



To: India-FTA@mfat.govt.nz

From: Wood Processors and Manufacturers Association of NZ

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Subject: **New Zealand and India's negotiations of a Comprehensive Free Trade Agreement**

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1. Introduction

- 1.1 The Wood Processors and Manufacturers Association of New Zealand (WPMA) is appreciative of the opportunity to provide input into the Comprehensive Free Trade Agreement (CFTA) negotiations with India.
- 1.2 WPMA is a voluntary industry-based Association representing producers of sawn lumber, pulp, paper, panels, laminated products, mouldings, engineered wood, and bio-forestry products. Total sales of wood products both domestically and globally in 2024 was approximately \$5 billion. The industry employs close to 30,000 staff, mostly in regional New Zealand.
- 1.3 In contrast to what should be happening, New Zealand wood and forest product exports to India have decreased from a high of \$326 million in 2019 to an estimated \$76.5 million in 2024. Hence, to rebuild our wood and forest-based exports, WPMA is very supportive of progressing a CFTA with India.
- 1.4 As we look at rebuilding our wood product exports to India, it is important that as a first step we develop strong relationships with key Indian agencies. Connecting on values and demonstrating a clear focus on mutually beneficial areas of interest will be critical to the Indian Government opening the door to a longer-term trading relationship in wood products, such as timber and lumber, with New Zealand.
- 1.5 Currently, indicative tariffs on wood products vary between 5.5% and 30% dependent on the type of processed wood product. For example, timber is at 5.5% while pulp and paper are at 25%. The import tariff includes basic duty, an integrated goods and service tax, and a social welfare surcharge.
- 1.6 WPMA's desired outcome over time from a CFTA with India would be the complete removal of all tariffs on associated wood products relative to HS Codes 44 (Wood and Articles of Wood), 47 (Pulp of Wood), and 48 (Paper and Paperboard).

2. Executive Summary

- 2.1 In negotiating the CFTA, WPMA supports an inclusive and consultative negotiating process which allows all stakeholders the opportunity to have their voices heard. The negotiating process needs to be transparent and ensure that through the progression of the CFTA, no industry exporting to India is worse off than before the negotiations commenced.
- 2.2 As a core point, WPMA recommends that the CFTA negotiations should aim over time for complete tariff elimination on all wood products traded with India. Tariff action should be accompanied by complimentary disciplines intended to ensure only robust or legitimate non-tariff barriers remain in place.
- 2.3 The three high level tariff Chapters associated with wood products which we recommend are negotiated within the New Zealand and India CFTA are:
 - HS Code 44 – Wood and Articles of Wood
 - HS Code 47 – Pulp of Wood
 - HS Code 48 – Paper and Paperboard

Noting that we are currently consulting with WPMA members as to development of a key list of the HS Codes down to the 6 digit level for direct negotiations with Indian counterparts. We aim to have this list completed by the end of April and will send direct to MFAT lead negotiators. In the interim, we can confirm the following 6 digit codes for your negotiation purposes:

- **4701.00** Mechanical Wood Pulp (there is no differentiation between Softwood and Hardwood for Mechanical pulps).
- **4703.31** Softwood Pulps semi bleached or bleached coniferous kraft pulps.
- **4407.11** Wood sawn or chipped lengthwise of Pine.
- **4409.10** Continuously shaped wood (Mouldings etc) from coniferous wood.

As a further note there does not appear to be any lower subcode for Sawn wood or Mouldings that have additional preservation treatment from chemicals or kilns such as TMT lumber but if there is, we need those to be included as it is possible that primary treatment may occur in NZ

2.4 WPMA is very supportive of progressing a CFTA between New Zealand and India as a means of re-building and growing our value-added wood products into the Indian market. For the CFTA to be comprehensive and commercially meaningful there must be a commitment by both New Zealand and India to eliminate as many barriers to trade as possible by an agreed deadline. WPMA looks forward to working closely with the Government to support a successful outcome to these negotiations.

3. Discussion

3.1 With the Indian wood market projected to increase from USD 1 billion in 2024 to USD 1.47 billion by 2029, and the country growing economically at an estimated rate of 8%, India is set to become one of the largest consumers of wood in the world. There is, particularly, a renewed and heightened interest in sustainably harvested wood, fueled by factors such as a growing number of young middle-class families, a shortage of timber for building and construction, and awareness about environmental concerns such as carbon emissions, plus rising incomes.

3.2 As an example, a recent ruling from the Indian government stipulating that federal housing schemes include 'a greater mix' of wood, there are new opportunities opening, for example, in the Indian residential market for our sustainable wood products. Under Brand New Zealand we have a leading story to tell as to the value our timber and lumber products have in addressing climate change and sustainability challenges, which reflects the direction of the Indian Government.

3.3 Wood consumption in India traditionally reflects a strong bias towards hardwoods, with a tradition of successful use of teak and other domestic hardwood species. Logs, particularly tropical hardwood, dominate imports, even though the share of teak is moving gradually to other species, especially softwoods. India has reduced tariffs on wood and wood products since the 1990s to facilitate imports but the rates applying to processed wood products are high compared with unprocessed wood products.

3.4 In recent years, there has been increasing importation of softwoods into India, with Canada, for example, taking an aggressive stance as to promoting Canadian softwood

lumber as a means of growing its share of the Indian market. Unfortunately, New Zealand radiata pine products have not experienced the same support, hence a drop off in sales.

- 3.5 The wood consuming manufacturing industry in India is dominated by small and cottage-scale players (unorganised sector) resulting historically from the government's policy of reserving wood processing exclusively for small scale manufacturers, except for the paper industry where large corporates have dominated.
- 3.6 Small scale industries enjoy a number of tax incentives, including excise, sales tax and customs duty concessions, in addition to a number of government promotional schemes, including loan subsidies for technology upgrades, financial assistance for setting up industrial estates, substantial grants for procuring hardware (for industry associations) and grants to state governments to strengthen training infrastructure. This level of support to local Indian businesses poses a further challenge to New Zealand exporters of timber, lumber and lumber derivative products.

Tariff Elimination on wood and paper products

- 3.7 Indicative Indian tariffs on New Zealand wood products vary between 5.5 per cent and 30 per cent depending on the type of processed wood product. For example, sawn timber in varying dimensions is at 10 per cent, pulp at 5-10 per cent, and paper at 10-20 percent. Import fees include basic duty, an integrated goods and services tax, and a social welfare surcharge. Complex tariff and fee systems and a lack of transparency in determining duties and charges, in addition to state and local taxes and charges all increase the cost of imported wood products from New Zealand to India. By way of comparison, most wood and pulp tariffs for the Australian forest industry were eliminated from the entry into force of the Australian Economic Cooperation and Trade Agreement (ECTA) with India in 2022, or have been negotiated to slide to zero by 2028. We recommend that New Zealand considers the ECTA sliding arrangement for tariffs within our negotiations.
- 3.8 The three tariff Chapters which we recommend are negotiated within the New Zealand and India CFTA and (to a large extent) eliminated as per the Australian ECTA with India are:
- HS Code 44 – Wood and Articles of Wood
 - HS Code 47 – Pulp of Wood
 - HS Code 48 – Paper and Paperboard
- These three tariff codes cover off a broad range of processed and manufactured wood products where tariffs create an unfair distortion for New Zealand trade with India.

Noting that we are currently consulting with WPMA members as to development of a key list of the HS Codes down to the 6 digit level for direct negotiations with Indian counterparts. We aim to have this list completed by the end of April and will send direct to MFAT lead negotiators. In the interim, we can confirm the following 6 digit codes for your negotiation purposes:

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3.9 As a comparison to New Zealand tariffs on the HS Codes, over 85 per cent of Australian goods exported by value to India are now tariff free, rising to 90 per cent by 1 January 2026. This includes wood and paper products where tariffs of 20% will be eliminated overtime as part of the ECTA between Australia and India.

Non-Tariff Barriers a concern

- 3.10 One of the main impediments to developing a fair trading regime for New Zealand exporters of wood products, is the use of Non-tariff barriers (NTBs) by Indian officials to protect and support their domestic wood processors.
- 3.11 Feedback received from wood product exporters to India and other countries emphasise that NTBs are causing trade distortions, which is having a negative effect on the New Zealand wood processing industry. Despite support from previous Ministers, trade officials have failed to appropriately respond. This omission to act undermines the export pathways for many of our wood product businesses.

Examples of NTB's in place are provided as follows:

Specific non-tariff measures affecting wood products trade include:

- I. High tariffs on imported processed and value-added wood products protects less efficient domestic wood processors from international competition.
 - II. Complex tariff and fees systems and a lack of transparency in determining duties and charges, in addition to state and local taxes and charges, increases the cost of imported wood products.
 - III. Lengthy and bureaucratic customs and entry procedures and inconsistent application of customs valuation criteria increase the costs of imported wood products.
 - IV. Measures for protecting small-scale domestic industries, including: investment limits on small-scale enterprises and reservation of products for exclusive manufacture in the small-scale sector, including wooden furniture; tax incentives and other subsidies for small-scale industries; and government procurement preferences to small enterprises. Reduces production costs of inefficient domestic wood processors.
- 3.12 WPMA's recommendation is that In the negotiation of this CFTA, New Zealand trade negotiators need to be cognisant of the impacts of NTBs on the NZ wood processing sector. New Zealand forestry and wood processing has strong environmental and sustainable credentials via our legislative requirements and our drive to meet climate change goals. This needs to be factored into our negotiations on NTBs within this CFTA.

Indian Building Codes – align with New Zealand

- 3.13 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.

- 3.14 India's Bureau of Indian Standards (BIS) has a code of specification (National Building Code) for construction and construction methods which also specifies guidelines pertaining to structural timber, structural plywood, wood fence and posts, and the construction of timber ceilings in buildings. Similarly, fire codes have been prepared under the same set of codes. These standards are not mandatory for the private sector, but compulsory for government institutions. Making the Indian standards comparable to New Zealand building standards as part of the CFTA negotiations would be a positive action to support wood product exporters to India. WPMA recommend that the building codes and Indian requirements are discussed as part of the CFTA negotiations.

4. Conclusion

- 4.1 The decline of wood product exports to the Indian market has come about due to a number of reasons including tariffs, the difficulty in dealing with Indian bureaucracy, the use of Non-Tariff Barriers to support the Indian wood processing industry, lack of promotion on the benefits of radiata pine, distance to market and shortage of container ships from NZ to India, and phytosanitary measures.
- 4.2 Given this, WPMA is very supportive of progressing a CFTA between New Zealand and India as a means of re-building and growing our value-added wood products into the Indian market. For the CFTA to be comprehensive and commercially meaningful there must be a commitment by both governments to eliminate as many barriers to trade as possible by an agreed deadline. WPMA looks forward to working closely with the Government to support a successful outcome to these negotiations.

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/>

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