

New Zealand Economic Reform: Impacts on the Forest Industry



New Zealand Forest Industries Council



Media and Business Leader Briefing
6 September 1999

•Format

- James Griffiths, CEO, Forest Industries Council
 - 4 introduction, conclusions & trade access challenges & opportunities
- Bryce Heard, CEO, Forest Research
 - 4 findings & commentary
- Hon. Lockwood Smith, Minister for International Trade
 - 4 APEC and WTO trade liberalisation



The Study

- Commissioned by Council in July
 - 4 APEC Bridging the Gap Symposium
 - 4 Report card on progress
 - 4 Benchmark International Competitiveness
- Prepared by Forest Research
- Researched by Dennis Lee
- Released 6 September



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Bryce Heard

1984 - Government's influence on the economy all pervasive

- 400 Acts of Parliament
- 1000 Associated Regulations
- 127 Tribunals
- 400 Official Advisory Committees



New Zealand Government Reforms

- Floated currency
- Deregulated
 - 4 financial markets
 - 4 labour markets
 - 4 transport infrastructure
 - 4 energy
- Opened the economy to international investment



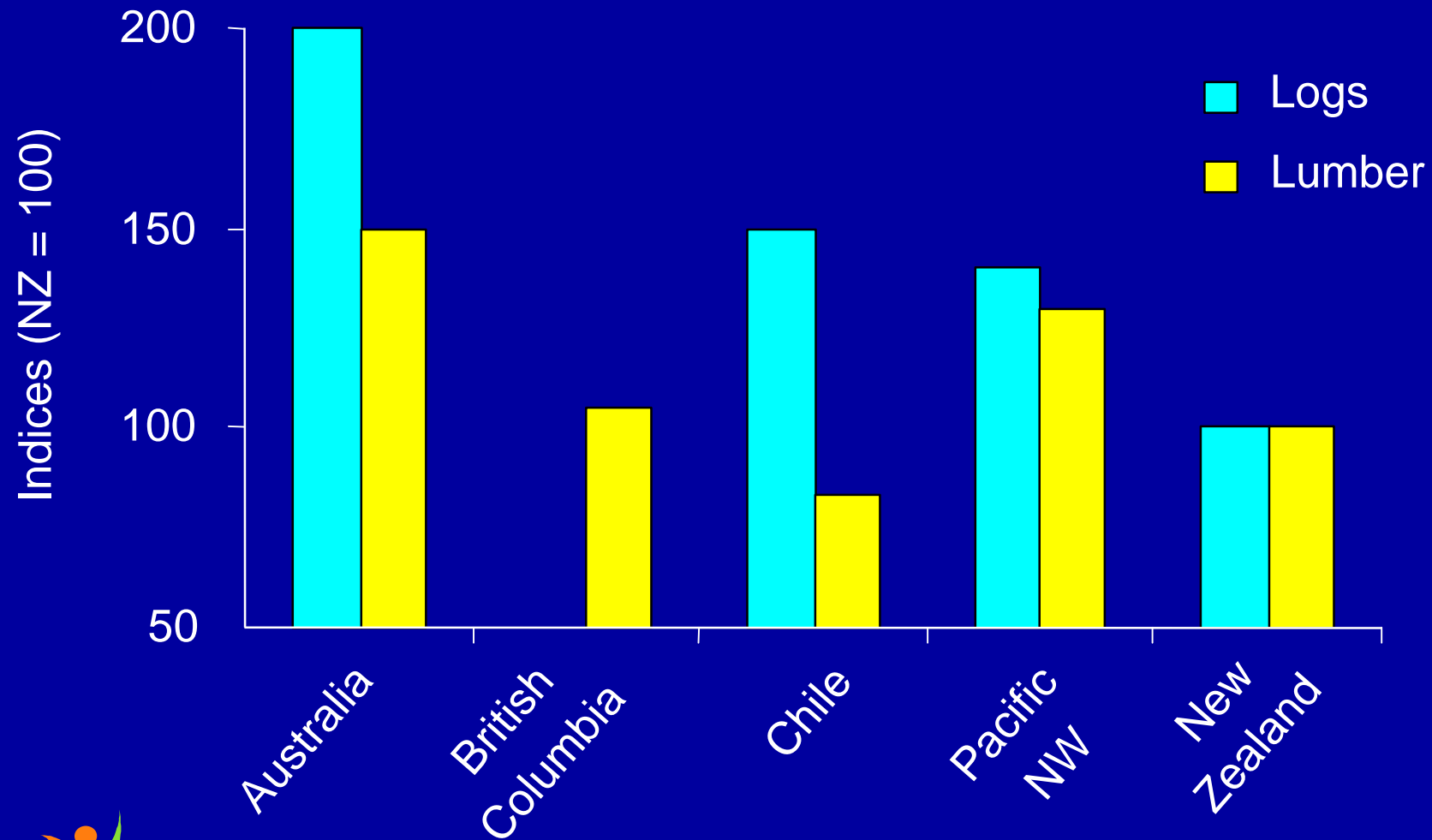
Forest Industry Reforms

- Privatisation of the plantation resource
- Taxation
- Removal of trade barriers

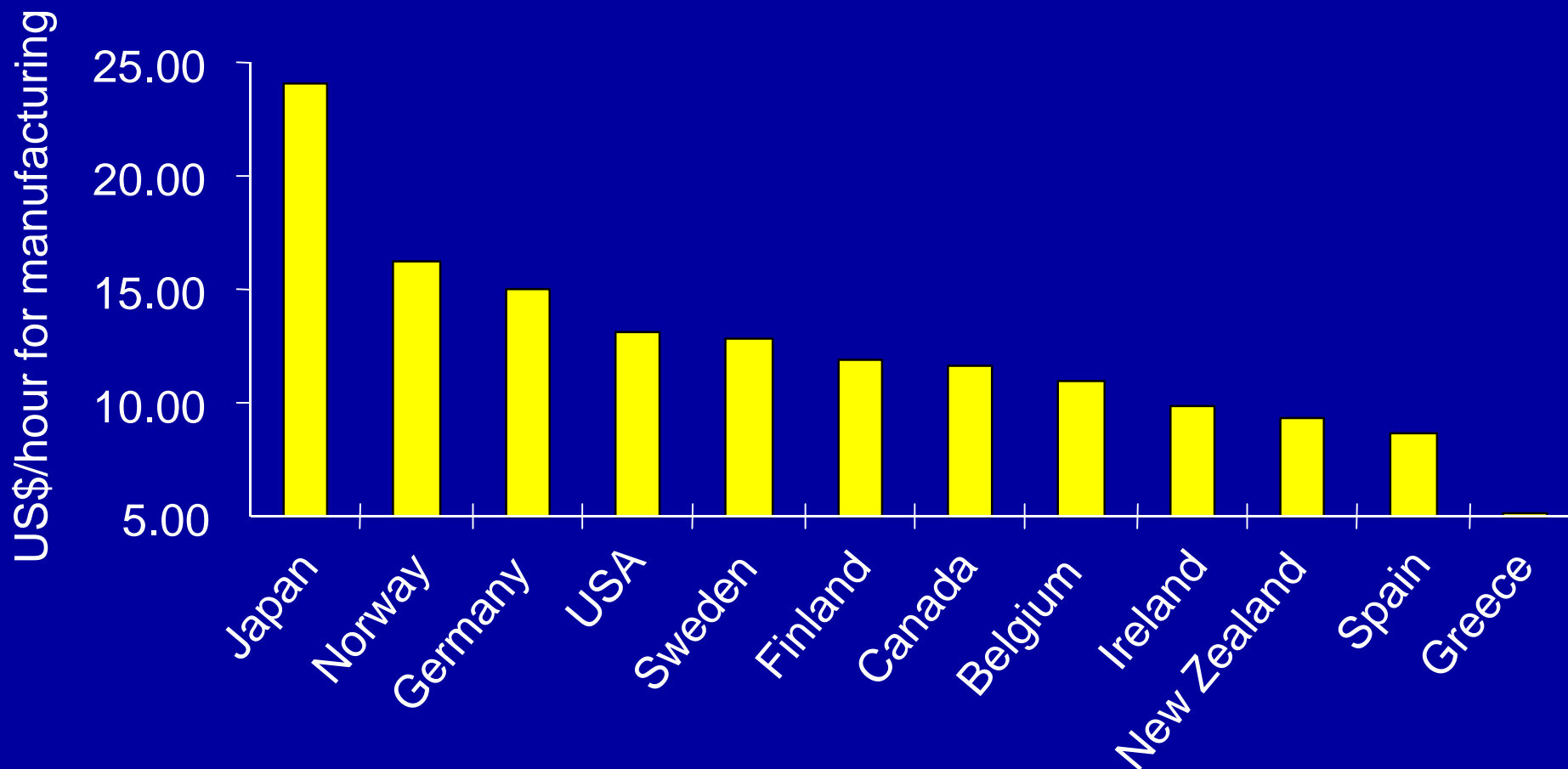


Port charges

(including marshalling and stevedoring)



International labour cost comparisons 1997



New Zealand's forestry trade

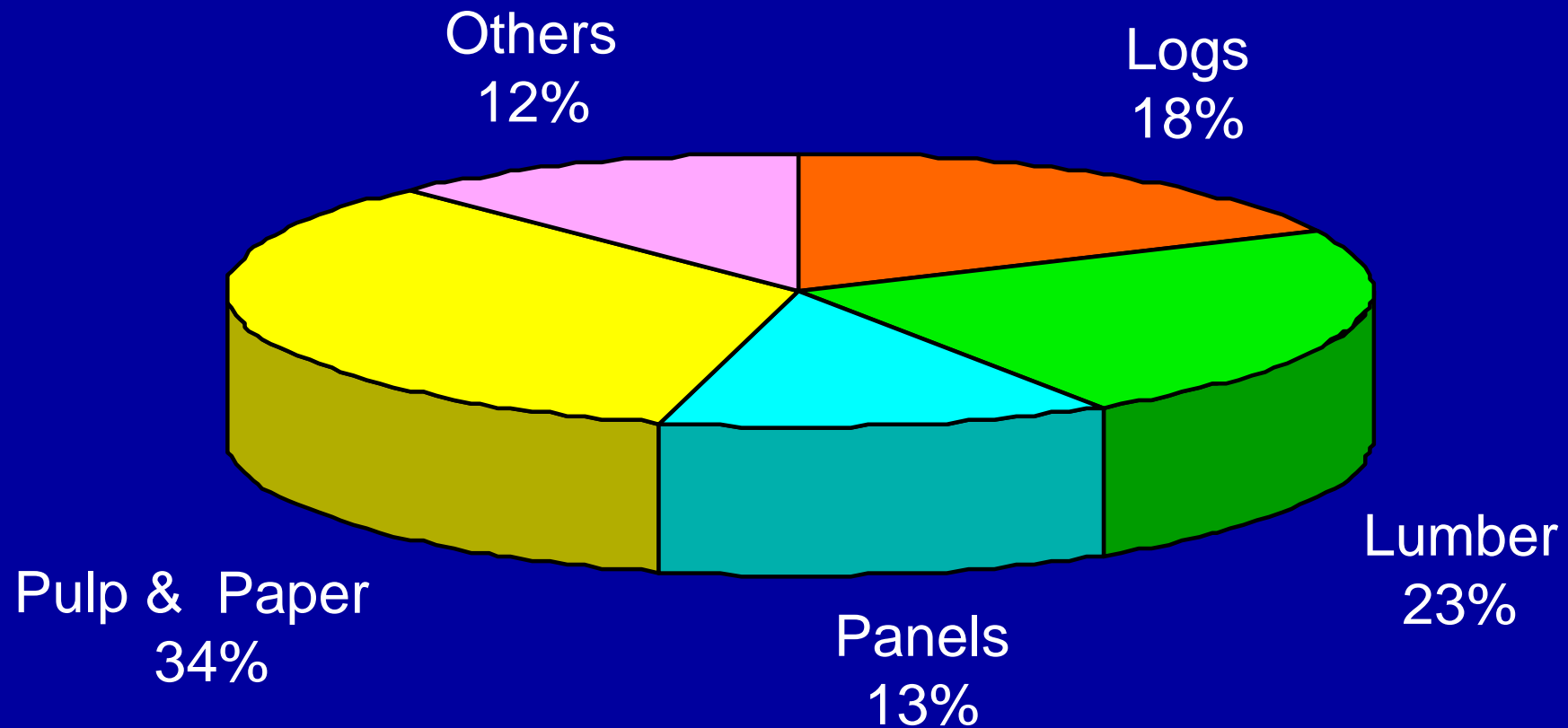


Industry Performance

- Since 1984 exports value — grew fourfold to \$2.66 billion (1996)
- 1990-1998, \$2.2 billion invested in manufacturing capability
- Destination market mix
- Destination countries
 - 4 1984 — 2 (Australia, Japan)
 - 4 1999 — 7 (Australia, Japan, USA, Taiwan, China/Hong Kong and Korea)



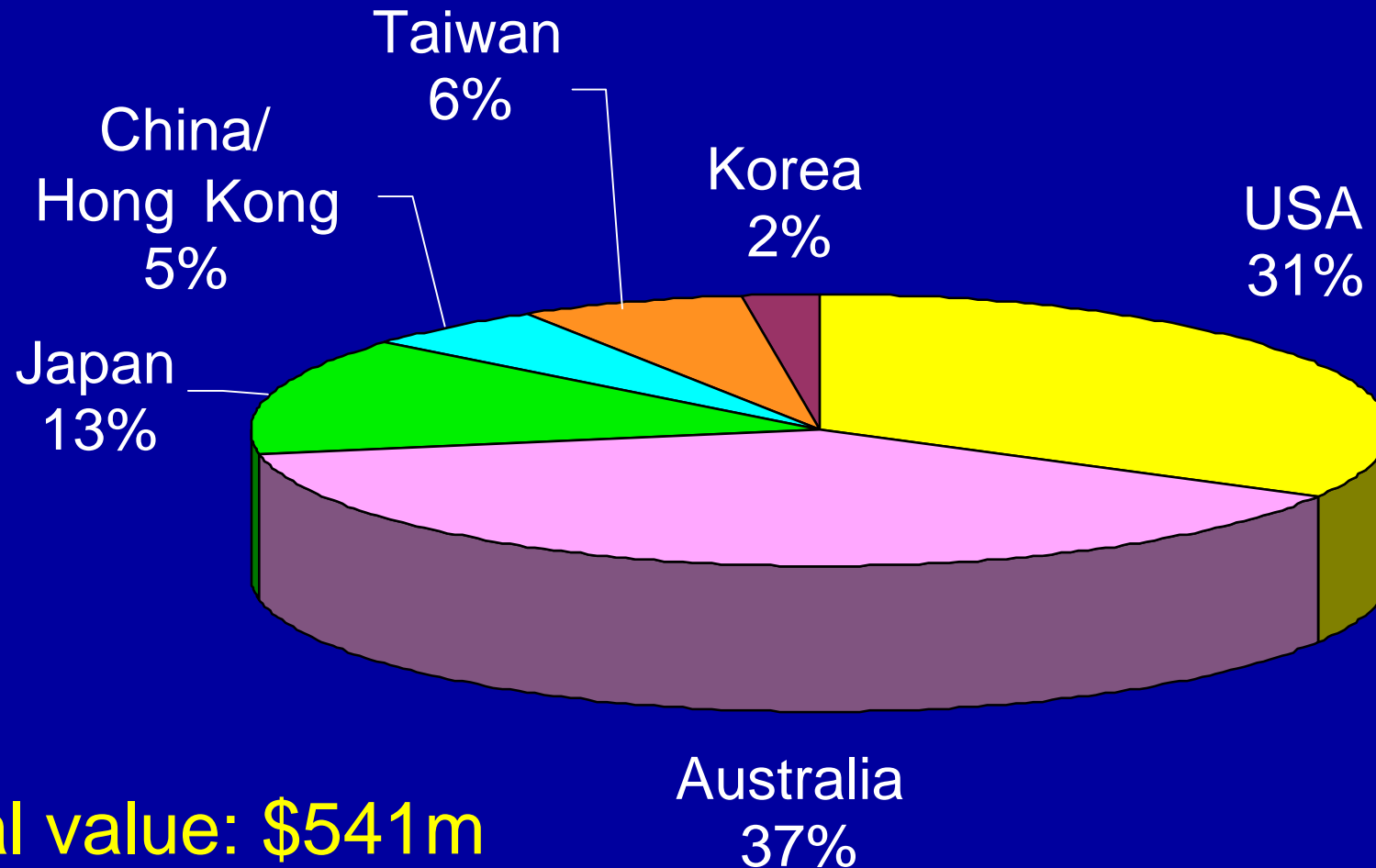
New Zealand's export product mix 1999



Total value : \$2,380m



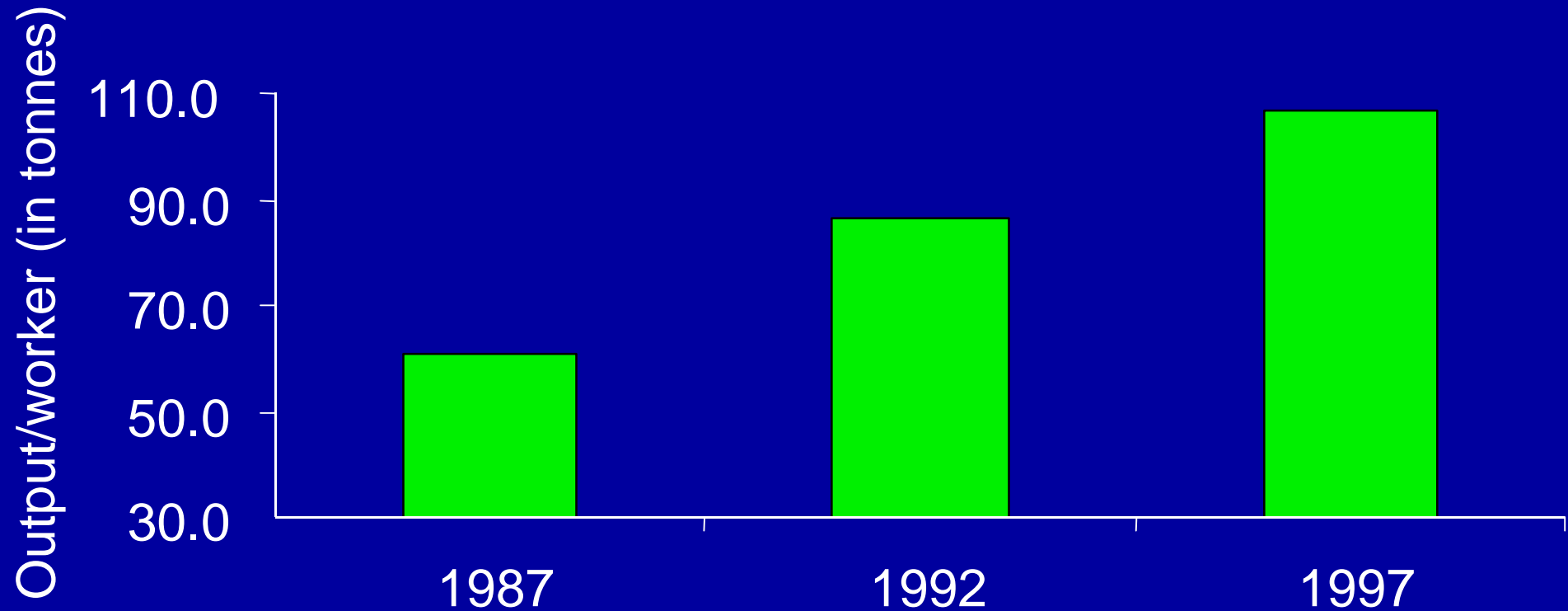
New Zealand's major lumber markets 1999



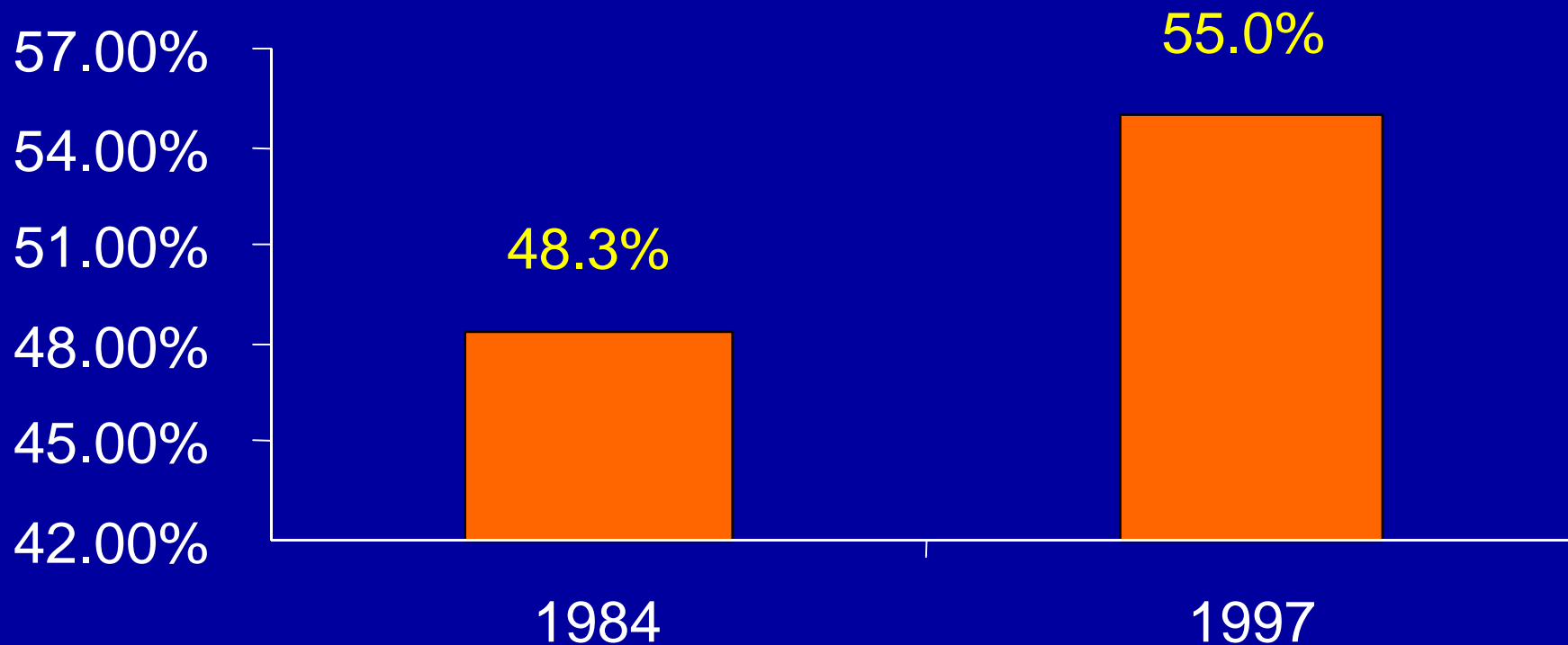
Total value: \$541m



Labour productivity in paper mills



New Zealand sawmill conversion efficiency



Conclusions (1)

- Competitive economic platform
 - 4 energy, labour, ports & shipping
- Forest industry is globalised
 - 4 market integration
 - 4 impact Asian crises - “minimised”
- Competitive grower & commodity trader
- Avoided over capacity



Conclusions (2)

- mature industry BUT good growth factors
 - 4 forest products manufacturing, services & technology
 - 4 proximity to Asia (world's fastest growing markets)
 - 4 reduction in regional over-capacity
 - 4 expanding role of plantations



Conclusions (3)

- Significantly enhance contribution
PROVIDING improvements
- Manufacturing competitiveness
 - 4 roads, resource consents, taxation
- Access Asian Pacific markets
 - 4 APEC and WTO
 - 4 stimulate investment value adding, new products, services & technological innovation



Trade Liberalisation - APEC/WTO Challenge & Opportunity (1)

- Enhanced 2010/20 Bogor “targets”
 - 4 2004/07 for forest products
- Flatten & eliminate escalated tariffs
 - 4 commodities low but value added high
- Identify & reduce impact of Non-Tariff Barriers & Measures
 - 4 building codes, tax incentives, subsidised infrastructure & inputs



Trade Liberalisation - APEC/WTO Challenge & Opportunity (2)

- Existing measures distort trade
- By 2015 NZ's harvest doubles to 35 million m³ per year
- Significant progress WILL
 - 4 stimulate investment on-shore processing & innovation
 - 4 NZ\$ 5-6 Billion (MAF estimates)
 - 4 expand GDP, forex & employment

