

New policy and business strategies recommended to maximise the benefits from Global Value Chains

The Chair of the New Zealand Chapter of the Economic Cooperation Council (NZPECC), Denis McNamara, released two significant research reports, on global value chains and global value networks, undertaken on its behalf by the New Zealand Institute of Economic Research (NZIER).

“This timely new research has many strong messages and pertinent recommendations,” said Denis McNamara. “The research deserves to be widely considered by our policy makers and the export community, and factored into their strategic thinking.”

Mr McNamara said the reports highlight the transformation that has occurred in the way that regional and global business is transacted and what is needed to support competitive and business advantage. “No longer is trade in goods and services all about the exchange of a final product between a single seller and a single buyer,” he explained. “The dominant feature of modern commerce is the movement of semi-finished products seamlessly across many borders, gaining steadily in value until final assembly and sale in any market.”

“What will better support this is understanding the value of focused attention on building global value networks”.

The NZIER reports address critical questions such as where New Zealand companies currently fit along these dynamic and pervasive value chains, often called cross-border production networks. The researchers also addressed where the opportunities are and how best might NZ firms better position themselves to enhance their participation in them.

Mr McNamara said that while New Zealand’s policy settings are in general supportive of GVC participation, more can be done. “A particular challenge is to extract more ‘domestic value added’ so that more of the returns feed into Kiwis’ pockets. We need to apply additional policy attention to logistics, industry institutions, innovations and standards.”

The key recommendations of the reports are:

- inclusion of a clear Global Value Chain strategy in the Business Growth Agenda;
- a more explicit government focus on the promotion of enhanced GVC participation when allocating business assistance funding and science funding
- greater collaboration between firms, industry bodies and government on accessing and disseminating in-market information on changing consumer preferences

- progress on follow-up actions to the Productivity Commission's 2012 report on freight infrastructure to ensure that New Zealand's logistics system runs as smoothly as possible.

From a business perspective there is a need to:

- focus on building and closely guarding unique intangible assets including intellectual property, processes that ensure high but constantly evolving quality, and building trust relationships.
- enhance value streams supported by a clear understanding of consumers' changing desires.
- understand that the international value networks in which firms participate are more important than building domestic scale.
- recognise that building agile human capital and highly adaptable processes is critically important.

The reports can be found on the NZPECC website: www.nzpecc.org.nz.

Please address questions on the reports to Brian Lynch, Vice Chair, NZPECC, at brianlynch344@gmail.com; Mob: 027 4452958

Other enquiries to: Yvonne Lucas, Executive Director, Yvonne.Lucas@nzpecc.org.nz