

## Washington Forest Futures: Competitive Position Study

Strong growth in the U.S. housing sector has provided consistent demand for forest products manufactured in Washington over the past 15 years. However, over the same period, weak export markets and a changing competitive environment have moderated international demand for the state's forest products and have had an adverse impact on the international competitiveness of Washington's forest products industry. This trend was exacerbated by the 1997 Asian financial crisis, with a consequence that domestic markets are more important to Washington producers than ever before. In addition, timber harvest restrictions and regulatory constraints over the past 15 years increased costs of producing timber and caused the closure of many production facilities in Washington. High value log exports and plywood production were most affected. The number and the production value of value-added manufacturers have increased, and the demand for commercial timber has shifted to one that is primarily lumber-oriented. Commercial forest land profitability has changed as restrictions and the composition of the forest sector have shifted. In light of these factors, we will examine the competitive position of Washington's commercial forest lands and ownerships.

### ***Methodology***

Data that will be used to conduct the study:

- Economic and other factors that determine the likely present and future profitability of the various public and private classes of Washington's commercial forestlands.
- Regulatory constraints and tax burdens (harvest and ad valorem taxes) on the competitiveness of Washington's forestry sector based on recently-analyzed case studies.

These data will be used to:

- Illustrate the linkages of the wood products manufacturing sectors with commercial forest lands.
- Identify industry sectors in which Washington has (or is expected to have) a competitive advantage and how to enhance investment and development of those sectors to support the competitive position of the state's commercial forest lands.

### ***Anticipated Outputs***

- A ranking of the competitive position of the forest products industry, nationally and internationally.
- A table of the competitive advantages and disadvantages within specific industry sectors.
- Identification of factors having the greatest impact on the competitiveness of forestry and forest products industries.
- Projections of the competitiveness of the timber and primary producers over the next several decades.
- Identification of macroeconomic trends likely to have the greatest impact on the competitiveness of the forestry and forest products industries and discussion of the likely impacts of these trends.
- Analysis of impacts of existing taxes, policies, and regulations on the competitiveness of forestry and forest products industries.
- Analysis of the effects of taxes on the cost of producing timber in Washington relative to other regions.

Contact: Professor Ivan Eastin [eastin@u.washington.edu](mailto:eastin@u.washington.edu) (206) 543-1918