



CANADA-JAPAN EPA

OPPORTUNITIES & CHALLENGES FOR CANADA'S FOREST INDUSTRY



Canada Wood
カナダ ウッド

NOVEMBER 2, 2012

A LONG VALUED PARTNER TO JAPAN

- IN THE PAST, THE PRESENT AND FUTURE
 - THE LARGEST SUPPLIER OF IMPORTED WOOD
 - STABLE SUPPLY FOR JAPAN'S WIDE MARKET NEEDS
- LUMBER TRADE DATES BACK TO THE MEIJI PERIOD
 - FOLLOWING THE GREAT KANTO EARTHQUAKE OF 1923
 - INTRODUCTION OF 2X4 CONSTRUCTION METHOD IN THE EARLY 1970S (CUMULATIVE 2 MILLION 2X4 HOUSING STARTS BY 2011)
 - CANADA CONTINUES ITS DEDICATION TO THE JAPAN MARKET IN REBUILDING EFFORTS FOLLOWING THE GREAT TOHOKU EARTHQUAKE AND TSUNAMI
 - HISTORY OF COLLABORATION WITH JAPANESE GOVERNMENT AGENCIES

80

Year
history

of trade with Japan



OVERVIEW OF JAPAN'S FOREST SECTOR TARIFFS

Product	Tariff
SPF Lumber	4.8%
Softwood Plywood	6.0%
Oriented Strand Board (OSB)	6.0%
Laminated Engineered Wood Products	3.9 – 6.0%
Hem Fir Mouldings	3.6%
Windows & Doors	3.9%
WRC Shingles & Shakes	2.9%

EXAMPLE: ANNUAL SPF EXPORTS TO JAPAN AVERAGE ABOUT \$400 MILLION, INCURRING APPROX \$20 MILLION IN ANNUAL TARIFFS

NON-TARIFF BARRIERS: PREFERENTIAL PURCHASING SCHEMES

- ✓ 116 Prefectural & Local Governments Across Japan Offering Builders & New Home Buyers Incentives on New Homes w/Domestic Wood Content
 - On Average 60% Minimum Domestic Wood Use Required
 - Subsidies on New Homes Range Between ¥50,000 to ¥700,000
- ✓ Over 100 Local Banks & Credit Unions Offering 0.5% to 0.7% Mortgage Rate Discount on New Homes Built with Minimum Domestic Wood Content (Typically 50% Minimum)
- ✓ Regional Type House Branding Program: CAD \$87.5 Million Program targeted at SME Builders Utilizing Minimum 50% “Regional Wood” / Subsidies of CAD \$12,000 Per Home.
 - Some Success in Having Canadian Product Recognized as “Regional” but awards favour domestic wood products
- ✓ Media Reports of Next Fiscal Year ¥10 Billion “Eco-Points” Subsidy Program for Domestic Wood Use in New Homes (May Shut Canadian Suppliers Out of Approximately 30,000 Homes)

NON-TARIFF BARRIERS: EXTENSIVE SUBSIDIES TO DOMESTIC FOREST INDUSTRY

- ✓ Between 2007-2012 Cdn \$13.5 Billion Spent on Subsidies to Domestic Timber Industry for Forest Thinning
- ✓ Transportation Subsidies: Domestic sawlogs to mills ($\backslash 1,000/m^3$ 50-99km & $\backslash 2,000/m^3$ 100km+)
- ✓ Fixed Rate Subsidies: $\frac{1}{2}$ of capital investment costs for high performance harvesting equipment, wood products manufacturing machinery and new construction costs of distribution facilities handling domestic wood.
- ✓ Green Industries Renewal Project Subsidies for public facilities that utilize domestic wood: $\backslash 135,000/m^2$ of floor area construction costs + $\backslash 50,000/m^3$ structural materials (wood) costs.



NON-TARIFF BARRIERS:

JAPAN'S UNIQUE STANDARDS,
TEST PROTOCOLS & PROCEDURES
CREATE MARKET ENTRY BARRIERS
FOR CANADIAN SUPPLIERS

CANADA-JAPAN EPA BENEFITS

Enhance Housing
Affordability for
Japanese
Consumers

Enhance Market
Competitiveness
& Innovation

Level The Playing
Field for
Canadian
Exporters

Expand Market
Access for
Canadian Forest
Products



THE WAY FORWARD

- ✓ **CONTINUED BI-LATERAL DIALOGUE
BETWEEN INDUSTRY & GOVERNMENTS**
- ✓ **NEGOTIATIONS INFORMED BY MUTUAL
UNDERSTANDING**
- ✓ **FLEXIBLE APPROACH TOWARDS
SUBSTANTIVE PROGRESS ON TARIFF &
NON-TARIFF BARRIERS**

THANK YOU