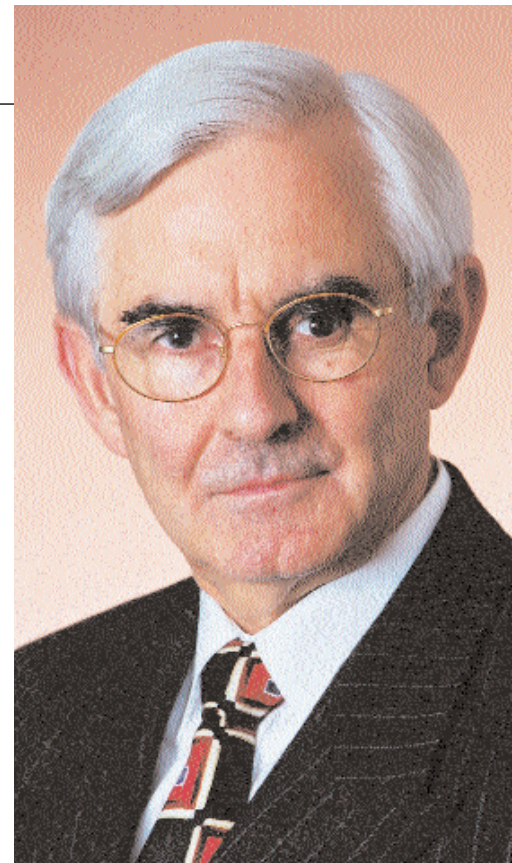

New Zealand's meat industry leaders put their free trade arguments in person to the superpowers of world trade in early summer.

By Janet Tyson

On the free trade trail



Meat New Zealand head Neil Taylor is fighting for freer trade. (Photo: MNZ)

Four of New Zealand's meat industry leaders, including the agriculture minister, have lobbied hard for freer trade. Arguably the strongest words were spoken in Washington, following the signing of a Farm Bill that will pump more than \$US180 billion into subsidies for already-protected farmers over the next ten years.

As rugby-mad New Zealanders would put it, the global trade playing field has developed an alarming slope.

As the ink was drying on President Bush's signature, New Zealand minister of trade negotiations, Sutton, who is also minister of agriculture, left for a three-week visit which included meetings with European representatives and Asia-Pacific Economic Co-operation officials in Mexico.

In Washington, Sutton met both agriculture secretary Ann Veneman and trade representative Robert Zoellick. Also scheduled for meetings in Washington were Meat New

Zealand chairman Jeff Grant and chief executive Neil Taylor and Meat Industry Association executive director Brian Lynch. He is also chairman of the Trade Liberalisation Network (TLN), established to foster understanding and support for free trade within New Zealand.

Trade issues were also on the agenda for Taylor and Grant as they travelled through Asia and to the World Meat Congress in Berlin.

Farm Bill damage

All parties are concerned that the Farm Bill sends damaging protectionist signals just as the World Trade Organisation's Doha Round offers hope for a multilateral approach to further trade liberalisation.

New Zealand, a founder member of the first General Agreement on Tariffs and Trade group in 1923, has a huge amount at stake in the Doha talks, said Meat New Zealand's Neil Taylor.

"The Uruguay Round talks were the first time that trade in agricul-

ture and services, both vital to the New Zealand export economy, featured in tariff reductions." The hope is that Doha will build on that.

A recent report by the Ministry of Agriculture and Fisheries (MAF) shows that the meat sector gained tariff reductions of almost \$NZ200 million (US\$92.4 million) a year since the Uruguay Round took full effect in 2000. For New Zealand sheep and beef farmers, this represented a lift in earnings of \$NZ11,500 (US\$5,300). As welcome as this is, the figures also highlight the potential for further savings.

"Many tariffs still remain high," Taylor said. "Examples are the WTO-bound rates on beef in Japan, at 50%, and South Korea, currently 40.8%. In the EU a tariff of 20% is levied even on the limited volumes of beef allowed in under quota (for high quality beef New Zealand's quota is 300 tonnes).

"These and other examples, such as the Caribbean countries, where tariffs of 40% surely place red

meat out of the reach of many consumers, demonstrate the scope and need for further reductions.”

Multilateral attack

New Zealand is adamant that the best way to achieve this is on a multilateral basis, where countries being asked to make reductions can also see benefits in the wider context.

Trade negotiations and agriculture minister Sutton sees the WTO as the ideal mechanism to work through trade-distorting mechanisms – provided, as on the rugby field, all players obey the referee’s whistle.

Before he left New Zealand, Sutton said the signing of the US Farm Bill flies in the face of past intentions and efforts to promote trade in agriculture.

“The US always gets an “A” for rhetoric about trade liberalisation, but at the moment it would be lucky to get an “F” for effort. It is just ludicrous that a modern, technologically competent, productive farm industry such as in the US farm gets about 30% of its annual net income from subsidies. We and the other countries who have worked hard to open up markets deserve an explanation.”

While others have described the Farm Bill as an “own goal” for the US, Sutton hopes it represents a strategic kick for touch, making it possible for discussions to continue with sectors of the US administration more in favour of freeing trade.

Free trade support

Outrage at the implications of the Farm Bill featured prominently in the New Zealand media, a sign that the Trade Liberalisation Network’s message is getting through to the wider public.

The New Zealand meat industry is a major supporter of the TLN, established last year at the initia-

tive of Federated Farmers, and funded by its membership. Both Meat New Zealand and the Meat Industry Association (MIA) which represents all meat processors and exporters are members, as are the major companies Alliance Group, Anzco Group, Richmond Ltd and the smaller Wallace Corporation.

Executive head of TLN is former diplomat Stephen Jacobi, who has seen the distorting effects of lopsided trade rulings in various postings, most recently in Canada. He has been energetically promoting the cause of free trade through speeches and the website www.tln.org.nz. Jacobi says the meat industry is regarded as a model by other sectors for the consistent and effective way it has approached trade liberalisation.

This is election year in New Zealand, but the approach to free trade is a bipartisan one, carrying on a long tradition that included the Labour Prime Minister-elect supporting the outgoing National Prime Minister during the EU entry negotiations in the 1970s. Former Ambassador to the US, Jim Bolger, also a former National Prime Minister, is one of the main supporters of the TLN.

Much more of a political issue is New Zealand’s stance on the ratification of the Kyoto protocol.

This brings the Labour-led centre-left coalition, which is determined to ratify in August, into conflict with the National Party opposition. The National Party, and the farming sector, is pleading for delay and reconsideration, to be more in step with its meat export competitors Australia and the US.

Meeting obligations

To meet its trade obligations, New Zealand takes biosecurity and food safety very seriously.

“The New Zealand meat industry is proud of its ability to produce



NZ agriculture minister Jim Sutton says the US talks about free trade but does not act. (Photo: NZ MAF)

and market meat of the highest quality and highest standard of food safety achieved anywhere in the world. Yet it is tough competing with the treasuries of major economies like the European Union, the US and Japan,” Meat New Zealand’s Neil Taylor said.

Apart from the lack of any direct payments related to production (or non-production) this means there are no government export incentive programmes, and the cost of compliance with customer country requirements is paid by the industry. All meat hygiene and veterinary inspection services are carried out on a cost-recovery basis.

Adding further to compliance costs is the need to meet a range of customer needs. “New Zealand sets the benchmark for the com-



MNZ's Neil Taylor presents US Agricultural Attaché David Young with a rack of lamb, as Australian High Commissioner Robert Cotton looks on. Australia and New Zealand together successfully challenged the US imposition of a tariff on imported lamb in the WTO. (Photo: J Tyson)

pliance for a range of country requirements," added Taylor "The US and the EU have different specific needs. As well, Halal integrity is essential for the Middle East and other major Muslim customers like Malaysia and Indonesia."

Environmental pressure

Another aspect of compliance is the need to host inspection visits. A group from Malaysia recently visited 50 meat plants, and it is common for inspection groups to travel the length of the country. The cost of compliance with EU regulations was cited as a major reason behind the recent collapse of Lakeview Farm Fresh Ltd, a processing plant based at Levin in the Lower North Island.

One area where the government is prepared to put money is in biosecurity, which received a boost in last year's budget and a major new strategy is now being developed. The aim is to ensure New Zealanders in general become just as aware as those in the meat industry of how vital it is

to protect the disease-free status.

Alone among developed countries, methane produced by livestock contributes the majority (over 50%) of New Zealand's greenhouse gases (by comparison Australia's contribution is 20%). Any "polluter pays" penalty would therefore fall heavily on the agriculture sector, which would also be hit by more traditional carbon taxes as a high user of fuel in processing and transport.

The recently announced government policy, now going through a round of consultation, will introduce a carbon tax by 2008 but takes a different approach to methane emissions. Farmers are being asked to fund fast-tracked research into reducing livestock methane emissions. If they fail to commit sufficient funding on a voluntary basis, they have been given a clear message that the government will extract it by levy.

The debate is on the fairness of this approach; no-one in New Zealand would seriously expect the government to stump up more money. **MI**