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CANADA QUARTERLY

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CANADA ACTS ON PACIFIC SALMON

Canada's Minister of Fisheries and Oceans, Brian Tobin, and British Columbia's Minister of Agriculture, Fisheries and Food, David Zirnelt, announced on June 9 that all U.S. commercial fishing vessels passing through several British Columbia waterways would be required to pay a C\$1,500 license fee each way, effective June 15.

The passages, which are all internal Canadian waters, include the Strait of Georgia between Vancouver Island and the mainland and several other sounds and channels that are frequently used by boats from the U.S. Pacific Northwest to reach salmon fishing grounds off Alaska. American boats had previously been exempt from paying a license fee, required of all other foreign vessels.

Tobin said that imposition of the fee was necessitated by the breakdown of negotiations on joint fishing management regimes under the Pacific Salmon Treaty.

Because salmon travel long distances during their life cycles, migrating from freshwater streams to the ocean and back to their native streams to spawn, fishermen from the U.S. commonly intercept Canadian salmon in the open waters of the ocean and Canadian fishermen often catch American fish. Canada and the U.S. signed the Pacific Salmon Treaty in 1985 to conserve and rebuild dwindling salmon stocks and to set limits on major interception fisheries.

The treaty was based on two principles: conservation, to prevent overfishing and maximize production, and equity, to ensure that each country receives benefits equivalent to the production of salmon in its waters.

The equity principle is of concern to Canada because American fishermen intercept a much greater amount of Canadian-origin salmon than Canadians catch of American fish. In 1993, American fishermen caught nine million fish spawned in British Columbia while Canadian fishermen took less than four million fish spawned in Washington State and Oregon, an imbalance worth \$65 million. Since the treaty was signed,



the U.S. has increased its interceptions of Canadian salmon by 50 per cent while Canada has reduced its interceptions of American fish by 40 per cent. Virtually all the increase in U.S. interceptions occurred in Alaska.

By the end of 1992 most of the fishing arrangements specified in the treaty had expired. Recent negotiations to set long-term fishing arrangements and to redress the imbalance of interceptions have produced little progress.

Canada has rejected a U.S. proposal to double the catch of Canadian-origin sockeye in Alaska and in Washington State because it would further worsen the imbalance. Canada has expressed willingness to meet the U.S. demand to reduce the harvest of endangered coho and chinook from Washington and Oregon by Canadian fishermen, but in return is asking for help from Alaskan fishermen to protect its threatened northern coho stocks. The U.S. has yet to respond.

Comprehensive Canadian conservation efforts over the last three decades have resulted in record sockeye runs in

the Fraser River. Canada has restricted harvesting, banned hydroelectric development on the main stem of the river and invested almost \$300 million in hatcheries and habitat improvements. By contrast, the stocks of coho and chinook salmon returning to spawn in Washington and Oregon rivers have declined severely, because of hydroelectric development on the Columbia River system and habitat destruction from mining, logging and agriculture. The U.S. Pacific Fisheries Management Council has imposed an extensive ban on ocean salmon fishing this year for Washington, Oregon and northern California.

Canada's fisheries minister said after announcing the new license fee: "We are not going to give free passage to a nation that has indicated its intention to take two million more fish this year than last year, thus raising the inequity from six to eight million fish."

The license fee was recommended by an advisory panel of representatives of B.C. commercial, sport and Aboriginal fisheries. John Radosevic, president of the United Fishermen and Allied Workers' Union, said after meeting with the fisheries ministers: "We don't really have an option....(The Americans) are now relying on Canadian rivers, but we've kept the dams off our rivers and saved our wild runs."

Tobin emphasized that Canada did not wish to start a fish war that would jeopardize salmon stocks and would continue to fish "in a manner consistent with conservation." He said, however, that the license fee was only the first in a series of steps Canada plans to take to "(slow) down the U.S. assault on a fragile Canadian resource," and to encourage the U.S. to return to the negotiating table.

A spokeswoman for the State Department said that the United States was examining its options to respond, but "believes that Canada should put aside this confrontational approach and return to a reasoned dialogue."

SUSTAINING CANADA'S FORESTS

Forests cover half the landscape of Canada and figure prominently in the country's economy, history and national identity.

Because most of the country's forestland is publicly owned, government decisions on land use and forest practices are critical for preserving the environment and maintaining the economy.

Canada's federal, provincial and territorial governments have all committed themselves to protecting 12 per cent of the country's representative natural areas in parks and reserves, a goal recommended in the UN Brundtland Commission report of 1987.

The focus at both the federal and provincial levels in Canada has shifted from timber production to sustainable forest management: maintaining the long-term health of forest ecosystems while providing economic and cultural opportunities for current and future generations. The change in focus reflects a recognition on the part of the public that while forests represent a valuable source of timber, they also have a variety of other uses, such as contributing to environmental quality, providing wildlife habitat and attracting tourism.

A parliamentary committee released a report in June recommending that Canada establish a national certification program that would audit forest operations and label forest products produced by environmentally sound methods.

A number of provinces, including

the three largest forest producers, British Columbia, Quebec and Ontario, have overhauled their forest practices, reducing annual allowable logging limits, eliminating large-scale clearcuts, improving reforestation and reducing the use of pesticides.

Quebec has developed a forest strategy aimed at enhancing the natural regeneration of trees and ensuring the protection of all other forest resources, including wildlife, soil and streams. The natural resources ministry has substantially reduced the maximum area that can be logged in a single harvest, with reductions ranging from an average of 40 per cent in northern Quebec to 80 per cent in southern Quebec.

Ontario is revamping its stumpage system to ensure a higher and more stable level of funding for regeneration of all harvested trees. Stumpage fees paid by industry for the right to harvest timber on provincial land will include a contribution to a new Forest Renewal Trust Fund and a surcharge levied when market prices exceed the forest industry's production costs plus "a reasonable return on investment." The portion of the fee paid into the trust fund will be refunded once the company has reforested the land it has harvested to the province's satisfaction.

BRITISH COLUMBIA

British Columbia, Canada's largest producer of forest products, is implementing a new comprehensive land use and resource management strategy.

To meet the Brundtland Commission's 12-per-cent goal, the B.C. government plans to double the amount of

FACTS ABOUT CANADA'S FORESTS

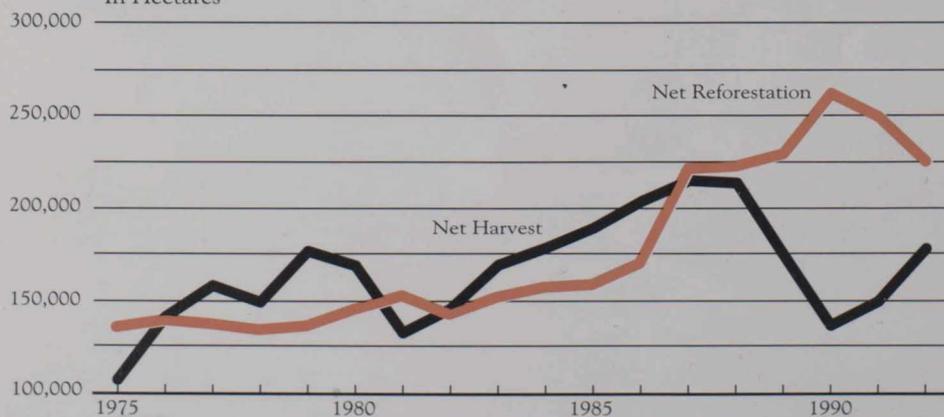
- Canada's forests cover more than a billion acres.
- More than half of Canada's forestland remains in its original natural state.
- Almost all of Canada's forestland is publicly owned, 71 per cent by the provinces and 23 per cent by the federal government, mostly in the territories.
- Canada's forests support almost 350 communities and provide jobs for one out of every 17,000 Canadians.
- Only about 27 per cent of the forest land base, or 277 million acres, is managed for timber production.

provincial land set aside for preservation by the year 2000. An independent Commission on Resources and Environment (CORE) is developing a land-use strategy for the entire province.

In response to CORE's first plan submitted in February for Vancouver Island, Premier Mike Harcourt announced in June that 13 per cent of the island land base, including rainforests across the island, would be permanently protected from development in 23 new parks. A new law, the Forest Land Reserve Act, will ensure sustainable management of the 81 per cent of the island designated as the Forest Land Base and available for commercial forestry and other resource use. Only limited logging will be allowed on 8 per cent of this land base to protect special ecological features such as salmon streams and hiking trails.

To offset the loss of logging jobs associated with the Vancouver Island land use plan, the government will create jobs and provide retraining in silviculture and environmental cleanup under its Forest Renewal Plan, announced in April. This plan will invest an estimated \$2 billion over five years directly into the forest sector throughout the province. Financed by increased stumpage fees paid by industry, the renewal plan focuses on improving silviculture and reforestation, rehabilitating areas damaged by past harvesting, increasing forestry jobs and encouraging Aboriginal participation in the forest sector through retraining and joint ventures.

Harvesting and Reforestation in British Columbia
In Hectares



Since 1987, B.C. has planted more trees every year than it has harvested.

MYTHS VS. FACTS

A number of misconceptions have been widely circulated about the management of British Columbia's forests. Some of these concerns reflect information that is out-of-date. The following puts these myths into perspective and provides some facts about current forest practices.

Myth: Massive deforestation is taking place in British Columbia.

Fact: Deforestation, the conversion of large areas of forest to other uses, is not occurring in B.C., where less than half of one percent of the total productive forest is harvested annually. Since 1987, forest companies have been required by law to reforest 100 per cent of the forests harvested on Crown land within three to five years and to ensure healthy free-growing forest on all forested land within eight to 20 years. In each year since 1987, more trees have been planted in British Columbia than have been harvested. Mainly because of intensive efforts to prevent soil erosion, the survival rate of all seedlings has increased to 87 per cent from 54 per cent in 1982.

Myth: Widespread clearcutting is devastating vast tracts of land in B.C.

Fact: Because clearcutting, or removing all the trees in an area, has a significant impact on the environment in some settings, the new B.C. Forest Practices Code will reduce allowable clearcut sizes and prescribe clearcutting only on suitable sites. Clearcutting will not be allowed on unstable terrain, in critical wildlife habitat or in riparian zones. The average size of cut blocks on public land in 1993 was 77.8 acres in the interior and 58 acres on the coast, or overall less than one-eighth of a square mile.

Despite its dramatic visual impact, cutting down all the trees in a block is better suited in some areas to the tree species and the terrain than its alternative, partial cutting. Some species found in B.C.'s forests, such as coastal Douglas fir, lodgepole pine and western larch, do not grow well in shade and reestablish much better in open conditions. Partial cutting requires the harvesting of a greater forest area than clearcutting to yield the same amount of timber, and it is more dangerous for loggers.

Myth: Reforestation is done poorly in B.C., where ecologically diverse forests are being replaced by monocultures of single species that often don't survive.

Fact: The provincial reforestation program maintains the naturally occurring diversity of the forests, 29 per cent of which are monocultures of pine, fir or spruce. About 35 per cent of the reforestation is accomplished through natural regeneration and 65 per cent through a combination of replanting and natural regeneration. While some mixed forests are initially replanted with a single species, natural regeneration adds diversity to these stands.

Myth: British Columbia is cutting down an increasing number of trees to make pulp and paper for export.

Fact: About 85 per cent of B.C. pulp and paper is manufactured from residue and waste material from lumber production. The small percentage of trees that are used directly for pulp and paper manufacture are diseased or otherwise unsuitable for lumber production.

Myth: B.C. is destroying the last of its old growth forests.

Fact: Most of the province's forest land is old growth. Old growth occurs throughout the province but most of the international concern is over old growth in the coastal temperate rainforests where some of the world's tallest and oldest trees are found. British Columbia has more than 40,000 square miles of coastal temperate rainforest. Almost half of this area, some 48 per cent, is inaccessible, unsuitable for harvest or protected.

Much of the criticism of B.C.'s forest practices originates in countries where the old growth forests were stripped centuries ago. Suggestions that B.C. stop all harvesting of old growth forests do not take into account the fact that such a course would essentially mean shutting down the province's forest industry.

In May the B.C. government introduced another groundbreaking element of its resource management strategy, the first provincial Forest Practices Code, which will govern all aspects of logging, forest tending and regeneration. It establishes tough new mandatory management standards, including restrictions on road construction, a reduction in the size of clearcuts and a ban on clearcuts where necessary to protect wildlife habitat. Also part of the Code is a strict new regulatory regime, which includes independent audits of forest company operations and an increase in maximum fines up to \$1 million or more.

CLAYOQUOT SOUND

Among the most controversial aspects of British Columbia's forest management policies is the issue of logging in Clayoquot Sound, a 1,000 square-mile area of rainforest and coastal inlets on the west coast of Vancouver Island. In April 1993, after a community-based committee failed to reach agreement on the level of resource development, the provincial government announced a land-use policy for Clayoquot Sound.

The policy is supported by British Columbia's Aboriginal groups, the First Nations. In March of this year, British Columbia and the Clayoquot Sound First Nations signed an Interim Measures Agreement, under which they will jointly manage all land use and resource extraction in the Sound. The agreement will be in place for two years and can be extended. It is meant to serve as a bridge to the negotiation of a comprehensive treaty.

Under the government's 1993 land-use decision, over 33 per cent of Clayoquot Sound is now protected. The protected area includes the largest untouched watershed on Vancouver Island and 176,600 acres of coastal temperate rainforest.

Of the total land area in the Sound, 45 per cent is available to logging and other resource uses but harvesting is limited to 2,470 acres in any one year. Another 17 per cent is under special management, which allows limited logging but emphasizes protection of wildlife, biodiversity and the landscape. The rest is either Indian reserves or land claimed by the First Nations that is the subject of litigation before the Supreme Court of British Columbia.

Within both the protected and the special management areas, the government has established higher forestry and environmental standards, including smaller cut blocks to a maximum of 32 acres, less clearcutting and greater use of alternative harvesting methods on steep slopes and other sensitive areas.

CANADIAN ECONOMY IS "ON A ROLL"

Statistics Canada figures released on June 10 show that Canada's gross domestic product, the total value of goods and services produced in the country, grew at an annual rate of 4.2 per cent in the first quarter of 1994, fueled by a jump in consumer spending. The expansion followed a strong fourth quarter in 1993 when GDP grew at an annual rate of 3.6 per cent.

Purchases of durable goods such as cars, furniture and appliances leaped by 10.6 per cent, indicating a strengthening of consumer confidence, which has lagged behind economic growth since the recession ended in 1992.

The expansion has not been accompanied by a surge in inflation, which is currently non-existent in Canada. In fact, as measured by a broad GDP price index, prices fell by 0.5 per cent during

the first three months of 1994, only the second quarterly decline in 33 years. Consumer prices in May were 0.2 per cent lower than in May of last year. The Bank of Canada attributed the decrease over the past year to lower sales and excise taxes, particularly tobacco taxes, which were cut by the federal government and a number of provinces in an effort to halt cigarette smuggling.

The expanding economy has had a positive effect on job creation. Employment rose for the fourth month in a row in May with the creation of 56,000 jobs, causing the unemployment rate to fall to its lowest level since early 1992, 10.7 per cent, down from 11 per cent in April.

An indicator of continued future job creation is the figure for seasonally adjusted pre-tax profits of non-financial companies, which increased by almost 14 per cent in the first quarter.

In a commentary on the Statistics Canada figures, Bank of Nova Scotia economists Aron Gampel and David Rosenberg wrote: "The Canadian economy is on a roll, springing into summer with solid job and output gains.

Employers are hiring, consumers are spending, businesses are investing, exporters are shipping and everyone is borrowing."

The strength of the economy means that the federal government will still reach its deficit target for 1994-95 despite rising interest rates, Finance Minister Paul Martin said on June 22, after the Bank of Canada raised its key bank rate to an 18-month high of 7.09 per cent. "Interest rates are a little worse, employment and productivity much better," he said. The government wants to reduce its deficit to \$39.7 billion from \$44 billion in 1993-94.

CANADA - U.S. TRADE UP IN FIRST QUARTER

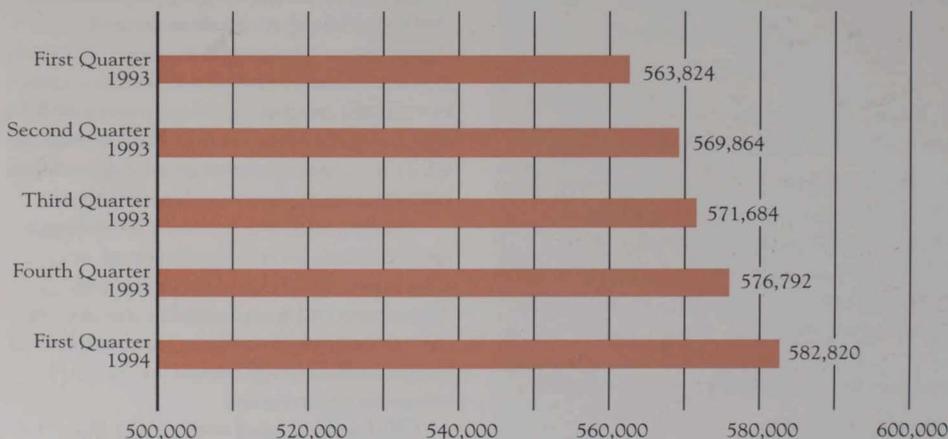
Canada's trade with the United States, in both goods and services, was up by 13 per cent in the first quarter of 1994 compared to the same period in 1993, according to Statistics Canada.

Merchandise trade in both directions increased from \$63.5 billion for the first three months of 1993 to \$73.3 billion this year. Total non-merchandise trade rose from \$15.3 billion in 1993 to \$16.1 billion in 1994. The United States had a surplus of \$5.6 billion in services trade in the first quarter, which offset Canada's surplus of \$5.3 billion in merchandise trade. This virtual balance in overall trade is characteristic of the Canada-U.S. trading relationship.

All figures are in Canadian dollars. The official noon exchange rate on June 20 was US\$1 = C\$1.3939.

Canada's Real GDP

Millions of Canadian Dollars



Seasonally adjusted at annual rates, 1986 prices.

CANADA QUARTERLY

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