



# Economics and Equity

As you look through this issue of NZ Forestry you will see it has an economic flavour. Don't throw it to one side because of this, as you will find the economics comes in many flavours. The economic theme is partly a result of our including three important papers from the Institute's Wanganui conference, Chris Perley's thought provoking address to Forest Industries 98, and an article on branding. But you will find it appearing in all sections of the Journal as economics is so pervasive in our lives.

At the beginning of this year, after 40 years in Government employment, I joined those making a new life in the private sector. It too was partly an economic decision. I realise that my change was not as dramatic as many of my forestry friends as I was able to secure some teaching contracts with my immediate past employer, Lincoln University. Nevertheless, I was able to spend a month in Chile on a variety of tasks. This was my sixth visit to our fascinating neighbour. What really intrigued me on this visit was the Chilean attitude to restructuring the public forestry sector (see page 44).

It should be remembered that Chile preceded New Zealand in grasping the so-called right-wing capitalist economics that is now the relish of so many countries. We tend to think of ourselves as leading the world in this experiment. For example, Chile sold off its State plantations well before we even thought of the concept; and as you will note in the 'Current Events' the Australians are only now following in Victoria. Furthermore, Chile also has their National parks etc being run by a Government Corporation (CONAF). They have even begun to embrace private highways. From our purest position we might question why they have not sold their railways, but life is full of interesting contradictions.

Economic efficiency lies behind the restructuring of the Chilean State Forestry. But unlike the attitude to forestry restructuring in New Zealand, this does not mean the Government will spend less, but rather they wish to obtain better outcomes from their public service. And what is more, in the year that New Zealand finally did away with a separate government department dealing with forestry, they have invented a 'Forest Service'. What a wonderful people! I wonder how long it will be before our politicians realise that the

country needs a specialised body that will co-ordinate and oversee forestry. I hope it doesn't take as long and as many abortive efforts as it did to set up our Forest Service in 1919. But at the moment there do not seem to be visionaries like Vogel or Dillon Bell in parliament.

I was particularly intrigued to learn that equity issues were behind many of the forest laws being passed in Chile. Equity is not something that springs to mind when we think of that country. Yet equity is behind the subsidies to the rural poor struggling on degraded farmland. Equity issues in relation to the rural poor are not unusual in world context and indeed I have embraced such issues when working in agroforestry and social forestry in developing countries.

It could be argued, although it is seldom voiced by politicians, that equity issues underlie many of New Zealand's current rumblings of discontent. Equity between the rich and the poor; between races; between those who can fully take care of themselves and those who have problems to overcome, and between different age groups. Maybe the Chilean

politicians have a more mature approach. Or maybe we are passing through a phase and will follow Chile, and begin again to stress equity in decision making.

But what about the concept of equity between how we approach plantations and native forest, particularly in the amount of money we invest in them? That I found novel, but very persuasive. Particularly so, after reading Tim Thorpe's paper on our indigenous forests. In this he almost despairs for their future, although he suggests that management for wood production could be a way of helping pay for their protection and management. Tim also stressed that any investment in indigenous forest management is ultimately for people. Part of the Chilean approach will be to provide subsidies to help rehabilitate degraded natural forest as they do for other degraded land. We have only recently got rid of subsidies to farmers to encourage them to clear reverting land.

You will now appreciate why I enjoy Chile so much. Travel broadens the mind!

**Don Mead**  
Acting Editor

## A Handi Outcome

It disrupted the lives of thousands of people, it demanded dedication and sacrifice from an extraordinarily talented team of foresters, scientists, communicators and contractors, it cost around 12 million dollars, and it passed into history with a whimper rather than a roar. It was one of the most outstanding biosecurity achievements of recent years anywhere in the world, and yet its success caused barely a media ripple or political acknowledgement. It was of course Operation Evergreen, the programme to eradicate the white spotted tussock moth from Auckland's eastern suburbs. It had its detractors, mostly yapping at the fringes with little care and no responsibility, and it had its public opposition, a concerned lobby group rightly questioning any spraying of pesticides or other chemicals. But it also had huge public support, commitment from the wider scientific community, and a lead Ministry clear of vision and confident of ability.

So why was such a success lauded so

lightly? Because the attributes of the old Ministry of Forestry of leadership, commitment, and esprit de corps, attributes critical to effective response, did not fit well with the 'everyone must have their two bob's worth' and 'every dumb idea must be taken seriously' philosophy of today's political environment. The tragedy of its success is it might not be possible next time. The team paid a high price, it cost at least one career. The political will has all but evaporated, and the Ministry which focussed its resources to outstanding effect, has marched into history. The engine room of skilled, experienced, and dedicated professionals who understood the problem and had the knowledge and confidence to tackle it are scattered and in many cases disillusioned. However, they can take comfort from knowing they got it right — not perfect, but right. Knowing the effort expended, the stress weathered, the hard decisions taken, but most of all knowing we did it together.

So what were the key elements that led

to such a success?

Leadership which encouraged and got the best from, and gave identity to, a team. Leadership which recognised no obstacle as too difficult, never doubted success but knew the consequences of failure. John Handiside's leadership. More than any other individual, he held the key to success.

Technical and scientific support which knew the territory, understood the risks of a pusillanimous response, mined its international mana, and moved its commitment to A1 on the priority list. Led on the ground by Forest Research but strongly supported by a science team from other CRIs, research organisations, and medical specialists, they took ownership and worked by consensus.

An operational team which hit the ground running on day one and never stopped. A skilled integrated group of forest health professionals familiar with insect and disease survey, the logistics of field operations, and the demands of a biologically driven response. Communicators without which the initiative would surely have foundered in its first season.

Public support was based on openness and responsiveness at a community and individual level. It involved working with the media, providing medical and biological information, information on legal restrictions, community meetings, web sites, and 0800 numbers. Let's not beat around the bush: it involved selling the programme. No sale, no programme.

Policy folk oiled the wheels above, secured the resources, worked through the legislative requirements of the RMA, Civil Aviation Act, Biosecurity Act, and all in time to allow the best possible response on the ground.

There were also the contractors, the flyers, the ground spray teams, the trap inspectors, typified by the truck driver who always arrived at the flying base an hour early "just so there was no holdup if the weather was right".

And there were the people of the Eastern Suburbs whose overwhelming support and willingness to put up with sticky Btk, vegetation movement restrictions, and invasion of their properties, to the benefit of greater New Zealand, made it all possible.

If this is beginning to sound a little like a eulogy it's no accident. It's a belated thank you to a dedicated team of people, who despite the personal cost, put in two years doing what the forestry sector expected of them, and doing it successfully. It's a thank you to John Handiside's Team. The question is, given the need, could we emulate such a performance tomorrow?

**Gordon Hosking**

# The Asian Crisis and After

Since its onset last year, the Asian crisis has affected us all one way or another, manifesting itself in falling currency values, reduced international trade, lowered economic growth and redundancies. The New Zealand forestry sector has been affected the most.

The reasons are not hard to find. Wood products are New Zealand's largest export to Asia. Three-quarters of New Zealand's wood products go to Asia. Japan and Korea take approximately 80% of this. In trade terms New Zealand is thus heavily exposed to the Asian market.

Other factors also come into play. Letters of credit could not be obtained from South Korea and orders were either cancelled or reduced. In comparison the United States Department of Agriculture is offering South Korea US\$1 billion in GSM-102 export credit guarantees for the 1998 fiscal year which underwrites credit extended to Korean banks. This scheme allows the US to export to credit-risky South Korea. Furthermore, unlike other sectors, the forestry sector has not been able to redirect trade to countries outside of Asia to the same extent.

The degree to which forestry has been affected compared with the way in which a number of other exports have been affected is shown in Table 1. Exports of dairy products and meat have increased from the end of June, 1997 while exports

of wood, fish, wool and leather type goods have dropped. The exception for forest products is wood pulp which as not changed. In percentage terms, wood and wood products and hide exports have fallen the most. However, in absolute dollars the wood sector has been hurt the most.

What does the future hold for New Zealand forestry exports? The New Zealand wood supply is estimated to double to around 26-30 million cubic metres in 20 years. Concern has been raised that the future demand for New Zealand wood will not be enough to absorb the increase in supply.

However, this concern is possibly premature as Asia will continue to need wood in the future. One suggestion is that Asia will need to import timber to get out of the crisis. Secondly, the forestry industry may have an advantage over other industries: it can leave trees in the ground, adding value until demand and prices increase. Thirdly, the crisis has accelerated the reform process in Asia, under the direction of the IMF, resulting in a stronger banking system. It may also open up foreign investment opportunities for forestry companies and result in New Zealand forestry companies forming stronger strategic alliances with companies in Asia. Fourthly, in the longer term, the APEC early voluntary sector liberalisation (EVSL) agreements should see tariffs on forest products reduced to zero by 2002 or 2004 for some developing countries. Fifthly, the lower New Zealand dollar, provided it stays low, makes New Zealand competitive and attractive to Asian countries.

All of these factors put New Zealand forestry in a position that will enable it to sell the increased wood supply. However, the date when demand will substantially increase for forestry products and Asian countries economies start growing again, is dependent on the ability of Japan to carry out economic reforms and on China not devaluing its currency.

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**TABLE 1. Percentage change in New Zealand's export earnings for the year ended June, 1998 for various products.**

Product	% change
Casein and Caseinates	14.5
Milk Powder, Butter and Cheese	5.7
Meat and Edible Offal	4.8
Wood Pulp	- 0.7
Wool	- 4.6
Fish, Crustaceans and Molluscs	- 4.8
Wood and Wood Products	-13.4
Raw Hides, Skins and Leathers	-13.4