

Speaking Notes for Derek Nighbor (CEO) to the House of Commons International Trade Committee on NAFTA and trade in North America

October 4, 2017

Thank you very much for having me here on behalf of the members of the Forest Products Association of Canada or FPAC.

Who We Are

- FPAC is the voice of Canadian wood, pulp and paper producers nationally and internationally.
- Canada's forest products industry generates \$67 billion dollars annually, representing 12 per cent of Canada's manufacturing GDP.
- The industry is one of Canada's largest employers, operating in 600 forest-dependent communities from coast to coast, and directly employing 230,000 Canadians across the country.
- Given we operate primarily in rural and northern communities we live and work in close proximity to Indigenous communities and are one of the largest employers of Indigenous people in Canada; our sector also works with some 1,400 Indigenous businesses across the country.
- We export over 33 billion dollars worth of goods to 180 countries.

Beyond the quality of our products, one of the key selling points for the Canadian forest products sector on the global scale is the sustainability of our forest practices in Canada.

In another global study released in August by NEPCon with the support of FSC - the Forest Stewardship Council - Canada's forest management framework was again touted as one of the best in the world. This can be attributed to our

strong legislative and regulatory regimes, the fact that we have the world's most 3rd party audited and certified forests, and how we manage for multiple values when we plan a harvest in Canada – from species considerations to wetlands preservation to promoting watershed health and mitigating carbon.

NAFTA and Forest Products

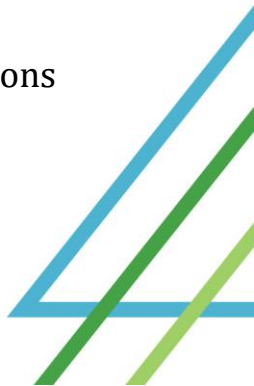
- Since NAFTA's entry into force in 1994, Canadian forest products exports to NAFTA counterparts have grown 7% overall, with over \$24 billion dollars going to the United States, and \$202 million to Mexico in 2016.
- The United States by itself represents 70% of Canada's forest products exports.
- Canada imported over \$8 billion dollars of forest products from NAFTA nations in 2016, growing 119% between 1993 and 2016.
- FPAC works with foreign and domestic partners to support government efforts to expand or open up foreign markets, including the modernization of the NAFTA and appreciates the Government of Canada's ongoing pro-free trade advocacy campaign across the U.S. and Mexico
- There continues to be significant market opportunities for forest products with our NAFTA counterparts, including undefined emerging opportunities for innovative new products such as cross-laminated timber, nano-crystalline cellulose, cellulose filaments, bio-fuels, pellets for electrical generation, and other bio-based products.
- The economic importance of the already existing forest products trade with the United States and Mexico, along with the opportunities to grow and diversify this trade, including new market segments, make the renegotiation and modernization of NAFTA, a critically important issue to FPAC members.
- An updated agreement can provide Canada with new advantages and support to grow the industry that supports over 600 forest-dependent communities from coast to coast, while strengthening protection against



future possible trade conflicts with a robust dispute resolution mechanism.

Primary Interests for Forest Products in NAFTA

- FPAC believes that one of the primary global objectives of a modern NAFTA should be to further enhance and secure fair trade between the partner countries.
- FPACs objectives for the renegotiation of NAFTA are the following:
 - Improvements to labour mobility policies (movement of talent across borders) to allow company professionals to cross into and out of the U.S. and Mexico more easily.
 - The freer movement of people across the border will be beneficial for Canadian companies that have trouble filling skilled employees positions.
 - Create a new chapter on regulatory coherence
 - More common regulatory standards and mutual recognition will allow cross-border trade to speed up and increase.
 - Using the improvements achieved in the Trans-Pacific Partnership (TPP) negotiations like the TPP chapters on "regulatory coherence" as well as "transparency and anti-corruption" will help enhance NAFTA.
 - Include free trade in clean tech, such as low-carbon expertise.
 - Ensure that sanitary and phytosanitary measures are science based.
 - Ensure stronger intellectual property rights.
 - Include a robust dispute resolution process.
 - The inclusion of a robust dispute resolution process ensures the protection of all industries, in all three countries, helping ensure they have an effective method to debate the application of antidumping and countervailing duties.
 - On September 14th, Ambassador Lighthizer, Secretaries Ross and Perdue and Director Cohn of the United States received a letter from 35 American Agriculture Associations



outlining the importance of preserving and improving Chapter 19.

- Safeguards – Any work on safeguards should ensure they cannot be used to unfairly discriminate against Canadian products
- Rules of origin
 - Ensure that rules of origin are beneficial for all three countries, specifically relating to machinery.
- Government procurement
 - All three countries should have equal access to government procurement.
- Advancing all these interests, will enable us to keep growing Canada’s foreign markets for wood, pulp, paper and other forest products, including efforts moving up the value chain.

The North American Block

- To continue increasing North American block strength, it is important that Canada’s national objectives are positive and not disruptive to the supply chain. These should include:
 - Transportation between the three nations must flow more efficiently in order to ensure better access to goods.
 - This includes improving Canada’s transportation system to reduce bottlenecks at border crossing and ports.
 - Disruptive trade remedies
 - Trade remedies are an important part of any trade relationship between countries, but they must be fair and based on accurate data.
 - Implementation of GHG regulations
 - FPAC leads the greenest workforce in Canada, and works jointly with governments on environment and climate change priorities such as our *30 by 30 Climate Challenge* to reduce greenhouse gas emissions by 30 megatonnes of CO₂



a year by 2030 – more than 13% of the Canadian government’s emissions reduction target.

- Strengthening the North American supply chain is beneficial for all Canadians and for the Canadian economy.

