



TPP & LOG EXPORTS: WHAT DOES THE FUTURE HOLD?

Last fall, the interest of the coastal BC forest industry was engaged by rumors that the Trans-Pacific Partnership (TPP) negotiations were including discussions around the potential easing of Canadian log export restrictions driven by requests from Japan. We were all kept in the dark, but speculation swirled around potential changes to one of the hottest of hot political potatoes that our industry has seen in modern times—changes to log export regulations.

As you recall, the TPP was finally agreed to during the federal election campaign, but it wasn't until after the election that details were released. The Japanese conceded on import tariffs of Canadian SPF (spruce-pine-fir) lumber and OSB wood panels, but the TPP deal did not appear to contain any wording relating to change for log exports. Business as usual. Hopes were dashed, but expectations weren't overly high that easing of restrictions would materialize.

So it was with renewed interest that a recent article in *Embassy News* revealed that there was a side deal (or side letter) specifically on log trade between Japan and Canada. As it reads, the side letter is ambiguous at best and would appear to not indicate any change in business. Key players in Canada seem to agree. However, *Embassy News* reports and our own market intelligence suggests, the Japanese interpret the letter differently. Japanese importers believe the deal allows for the trade of logs between Canada and Japan with the easing of the current constraints exporters face today. The side letter is posted online on the Global Affairs Canada website,

but the key paragraphs from that letter are provided here:

In connection with the signing on this date of the Trans-Pacific Partnership Agreement (the "Agreement"), I have the honour to confirm the following understanding reached by the Governments of Japan and Canada during the course of negotiations regarding trade in forest products...

Access to international markets sustains local jobs in British Columbia.

...In the context of liberalized trade for forest products, upon implementation of the TPP, notwithstanding the exception for the export of logs of all species from the application of Articles 3 (National Treatment) and Article 11 (Import and Export Restrictions) in Chapter 2 (National Treatment and Market Access for Goods) of the Agreement, the Government of Canada shall issue permits upon request for the export of logs destined for Japan following the procedures set out in the Export and Import Permits Act and its applicable notices and regulations and provincial and territorial laws and regulations.

For greater certainty, Japan and Canada confirm that nothing in this letter shall have any other implications with respect to Canada's existing practices and procedures relating to its existing measures concerning the export of logs of all species. In respect of the export of logs, Japan and Canada maintain their rights and obligations under the WTO Agreement, and any dispute regarding a matter relating to the export of logs shall be settled under the WTO....

...and your letter of confirmation in reply shall constitute an understanding between our two Governments on the application between Japan and Canada of rights and obligations contained in the Agreement, which shall enter into force on the date on which the Agreement enters into force.

The curious thing in this trade negotiation is understanding what the

Japanese gain in exchange for what they gave up on tariff eliminations. It is not clear what the motivation is behind the relief on Japanese tariffs. Perhaps it was some other trade item from Canada that affected another non-forestry related industry? Or maybe, because Japan subsidizes the use of its domestic timber, tariff eliminations were done to offset that subsidy. Or was there an expectation for access to Canadian logs? Why was this side letter written if the status quo was to be maintained?

As this deal still needs to be ratified by Parliament, we won't know which country's interpretation is truly correct until after the deal is in effect. We do know that to maximize the coastal harvest, market diversification that includes the exporting of logs is essential. After all, we know one certainty: Access to international markets sustains local jobs in BC. 🌲

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