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Standards for forest products:

Barriers

or Gateways to Trade?

ISO's International Standards, developed within various different ISO committees, help and influence the wood industry in a number of positive ways, on the environmental, industrial and commercial levels.
James Griffiths*, Chief Executive, New Zealand Forest Industries Council, in an address he gave to the PASC (Pacific Area Standards Congress) in March 2000, gives an enlightening view of these multi-faceted roles by taking the example of his country and the state of its wood industry, and the choices and directions New Zealand is taking to develop this industry and its trade in wood and wood products within its region.*

The brief overview below starts with a look at the New Zealand forest industry, in particular its current level of globalization, and future development which will be driven, to a very significant degree, by success in liberalizing forest products trade within the Asia-Pacific region. It outlines the current regimes of tariff and non-tariff measures that exist for the Asia Pacific forest products market, drawing on the recent efforts of APEC (Asia Pacific Economic Conference) economies

to improve trade access conditions in this product area. Answering the question posed in the title of the article, it outlines the industry's experiences and current involvement in two international standard development processes: one involving the development of nationally-based standards and certification systems for sustainable forestry management as well as a framework for international mutual recognition, and the other relating to current efforts to develop international timber standards (ISO/TC 218, Sawn timber and sawlogs, semi-manufactures of timber). It concludes by providing a private sector perspective on the international standards-development processes.

Fast growing forest plantations

The New Zealand Forest Industries Council represents New Zealand's rapidly expanding forest products industry, the outputs of which – currently worth around NZD 5 billion in annual sales – are almost entirely consumed by the Asia Pacific countries. A number of key reasons underpin the expansion of its industry.

> "The key tool of mutual recognition is, essentially, an international standard on how to develop credible Sustainable Forestry Management (SFM) standards and certification systems at the national level."

Firstly, it is based on highly productive, fast growing plantations that will be doubling annual wood fibre production over the next 15 years and, potentially, doubling again by 2030. A second key growth factor is that its industry includes a number of vertically integrated, international firms that directly link forest growing and forest product manufacturing operations in New Zealand with marketing, distribution and further processing operations in Australia, the US, China, Hong Kong China, Indonesia, Malaysia, Korea and Japan. Thirdly, its proximity to the world's fastest-growing forest product markets in Asia where local demand, driven by rapid population growth, industrialization and rising standards of living, is outpacing the supply capacity of local forestry production systems and, thereby, fuelling rapid trade growth.

Based on this scenario, it is no surprise that the New Zealand forest industry has a considerable interest in forest product trade and the question of whether standards hinder or enhance international commerce.

Seeing the wood for the trees

Although New Zealand embarked on the development of a plantation-based industry nearly 100 years ago, its international competitiveness has largely been created by the macro-level economic reforms undertaken in New Zealand since 1984, including the privatization of the State's historical investment in plantations and processing operations.

The industry's fast growing, sustainable managed plantations are providing New Zealand processors – as well processors in export markets – an expanding level of wood fibre and forest products.

In addition to replanting clear cut areas, the industry is actively expanding its plantations onto farm land. Its main commercial species – radiata pine – grows extremely well throughout New Zealand and its productivity levels are continuously being enhanced through research and technological innovation. In combination, these factors are expanding New Zealand harvest which will double by 2015 – this is in contrast with many other forest industries around the world where environmental regulations or non-sustainable forestry management practices are actually reducing harvest levels.

New Zealand's international competitiveness as a forest growing country and manufacturer of forest product commodities

The internationalization of the industry – with investors from the USA, Japan, China, Hong Kong China, Malaysia and Indonesia purchasing plantations or long term forestry rights from the New Zealand Government via international tender means our industry enjoys today:

- significant inflows of capital, technology, management expertise and market knowledge – this includes NZD 2,2 billion investment in local processing operations since 1990; and

One key growth factor for New Zealand's forest industry is its proximity to the world's fastest-growing forest product markets in Asia where local demand, driven by rapid population growth, industrialization and rising standards of living, is outpacing the supply capacity of local forestry production systems and, thereby, fuelling rapid trade growth.

- enhanced linkages with upstream customers and final consumers in some of the world's fastest growing forest product markets.

Since 1984, export values have increased by 400 % – equivalent to an annual average compound growth rate of 14 %. Our industry now generates around 12 % of New Zealand's total manufactured export earnings and, at NZD 2,75 billion in overseas sales, is the third most important export sector after dairy and meat.

As part of its strategic planning for the new millennium, the New Zealand Forest Industries Council commissioned an independent assessment of the industry's international competitiveness and development during this 15-year period of economic reform. The study, undertaken by Forest Research, and completed in September 1999, had two key findings:

The report indicated that New Zealand has true international competitiveness as a forest growing country and manufacturer and trader of forest product commodities, with high volume but low value items like logs, lumber, newsprint and panels.

It also concluded that while this position as a commodity trader would provide an ongoing level of growth for the industry, the ability to extract optimal value for the forest resource through greater local secondary and tertiary processing would be dependent on improving New Zealand's:

- overall manufacturing competitiveness – addressing issues like taxation rates, environmental regulations and the road transport infrastructure;
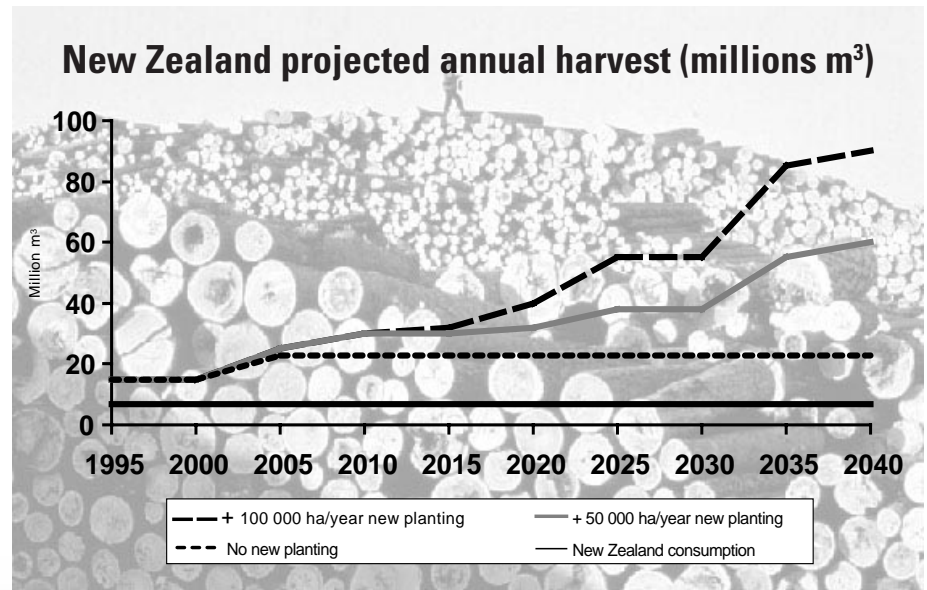
of eight priority sectors for consideration under the Early Voluntary Sector Liberalization process during 1998/1999. Analysis of the APEC forest products market made it a clear candidate for trade liberalization based on its current interconnectedness and dynamism, yet heavy influence of existing tariff structures. To summarize:

- the APEC forest products market – at USD 70 billion – represents 50 % of global forest products trade;

Non-Tariff Measures (NTMs) also distort trade flows

These escalated tariffs, combined with several intra-regional trade agreements which provide preferential tariff arrangements, significantly distort trade flows which are essentially based around inter-regional exchanges of raw materials.

New Zealand projected annual harvest (millions m³)

	+ 100 000 ha/year new planting	+ 50 000 ha/year new planting
No new planting		New Zealand consumption

- ability to penetrate developing country markets in the Asia Pacific region for higher value, more profitable forest products, such as advanced paper packaging systems or gluelaminated beams – product niches currently protected by escalated tariff regimes and an extensive array of non-tariff trade measures.

As part of APEC (Asia Pacific Economic Conference) moves to improve regional trade, forest products were viewed as one

- APEC trade access conditions vary considerably: while some markets like Singapore and the USA have very open markets for forest products with low or non-existent import duties, tariffs in many developing country markets like China and Indonesia have an escalated regime. In other words, low for raw materials, higher – and in many cases prohibitively high – for further processed forest products.

This is clearly illustrated by the APEC region's accounting for 91 % of the global wood chips imports, and 69 % of logs, but a much lower proportion of paper and paperboard products or finished products.

The APEC Committee on Trade and Investment initiated a study on non-tariff measures (NTM) in the forest products sector. The study produced an extensive inventory of 180 NTMs that impact on forest products trade and industrial development. NTMs are evident in all APEC economies and the study grouped them into three categories:

- environmental measures, such as certification;

- social and political measures, such as industry incentives and subsidies;

- health and safety measures, such as building codes and product approval standards.

The report carried out some experimental modelling on the impacts of some of these measures and concluded that NTMs,

in addition to tariffs, significantly distort trade and limit economic growth and development within the APEC region. The study was completed by the New Zealand Forest Research Institute, which won the contract through international tender. New Zealand industry is using this report to focus its trade access strategy and will be encouraging the New Zealand Government to use it to review progress made by other APEC economies in eliminating NTM's impacting on our forest product exports.

Where standards come in

This report is very enlightening to developers of regional and international standards as a primary source for market research. It clearly identifies a range of problem areas where the creation and adoption of International Standards can provide a pathway to trade growth and economic development.

Forest Stewardship Council as a global standard-setting and certification body with the clear objective of changing forestry management practices back through the forest products value chain.

In reaction, the international forest industry initiated an ISO-based process and developed Technical Report ISO/TR 14061, *Information to assist forestry organizations in the use of Environmental Management System standards ISO*

As a result, there is now real concern that these national systems could emerge as non-tariff trade barriers – by setting prescriptive environmental standards that imported products must meet or, in fact, cannot meet. The APEC report already notes five economies that have certification systems that currently act as Non-Tariff Measures (NTMs).

In a cooperative attempt to avoid this situation, in very recent months, the in-

Role of standards: Certification

- **Assurance of Sustainable Forest Management**
  - expanding pressure throughout the 1990's
  - market based tools – certification – emerge mid 90's
    - *Forest Stewardship Council*
    - *Technical Report ISO 14061*
    - *proliferation of national standards and systems (@ 40)*

- **Mutual recognition**
  - need to avoid emergence further NTM's
  - international mutual recognition framework
    - *outside ISO because too costly, complex and slow*
    - *key tool – international standard or "how-to" guide on development of credible national SFM standards/certification systems*
    - *provides basis for comparison on substantive equivalence*
    - *basis for mutual recognition*

Role of standards: Timber

- **ISO/TC 218 now established with work plan**
- **NZ involvement essential**
  - radiata excellent building material
  - expanding supply capability
  - APEC study confirmed extent of building code, product approval and testing NTM's

- **NZ forest industry concern**
  - time and cost
    - *2 years just to set up, 3 years to go*
  - no "guaranteed" result
    - *APEC commitment to use ISO as a solution?*
  - minimal support from NZ Government

I am personally involved in two international standard development processes.

Since the early 1990s, internationally, the forest industry has been under increasing pressure to provide greater assurance on forestry practices. Certification of sustainable forestry management (SFM) has emerged as a market tool to confirm environmental performance. In 1994, leading environment NGO groups established the

14001 and ISO 14004, as a guide to forestry companies on the implementation of ISO 14000 environmental management systems. This initiative was chaired by New Zealand with Canada providing the secretariat support. In addition to this ISO process guide, which has had a reasonable degree of uptake by the forest industry, national SFM standards have now been developed in nearly 40 countries.

ternational forest industry has been working at developing a mutual recognition framework to link credible Sustainable Forestry Management (SFM) standards and certification systems. The key tool of mutual recognition is, essentially, an international standard on how to develop credible Sustainable Forestry Management (SFM) standards and certification systems at the national level. A questionnaire based on this standard or "guideline" provides a basis for comparison on equivalence and therefore mutual recognition. Although this approach references the ISO 14000 EMS "tool box", it is taking place independent of ISO which is perceived as being too slow and expensive a pathway to find a cost-effective and credible solution. Our customers – major wood product distributors in the USA or publishing and packaging firms in Europe – have asked their suppliers (the forest industry) to come up with a credible, workable solution by the end of 2000.

"International or regional approaches to standard development, to replace or amend existing national standards which operate as non-tariff measures (NTMs), is therefore clearly a **Gateway** to trade expansion and economic growth.

These processes, however, need to be cost-effective, timely, targeted, and supported as an integrated part of trade policy and trade liberalization. "

Standards to enhance international trade in wooden building materials and systems

In the timber area, two years ago, European Union countries initiated an ISO process to develop international timber standards with the aim of enhancing international trade in wooden building materials and systems. Radiata pine, when dried or chemically treated and further processed, can be used in a wide range of structural and interior fixture and fitting building applications. Based on New Zealand's expanding wood harvest and forest products manufacturing capability, and its 25-year experience dealing with Japan's agricultural and industrial standards for building materials, NZ industry perceived the need to have New Zealand fully involved in the international standard development process. Strategically, we see the development of performance-based timber standards providing a solution to overcome the many building codes and product testing NTM's identified in the APEC study. Our involvement will also ensure that softwoods, such as radiata, are not discriminated against compared to other species.

Expansion – but not at the expense of natural forests

Forest development does not impact on New Zealand's 6,8 million hectares of natural forests – 80 % of which remains in Government ownership managed as National Parks for ecological, cultural and recreation purposes. In fact, New Zealand's plantations which, at 1,7 million hectares, cover 6 % of New Zealand's land area, enable the country to conserve its remaining natural forests, which cover a quarter of total land area.

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Radiata pine, when dried or chemically treated and further processed, can be used in a wide range of structural and interior fixture and fitting building applications.

Our industry, however, continues to have considerable concern about the time and cost of involvement in this process. It has taken two years just to set up ISO/TC 218 and agree on its business plan…and the work on actually developing the standards has yet to begin – and of course, at the end of the day, there is no guarantee that countries will ever even use these ISO standards to rectify local regulations, even though the APEC study has identified situations where adoption of an international standard could be an effective solution. Furthermore, to date, the New Zealand Government has not been prepared to assist and actively fund this part of New Zealand's trade access strategy. One further point: at the bilateral level, our industry is working to have China accept

New Zealand's timber framing code through formal incorporation into China's building code. While bilateral initiatives can provide significant advantages, clearly it is not as cost-effective as regional or international standardization.

National level standards and regulations – significant barriers to industry's trade expansion

From the perspective of New Zealand's forest industry, national level standards and regulations, because they tend to be prescriptive in nature, are significant barriers to our industry's expanding its trade beyond commodities, except in those few open markets with low tariffs, such as the USA, Australia and Japan.

Within APEC it is now becoming better understood how tariffs and Non-Tariff Measures (NTMs) significantly impact on optimal trade, investment and economic development.

International or regional approaches to standards development, to replace or amend existing national standards which
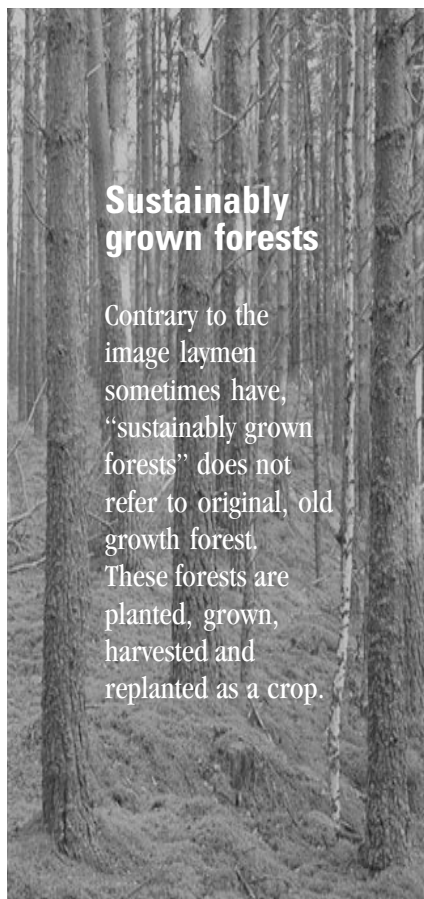
Sustainably grown forests

Contrary to the image laymen sometimes have, "sustainably grown forests" does not refer to original, old growth forest. These forests are planted, grown, harvested and replanted as a crop.

operate as non-tariff measures (NTMs), is therefore clearly a gateway to trade expansion and economic growth. These processes, however, need to be cost-effective, timely, targeted, and supported as an integrated part of trade policy and trade liberalization.

Both developers and potential users of the standard must be involved in the process to ensure effective development and, at the end of the day, there is uptake and implementation of the solution. In other words: you need to have "willing sellers and buyers" for the services that are developed.

It is our hope that within the Asia Pacific region, based on empirical evidence of the negative impacts of non-tariff measures (NTMs) (and tariffs) on regional trade and economic development, there will be real commitment to the liberalization of trade in the forest products area. International Standards, clearly, can play an important role in achieving this objective and should be positioned as an integral part of the Bogor Commitment to remove all regional trade barriers ahead of the 2010/2020 targets within the APEC region. ☐