

# Intelligence MEMOS



From: Robert Dimitrieff  
To: National Security Watchers  
Date: May 27 2024  
Re: PULP AND PAPER SUPPLY CHAINS ARE A NATIONAL SECURITY VULNERABILITY

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In the shadow of escalating global conflicts and the pressing demand for military supplies, a critical component of national security is being overlooked: The strategic importance of pulp and paper.

Traditionally seen as mundane commodities, these materials are in fact pivotal in the production of military-grade components such as nitrocellulose, a key ingredient in artillery ammunition.

Canada, home to vast tracts of forest, has long been a powerhouse in pulp and paper production. Yet, recent developments raise concerns about national security.

The March 2023 acquisition of Rolute Forest Products by privately held Paper Excellence and other purchases of Canadian producers by parties related to foreign corporations, notably from China, places these essential resources under the control of overseas interests.

Paper Excellence is controlled by a member of a [Chinese-Indonesian business dynasty](#) and its rapid North American expansion since 2007 has amassed a sizable share of Canada's forest products industry.

This is part of a Chinese "fibre grab," a whistleblower told reporters in an investigation by the International Consortium of Investigative Journalists and 39 media outlets, including the CBC and Glacier Media.

This shift threatens to redirect essential supplies during crises and exposes Canada to geopolitical vulnerabilities.

Nitrocellulose, or guncotton, is produced primarily from wood pulp and is critical for producing smokeless gunpowder used in military ammunition. Currently, China dominates the global market, controlling the production and export of this vital material. Europe's dependency on Chinese nitrocellulose has already led to supply shortages, hampering efforts to support Ukraine.

Canada is a crucial player in the military supply chain, which is why foreign entities are trying to control a significant portion of our pulp production.

Ottawa's failure to recognize the strategic military applications of the pulp and paper sector in its national security reviews reflects a broader lack of awareness of the importance of maintaining control over critical supply chains.

Meanwhile, ironically, other components of the ammunition supply chain include nitric acid, sulphuric acid and toluene. All are tightly correlated with hydrogen production, an object of much federal attention.

Again, one finds that a wider and more detailed understanding of the supply chain networks for critical infrastructure and national security, and their intrinsic role in supporting the defence industrial base, is missing among policymakers.

Canada must re-evaluate its strategic industries through the lens of contemporary global challenges to safeguard national security and economic sovereignty. This evaluation should include:

**Policy reforms:** Implement policies that incentivize the production of high-value derivatives such as nitrocellulose, toluene and other core defence inputs within Canada.

**Strategic partnerships:** Foster partnerships within the NATO and other allies to secure and stabilize supply chains for critical military components; if NATO ammunition producers are sourcing guncotton from China, there is a natural opportunity to de-risk and source from Canada directly.

**Investment in domestic capabilities:** Encourage investment in sectors that support defence needs, such as nitrocellulose and the other key materials required for a sovereign defence production capability. In nearly all cases these are dual-use technologies used across the economy.

As the global landscape becomes increasingly precarious, Canada must not only protect but also strategically leverage its natural resources and industrial capabilities. Ensuring national security in an era of uncertainty requires recognition that industry is not just about economic benefits to individuals or governments.

Even industrial sectors that during peacetime are not directly considered part of the defence industry, such as pulp and paper, must be protected and maintained in the interests of national security.

In redefining how we view these resources and the existing capabilities within Canadian industry, Canada can strengthen its position both as a global leader in sustainable resource management and a reliable defender of the free world.

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