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NBR Personal Investor: Timber faces China syndrome



By Rob Hosking

Friday 26th September 2003

The beleaguered timber industry is waiting nervously for a decision from China that could decide whether radiata pine can be used in Chinese housebuilding.

China hopes to finalise its new building code before Christmas and at stake is New Zealand timber access to the world's fastest-growing economy.

The Chinese domestic retail market for building materials is estimated to grow to about \$US36.14 billion - or about \$NZ60 billion - by 2004. That is a 30% increase from last year.

Chinese officials have worked with the New Zealand industry and others in developing the code, Forest Industry Council executive director Stephen Jacobi said.

A delegation has visited New Zealand and the industry talked "very frankly" to the Chinese about the then-current leaky building issue.

"Our main aim is to get pinus radiata recognised. When the delegation came out here pinus radiata was not on this list of materials being considered."

If radiata pine is accepted by the Chinese, the industry will target not the traditional areas of timber framing and the like but internal woodwork - windows, doors, mouldings and fittings.

Partly this is out of necessity. Other countries, most notably the US and Canada, are also poised to increase their exports to China.

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North American timber is usually culled from larger trees than New Zealand radiata pine, so different sizes can be cut.

Add that to the likelihood the Chinese will adopt the North American standard of two by four construction and those two countries would have a natural advantage, at least initially, Mr Jacobi said.

"If we were to replicate that, we would have to use bigger-sized timber and there would need to be other changes in the production process that would alter the business model."

The additional costs of that meant it is not viable for the New Zealand industry to aim for that market.

The plus side of targeting the internal woodwork market is that it would start to move radiata pine up the value chain - something the forestry industry has talked about for a generation.

The building code is a tool that can be used by some countries as a non-tariff trade barrier.

For example, New Zealand fought a battle for years to get the Japanese to accept radiata pine as a legitimate timber.

"We don't want to go through that again with China. What we're trying to do at the moment is get in at the start, when the building code is being put together. That gets us in."

Those non-tariff barriers are becoming a major issue for trade negotiators. Mr Jacobi - a former negotiator for New Zealand's Ministry of Foreign Affairs and Trade - recently headed an international delegation from the industry at World Trade Organisation talks in Geneva.

"The difficulty is finding a way to negotiate on non-tariff barriers. When you are talking about tariffs you are clearly talking about percentages and there are clear numbers involved.

"There are a number of agreements that ostensibly deal with non-tariff barriers but those agreements don't work - or at least they don't work all that well - because the agreed language to implement them just isn't there."

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