

WHITHER THE BC FOREST INDUSTRY?

A Review Essay

BY FRED GALE

*Flexible Crossroads: The Restructuring of
British Columbia's Forest Economy*

Roger Hayter

Vancouver: UBC Press, 2000. 430 pp. Illus., maps. \$29.95 paper.

In the Bight: The BC Forest Industry Today

Ken Drushka

Madeira Park: Harbour Publishing, 1999. 304 pp. \$32.95 cloth.

OVER THE PAST DECADE, there has been no lack of analysis of British Columbia's forest "crisis." Important contributions have been made by Peel's *Forest Resource Commission* (1991), Hammond's *Seeing the Forest among the Trees* (1991), M'Gonigle and Parfitt's *Forestopia* (1994), the Clayoquot Scientific Panel's Report (1995), Burda et al.'s *Forests in Trust*, Kimmin's *Balancing Act* (1997), Wilson's *Talk and Log* (1997), and Tollefson's *The Wealth of Forests* (1998). It might be thought, therefore, that there is little more to be said. In different ways, Hayter and Drushka's new contributions prove the lie of that statement. Each author develops a history of British Columbia's forest industry as the context within which to analyze the failure of past and present forest policy and practice. And, in explaining the present crisis, both authors argue for alternative approaches – Hayter for a policy based

on innovation and Drushka for one grounded in farm forestry.

Both books provide answers to the question "Why is the BC forest industry in crisis?" For Hayter, the answer lies in a complex interweaving of several theoretical perspectives that link the international system of capital with the dynamics of resource exploitation and Canada/British Columbia's policies of dependent development. Through world systems theory, Hayter locates British Columbia as a late industrializer on the periphery of global capitalism. Being on the geographic margin means that British Columbia's industry is necessarily extroverted in order to meet the demands of core markets in the United States, the United Kingdom, and Japan. This peripheral role of the BC forest industry is exacerbated by the forest resource cycle, which is characterized by the dynamics of exploration, boom, and bust. These

first two theoretical perspectives locate responsibility for British Columbia's problems outside the province in the inevitable working out of the logic of global capitalism linked with the necessary consequence of the resource exploitation cycle. Hayter, however, argues that British Columbia has played a role in determining its own fate. Drawing on Innis's staples thesis, he conceptualizes Canada's and British Columbia's "export-based" model of dependent forest development as the interplay of geography, institutions, and technology, and he highlights British Columbia's failure to develop a policy of innovation in forest development.

For Drushka, the explanation of the crisis in British Columbia's forest industry is more straightforward. Echoing his earlier 1985 thesis in his book *Stumped*, Drushka details the internal politics of forestry in British Columbia, pointing the finger at bad government policy as the explanation for the current impasse. Readers who know Drushka's work will not be surprised to learn that British Columbia's tenure system is singled out as the chief villain of the piece. The tenure system ushered in after the Second World War by the first Sloan Royal Commission and consolidated in the second commission a decade later created the forerunners of what we now refer to as Tree Farm Licences (TFLs) and Forest Licences (FLs). Known at the outset as Forest Management Licences (FMLs) and Public Sustainable Yield Units (PSYUS), the introduction of these large corporate tenures shaped the post-war development of British Columbia's forest industry, creating a centralized, monopolized industry. According to Drushka, both forms of tenure granted too much

timber to too few large multinational forest companies. The result was that the smaller, more entrepreneurial, and more caring producers of the BC forest sector have been squeezed out.

Having diagnosed the problems confronting the BC forest industry, each author proposes a solution. For Hayter, the solution lies in the creation of a "smart," innovative forest sector. While some movement has been made in British Columbia in this direction, it has been curtailed by a lack of government support, most recently by the adoption of a "high stumpage regime" introduced by the New Democratic Party (NDP) of British Columbia in the 1990s. A key component of this high stumpage regime is the direct cost to companies of large increases in the rent charged by the Crown for timber harvested by private companies on Crown forest land. Also included are the indirect costs of a battery of associated policies that include the gazetting of more parks and protected areas and, most especially, the adoption of a forest practices code. Hayter argues that the basic rationale for the high stumpage regime is flawed because it is based on an overly mechanical analysis of cause and effect. If stumpage rates are raised, it is argued, then companies will add more value to their products, paving the way for a "smart" forest industry. However, says Hayter, value-added production in the forest industry requires innovation "so that the key policy stimulus is not higher stumpage but improved performance regarding innovation" (397). A better approach would be to make industry access to timber directly contingent upon innovative capacity rather than to penalize innovative and non-innovative companies through a high-stumpage regime.

In making this argument, Hayter perhaps over-emphasizes the rationality of the NDP's high-stumpage regime, which may be more accurately viewed as a practical response to the intensity of industry and environmental pressure placed on British Columbia in the 1990s. While American industry pressure through the Coalition for Fair Lumber Imports is undeniably protectionist, the province's long-standing policy of charging low stumpage rates for its timber made British Columbia an easy target. Although Hayter ably defends the BC and Canadian government position that low stumpage rates are not a "subsidy" to Canada's forest industry, I prefer Drushka's account of this matter. Drushka notes, in discussing the timber pricing in British Columbia, that "by 1982 the economics of logging in BC had become so distorted there were few people in the province ... with any idea about the real costs and benefits of the business" (167). Rightly, Drushka relates the BC stumpage question to the BC/Canada ban on raw-log exports. The absence of the stimulus of global demand for British Columbia's timber means that provincial forest companies are able to obtain logs at a cheaper price than they would otherwise have to pay. Drushka's critique of the high-stumpage regime that followed the low-stumpage regime of the 1990s is not that the cost of logs is now higher than it was; rather, it is that the arcane and bureaucratic calculation of the "value" of a log in British Columbia has not ended. His preferred solution is for BC timber producers to pay a fair market price for timber on internationally competitive markets. Not only would such an approach get the Americans off our backs, he argues, but it would also force local companies

to meet the competitive requirements of companies in other jurisdictions.

The other component of the high-stumpage regime, the Forest Practices Code, is more clearly a product of the NDP. While, as Hayter notes, the *idea* of a code had been considered for a number of years, its introduction into British Columbia took on a particularly bureaucratic, centralized, regulatory character. Drushka, picking up on the same theme, notes that the NDP used the "idea" of a code to create a bureaucrat's dream. Permissive legislation necessitated reams of regulation that were collected in a vast set of guidebooks, which ended up covering every conceivable action of those operating in the forest.

It is easy to characterize the current "crisis" in the forest products industry in British Columbia as a "made in BC by the NDP" problem. Get rid of the NDP, according to this view, and the new (Liberal) government will be able to bring in pro-industry policies that will return the industry to profitability once more. Both authors pour cold water on such a popular industry argument. While there may be good reasons for ousting the NDP, improving the medium- to long-term prospects of the BC forest industry is not one of them. This is because the industry confronts a systemic, not a cyclical, crisis; and profound, not shallow, policy is required to enable it to be placed on a genuinely sustainable basis.

For Hayter, the BC forest industry is at a crossroads and faces a number of alternative routes. These options are alluded to throughout the text but, with one exception, are never clearly specified. The one exception is Hayter's preferred option – the road that leads to a value-added forest sector in

British Columbia via a “smart forest policy” that emphasizes education, flexible specialization, and endogenous development via the expansion of small- and medium-sized enterprises (SMEs). Although Drushka does not use the terminology of a crossroads, he certainly agrees that profound change is required in provincial forest policy. He favours forest tenure reform, which should be restructured to promote farm forestry, community forestry, and value-added production. Associated policies, notably the revocation of the ban on raw log exports, would complement such a radical shift in the structure of the BC industry.

While both books are excellent and complement each other, there are inevitably some gaps in coverage. Neither author deals satisfactorily with the challenge presented by First Nations to the BC forest sector: both tend to sweep this vital issue under the carpet rather than tackle it head on. Yet, if history teaches us anything, it is that the First Nations challenge of exclusive Crown ownership of British Columbia’s forests is not about to disappear. Hayter does a good job of outlining the Nisga’a land settlement, although he views such settlements negatively and suggests two notes of caution. First, there is no guarantee that the new owners of the forests, as they seek economic development opportunities, will treat them any better than did their previous owners. Second, there is a basic contradiction involved in linking economic development with the “preservation of traditional values and racially based communities that have distinct rights and powers in geographic enclaves” (350). While one can take issue with Hayter’s reservations, he does at least make a modest

attempt to consider the First Nations question. Drushka, on the other hand, completely ignores the First Nations issue. This is rather puzzling given that his central policy solution – tenure reform to create a hinterland full of farm foresters – would run headlong into First Nations land claims and customary rights.

Another gap in both texts relates to the way in which the authors justify their understanding of best practice in forest management. Hayter’s discussion of the changes that have taken place in the discipline of forestry over the past twenty years is meagre, and, for the most part, he adopts a traditional resourcist approach. It is only at the end of the book that he addresses the issues raised by the new forestry, but he tends to lump rather different perspectives together into the idea of “sustaining multiple values” (342). Such a broad category apparently includes everything from Kimmins’s conception of “balanced forestry” to Hammond’s idea of “wholistic forestry” to Binkley’s understanding of “zonal forestry.” Drushka, to be fair, does a much better job here. He discusses the ecosystemic nature of forests in detail and draws on the new forestry literature extensively in his discussion of the changes that have taken place in forest management ideas in the past twenty years. A tension remains in Drushka’s book, however, between the theory and the practice of ecoforestry. In discussing the idea of ecosystem forestry, Drushka appears to be very progressive and to accurately identify the problems associated with conventional, sustained-yield forest management. On the other hand, many of the examples he cites of good forest management come from the old forest management paradigm, and

nowhere does he refer to practising ecoforesters.

A third gap in both texts is the failure to discuss eco-certification and labelling as an incentive for good forest management. Both authors refer in passing to its potential, but neither book devotes any space to an extended discussion of this topic. Drushka, in particular, might usefully have added a chapter on eco-certification, which fits his requirement that the industry be driven more by market carrots than regulatory sticks. Similarly, while Hayter notes the importance of eco-certification and labelling at several points throughout his text, there is no systematic exploration of the importance of the instrument for BC forest management and market access.

In conclusion, both books provide the reader with excellent introductions to BC forest industry and politics. The Hayter book will appeal particularly to those with an interest in the intricate detail of the BC forest sector as it emerged from the post-war period through to the 1980s. It is perhaps a little weaker on recent BC forest politics, although it more than compensates for that by its wealth of detail and by the superb use of illus-

trations, tables, and graphs. Drushka's book provides a very readable overview of recent politics in the BC forest industry, replete with fascinating insights and tidbits of information concerning the role of industry executives and politicians. There is an excellent, extended discussion of the province's silviculture policy and a good overview of the BC forest economy. And the tenure chapter is, as always, very informative. Although the two authors disagree over some key issues (notably on whether British Columbia's post-war stumpage rate regime constitutes a subsidy to the industry), both agree on one fundamental point. That point is that the BC industry confronts a structural, not a cyclical, crisis that requires major, not minor, surgery if it is to return to a healthy future. In this sense, then, there is one partial "truth" that emerges from these two narratives. While that "truth" can at times be depressing, it could create the psychological and political space for a fundamental re-evaluation of the direction in which existing forest policy is taking us. Perhaps soon, now that we are at the crossroads, a means can be found to lead us towards a more sustainable path.