

The Forestry outcome of the Uruguay round of multilateral negotiations

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The forestry sector is New Zealand's third-largest export earner, contributing \$2.5 billion, or 13.3 per cent, of total merchandise export revenues in 1993. Australia is the largest market for New Zealand forest products, taking 28.7 per cent of exports, with Japan a close second at 28.3 per cent. These two countries, with Korea, accounted for 72 per cent of New Zealand's forestry exports in 1993. Other significant importers of New Zealand forest produce are Taiwan and China (both outside the GATT process), the United States, and Hong Kong.

During the next 15 years the national timber harvest will increase to around 25 million cubic metres, 10 million cubic metres above the current level. World wood demand will increase more than 40 per cent while traditional sources of supply dwindle. Within this environment it is crucial to ensure New Zealand exports are allowed to compete in target markets. It is imperative that market access barriers not be allowed to constrain the potential of forestry export earnings or hinder the development of a strong, viable, value-adding sector. The Uruguay round provided an important opportunity to level the international playing field in forestry.

GATT forestry negotiations were carried out in a separate sectoral forum. New Zealand's negotiating stance was based on support for the zero-for-zero proposal which advocated across-the-board elimination of wood products tariffs. The final settlement saw the major economies – United States, European Community, Japan and Canada – agree to tariff elimination on all pulp and paper products with agreement to cut wood products tariffs by 50 per cent on an average trade-weighted basis over five years, commencing 1995.

The impact of the Settlement on New Zealand's domestic forestry tariffs is negligible. Reform of the schedule of domestic tariffs over the past five years means New Zealand has already exceeded its forestry tariff reduction commitments, on its base (1986) level, for the next five years. However, our commitment to the pulp and paper zero-for-zero means from 1999 New Zealand will be required to reduce its tariffs in this sector to zero over the subsequent five years.

The graph shows the respective proportions of current New Zealand forestry

exports which will have tariffs applied in the post-Uruguay world. It is important to note that 75 per cent of exports will not be subject to tariffs. This 75 per cent includes exports to Australia, Hong Kong and Singapore, log exports, exports of pulp and paper to zero-for-zero signatories, and a range of other product/destinations on which no tariff is levied, such as sawn timber to the United States and mouldings to the European Union. Note also that 5 per cent of New Zealand's exports have tariffs applied by countries that are not GATT members, most notably China and Taiwan. China is presently applying for GATT membership and its tariffs are being reviewed in this context.

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In terms of specific markets, obviously Japan, the dominant tariff-levying destination for New Zealand forestry exports, was a focal target in negotiations. Japan's strong resistance to elimination of its tariff on sawn timber eventually led to an agreement to bind the tariff applied to radiata pine at 4.8 per cent. However, this rather modest result was offset, to a certain extent, by a good result in panel product negotiations. New Zealand's exports of panel products, mainly fibreboard, particleboard, laminated veneer lumber

(LVL) and plywood, to Japan in 1993 totalled \$108 million.

New Zealand, with two of the largest single-site fibreboard mills in the world, is the dominant fibreboard exporter into Japan, supplying 37 per cent of Japanese fibreboard imports. Japan agreed to reduce the tariff applied to fibreboard, from 5.2 per cent for high density fibreboard and 3.5 per cent for medium density fibreboard, to 2.6 per cent for each. On 1993 export values this result could increase the returns to New Zealand exporters by around \$500,000 per annum. With Canterbury Timber Products recently opening a second production line, and potential for the establishment of additional plants as New Zealand's wood harvest increases, this result should confer significant additional benefits to New Zealand exporters in the future.

New Zealand supplies 26 per cent of Japanese particleboard imports, valued at \$22 million annually. Japan has agreed to halve the bound tariff on particleboard from 12 per cent to 6 per cent with a potential net benefit on current export volumes of \$1.3 million. The remainder of New Zealand panel exports to Japan are laminated veneer lumber and plywood. These exports total around \$30 million. The Japanese agreed to reduce the tariff applied to these products from 15 per cent to 6 per cent, meaning a potential gain to New Zealand producers of \$2.7 million on current export volumes. Overall, the GATT settlement with Japan on panel

Current New Zealand Forestry Exports Under Post Uruguay Tariff Regime

