

UNITED STATES “INDISPENSABLE” TO NZ FORESTRY

Should the forest industry care whether New Zealand has a free trade agreement with the United States ? Stephen Jacobi, just back from the US NZ Partnership Forum in Washington DC, reviews the issues.

Americans often pride themselves as being the “indispensable nation”. When it comes to the New Zealand forest industry, the United States is an indispensable source of investment and revenue, as well as innovation and business ideas.

Even with the departure of International Paper, American interests continue to own around 30 percent of the forest estate. The US is also the third largest market for forest product exports valued at NZ\$445 million to the year ended June 2005.

Trade barriers have less to do with tariffs and regulations than with competitiveness issues, including the exchange rate, and the extent to which exporters can, like Tenon, establish a foothold in distribution in the US market.

It could be asked whether the industry should care at all whether we have failed to interest the US Administration to negotiate a comprehensive free trade agreement.

Here are two reasons why the industry should care.

First, as a major player in the economy, the industry should be concerned about any development which restricts the growth in the economy. The prevailing view in business is that the lack of an FTA sends negative signals about this country as a place with which to do business. Two key competitors – Australia and Chile – both have FTAs with the US. Those agreements focus enormous political and commercial attention on those countries to the detriment of New Zealand. Even if this may not affect forestry directly, it will affect other domestic sectors. To the extent this damages our economy overall, it will damage forestry too. And if it deters even one potential US investor in the wood processing industry in New Zealand, the industry as a whole is the loser.

Second, while we do not need an FTA to reduce tariffs, other provisions in an FTA apply to forestry. It was not that long ago that New Zealand faced tough phytosanitary rules on log exports to the US. An FTA would help prevent this sort of thing happening in the future. An FTA would also contain provisions relating to the security of investment. Might these have been helpful to the industry in arguing against the nationalisation of carbon credits under the Kyoto Protocol ?

So what progress have we made with the US ? Not enough is the clear answer ! While the Government and business organisations like the NZ US Council continue to make the case, the Administration has its mind on bigger negotiations with Thailand, Korea and Malaysia. New Zealand is not a major market for US exporters (although our importance for investment is larger) and we are no longer military allies. New Zealand's key interest in an FTA may well not be able to be secured for some time yet.

The first ever US NZ Partnership Forum in Washington DC 20-22 April was an opportunity to put the case for closer economic relations directly to some influential Americans. A 37 strong New Zealand delegation of government, business and academic leaders met with a similar American group and after a high quality discussion decided it was worth repeating the event in New Zealand in 2007.

Only a stronger relationship across the board with the US can deliver an FTA. The Partnership Forum is a means to develop a high level dialogue with key US interests about the relevance of New Zealand to US global interests. Forestry has a role to play in that debate reflecting the importance of the sector in the economic relationship and in the country's interests overall.