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TRADE NEGOTIATIONS MAKE SAINTLY PROGRESS FOR INDUSTRY

By Stephen Jacobi*[1]

Trade negotiations generally move at glacial pace but occasionally startling progress can be made, as the Chileans have just found out. At the recent APEC meeting they signed a free trade agreement with China – months ahead of New Zealand - although we have yet to see the detail on wood products.

There are some in our industry who question the relevance of tariff reductions. Logs and sawn timber trade fairly freely. Yet the average applied tariff rate on wood is 11 percent. When it comes to “tariff bindings” - the legal maximum rates able to be applied by members of the World Trade Organisation - the rate is 36 percent. Malaysia applies a rate of 20 percent to MDF. Viet Nam applies 40 percent to newsprint. India applies 15.3 percent to sawn timber and 34.44 percent to panel products.

In some markets the cost of not addressing trade barriers can spell the end of business before it even begins. Take China, where ensuring that New Zealand Radiata pine gets the same treatment as competing species in building standards and regulations has now – after three years – been achieved. Failure to take up that invitation to assist the development of the Chinese Building Code could have removed this opportunity forever.

The best way to address trade barriers is through the WTO but it is in the nature of the WTO negotiations that they constantly teeter on the brink. By the time you read this, the Hong Kong Ministerial meeting will have either ended in a train wreck or proclaimed another great leap forward. The problem, as usual, is the Europeans’ reluctance to accept the end of agricultural export subsidies and increased market access for imported food products. Why that matters is that lack of agreement in agriculture holds up progress in non agricultural products under which wood is classified. Developed nations generally want increased access to developing country markets for manufactured products, especially in Brazil and India, whereas developing countries are looking for increased access for agricultural products. Hence the Mexican - or Brazilian - standoff.

On offer for wood is the prospect of a formula to cut bound tariffs in all markets but with some exceptions for developing countries; the possibility of a sectoral deal on wood specifically; and action to address identified non tariff barriers particularly those penalising the use of wood in construction.

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Three years ago wood products had been effectively removed from the list of possible sectors. Only effective action by New Zealand, Canada and the US got them reinstated. Even so the concept of sectoral deals remains contentious, with developing countries and even big wood exporters like Chile, Malaysia and Brazil, being reluctant to include sectors before they see the deal on the formula and especially on agriculture.

New Zealand's efforts have been assisted by the Santa Catalina Group, an informal gathering of six national industry associations, put together by the former Forest Industries Council. The Santa Catalina Group – named after a hotel room in Mexico – has issued statements, made three separate visits to the WTO in Geneva and organised a Ministerial roundtable at the last WTO meeting in Cancun. Another roundtable event is planned for Hong Kong.

The saintly success of the Santa Catalina Group shows how important it is for industry to work closely with Government to provide information and advice and to use its own networks to influence these critical negotiations so that when the glacier starts to move, tangible progress can be made.