

BCCFA Conference May 27, 2025

Plenary Session: Understanding Political Risk: Preparing Community Forests for Uncertain Times

Session Description: Given the turbulence in trade relations and the wider political environment, community forests and others with a stake in the sector would benefit from a practical sense of political risk in their context. The session will introduce the concept of political risk, and apply a political risk perspective to BC community forests. This will illustrate thought processes which can guide planning in troubled times, and provide some tangible insights on current and future challenges. The session will wrap up with a consideration of options to address key issues, before turning over to the audience for questions.

Speaker: Robert McKeller, Harmattan Risk

Moderator: Jason Fisher, Executive Director FESBC

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Main Topics Discussed:

1. How we navigate political risk
2. Current political risk stemming from protectionist attitude and uncertainty in US
3. Investigations into lumber imports and opening US forests point to coordinated plan
 - How plan proceeds is uncertain, need potentially 15 years to enact
4. Enhancing Canadian possibilities
 - Focus on embracing/building social license and trust
 - Build organizational cohesion and agility
5. Recommendations
 - Enhance collaboration between individual CFs
 - Identify global opportunities, e.g., CF bringing niche products to market?
 - Diversify products beyond lumber

Introduction

Background: navigating political risk, politics shapes challenges (i.e., US Protectionism)

Depends on extent to what revenue is tied to exports

Context – Trump and MAGA

- MAGA movement emphasizes nationalism, protectionism, anti-globalism, and self-reliance—fueling trade uncertainty.
- Trump’s leadership style is transactional and unpredictable, often driven by internal power struggles.
- If re-elected, Trump could pursue a radical agenda—outcomes could range from chaos to major systemic change.
- Uncertainty and protectionist impulses are central features, particularly regarding trade and economic policy.

Trump-Era Pressure on Canadian Lumber

- Softwood lumber duties under Trump 1 rose to 34.5%, damaging Canadian exports (2024: Canada holds 24% of US market, down from 33% in 2016).
- Free Trade exemptions are in place but fragile due to pressure from U.S. lobbying groups.
- New U.S. investigations (due Nov 2025) assess national security risks and explore expanding domestic logging, signaling a move toward U.S. lumber self-sufficiency.
- Potential tariff increase could hit ~25%. While Canadian lumber may remain in niche markets, U.S. self-sufficiency could take 10–15 years.
- Future is uncertain: outcomes depend on execution ability, political distractions, and Congressional checks (possible by 2026).
- A broader shift: the U.S. may no longer be *the* dominant market; global diversification is increasingly important.

Strength at Home – Resilience of Community Forests (CFs)

1. Strong Foundations Matter

- Organizations with social trust and adaptable leadership are better equipped to handle external pressures.
- Social license requires explicit care:
 - Align principles and actions.
 - Trust lasts longer than being "liked."
 - Communicate transparently and with control—neither chaos nor condescension.

- Manage mission drift and maintain legitimacy, especially during revenue declines.
- 2. Effective Management = Cohesion + Agility
 - Cohesion challenges: forget leadership, stale values, internal divisions.
 - Fixes: prioritize mission, embed shared values, conduct leadership reviews.
 - Agility challenges: complacency, narrow focus, lack of future thinking.
 - Fixes: practice scenario planning, build trend awareness, include risk/uncertainty in regular agendas.

Responding to U.S. Pressure – Strategic Adaptation

1. Collaboration Among CFs
 - Share resources (e.g., watersheds), strengthen bargaining power, and encourage fresh, non-groupthink approaches.
2. Global Market Diversification
 - Canada's edge: fewer tariffs, better environmental standards, reliable trade partner.
 - CF advantage: trusted, grassroots, niche appeal—potential for independent exports (e.g., EU).
 - Consider collective branding or a CF Marketing Board.

3. Diversifying Revenues Beyond Lumber

- Lumber's dominance will decline; prepare for and invest in alternative revenue streams.
- Progression from what's being done → planned → tested → envisioned should occur in parallel.
- Adapt strategy as market dynamics shift; growing total revenues while reducing reliance on lumber is key.

Q&A

1. Do policies affect the way you evaluate risk?
 - No centre ground at the moment
 - E.g., responses to climate change not possible
 - US decreasingly capable of responding to pressing challenges
 - Effects international order and therefore companies with international exposure

2. Canada federal election, political thinking becomes narrowly focused on economics.
How does that influence ability to address other factors?
 - Populism is response to neoliberalism to provide social mobility and equality
 - People lapse into day-by-day priorities
 - People can be happy with dictatorship because life is predictable, governments not motivated to act
 - Socioeconomic uncertainty becomes priority, other issues (e.g., climate change) goes on to back burner
 - Creates drag on policy-making
3. Being liked vs being trusted – is it possible to be trusted in political climate?
 - Possible to be trusted in the states, but only by one side because of social polarization
4. How does political risk scale?
 - Pay attention to local and global
 - Global risk comes from outside but need to keep an eye on it
 - Local risk comes from interaction with stakeholders, friction
5. At global scale, where is Canada's best options for expanding zones of interest?
 - Commonality with the EU and East Asia (Japan, South Korea)
 - Canada underplayed its hand and could link to Africa (emerging market)
6. Closing comments / next steps?
 - Figure out what resonates with your CF / organization
 - Ask yourself - Risk management, political risk – what can we do about it?
 - Crunch is coming