

**Forest Products Association of Canada**

**Briefing Note on *Buy American***

**June 3, 2021**

**House of Commons Standing Committee on Industry, Science, and Technology (INDU)**

**In response to a comment from Windsor West MP Brian Masse seeking information on how Canadian MPs can work with their US counterparts in a positive way to advance Canadian forestry worker interests in the face of President Biden's *Buy American* policies**

**Context**

On January 25, 2021, U.S. President Joe Biden signed an executive order that favours U.S. suppliers for U.S. government contracts, thus creating a potential non-tariff trade barrier that stands to impact Canadian exporters and workers.

The policy does provide for exemptions, but only in very limited circumstances.

At INDU on April 29, 2021, MP Masse (who is also Vice-Chair of the Canada-US Parliamentary Group) expressed his interest in better understanding how Canadian MPs can advance Canadian worker interests with US counterparts in the face of this.

INDU Committee Chair and Longueuil—Charles-Lemoyne MP Sherry Romanado also expressed her interest in the matter given her role as a member of the Special Committee on the Economic Relationship Between Canada and the United States.

This briefing is being submitted through Michael McPherson, Clerk of the INDU Committee, for sharing with all committee members.

**Background**

- *Buy American*-type policies are not new and have been used by preceding U.S. administrations as well (e.g. Trump and Obama).



- President Biden’s *Buy American* policy is the result of a cornerstone Biden campaign promise, one designed to secure swing-state support among more protectionist, blue-collar voters who helped elevate President Donald Trump to the White House in 2016.
- The aim of the policy is not a new one in U.S. politics: ensuring that American manufacturers, workers, and suppliers are the primary beneficiaries of U.S. government purchasing, including an estimated \$600 billion a year in procurement contracts.
- The policy covers two tracks – one linked directly to projects directly funded by the U.S. government and one that kicks in for projects funded by the U.S. government that are carried out at the state, regional, or municipal government level. Given President Biden’s commitments to the World Trade Organization, Canada is largely exempt from the former. It is within the latter state, regional, and municipal frames where the greatest risk is – yet this is also where direct diplomacy and relationships hold real promise to support Canadian interests.
- President Biden’s *Buy American* policy includes a “Made in America” office attached to the White House to police the use of waivers — the exceptions that allow Canadian contractors, manufacturers, and suppliers access to a lucrative and often essential source of business.
  - That office will apparently review waivers to make sure they are only used in very limited circumstances — for example, when there is an overwhelming national security, humanitarian, or emergency need in America.
- Waiver details are also supposed to be posted on a U.S. government website to provide more public transparency about who is getting around the rules and why.
- The plan is also expected to increase the amount of U.S. produced materials or components a project or product would need to qualify as American-made and make it easier for U.S.-based small and medium-sized businesses to access procurement opportunities.
- President Biden’s policy also requires government agencies to provide twice-yearly progress reports on their efforts to follow these rules.
- Canada is the largest export market for the U.S., buying more goods from the U.S., than China, Japan, and the U.K. combined.
- Canada is the number one customer for 32 U.S. states.
- Canada has a network of agreements with the U.S. to address *Buy American* programs, but the nuance often is lost on procurement officers that do not want to risk using non-U.S. products.



## **FPAC Assessment**

- Trade protectionism in the United States has made for popular political policy for decades. Canada has been subjected to this type discriminatory treatment over and over again within the context of the ongoing Canada-U.S. softwood lumber dispute<sup>1</sup>
- Given Canada's dependence on trade (e.g. our forest products sector exports approximately half of everything we make), including Canadian exporters relying heavily on access to the U.S. market; and it is critical that U.S. government spending does not preclude opportunities for Canada.
- Perhaps one of the most ironic aspects of this U.S. protectionism is that unfairly limits competition and increases costs for U.S. buyers. In the case of our sector, one of our biggest allies south of the border is the National Association of Home Builders (NAHB) who have given significant profile to the issue of the impacts of the softwood lumber dispute on U.S. homebuilders, home buyers, and home renovators. You can read the most recent statement (May 22) by NAHB Chairman Chuck Fowle on the impacts of the ongoing dispute on U.S. housing affordability here: <https://nahbnow.com/2021/05/move-to-double-lumber-tariffs-shows-white-house-does-not-care-about-housing-affordability/>
- Our labour partners in Canada, and their brothers and sisters south of the border, can play a big role in addressing *Buy American* as well. Prominent unions in Canada, like the United Steelworkers and the United Food and Commercial Workers, have members on both sides of the border. As FPAC has engaged in addressing discriminatory bills in the California and New York State Legislatures, we have found our partnerships with labour to be essential and have found them to be incredibly helpful in educating and activating their counterparts south of the border (see the Annex to this brief which was shared with MPs and Senators last month).
- Canadian companies, supported by federal and provincial governments and consular services will need to remain vigilant and aggressive on this file. There is a risk that Canada gets lumped in with everybody else.

## **Recommendations**

To help manage the negative impacts of Buy American and all U.S. protectionism:

- Canada's elected and non-elected officials (e.g. diplomats and foreign service officers at the Canadian Embassy in Washington and at consulates across the U.S.) will need to continue their regular advocacy efforts to remind Americans how:
  - Vital open access to Canadian exports is to their own economic prosperity.

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<sup>1</sup> For more background on Canada-U.S. softwood dispute see - [NRP BranchingOut Report MAY2016 WEB.pdf \(cwf.ca\)](#)



- Canada/U.S. supply chains are deeply integrated, including networks of workers and businesses that are not just selling to each other, but innovating and building together.
- Our traded goods cross our borders to become the final "North American" products that we buy and sell from each other, and around the world.
- Over the course of the pandemic, our supply chains were put under immense pressure, but trade did not stop. This demonstrates the unique nature and power of our integrated supply chains to deliver for Canadians and Americans.
- In the midst of a devastating pandemic and serious damage to our economies, Canada and the U.S. should be looking for ways to join forces and leverage their strengths to fortify existing cross-border supply chains.
- As we emerge from this crisis, we want to ensure that workers, and businesses, can rely on the stability and transparency of our trading system to grow and thrive.
- Canada and the U.S. build things together and these rules hurt that symbiotic relationship.
- Canada and the U.S. need to remain committed to our strong relationship, which is more important than ever as we rebuild and recover from this pandemic.
- FPAC fully supports the approach currently being taken by Canadian Ambassador to the United States, Kirsten Hillman, and appreciates the work that individual MPs can do to undertake direct and strategic advocacy with your U.S. counterparts – with a focus on the state, regional, and municipal levels where Canadian products and services are needed (especially with political leadership in those 32 states with which Canada is the #1 trading partner).

For more information, please contact:

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## California and New York Bills Target Canadian Forest Products: An Update from FPAC and Our Partners

### Background

As we shared with you last month, there are currently two bills being debated in the state legislatures of California and New York that target forest products from Canada, Finland, and Sweden – three of the world leaders in sustainable forest management.

At issue are the discriminatory aspects of the two nearly identical "Deforestation-Free Procurement" bills outlined below:

- California (AB 416) – "California Deforestation-Free Procurement Act"  
<https://openstates.org/ca/bills/20212022/AB416/>
- New York (S5921/A6872) – "New York Deforestation-Free Procurement Act"  
[https://www.nyasembly.gov/leg/?default\\_fld=&leg\\_video=&bn=S05921&term=&Summary=Y&Memo=Y&Text=Y](https://www.nyasembly.gov/leg/?default_fld=&leg_video=&bn=S05921&term=&Summary=Y&Memo=Y&Text=Y)

These bills are flawed in several ways:

1. **They imply that Canada has a deforestation problem.** Canada enjoys almost 9,000 trees for every Canadian and has retained 90% of its original forest cover. Seventy percent of the Canadian boreal is unmanaged – and the part that is managed is governed by robust provincial laws as well as third-party, independent certification systems. Canada's foresters harvest less than 0.5% of our harvestable forests each year and replace more than what is taken. We do this so we can keep our forests as forests forever. Annually, we plant 400 to 600 million seedlings to help renew Canada's forests.
2. **They compare Canada, Finland, and Sweden to Malaysia and Indonesia.** The discriminatory language in both bills seeks to equate tropical deforestation with current practices in the boreal forests of Canada, Finland, and Sweden. No other forest types are included in these bills. Furthermore, the bills ignore the consequences of sourcing alternatively from markets with poor human rights and sustainability track records.
3. **They dismiss local science, local input, and local decision-making.** Canada's forests are shared, working forests that bring multiple values and benefits to our rural and northern communities – and to our cities. Forest management planning goes beyond just harvesting trees. It's also about establishing effective conservation, supporting biodiversity, incorporating Indigenous community needs and values, and collaborating with municipalities, labour, and local recreation and outdoors groups so that regional plans reflect local wishes and values.

4. **They ignore the growing impacts of pests and fires in Canada.** Our carbon story in Canada is challenged by worsening forest fires. In 2018, natural disturbances in our managed forests resulted in net emissions of about 251 Mt CO<sub>2</sub>e. When left alone trees in the boreal typically live to about 100 years old. As the trees age, the forest becomes more susceptible to disturbances such as pest outbreaks, drought, fire, and storms. These natural disturbance events are normal and frequent in the boreal forest, but they release tremendous amounts of carbon dioxide and other GHGs that can threaten the safety of communities and other infrastructure.
5. **They violate trade agreements.** As currently written, these bills create yet another trade barrier for our sector. The US-based Natural Resources Defense Council (NRDC) which is the key driver behind these bills is keen to undermine Canadian forestry and to advance non-tariff trade barriers. There is a concerning precedent for other states and governments if they are successful in passing these bills. There is also significant risk of these anti-Canadian resource groups using these bills and the associated misinformation to target customers and global investors. Legal analysts suggest that:
  - The proposed legislation would arbitrarily and unjustifiably discriminate against suppliers who supply from Canadian, Finnish, and Swedish forests and would result in a disguised restriction on international trade; and,
  - There are reasonable alternatives that are less discriminatory.

## Current Status

Both bills have passed the initial committee approval processes needed to continue to make their way through the legislative processes in each state. FPAC continues to have discussions with the proponents of the bills in both states and is working with a host of partners including labour, Indigenous and municipal leaders, provincial governments, and federal consular officials.

## Ongoing Activities

FPAC is actively engaging to counter this campaign of misinformation and has been working to eliminate the discriminatory aspects of these bills currently before the California and New York State legislatures.

We are collaborating with Canada's consular teams in San Francisco and New York and are working with provincial governments in British Columbia, Alberta, Ontario, and Quebec. We are also working closely with our labour partners at Unifor and United Steelworkers, Indigenous leaders, municipalities, foresters, and other groups both in Canada and the US.

## How You Can Help

As noted above, we are receiving tremendous support from a number of partners. We now need the federal government to stand up in a serious way to defend our sector and its people.

On behalf of our industry, labour partners, and the 230,000 Canadians who work in our sector, we would ask you to join us in asking International Trade Minister Mary Ng to do everything possible to bring resolution to this issue. These new efforts backed by anti-Canadian resource groups seek to undermine Canadian forestry solutions and pose a real and deliberate threat to Canada's reputation, customer relationships, our ability to deliver on environmental and economic objectives, and the confidence people should have in products being sourced from Canada's forests.

Below, you will find contact information for the sponsoring state legislators below. You will also find two of FPAC's recent pieces that were published on this matter. We appreciate any support you can lend to help us in stopping these misinformed and damaging legislative efforts.

### Lead on California AB 416 – "California Deforestation-Free Procurement Act"

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### Leads on NY State S5921/A6872 - "New York Deforestation-Free Procurement Act"

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