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FOCUS ON THE BIGGER PICTURE

By Stephen Jacobi¹

As carbon trading gets the New Zealand industry growing again, more attention is needed to the bigger, international picture.

Talk in late September of “renewed optimism” for the World Trade Organisation’s Doha negotiations may have drawn from the business community the inevitable response “Yeah, right !”

It was speeches by leaders from Brazil, India and the United States speaking at the UN General Assembly which brought on this new wave of optimism – along with a significant new offer on agricultural subsidies by the US - but industry is well used to the rhetoric by now. “So what ?” might have been another response.

Certainly the mood amongst New Zealand and American business and government leaders who met at the second US NZ Partnership Forum in Auckland in September was pretty sombre: Doha looks stuck and risks becoming irrelevant as business finds ways to move around trade barriers by investing directly in offshore markets and becoming local players rather than imported competition.

Back in New Zealand two other events have consumed the wood industry’s attention in recent months: first, the launch of the “NZ Wood” programme and, even more spectacularly, the Government’s climate change and carbon trading policy which, in a sensible policy shift, grants post 1990 carbon sink credits to the industry.

How are these developments linked to the broader trade agenda ?

First, hopefully, they will allow industry once again to focus on the bigger picture. The Kyoto debate has consumed talent, energy and funding for the last five years. Earlier attempts to negotiate a compromise with the government failed amidst lack of unity in the industry and led to the demise of the former Forest Industries Council. That unity which has been so elusive in the past appears to have been found in the new industry structures including WoodCo and the Wood Processors Association to which FIC gave birth.

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NZ Wood is a symbol of that unity and an important part of the future for the industry but it is the smaller part. It successfully leverages government funding negotiated by FIC four years ago. The industry can thank former Forestry Minister Jim Sutton for his foresight in securing Cabinet agreement for the generous funding formula which makes this programme possible. NZ Wood usefully targets the domestic market but the original idea was to go much further. The future of the industry cannot be said to lie in the domestic market alone – where is the long-awaited strategy for positioning NZ wood in international markets ?

NZ Wood will meet the objectives of those who originally conceived the programme if it promotes a habit of co-operation that can be taken globally. An example of this is in China where the NZ Wood and Innovation Centre continues to lead the way in market development showing how NZ wood products can be used in furniture design, apartment fit-outs, construction and outdoor use.

Second, the wood promotion programme and more importantly the carbon credits are likely to give a shot in the arm to the industry and get it growing again. Some significant obstacles in the exchange rate, shipping costs and competitiveness remain but a growing industry will ultimately give rise to greater volumes of wood fibre becoming available. Where will this wood be sold and more importantly what products will be derived, and what customer needs satisfied, from these products ?

It is in this context that the WTO negotiations and other efforts to open and build international markets become relevant. If we want to retain a processing industry in New Zealand to meet increasing local demand for wood then that industry needs both to be internationally competitive and actively compete internationally. If we want to find new markets for new products, then we need to be able to sell more freely in global markets.

This is fairly simple logic but one which should lead the industry, after several years of looking inwards, once again to focus on international developments affecting its future and to use its new unity to build a better bridgehead for New Zealand wood products in world markets.