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Finnish and Swedish Sawnwood Exports to the UK market in the EMU regime.

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The business environment for sawnwood producers based in the traditional forest-industry countries of the boreal zone has changed dramatically in the last decade. Among the greatest changes is the establishment of the European Monetary Union (EMU). However, the effect of the associated exchange rate changes on international forest-industry trade in European markets has not previously been examined. The present study attempts to fill this gap by analyzing the effects of currency movements on Finland's and Sweden's competitiveness in the international sawnwood market. Johansen's multivariate cointegration method was applied for formulation of the separate partial equilibrium model systems for bilateral trade flows from Finland and Sweden to analyze pricing of sawn softwood for the UK market in 1995–2008. Rather than competitive markets, our findings indicate the existence of price discrimination and market power on the part of exporting firms. The results show that Finnish exports have been greatly affected by the currency movements between euros and British pounds in the UK market. Furthermore, the estimated values for exchange-rate pass-through coefficients indicate that Finnish exporters have passed on some of the exchange rate changes between these currencies to the UK customers. This result is in line with similar estimations for the period before the EMU. The present estimates show a slightly lesser degree of exchange-rate pass-through, possibly suggesting transition towards a more competitive environment in the UK's sawn softwood market.

Keywords: European Monetary Union (EMU), exchange-rate pass-through, forest products trade, pricing, sawnwood, cointegration analysis