The pulp and paper sector is the most important one in the forest industry, and is also one of the leading contributors to the Canadian economy. It is estimated that total pulp and paper employment is 145,000, located in close to 700 mills across the country, and having an annual payroll of $4 billion. The total sales of the pulp and paper sector represent more than half of all sales in the Canadian forest industry.

Newsprint is the most important forest commodity produced for export in Canada. Our sales constitute roughly 60% of the world market, with the United States being our principal customer. This segment of the industry is now facing major challenges posed by new recycling laws in the United States and in Canada, where many buyers are insisting on specific proportions of recycled fibre to help meet environmental demands for reduced pressure on municipal land–fills, which will also reduce harvesting pressure on the forests. As a result, many pulp and paper companies are already converting portions of their mills for recycling, and are building de–inking plants. This trend towards recycling could possibly result in some significant reduction of demand for raw fibre, although such impacts are not yet clear, and consequently there may be implications on employment, both in the mills and in the forests.

> *Let me give you three figures that might convince you that we are not starting from zero in this area. Of 143 paper and paperboard mills in Canada, 40 of them depend in part or fully on recycled fibre for their raw material. About one–third of the fibre used in pulp and paper production in Canada is already recycled fibre. To get that one–third we have to import a third of that one–third from the United States.*
> *Consumption of recycled fibre in Canada last year was 1.8 million tonnes, of which we have to import 600,000 tonnes from the States. That is a rough, big answer to a very complex question, because you do not make this kind of recycled paper out of old newspapers.* — Howard Hart, President, Canadian Pulp and Paper Association (Issue 3:17–18).

Despite recycling, the overall increase in the production of wood products in Canada has led to a corresponding increase in the demand for raw material. Ever since the early 1960's, some forest sector analysts have been predicting *wood shortages*. At the Montebello Forest Congress in 1966, it was predicted that shortages would be experienced by 1985, and those forecasts have been fulfilled to some extent in every region, unfortunately. This was also the view of the Canadian Pulp and Paper Association in its submission to the Royal Commission on Economic Union and Development Prospects for Canada in 1984. Even at that time, the association was identifying shortages in softwood for Nova Scotia, New Brunswick and British Columbia.[13] In some cases, the shortages are not of *wood volume*, but more particularly of wood in the desired *size and quality*.