the paper mill. The bark is removed from the pulpwood and the wood is mechanically shredded or separated. The resulting pulp consists of fibers of the whole wood including lignin (which bonds the fibers in their natural state) and other noncellulosic constituents. After further refining, the fibers are combined with pigments, dyes, sizings, and resins. This "furnish"—more than 99 percent water and less than 1 percent fiber and other solids—is ready to be formed on the paper machine. It flows onto moving wire screen on which the fibers are matte forming a continuous sheet of paper, with much of t water drawn through the wire into collection tanks f recycling. Water-laden, the web of pulp passes throu heavy rollers that press most of the moisture from t sheet. It proceeds over steam-heated cylinders complete the drying process by evaporation. The pap or board is rewound into smaller rolls or cut in sheets, ready for shipment.

In the United States, about 75 percent of t newsprint paper consumed is used in the printing daily newspapers. The bulk of the remainder is used weekly newspapers, shopping news, commerci printing, and government publications.

U.S. INDUSTRY PROFILE

Industry Structure

The structure of the newsprint industry in t United States is illustrated in figure 1. The standa industrial classification (SIC) category for t production of newsprint paper is 2621, *Paper Mil* The Census Bureau collects data on shipments a other factors of production under product class 262 *Newsprint.*

In the United States, more newsprint is produc than any other grade of paper. In the hierarchy paper, however, newsprint is considered to be lowest grade of printing paper made. The end mar for newsprint is usually the daily and wee newspaper. Trade sources report that in recent ye about 75 percent of newsprint production has b used in daily newspapers.[2] Other uses incl weeklies, shopping news, and governm publications. Newsprint represents the second-larg production cost (after labor) associated with newspa publication. In the last decade, as newsprint pri increased, newspaper publishers attempted to of these and other increased costs by changing newspa formats and by changing to lighter weight pap However, this movement to lighter basis weights been somewhat stalled by increased emphasis printing quality and a slow acceptance of flexogra printing. Standard newsprint is still considered t 30 lb with brightness in the 55 to 61 range.[4] Bec of increased costs of newsprint, it has bec increasingly important for newsprint suppliers reduce, or at least to maintain, the cost of newspri proportion to the total publishing cost of a newspa Market experience indicates that whenever the pric a newspaper is increased, the circulation drops.

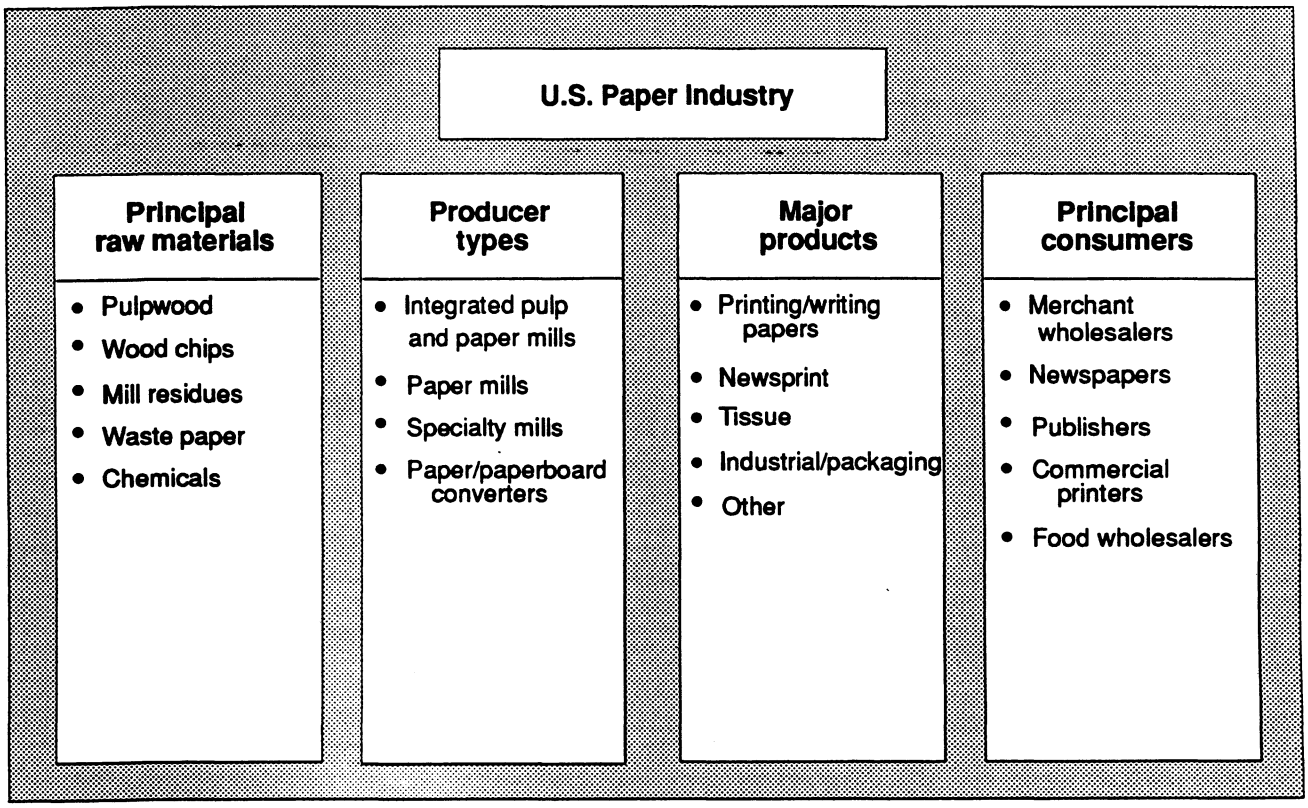
[1] See descriptive definition under section pertaining to U.S. tariff measures.

[2] American Newspaper Publishers Association pamphlet, *Facts About Newspapers '91.*

[3] Newsprint is commonly sold in the United State 28 lb to 32 lb basis weight, which is computed on the basis of the weight in pounds per 500 sheets, each 24 36 inches (that is, per ream of 432,000 square inches)

[4] Brightness refers to the reflectivity of paper for specified blue light measured under standardized conditions on a particular instrument designated and calibrated for this purpose.

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



Source: Prepared by the staff of the USITC.

Number of firms, Concentration Among Firms, and Geographic Distribution

In 1991 there were an estimated 18 firms producing newsprint paper in the United States. There were about 20 such firms in 1987. In 1991 the 5 leading producers accounted for about one-half of U.S. production and the top 10 producers accounted for about three-fifths of the total. Newsprint is produced in large mills that concentrate on the production of this grade of paper. Although U.S. production is distributed throughout the United States, the largest concentration is in southeastern and southwestern United States, in such States as Tennessee, Texas, and Louisiana, where the supply of wood pulp is plentiful.

Employment, Labor Intensity and Skills, and Productivity

The production of newsprint depends more on capital availability than on labor; it requires large initial capital investment in costly, large papermaking machinery that requires large areas of space in which to operate. Newsprint producers often invest $500 million to over $1 billion in integrated pulp and paper facilities and utilize land areas as large as a small town. The workplace is highly automated, using such equipment as computers, special sensors, regulators, flow meters, and test equipment. The process also requires highly skilled labor, including substantial engineering expertise for working with the specialized machinery and equipment.

In 1987 the U.S. newsprint industry employed 9,200 production workers, and employment in 1991 is believed to have remained about the same. Machinery refinements and improvements in production speed have increased plant efficiency and boosted production levels without the need for more workers.

In this mature industry, productivity is increased by reducing variations in process and product and by reducing mechanical breakdowns and the production of unusable, poor-quality product. To meet these goals, newsprint makers strive to reduce costs by introducing product innovations, such as thinner paper; by improving process equipment and introducing new distribution control systems; and by improving mill staffing and training. For example, some mills have recently reported a closer relationship with their equipment suppliers. In past years, the mills relied on in-house expertise to apply their mills' knowledge of the advances and new applications of paper machinery

control systems. However, in recent years more emphasis has been placed on the combined effort of supplier and user to increase efficiency.

Vertical and Horizontal Integration

Nearly all enterprises operating primary U.S. mills that produce newsprint also own the forest lands on which the pulp supply is grown and the facilities that pulp the wood. These enterprises are usually large, integrated corporations that produce other forest products, such as wood and lumber products. Ownership of these corporations is private and primarily of domestic origin, although there is some cross foreign ownership with Canadian mills.

The U.S. producers of newsprint are closely linked with Canadian producers in supplying the North American market. About 55 percent of U.S. consumption is imported, and virtually all the imports are from Canada. In addition, some large U.S. newsprint producers also are major producers in Canada. However, these producers ship most of their production to newspaper publishers in the U.S. market. Newsprint consumed in Canada is only a fraction of that consumed in the United States. Although some major U.S. newsprint producers have close affiliations with U.S. newspaper publishers (their primary customers), newspaper publishers generally do not produce newsprint.

Marketing Methods and Pricing Practices

In the United States, newsprint is distributed on a delivered-price basis, including shipping costs. Because of newsprint's weight and bulk, shipping costs often account for up to 8 percent of the delivered price, although this percentage can vary according to delive distance.

Newsprint is usually purchased through a contrac with a specified time and price. Contract prices a negotiated and then quoted per metric ton. Separa prices are quoted for the U.S. East and U.S. West. T price is usually subject to change, however, based market conditions such as supply shortages surpluses and delivery problems. Large consume such as publishers of daily newspapers, purcha directly from producers. Smaller consumers, such publishers of weekly newspapers, usually acqui newsprint through a broker. Published prices f newsprint, although varying somewhat from produc to producer, generally gravitate toward a comm quoted price.

Industry Profitability

Profitability in the newsprint industry is linked the volume of production. Larger sales result economies of scale by lowering unit costs on the hea machinery and reducing energy input costs. Duri 1987-91, the profitability of the newsprint indus decreased after reaching a high in 1988. The hi point of profitability undoubtedly reflected favorable business activity in the United States t drove the demand for more newspaper advertising.

Table 1 compares financial conditions in selec large U.S. public companies in the newsprint indus with those in other selected industries for the per 1987–91.[5]

[5] Forbes, *40th-44th Annual Reports on the America Industry,* January eds. 1988-92.

Table 1
Financial conditions in the newsprint industry and in other selected industries, 1987–91
(Percent)

	Newsprint industry		*Other selected industries*[1]	
Year	*Return on stockholders equity*[2]	*Net profit*[3]	*Return on stockholders equity*	*Net profi*
1987	13.5	5.1	13.6	4.3
1988	17.5	7.5	14.1	4.9
1989	17.3	6.8	14.4	([4])
1990	10.4	3.8	12.1	4.0
1991	2.1	1.2	9.9	2.9

[1] The selected industries used for comparison are public companies in all economy sectors. They differ for ea of the years 1987–91 as follows:
1987 (31 industries; 1,031 companies)
1988 (31 industries; 1,116 companies)
1989 (20 industries; 1,150 companies)
1990 (20 industries; 1,177 companies)
1991 (21 industries; 1,000 companies)

[2] Median return on stockholders' equity. Convertible bonds, convertible preferred stock, warrants, and stock options have been converted into common shares, and stockholders' equity has been created from shares and equivalents.

[3] Median net profit per sale. Net income as a percentage of net sales (profit after taxes).

[4] Not available.

In 1987 and 1990-91 the median return on stockholders' equity for the newsprint industry fell below the comparable levels for the other selected industries. In contrast, the median net profit (after taxes) for the newsprint industry exceeded that for the other industries, except in 1990 and 1991. The profitability fluctuations can be explained somewhat by the general nature of the paper industry. The business cycle affects the timing of profitability in the paper industry somewhat differently than in many other industries. Newsprint, like other commodity paper products, has consistently demonstrated a cyclical nature. This cycle tends to be one of feast or famine. It begins with a robust market and strong operating rates with resulting high prices and profits. Producers have historically invested the high profits into additional capacity. These additions require long periods of construction time and typically come onstream in future years when the economy is weakening. The result is low operating rates and minimal profits.

Research and Development Expenditures

Expenditures on research and development in the newsprint industry are estimated to amount to tens of millions of dollars annually. The primary expenditures are related to environmental concerns and improvements in productivity and quality. Outlays to benefit the environment have generally centered on water quality, cleaner air, and handling of solid waste. Increasingly, more of these expenditures are being invested to develop innovative and economical methods to reduce contaminant levels in order to meet Environmental Protection Agency standards.

For quality improvements, a number of new pulping processes are being developed and refined. Newsprint, as explained earlier, is developed from mechanical pulps produced by grinding, refining, or other mechanical process rather than from a chemical-based cooking process. These mechanical pulping processes are called "alphabet" pulps because the various processes are known by a variety of acronyms. Mechanical processes are more environmentally friendly, are cheaper than chemical-based pulps, and are now being used for a broader array of papers in addition to newsprint.

Productivity improvements are being aided by the development of automated millwide process-control systems that can measure and control major process variables, set production schedules, and optimize output. More of these automated systems should see widespread implementation during the next decade.

Special Factors Affecting the Industry

The primary new factor in newsprint production is the massive surge of recycled fiber in U.S. newsprint paper. This development is largely a result of State environmental legislation. Advocates for new State environmental laws are proposing, in some cases, that paper products marketed in the United States be required to have as much as 40 percent recycled-fiber content.

Legislation demanding recycled paper for use in U.S. production is expected to significantly alter future U.S. wastepaper exports and the amount of Canadian virgin-fiber (original fiber) newsprint imported and sold to publishers in the U.S. market as U.S. publishers begin using more recycled-content paper. Since Canada, with its abundance of virgin fiber, is the world's leading producer of newsprint, it has only recently begun to produce newsprint using recycled fiber. Western Canada's first recycled-market pulp mill is scheduled for operation in 1992 in British Columbia. Also, an expensive modernization of a large Canadian mill to accommodate newsprint recycling has recently been completed in Ontario and is in its startup phase. Consequently, Canadian exports to the United States now contain very little recycled fiber. As U.S. laws continue to mandate more recycled content for use in U.S. newsprint and other papers, Canadian newsprint producers could face a decrease in demand from U.S. publishers, unless these producers change to the more costly production of recycled paper. The production of recycled paper is a costly startup operation for paper producers. The process requires a mill operation designed to substitute used paper for virgin pulp as a raw material base. Mill conversions to accomodate recycled papers require additional costs such as contamination removal and de-inking capabilities. The recycled paper product must then meet an acceptable standard of quality and must also be economically competitive with a product made from virgin pulp. Canada has a raw material cost advantage with its abundance of virgin pulp. Use of recycled paper as a raw material substitute would not be as economically advantageous to Canada as to the United States.

Consumer Characteristics and Factors Affecting Demand

The principal U.S. consumers of newsprint paper are newspaper publishers, and the bulk of published newspapers are daily editions, published in 1,500 U.S. cities throughout the United States. Daily newspapers lead all U.S. advertising media, with 25 percent of total U.S. advertising expenditures ($32 billion in 1990), compared with television services at 22 percent, and direct mail at 18 percent.[6] The newspaper industry remains diverse in ownership; 80 media conglomerates own 5 or fewer dailies. Fifty groups have total daily circulation of 50,000 or less.

The demand for newsprint is based on the demand for newspapers, which in turn is responsive to circulation and advertising revenue. Such revenue is influenced by business activity and by competition from other print media, such as magazines, and from the electronic media of radio and television. Newspaper circulation decreased overall during the period 1987–91, and advertising expenditures were flat, resulting in a decrease in the use of newsprint.

[6] American Newspaper Publishers Association, "Facts About Newspapers", 1991.

Table 2
U.S. growth in newsprint consumption compared with changes in gross domestic product (GDP), 1987–91

(1987=100)

Year	Apparent consumption 1,000 metric tons, all basis weight	Index	Real GDP Billion dollars	Index
1987	13,745	100.0	4,540	100.0
1988	13,459	97.9	4,719	103.9
1989	12,902	93.9	4,837	106.5
1990	13,050	94.9	4,885	107.6
1991	12,271	89.3	4,848	106.8

Source: Compiled from official statistics of the U.S. Department of Commerce, and published statistics of the American Paper Institute.

Newsprint consumption has historically followed the fluctuations in general business activity, but with a lag. However, during 1987–91, as indicated above in table 2, newsprint consumption decreased while general business activity increased, as measured by changes in real gross domestic product (GDP).

During 1987–91 apparent newsprint consumption decreased, showing an actual 11-percent decline in tonnage. Over the same period, real GDP increased by about 7 percent. More efficient use of newsprint (including the use of lighter weight newsprint) and a general decline in readership and demand for advertising were the major factors reducing domestic demand. These factors coupled with increased exports were responsible for the decrease in apparent consumption over the period.

FOREIGN INDUSTRY PROFILE

Although newsprint is manufactured throughout the world, production is especially concentrated in countries that enjoy a plentiful and economical source of wood pulp (e.g., Canada, the United States, Sweden, etc.). Because of its weight and bulkiness in relation to its value, newsprint is generally consumed in the country of production or in nearby markets. World production is estimated to have totaled 33 million metric tons in 1990, up from 28 million metric tons in 1985 (tables 3 and 4). North America was the principal producing area in 1990, followed by Western Europe, Asia, and Eastern Europe, as shown in the following tabulation (in percent):

Area	World production
North America	46
Western Europe	25
Asia	16
Eastern Europe	6
All other	7
Total	100

As indicated above, North America[7] accounted f somewhat less than half (46 percent) of wor production of newsprint in 1990. Canada accounts for about 60 percent of the North American share production, and the United States, about 40 perce Western Europe[8] accounted for a quarter of wo production, with Sweden, Finland, West Germany, a Norway as the leading producers, together accounti for 70 percent of the Western European share production. Asia[9] accounted for 16 percent of wo production, with Japan accounting for two-thirds of t Asian share. Eastern Europe[10] accounted for 6 perc of world production, with the former Soviet Uni accounting for 83 percent of the share. The remaini world production of newsprint, amounting to 7 perce is shared by world production from Latin Ameri Australia, and Africa.

Canada

Canada is the world's largest producer newsprint. Newsprint is the leading type of pa produced in Canada, accounting for about 58 perc of total paper and board production in terms tonnage, with most destined for export, primarily to United States. The Canadian paper industry is v positioned for the production of newsprint, with abundant raw material source (long-fibered softwc from a commercial forest area (2.6 million km^2) la than that of the United States and a close proximit raw material to producer facilities and mark especially the United States. Among the 10 lar North American producers of newsprint, the to companies, Abitibi-Price and Canadian Pacific, v Canadian-owned companies in partnerships with

[7] As used here, "North America" consists of the United States and Canada.

[8] As used here, "Western Europe" consists of Swe Finland, Norway, West Germany, United Kingdom, Ita France, Switzerland, Austria, Belgium, Netherlands, ar Ireland.

[9] As used here, "Asia" consists of Japan, China, Korea, Taiwan, India, Bangladesh, Indonesia, and Thailand.

[10] As used here, "Eastern Europe" consists of the former Soviet Union, Bulgaria, Czechoslovakia, Polan Democratic Republic of Germany, Hungary, Yugoslavi and Romania.

mills. The two companies accounted for about one-quarter of North American production in 1990. Since Canada does not consume much newsprint, the bulk of their production (88 percent in 1990) is exported.

The raw material for Canadian newsprint is supplied from both public and private forest lands. The largest Provincial source for newsprint production is Quebec, accounting for the bulk of Canadian production and exports. Quebec's production of about 5 million metric tons annually accounts for about 15 percent of annual world production. About three-quarters of this production is exported to the United States and accounts for almost one-third of U.S. consumption. Quebec's largest newsprint mill produces over 500,000 metric tons per year.

Canadian production of newsprint increased from 9.0 million metric tons in 1985 and a 32-percent share of world production to 9.1 million metric tons with a 28-percent share of world production in 1990 (see tables 3 and 4). Total Canadian exports of newsprint amounted to 7.9 million metric tons in 1990, and about 80 percent (by quantity) was exported to the United States.

Japan

The most impressive growth rates in newsprint production in Asia have occurred in Japan, which in 1990 accounted for 11 percent of world production and two-thirds of Asian production. In recent years, Japan's industry has grown steadily, sustained by strong domestic demand from private investment and personal consumption. The protection of forest resources and the disposal of municipal solid waste are of prime importance in Japan, and recycled paper and board are becoming increasingly attractive to the consumer. Since Japan's forest area is small (only about one-tenth the size of that of the United States), the use of recycled material in the form of waste paper (50 percent of the industry's raw fiber supply in 1989) is important in order to keep up with domestic demand for newsprint. Japan is a net importer of newsprint. In 1990 about 80 percent of Japan's imports came from the United States and Canada. Exports accounted for less than 2 percent of production. Imports accounted for about 11 percent of domestic consumption.

Japanese production of newsprint increased from 2.6 million metric tons and a 9-percent share of world production in 1985, to 3.5 million metric tons and an 11-percent share in 1990 (see tables 3 and 4).

Sweden

Sweden is the fourth-largest world producer and the largest European producer of newsprint. Sweden, with the largest commercial forest area (240,000 km^2) in Western Europe, is a large supplier to the European Continent. In 1990 Sweden accounted for about 7 percent of world newsprint production. The majority of Swedish production is exported (78 percent in 1990), and the bulk of these exports were to the European Community (EC) countries (i.e., the United Kingdom, Germany, France, and the Netherlands). Sweden, the largest newsprint supplier to the EC, has considerable investment in large production acquisitions within the EC, and like other EC suppliers such as Finland and Norway, Sweden is not a member of the EC. Also, like Finland and Norway, Sweden has obtained a substantial position in the EC and is attempting to fortify this position by offering environmentally friendly products and processes and by aligning itself with EC standards before the 1992 EC market integration. Sweden's recent unfavorable economic situation has prompted Government tax reforms and has resulted in an alignment of its currency with the European Currency Unit. Sweden has also declared its intention to join the EC in the near future. Production totals for Sweden and other leading Western European countries for 1985 and 1990 are shown in tables 3 and 4.

The Former Soviet Union

The former Soviet Union was the fifth-largest world producer of newsprint in 1990. With a commercial forest area of 800,000 km^2, it ranks as the largest on the European Continent. However, about four-fifths of newsprint production in the Soviet Union is consumed internally, with exports accounting for about 20 percent of production in 1990. The former Soviet Union accounted for about 5 percent of world production and 83 percent of Eastern European production in 1990.

Soviet production had been characterized by bureaucratic control at all levels, resulting in relatively static production levels over recent years. However, through 1990, mills were given more authority at the local level concerning decisionmaking and investment planning. Many of the Soviet paper mills are ill-equipped and in need of rebuilding. In early 1991 the Soviet Council of Ministers called for measures to deal with falling output in the public sectors. It encouraged foreign joint ventures and privatization. The encouragement of foreign investment is important to the former Soviet Union, as the paper industry is an important source of foreign exchange. Trade sources have reported that foreign newsprint companies from Finland and Canada were considering establishing newsprint production facilities in the former Soviet Union. It is not known if or when these projects will be undertaken.

The former Soviet Union's production of newsprint increased from 1.6 million metric tons, 6 percent of world production, in 1985, to 1.7 million metric tons, or 5 percent of world production, in 1990.

Other World Producers

Other European producers of note include Finland (4 percent of world production), West Germany (3 percent), Norway (3 percent), and the United Kingdom (2 percent). Finland is currently overcoming a poor performance in 1990, which partially reflected an industry facing high production costs, a decline in real prices caused by overcapacity, and reduced utilization rates. The majority of Finland's production is exported (84 percent in 1990). The bulk of these exports were supplied to EC countries. West Germany

increased its production of newsprint in 1990. However, imports exceeded production, and West Germany remains a net importer of newsprint, absorbing most of its domestic production. Norway in 1990 experienced increased demand despite an economic slowdown, and newsprint production increased slightly. Norway remains a leading exporter with about three-quarters of its exports going to EC markets in 1990. The United Kingdom increased its newsprint production in 1990. However, it remained a net importer of newsprint.

Other Asian producers of note include the Republic of Korea, (2 percent of world production and 10 percent of Asian production) and the People's Republic of China (1 percent of world production and 8 percent of Asian production). Newsprint demand continued to be strong in Korea as newspapers increased pagination. Chinese output of newsprint increased despite a down economy.

Latin America, Australia, and Africa combined accounted for 7 percent of world production in 1990. The leading countries supplying production were Australia, New Zealand, Mexico, South Africa, and Brazil. In Latin America, economic problems have hampered production with the exception of Mexico. Mexico has benefited from a restructuring and consolidation of its economy that has resulted in an influx of foreign capital and an increase of privatization.

U.S. TARIFF AND NONTARIFF MEASURES

The provisions for newsprint in the Harmonized Tariff Schedule of the United States (HTS), apply to standard newsprint (4801.00.00.20) and other newsprint (4801.00.00.40).[11] Most papers that conform to the following descriptive specifications of the U.S Customs Service, as shown in figure 2, are standar newsprint paper.

Other newsprint (4801.00.00.40) is paper that i not chiefly used for printing newspapers or that fails t meet the applicable specifications of weight, finisl size, and ash content listed above.[12] Table 5 show that imports of newsprint are entered duty-free.

There are no known U.S. domestic nontariff impo restrictions that significantly influence trade fc newsprint as covered in this summary.

FOREIGN TARIFF AND NONTARIFF MEASURES

The leading foreign U.S. export market f newsprint in 1991 was Japan, followed by Mexic Hong Kong, Egypt, Canada, and Taiwan. Exports the European Community were negligible. Japan h tariff rates of duty on paper products that are above tl comparable U.S. levels. The Japanese general rate tariff on newsprint is 7.5 percent. In recent yea however, newsprint has been accorded tempora duty-free treatment by Japan. There is no tariff newsprint entering Hong Kong, since there is general tariff on goods entering the colony. U. exports to other markets are less significant, with t markets generally having higher nominal average tar rates than U.S. rates on paper products. Where high

[11] Prior to classification under the HTS, imports of standard newsprint were classified under TSUS item 252.65 (U.S. Department of Treasury Decision (T.D.) 56349, dated Jan. 22, 1965, and T.D. 68-265(20), dated Nov. 6, 1968). Imports of newsprint other than standarc newsprint used in the publication of newspapers were entered under TSUS 252.67 as book paper and printing paper, not specially provided for.

[12] Printing paper classified as "Roto newsprint pape that conforms to the specifications applied to standard newsprint paper is classified under HTS 4802.60.90.20 uncoated groundwood paper.

Figure 2
Newsprint: Descriptive specifications of the U.S. Customs Service

Item	*Specification*
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.

Source: Harmonized Tariff Schedule of the United States (1992).

tariffs exist that limit U.S. export market potential, such as with Mexico, the United States is seeking reductions in the Uruguay Round of Trade Negotiations. In general, foreign trade in newsprint between the United States and its principal trading partners is unencumbered by tariffs.

There are no known foreign nontariff measures that significantly influence trade among the leading markets for newsprint as covered in this summary. Imports of newsprint into Japan are not subject to any direct nontariff measures. Former paper cartels have been terminated, and Japan continues to source newsprint from the United States as one of its major categories of imported paper.

U.S. MARKET

Consumption

U.S. newsprint consumption (figure 3 and table 6), as estimated by the U.S. International Trade Commission, is shown in the following tabulation (in 1,000 metric tons):

Year	*U.S. newsprint consumption*
1987	13,745
1988	13,459
1989	12,902
1990	13,050
1991	12,271

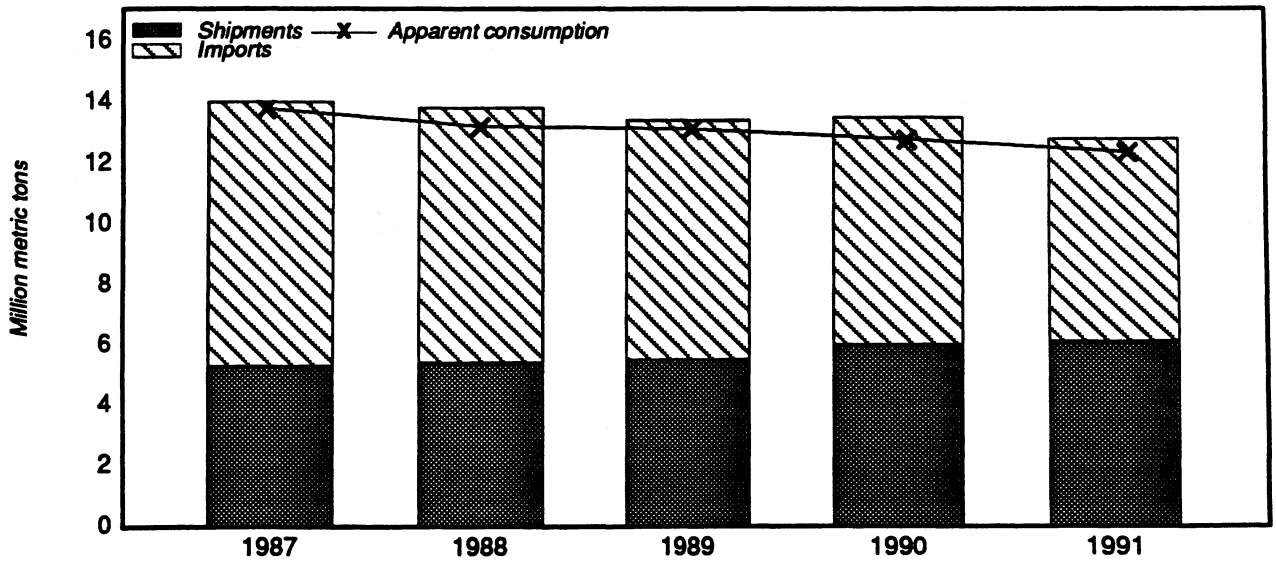
During 1987-91 U.S. consumption of newsprint fluctuated downward, from a high of 13.7 million metric tons, valued at $7.6 billion, in 1987 to a low of 12.3 million metric tons, valued at $7.8 billion, in 1991. The share of imports to consumption, in terms of quantity, decreased steadily from 64 percent in 1987 to 55 percent in 1991. The majority of newsprint consumption in the United States is supplied by imports from Canada. Newsprint consumption is related to overall U.S. economic growth and the related demand for newspapers and advertising promotional materials. Demand for standard newsprint has remained sluggish, especially since 1988, because of poor advertising lineage at newspapers. The 1990 Canadian newsprint industry strikes and the U.S. publishers inventory buildup prior to the anticipated strikes, helped to keep the U.S. market relatively firm through 1990, but the subsequent work down of inventory, in 1991, resulted in a surplus of newsprint in a declining U.S. market.

Production

U.S. newsprint shipments (table 6), as estimated by the U.S. International Trade Commission, are shown in the following tabulation (in 1,000 metric tons):

Year	*Newsprint shipments*
1987	5,310
1988	5,415
1989	5,515
1990	6,007
1991	6,150

Figure 3
Newsprint: U.S. imports, producers shipments, and apparent consumption[1],1987–91



[1] Apparent consumption= producers shipments + imports – exports.

Source: Prepared by the staff of the USITC.

U.S. shipments of newsprint increased by 16 percent during the period 1987–91, from a low of 5.3 million metric tons, valued at $3.4 billion, in 1987 to 6.2 million metric tons, valued at $4.2 billion, in 1991. Demand for U.S. shipments increased during the later part of the period, primarily in 1990, as publishers built up inventory in anticipation of labor unrest (strikes) in several Canadian mills.

The United States is the second-largest world producer of newsprint but is the number one consumer, thereby absorbing most of its own domestic production. In 1990 the United States accounted for 18 percent of world production, up from 17 percent in 1985.

Imports

U.S. imports of newsprint are substantial, accounting for 55 percent of U.S. consumption in 1991 (table 6). Canada supplied 99 percent of U.S. imports in 1991, up from 93 percent in 1987. Total U.S. imports of newsprint decreased during 1987–91, from a high of 8.8 million metric tons in 1987, to a low of 6.8 million metric tons in 1991 (table 7). Other U.S. sources of newsprint are Sweden, Finland, and Norway. These sources accounted for about 1 percent of total U.S. imports in 1991. Newspaper publishers have various sources for obtaining imported newsprint. Purchases may be made from U.S. sales agents representing (or affiliated with) foreign producers or from independent brokers and merchants serving all sources.

FOREIGN MARKETS

Foreign Market Profile

Newsprint is an important commodity in world trade. However, although the bulk of these papers are manufactured throughout the world's industrialized countries, they are also consumed mostly on the same continent where they are manufactured and, therefore, are not exported in great quantities. World consumption of newsprint is estimated to have totaled almost 34 million metric tons in 1990 (table 3). North America, Western Europe, and Asia, in that order, were the principal consuming (market) areas in 1990. North America and Western Europe were the leading exporting areas, as shown in the following tabulation (in percent):

World area	*Percent of total world consumption*	*Percent of total world exports*
North America	42	57
Western Europe	25	35
Asia	23	3
Eastern Europe	5	3
All other	5	2
Total	100	100

The principal factors affecting the demand fo U.S.-produced newsprint in foreign markets are th availability and the lower cost of newsprint produce in North America. North American producers (Canad and the United States) enjoy an advantage over othe world producers in raw material resources. As in th case of Asia, North American producers can supply th finished product in sufficient quantities and at lowe prices than those of many suppliers (e.g., Japan), wh must allocate their limited domestic forest produc resources among various products.

Major foreign trade events, such as EC 92[13] an the opening of Eastern Europe, are not likely t significantly affect newsprint trade, since th commodity is virtually free to world trade and i primarily traded within continental borders.

Asia

Asia is the leading foreign market for U.S. expor of newsprint. Japan, Hong Kong, and Taiwan are th primary markets for the United States in this regio The Asian market countries are net importers newsprint and rely on imports from other wor producers, primarily the United States and Canada, supply their markets. Most U.S. exports are to Japa U.S. exports accounted for about 60 percent Japanese imports of newsprint in 1990. Japan, with deficiency in raw material for use in newsprint, is primary market for a lower cost U.S. product. The u of lumber and other wood-based building materi consumes much of Japanese resource stock, leavi less raw material stock for use in newsprint productic Thus the advantage for Japan is importing the finish product from U.S. suppliers. However, although a r importer, Japanese imports in 1990 accounted for or about 11 percent of domestic consumption. In order satisfy domestic demand, Japan has increased domestic paper production capabilities in recent yea Japanese capital investments for all paper produ have risen at about 10 percent per year over the peri of this study. In 1991, however, the Japanese econo slowed somewhat, and the slowdown is expected weaken domestic demand for the immediate future

Other Foreign Markets

Other markets for U.S. newsprint include Mexi Egypt, and Canada. Mexico increased its imports newsprint by 150 percent between 1989 and 19 Imports increased due to stronger domestic dem and weaker demand for newsprint in the Uni States—trends that encouraged U.S. exports to Mex Imports of newsprint accounted for 17 percent Mexican consumption in 1990. About one-half Mexico's imports are supplied by the United Sta Egypt was the fourth-largest market for U.S. newsp in 1991. U.S. exports to Egypt in 1991 were alm double 1990 exports, primarily because of the slo U.S. market and Egyptian foreign-exchange refo

[13] In June 1985 The EC Commission issued a Whi Paper that set a date of 1992 for the complete elimina of physical, fiscal, and technical barriers to trade in th member states of the European Community.

implemented in 1991. Egypt remains a net importer of newsprint, with basically no domestic production. Egypt imports approximately half of its annual imports of newsprint from the United States and the remainder from Canada. In 1990 the bulk of Canadian imports, although less than 2 percent of consumption, were supplied by the United States. U.S. exports, however, are not especially competitive in the region, primarily because low-cost Canadian producers supply most of the Canadian market. Canada exported about 88 percent of its domestic newsprint production in 1990, and the United States absorbed over 90 percent of the Canadian exports.

Western Europe is a relatively insignificant market for U.S. newsprint, primarily because efficient European producers are nearby and over 93 percent of annual U.S. exports are absorbed by Asia, Mexico, Egypt, and Canada. However, Western Europe accounted for 25 percent of world consumption and 35 percent of world exports of newsprint in 1990. The leading consuming countries were West Germany, the United Kingdom, France, and Italy. The leading producing suppliers of newsprint to these countries were Sweden, Finland, and Norway, followed by Canada. Future prospects are for a potentially stronger paper market for Western Europe in a relatively flat world market for newsprint.

U.S. Exports

U.S. exports of newsprint averaged about 9 percent of U.S. production during 1987–91. These exports increased from 340,000 metric tons, valued at $210 million in 1987 to 674,000 metric tons, valued at $388 million in 1991 (tables 6 and 8). Japan was the principal export market, accounting for about 39 percent (44 percent in value), or 263,000 metric tons in 1991 (table 8). Japan has been a major market for U.S. newsprint for many years. Mexico, Hong Kong, and Egypt are the second-, third-, and fourth-largest U.S. markets for newsprint, accounting for 7 percent, 6 percent, and 6 percent of U.S. exports, respectively, in 1991. U.S. exports of newsprint remain at insignificant levels because of a high U.S. level of consumption. U.S. exporters of newsprint consist mostly of large U.S. paper distributors (general paper merchants).

U.S. TRADE BALANCE

Table 9 shows the U.S. trade balance for newsprint. The United States is a net importer of newsprint and recorded a $3.59 billion deficit in 1991, compared with a $4.23 billion deficit in 1987. The United States has historically been a large consumer of newsprint, and although domestic production has increased over the period covered in this report, there is no indication of significant reductions in the dependence on imported newsprint in the foreseeable future.

APPENDIX A
EXPLANATION OF TARIFF AND TRADE AGREEMENT TERMS

TARIFF AND TRADE AGREEMENT TERMS

The ***Harmonized Tariff Schedule of the United States*** (HTS) replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989. Chapters 1 through 97 are based on the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description, with additional U.S. product subdivisions at the 8-digit level. Chapters 98 and 99 contain special U.S. classification provisions and temporary rate provisions, respectively.

Rates of duty in the ***general*** subcolumn of HTS column 1 are most-favored-nation (MFN) rates; for the most part, they represent the final concession rate from the Tokyo Round of Multilateral Trade Negotiations. Column 1-general duty rates are applicable to imported goods from all countries except those enumerated in general note 3(b) to the HTS, whose products are dutied at the rates set forth in ***column 2***. Goods from Armenia, Bulgaria, the People's Republic of China, Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Moldova, Mongolia, Poland, Russia, the Ukraine and Yugoslavia are currently eligible for MFN treatment. Among articles dutiable at column 1-general rates, particular products of enumerated 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 column 1. Where eligibility for special tariff treatment is not claimed or established, goods are dutiable at column 1-general rates.

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 and renewed in the Trade and Tariff Act of 1984, applies to merchandise imported on or after January 1, 1976, and before July 4, 1993. Indicated by the symbol "A" or "A*" in the special subcolumn of column 1, 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 3(c)(ii) 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; this tariff preference program has no expiration date. Indicated by the symbol "E" or "E*" in the special subcolumn of column 1, the CBERA provides duty-free entry to eligible articles the product of and imported directly from designated countries, as set forth in general note 3(c)(v) to the HTS.

Preferential rates of duty in the special subcolumn of column 1 followed by the symbol "IL" are applicable to products of Israel under the ***United States-Israel Free-Trade Area Implementation Act*** of 1985, as provided in general note 3(c)(vi) of the HTS. When no rate of duty is provided for products of Israel in the special subcolumn for a particular provision, the rate of duty in the general subcolumn of column 1 applies.

Preferential rates of duty in the special duty rates subcolumn of column 1 followed by the symbol "CA" are applicable to eligible goods originating in the territory of Canada under the ***United States-Canada Free-Trade Agreement***, as provided in general note 3(c)(vii) to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn of column 1 followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the ***Andean Trade Preferences Act*** (ATPA), enacted in 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 3(c)(ix) to the HTS.

Other special tariff treatment applies to particular ***products of insular possessions*** (general note 3(a)(iv)), goods covered by the ***Automotive Products Trade Act*** (general note 3(c)(iii)) and the ***Agreement on Trade in Civil Aircraft*** (general note 3(c)(iv)), and ***articles imported from freely associated states*** (general note 3(c)(viii)).

The ***General Agreement on Tariffs and Trade*** (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) is the multilateral agreement setting forth basic principles governing international trade among its more than 90 signatories. The GATT's main obligations relate to most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national (nondiscriminatory) treatment for imported products. The GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, and other measures. Results of GATT-sponsored 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.

Officially known as "The Arrangement Regardin International Trade in Textiles," the ***Multifibe Arrangement*** (MFA) provides a framework fc the negotiation of bilateral agreements betwee importing and producing countries, or for unila eral action by importing countries in the absenc of an agreement. These bilateral agreements e: tablish quantitative limits on imports of textile and apparel, of cotton and other vegetable fiber wool, manmade fibers, and silk blends, in order t prevent market disruption in the importing cou tries—restrictions that would otherwise be a d parture from GATT provisions. The United Stat has bilateral agreements with more than 30 su plying countries, including the four largest suppl ers: China, Hong Kong, the Republic of Kore and Taiwan.

APPENDIX B
STATISTICAL TABLES

Table 3
Newsprint: World production, exports, imports, and apparent consumption, by major producing countries, 1990

Country	Production	Exports[1]	Imports[1]	Apparent consumption[1]	Percent of total world production
			1,000 metric tons		
Total	32,779	14,702	15,681	33,758	100
Canada	9,069	7,943	20	1,146	28
United States	6,001	486	7,529	13,044	18
Japan	3,479	126	434	3,787	11
Sweden	2,273	1,772	3	504	7
Soviet Union	1,700	360	38	1,378	5
Finland	1,429	1,202	0	227	4
West Germany	1,118	413	1,217	1,922	3
Norway	992	822	3	173	3
United Kingdom	696	145	1,308	1,859	2
Republic of Korea	522	14	40	548	2
All other	5,500	1,419	5,089	9,170	17

[1] Estimated.

Source: Pulp and Paper International, Annual Review July 1991.

Table 4
Newsprint: World production, exports, imports, and apparent consumption, by major producing countries, 1985

Country	Production	Exports	Imports	Apparent consumption	Percent of total world production
			1,000 metric tons		
Total	28,318	13,403	14,111	29,026	100
Canada	8,991	7,948	0	1,043	32
United States	4,923	285	7,686	12,324	17
Japan	2,592	81	330	2,841	9
Sweden	1,594	1,352	0	242	6
Soviet Union	1,576	350	7	1,233	6
Finland	1,811	1,643	0	168	6
Norway	877	761	0	116	3
West Germany	722	175	859	1,406	3
United Kingdom	352	63	1,242	1,531	1
Republic of Korea	372	4	302	670	1
All other	4,508	741	3,685	7,452	14

Source: 1985 Yearbook of Forest Products.

Table 5
Newsprint: Harmonized Tariff Schedule subheading, description, U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports, 1991; and U.S. imports, 1991

HTS	Description	Col. 1 rate of duty, As of Jan. 1, 1992, General	U.S. exports, 1991	U.S. imports, 1991
			Million dollars	
4801.00.00	Newsprint, in rolls or sheets	Free	388	3,979

Source: U.S. exports and imports compiled from data of the U.S. Department of Commerce.

Table 6
Newsprint: U.S. production, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, 1987–91

Year	U.S. shipments[1]	U.S. exports	U.S. imports	Apparent U.S. consumption	Ratio of imports to consumption
		Quantity (1,000 metric tons)			Percent
1987	5,310	340	8,775	13,745	64
1988	5,415	427	8,471	13,459	63
1989	5,515	567	7,954	12,902	62
1990	6,007	486	7,529	13,050	58
1991	6,150	674	6,795	12,271	55
		Value (million dollars)			
1987	[2]3,375	210	4,442	7,607	58
1988	3,520	295	4,856	8,081	60
1989	3,585	357	4,487	7,715	58
1990	4,115	293	4,247	8,069	53
1991	4,200	388	3,979	7,791	51

[1] Estimated by the U.S. International Trade Commission, based on statistics derived from the American Paper Institute, the American Newspaper Publishers Association, and the U.S. Department of Commerce.

[2] 1987 Census of Manufacturers (Industry Statistics SIC 26211).

Note.—Because of rounding, figures may not add to the totals shown.

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

Table 7
Newsprint: U.S. imports for consumption, by principal sources, 1987–91

Source	1987	1988	1989	1990	1991
			Quantity (1,000 metric tons)		
Canada	(1)	(1)	7,742	7,365	6,695
Sweden	(1)	(1)	130	96	46
Finland	(1)	(1)	23	30	22
Norway	(1)	(1)	32	33	29
All other	(1)	(1)	27	5	3
Total	8,775	8,471	7,954	7,529	6,795
			Value (million dollars)		
Canada	(1)	(1)	4,383	4,162	3,930
Sweden	(1)	(1)	64	48	22
Finland	(1)	(1)	14	19	14
Norway	(1)	(1)	14	13	12
All other	(1)	(1)	12	5	2
Total	4,442	4,856	4,487	4,247	3,979
			Unit value (dollars per metric ton)		
Canada	(1)	(1)	566.14	565.19	587.0
Sweden	(1)	(1)	491.97	505.37	475.6
Finland	(1)	(1)	607.32	645.28	627.6
Norway	(1)	(1)	428.34	399.44	400.4
All other	(1)	(1)	483.71	654.38	514.7
Average	506.24	573.20	564.20	564.08	585.5

[1] Country-level detail is provided only for years in which there are actual trade data under the Harmonized Tariff Schedule of the United States (HTS) and the new Schedule B (based on the HTS).

Note.—Because of rounding, figures may not add to the totals shown.

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

Table 8
Newsprint: U.S. exports of domestic merchandise, by principal markets, 1987–91

Market	*1987*	*1988*	*1989*	*1990*	*1991*
			Quantity (1,000 metric tons)		
Japan	(1)	(1)	255	257	263
Mexico	(1)	(1)	12	14	44
Hong Kong	(1)	(1)	43	45	47
Egypt	(1)	(1)	29	24	46
Canada	(1)	(1)	8	19	26
Taiwan	(1)	(1)	46	38	32
All other	(1)	(1)	175	90	215
Total	340	427	567	486	674
			Value (million dollars)		
Japan	(1)	(1)	186	168	172
Mexico	(1)	(1)	7	8	28
Hong Kong	(1)	(1)	25	23	24
Egypt	(1)	(1)	14	12	23
Canada	(1)	(1)	6	11	17
Taiwan	(1)	(1)	25	19	16
All other	(1)	(1)	94	52	107
Total	210	295	357	293	388
			Unit value (dollars per metric ton)		
Japan	(1)	(1)	631.07	655.94	651.94
Mexico	(1)	(1)	602.51	599.70	640.44
Hong Kong	(1)	(1)	590.75	506.70	519.36
Egypt	(1)	(1)	483.05	506.54	502.17
Canada	(1)	(1)	780.89	603.20	662.87
Taiwan	(1)	(1)	542.30	494.57	506.61
All other	(1)	(1)	536.73	571.31	496.07
Average	618.33	691.50	630.51	602.94	575.39

[1] Country–level detail is provided only for years in which there are actual trade data under the Harmonized Tariff Schedule of the United States (HTS) and the new Schedule B (based on the HTS).

Note.—Because of rounding, figures may not add to the totals shown.

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

Table 9
Newsprint: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries, 1987–91

(Million dollars)

Item	*1987*	*1988*	*1989*	*1990*	*1991*
U.S. exports of domestic merchandise:					
Canada	(1)	(1)	6	11	17
Japan	(1)	(1)	186	168	172
Mexico	(1)	(1)	7	8	28
Hong Kong	(1)	(1)	25	23	24
Egypt	(1)	(1)	14	12	23
All other	(1)	(1)	119	71	124
Total	210	295	357	293	388
U.S. imports for consumption:					
Canada	(1)	(1)	4,383	4,162	3,930
Japan	(1)	(1)	(2)	(2)	(2)
Mexico	(1)	(1)	1	0	(2)
Hong Kong	(1)	(1)	0	0	0
Egypt	(1)	(1)	0	0	0
All other	(1)	(1)	102	85	49
Total	4,442	4,856	4,487	4,247	3,979
U.S. merchandise trade balance:					
Canada	(1)	(1)	–4,377	–4,151	–3,913
Japan	(1)	(1)	186	168	172
Mexico	(1)	(1)	6	8	28
Hong Kong	(1)	(1)	25	23	24
Egypt	(1)	(1)	14	12	23
All other	(1)	(1)	16	–14	75
Total	–4,232	–4,561	–4,130	–3,954	–3,591

[1] Country–level detail is provided only for years in which there are actual trade data under the Harmonized Tariff Schedule of the United States (HTS) and the new Schedule B (based on the HTS).

[2] Less than $500,000.

Note.—Because of rounding, figures may not add to the totals shown.

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