
Consultation on: Non-tariff barriers – Plurilateral Arrangement

From: Wood Processors and Manufacturers Association

To: Ministry of Foreign Affairs and Trade
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Introduction

- 1.1 Thank you for the opportunity to provide feedback into the Non-tariff barriers (NTBs) proposed plurilateral arrangement. Outlined is a response to the highlighted questions, some of which has been provided previously to the Foreign Affairs, Defence and Trade Committee.
- 1.2 For wood product exporters (e.g. timber, lumber, panels, pulp, paper), non-tariff trade barriers, are a significant impediment to growth. These NTBs include measures such as environmental, subsidy, and phytosanitary focussed trade barriers, which are not as directly visible and clearly targeted as tariff barriers. NTBs are difficult to define, evaluate and quantify. As tariff levels have been reduced for wood product exports, NTBs have assumed a more central role within the industry's trade agenda.
- 1.3 Note that we also submit in support of the NZ International Business Forum submission, of which WPMA is an associate member.
- 1.4 Please feel free to make contact in the future if you conduct additional consultation to the Arrangement.
- 2. Types of NTBs wood product exporters are facing that this Arrangement would help address**
 - 2.1 Domestic subsidies in export targeted countries are a significant driver to our global competitors' manufacturing competitiveness. Without them they would be out of business. Free electricity, low-cost logistics, low-cost funding programs, direct cash subsidies, land transfer deals, government grants, differential tax treatments between raw material and value-add, differential raw material prices are all proven/known direct subsidies enjoyed by our competitors.
 - 2.2 Sawn timber exporters often experience higher NTBs, e.g. Chinese and Indian market, which act as a disincentive to export product to those markets. India is currently perceived by sawn timber exporters as a low value market with low returns and which has little appreciation of the attributes of higher quality radiata pine sawn wood products. Whereas China has industrial policies that limit market access for imported goods and foreign manufacturers,

while offering substantial government guidance, resources, and regulatory support to Chinese wood product industries. A summary of the China NBT's is provided in Appendix 1.

- 2.3 Prescriptive building codes, which specify particular timber species, sizes and grades, and flexibility requirements, affect the competitive position of wood products suppliers. Exploration of new markets will require information on country codes and standards and proactive involvement in negotiating radiata pine's position in those standards. As an example, Australian construction standards have framing MOE (stiffness) requirements set to match the Australian resource and limit the ability for New Zealand processors to supply this profitable product line. The Australian State and Federal government also offer grants to their wood processors, for example, a \$110 million Federal grant funding option is available as part of a \$300 million sector support package.
- 2.4 Legality, sustainability and the climate impacts of different consumer choices are escalating international concerns that are being increasingly reflected in the regulations and legislation of a growing number of our export markets, e.g. EUDR, which the European Union has introduced to prevent companies from placing commodities (incl. wood products) linked with deforestation and forest degradation, onto the EU market.
- 2.5 The interpretation of such rules/legislation present barriers to trade if definitions are unclear, which is the current case with the EUDR definitions for deforestation and degradation. To improve this situation international agreements on acceptable definitions is needed along with methods of demonstrating timber legality and sustainability.

3. Countries that New Zealand should work with

- 3.1 Key countries to work with that would benefit wood processor and manufacturer exporters:
 - I. China (see Appendix 1)
 - II. India (as part of the NZ-India CFTA negotiations) - see Appendix 2
 - III. Australia – construction standards, e.g. framing Measure of Elasticity
 - IV. European Union, specifically EUDR

4. Other issues New Zealand should focus on in this Arrangement

- 4.1 While MPI's work on biosecurity and customs assurance systems, and MFAT's work in negotiating free trade agreements, is acknowledged and appreciated, exporters require more proactive involvement from government in strategic trade issues affecting the sector, including international and bilateral negotiations, for example, regarding phytosanitary measures, subsidies, building codes and product standards (to ensure that NZ radiata pine is included in new codes and standards), generic marketing of higher value NZ wood products as high quality products supported by excellent technical knowledge, and promoting awareness of the range of higher quality radiata pine products available from NZ suppliers.
- 4.2 Improving awareness of the prevalence and impacts of NTBs on the NZ wood products sector by making information on non-tariff measures and their impacts known to major players in forest industry, government agencies and policy makers, on a regular basis. For example, the level of subsidies in export markets.

- 4.3 We also need greater New Zealand government assistance (e.g. provision of market intelligence to export markets) to exporters. There is a need to protect radiata pine's reputation in export markets by ensuring that it is used appropriately.
- 4.4 Streamlining of New Zealand's government export compliance procedures will improve cost efficiency for exporters.
- 4.5 Provision of generic market intelligence to export markets on the technical capability of radiata pine is an important step to promote awareness of the range of higher quality products available from New Zealand suppliers, and to communicate the good reputation of higher quality radiata pine products.
- 4.6 Proactive involvement in negotiating the development of building codes and product standards in export markets is necessary to facilitate the acceptance and expanded use of New Zealand radiata pine in higher end uses.
- 4.7 Finally, active involvement in ensuring that international treaties on illegal logging and timber smuggling are being honoured by export markets is critical to ensuring that we are not disadvantaged by other economies poor environmental practices.

5. Conclusion

- 5.1 Non-tariff measures are common in the wood products trade. However, their quantification, and assessment of the impacts employed by one country on another's trade, is a great deal more difficult. Equally challenging is assessing what removal of existing measures might mean for a particular exporting country.
- 5.2 From a global perspective, free trade is the most desirable policy but removing tariff measures does not create free trade and NTBs remain a significant impediment to trade. Even when tariffs are low/non-existent the barriers to trade for wood products can be significant.

Appendix 1: Specific non-tariff measures affecting forest products trade with China

- I. Industrial policies that limit market access for imported goods and foreign manufacturers, while offering substantial government guidance, resources, and regulatory support to Chinese industries. The principal beneficiaries of these policies are state-owned enterprises, as well as other favoured domestic companies attempting to move up the economic value chain.
- II. Manipulation of value-added-tax rebates to reinforce central government objectives, including the assistance of wood products exporters to remain competitive during global economic downturns, by raising or lowering the value-added-tax rebate available upon export.
- III. Government economic reform and infrastructure spending to lower cost structures and improve competitiveness of domestic industries.
- IV. Tax exemptions for infrastructure projects involving ports and wharves and other infrastructures to support export-oriented businesses by reducing their logistical costs.
- V. Central and local government investment and incentives to develop fast-growing, high-yield plantations including: discounted loans and loan interest subsidies, preferential tax policies for companies owning forests; incentives for public and farmer initiatives in afforestation; tax preferences and exemptions for forestry incomes.
- VI. Central and local government incentives and support to wood processing subsidies.
- VII. Significant subsidies and loans for Chinese paper producers, including subsidies for energy, pulp, wastepaper, loan interest subsidies for technology renovation and preferential tax policies for Chinese enterprises with foreign investment.
- VIII. Central government and provincial subsidies for the development of industrial clusters including infrastructure spending, provision of inexpensive land, tax reductions and exemptions, access to credit and loans, technology, skills and innovation support.
- IX. Poor enforcement of domestic environmental product standards which reduces manufacturing costs for domestic producers
- X. Government and provincial procurement policies which favour domestically manufactured products.
- XI. Continued illegal timber trade which depresses prices and makes it difficult to predict the Chinese wood products market.
- XII. Building codes and standards which favour North American wood products imports.

Appendix 2: Non-tariff barrier examples on New Zealand wood products exports to India

- I. Bureaucratic business practices and inconsistent and at times perceived corrupt application of port entry regulations adds to the cost of imported radiata pine products, e.g. querying of load weights, implying heavier loads than declared. Port delays increase delivered costs, including the risk of demurrage fees.
- II. Legislation protects small enterprises, effectively restricting the size of sawmills which are relatively low-tech. Large foreign enterprises are unable to invest in Indian sawmilling.
- III. Canadian government support for development of new building and fire codes in India ensured that the codes were written to support Canadian wood products, rather than generic codes which provide access for products from all sources.

The Wood Processors and Manufacturers Association

About us:

The Wood Processors and Manufacturers Association (WPMA) is a voluntary funded industry association with a strong focus on promoting wood as the heart of a future zero-carbon economy. Our members are leaders in the New Zealand wood industry converting harvested logs into a wide range of products including sawn lumber, pulp, paper, panels, laminated products, mouldings, and engineered wood, through to the development of bioenergy solutions. Total sales of industry products both domestically and globally in 2024 were approximately \$5 billion. The industry employs close to 30,000 staff, mostly in the New Zealand regions. For more details see <https://www.wpma.org.nz/>