



PAPER TRAIL LEADS TO NEW HOPE FOR FORESTRY

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By GARRY SHEERAN

When Stephen Jacobi packs his bags tonight in readiness for the flights tomorrow that will take him to the white sands and blue sea of the Mexican island of Cancun, it will not be the trappings of a holiday in the sun that are uppermost in his mind.

Rather, it will be a piece of paper representing a breakthrough by New Zealand trade negotiators - including Jacobi himself - that holds new promise for communities in places such as Northland, the East Coast and Otago/Southland where forestry plays a huge part in employment and economic growth prospects.

Beyond that, it holds the prospect of helping transform a \$5 billion turnover industry employing 23,000 New Zealanders into a \$20b industry employing 60,000 people in a little over two decades.

The numbers may sound fanciful, even more so when that industry is forestry, which right now is taking so many hits one might be excused for wondering if it has any future at all, despite it being our third-largest exporter.

"Too often our perceptions of the forestry industry are conditioned by being stuck behind a logging truck or reading about the latest corporate takeover battle," said Jacobi, a former foreign affairs buff and now chief executive of the New Zealand Forest Industries Council.

Instead, Jacobi focuses on what New Zealand needs to do to ensure the industry delivers on its potential, which brings us back to that piece of paper in his luggage.

Trade ministers from around the world - including New Zealand's Jim Sutton - meet in Cancun from September 10-14 to see if they can get the Doha round of world trade talks moving again.

Everyone agrees agricultural reform is key to the success of the round, and a decision by the EU earlier this year not to link massive subsidies to farm production is seen as a huge step forward as far as agriculture is concerned.

While perhaps not in the same league, Jacobi hopes a similar leap forward can be made at Cancun on the issue of free and fair trade in forest and paper products.

By New Zealand standards, forestry is a big industry, our third largest exporter contributing 12% of total exports and 4% of GDP. It comes as a shock to realise we command only 1% of the world trade in forest products.

Yet the New Zealand forestry industry has been the key player in an international effort to reduce trade barriers and put in place more effective trade rules for forest and wood products.

That piece of paper he carries is a joint statement to be presented in Cancun calling for the elimination of tariffs and non-tariff barriers and stronger rules for anti-dumping and subsidies.

It has been signed by US and Canadian forest and paper industries, each of which is 10 times the size of deal-maker New Zealand, as well as the industries in South Africa and Australia. Together, the two represent 32% of world trade in wood products, 49% of world trade in pulp and 30% of world trade in paper.

Jacobi said it was significant a small player like New Zealand was able to act as honest-broker in gaining consensus on such issues. "But there are times when our small size can work for us, instead of against," he said.

While there was still a long way to go before the completion of successful negotiations in the Doha round by January 2005, the spin-offs for the New Zealand forestry industry could be huge.

Tariff bills and associated tariff barriers were not the only problems facing a beleaguered forest industry in New Zealand, he said.

There were difficulties associated with a rising Kiwi dollar, the vagaries of an industry dependent to a significant extent on commodity cycles, rising energy prices for an industry that was a major energy user, and a lack of investment to turn more logs into value added products - paper, building componentry and furniture. In addition, the Russian felling of virgin Siberian forests was flooding the market with low-value timber.

"There is also the need to ensure radiata pine achieves greater international market recognition," said Jacobi.

But there was also the challenge to reduce the \$40m annual industry tariff bill, and the \$175m of non-tariff barriers like building codes in various countries to which New Zealand exports, and product approval regulations.

"The World Trade Organisation is our best opportunity for getting the tariff bill reduced and tackling associated issues," said Jacobi.

For Jacobi, talks at Cancun later this month leading up to the Doha round of negotiations represent an important milestone in a busy 12 months since he took up the reins at the Forest Industry Council.

Forestry had huge challenges threatening an industry once full of promise.

"It looks as though the industry will be in for some hard and painful work in cutting costs, increasing operating efficiencies and maintaining current markets to ride out the storm," he said.

In this context, trade talks at Cancun were critical, but alone would not solve problems facing the industry.

For too long forestry had not generated the level of profitability needed to sustain a strong growth rate.

"The reason is not hard to fathom; for while we are expert in growing trees in record time and know more about our prize species (radiata pine) than any other species in the world, we are not so good at deriving maximum value from the trees we harvest."