

IS GOVERNMENT SERIOUS ABOUT FOREST SECTOR INNOVATION?

Opinion

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Since the BC Government initiated the Forest Sector Revitalization initiative, the Premier and Minister have repeatedly referenced the need for the BC forest sector to become more innovative in its revitalization. Many suggestions from industry and others regarding innovative actions have arisen from the discussions, for example, the recommendations regarding community diversification in <https://tinyurl.com/wox7rjy>. Not all inputs have been practical or for that matter very innovative in my opinion. However, there are some that should not be discounted outright. This mix of input is not unexpected, but it may have resulted in Government not being enamored with the input.

The recent amendment to the Manufactured Forest Products Regulation (MFPR, <https://tinyurl.com/t8u2jrr>) suggests Government is more inclined to prefer the traditional “stick” approach to promote change and innovation. Terrance Corcoran (<https://tinyurl.com/rzshq2o>) has raised the issue that non-compliance with the MFPR objective of increasing secondary wood manufacturing of red and yellow cedar in BC will result in an export tax or effectively a tariff applied to the sale of current wood products by the BC producer. Recently, we have heard many times from economists around the world that tariffs are not productive.

In 2004, the World Trade Organization reported on an analysis of tariffs (<https://tinyurl.com/ujqwvr9>) and concluded “...that in normal situations – that is, when there is no crisis – the use of an export tax is unlikely to be a first-best policy. A more appropriate policy response is to target the cause of the problem as close as possible to its source. Such responses might include regulatory reforms to remove inefficiencies in the financial system that impede diversification and efficient risk management, the development of a broad-based tax system and social safety nets, the use of appropriate monetary, fiscal and exchange rate policy to address the problem of deteriorating terms-of-trade and the removal of tariff escalation.”

“Export taxes change prices, but tax-inclusive prices do not signal the real trading opportunities open to a country. They therefore encourage inefficient production and consumption patterns as well as inefficient resource allocation. As in the case of a tariff, this engenders a deadweight loss for the world economy.”

Given this experience, why has the BC Government dismissed suggested innovations and instituted a draconian Regulation that has been proven not to work? The question arises as to whether the Government is really interested in innovation or is it just political rhetoric to allow them to do what is expeditious for political reasons? I look forward to seeing Government leadership in implementing real innovative solutions in this regard.