

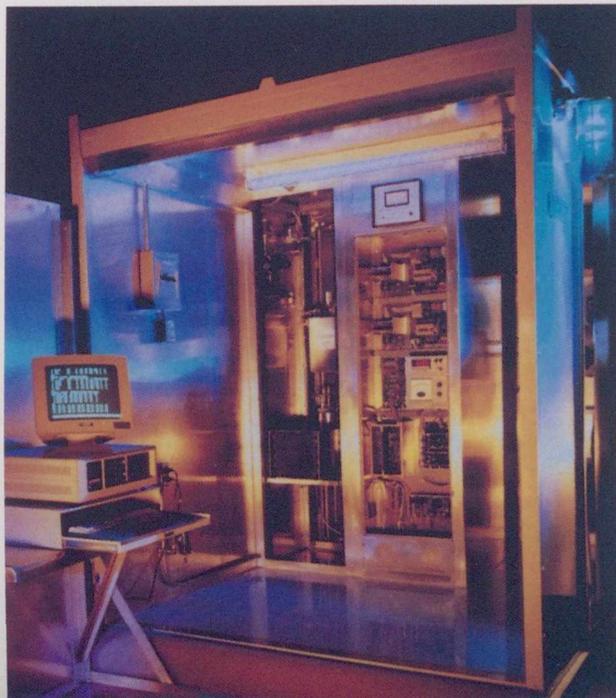
INDUSTRY AND SUPPLIER OVERVIEW

In the international market for pulp and paper, Canada truly is one of the largest players. Canadian participants in this vibrant manufacturing sector supply nearly one-third of total world exports, making the country the world's leading exporter.

Shipments of pulp, paper and paperboard reached record levels in 1987. Total value of 1987 shipments was \$17 billion, with exports accounting for \$13.5 billion or about 19.2 million tonnes. Among the country's resource processing industries, the pulp and paper sector is by far the largest exporter.

The Canadian pulp and paper industry is comprised of more than 150 mills, and with operations in almost every province, the employment impact is significant right across the country.

Growth in the industry has taken place in the face of increasing international competition and other structural changes. Canadian companies, are undertaking major modernization and expansion projects both at home and abroad to maintain or increase their competitiveness in established and developing markets. In the future, Canada will not only compete against such other major players as Scandinavia and the U.S., but also emerging competitors in Asia, South Africa and South America.



Canadian pulp and paper production is dominated by two product categories: newsprint and wood pulp. On a world scale Canada is the largest newsprint producer and the largest exporter of newsprint and market pulp. The U.S. is responsible for most of the growth in newsprint sales. Overseas markets account for most of the recent increases in pulp exports.

The other sectors of the Canadian industry, namely packaging paper and board and printing, writing and sanitary papers, are also enjoying modest growth.

Despite Canada's successes, it is not resting on its laurels and taking expanding markets for granted. The industry is becoming increasingly international, and as illustrated by a number of Canadian companies which have diversified abroad, its participants will have to be aggressive if they hope to outperform the competitions.

Although low wood and energy costs and easy access to the United States provide Canada with a good starting base, significant changes in industry technologies have led to increased international competition. Canadian companies have responded to these new challenges by improving their productivity, product quality and awareness of individual customer needs.

A number of Canadian operations are adapting or developing new technologies, and a shift toward adding value to paper products is underway.

Canada is responding to the challenges and choices it faces with intelligence and determination. The industry is changing, and Canadian companies are making the right moves to maintain the country's leadership role.