has been most affected with imports from European countries on the increase and eroding the Canadian producers traditional markets. While tariff and non-tariff barriers are important, the relative value of the Canadian dollar versus other currencies has a far greater impact on the industry both in the domestic and international markets.

Despite these problem areas, and the fact that the converted paper products industry is not a highly visible export performer compared to the primary industry, exports play an important role in the industry and currently represent approximately 10 per cent of industry shipments. All subsectors are exporting to varying degrees which range from very modest by one or two selected firms in the consumer disposables field to in excess of 50 per cent of production by all companies in the wallpaper sector. The trend is toward more companies becoming dedicated exporters, especially as the limited growth projected for the Canadian market will not allow companies to fully utilize their existing production capacity and/or to expand. Canadian converters tend to operate with smaller plants, and produce much wider product lines than their U.S. competitors. At times this economy of scale phenomena has been detrimental to Canadian competitiveness. The issue is two sided however, as many companies have utilized their experience and ability to produce smaller runs with greater flexability to their advantage in servicing small "niche" export markets.

At present, while it varies considerably between product lines overall capacity utilization within the industry is estimated at 75 per cent. In paper bag production, overcapacity exists and industry adjustment is anticipated to continue. By contrast, under capacity exists in some product lines within consumer disposables and new production facilities are in the planning stages to address this situation and prepare for projected strong future growth.

Federal and Provincial Programs and Policies

There are no specific government support programs directed to the Converted Paper Products Industry, although selected firms have and will continue to use existing general support programs such as CIRB, IRDP and especially PEMD. Additionally, the industry does utilize the industry counselling services and other non-monetary assistance provided by DRIE and provincial governments.

At present, a subcommittee of the Forest Sector Advisory Council is in place to review and develop recommendations, to all concerned parties, on the converted wood and paper products sectors with the focus being improved international competitiveness.

Evolving Environment

The important opportunities and constraints most affecting the sectors future competitiveness have been highlighted in the strengths and weaknesses section and relate to financial strength, modern equipment and technology, raw material supply, transportation costs, labour management relations and currency fluctuations. Export market development will be an important factor with the U.S. representing the major present and potential market. The overall performance of the industry, by reason of the products end users, is closely linked to the performance of the economy as a whole. Consequently, the projected growth of the Canadian economy will not be sufficient to sustain more than marginal growth in the industry unless more companies place increased emphasis on export market development. No major product vacuums exist in the U.S. market, but niches of opportunity do exist where Canadian corporations can compete effectively. At times, our ability to produce smaller production runs can be an advantage allowing Canadian converters to service smaller companies or regional markets in the U.S.

Competitiveness Assessment

Many segments of the industry are not internationally competitive although there are numerous exceptions in all categories, most notably wallpaper and certain flexible packaging products. These product lines are well