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Re: Submission for B.C. Private Managed Forest Land Program Review

The Canada West Foundation (CWF) is non-partisan public policy think tank focused on issues in the four western provinces of Canada – British Columbia, Alberta, Saskatchewan and Manitoba. CWF is governed by a board of directors with representatives from each of these provinces. The foundation has three research centres focused on: Natural Resources, Human Capital and Trade & Investment.

This submission to the B.C. Private Managed Forest Land Program is from the Trade & Investment Centre of the Canada West Foundation. The submission makes a specific point of the potential larger impact of changes to forestry management practices to the provincial and national economies. This is a focus of the Coast Forest Sector Revitalization Initiative, of which the Private Forest Land Program Review is a part, and therefore germane to the consultation. The Coast Forest Sector Revitalization Initiative is, as stated by the B.C. government, rooted in the reality that forestry is:

*an integral part of the provincial economy and contributes significant revenues that support the delivery of services to all British Columbians*

The focus on the economic contributions of the forestry sector is well considered as a basis for the review. Forestry products account for 3% of B.C.'s total GDP averaged over the past two years. While overall rate of growth of exports of forestry products has been slowing, there is still overall growth. And, thanks to Canada's new trade agreements there is potential for even greater export growth in the sector with a concomitant greater revenue contribution to pay for services for all British Columbia. This is especially the case with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). With the Americans absent, the CPTPP has a minor impact on forestry in general, according to modelling done by CWF. But the agreement will provide significant tariff reductions of up to 10% in Japan, 30%-40% in Vietnam and Malaysia and 5% in New Zealand and Australia.

However, this new agreement has even greater potential for other sectors of the B.C. economy. For example, modelling of the economic impact of the CPTPP by the Canada West Foundation shows significant potential benefits for the fruit and vegetable sector rivaling the potential for beef and pork. Fishing also does well in modelling of expected benefits under the agreement. For B.C., therefore, the benefits of the agreement go well beyond gains in forestry, and the province has a stake in the success of the agreement.

Part of ensuring that success is adherence to the conditions in the CPTPP including the side letter on log export restrictions (LERs). Any indication that the agreement in the side letter is under review in B.C.

would open the door to potential retaliation from Japan and as such would be of grave concern to not just the forestry sector. It would also be a source of grave concern outside of the province.

There is already a clear record of LERs in B.C. causing economic harm outside of the province. Softwood lumber exporters from all regions of Canada are now paying higher duties on shipments to the U.S. because of the LERs. For the first time in the ongoing Canada-U.S. softwood lumber dispute, the U.S. included the LER in its calculation of duties on Canadian softwood lumber. The countervailing duties imposed in 2017 were, as a result, calculated to be about one-third higher than if LERs had not been included.

Given the current precarious state of Canada's trade with the U.S. and China, the country simply cannot afford risking retaliation from Japan one of the few good, safe, and predictable markets in which Canada is just beginning to see increased benefits.

The good news in all of this is that the current Private Forest Land Program review does not touch upon the LER regime. It is important that this remain the case and that the remit for this, or future reviews, considers the potential economic damage that would stem from a tightening of LERs.

Regards,

C. Dade  
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The Canada West Foundation