Getting into the chain

Exporters face many challenges.

Creating valuable products and services and marketing them offshore is the vocation of many New Zealand companies, but the task is not easy.

There's an imperative felt keenly by many Kiwi businesses: *export or die* – because our small population and market size means the only route to growth is by exporting.

Companies making the jump from the domestic New Zealand market to supplying markets overseas are heroes in my book.

They have to overcome problems of scale, distance, tariffs, cost and more, to compete against overseas companies less troubled by such hurdles.

Every success gained by New Zealand exporters is worth celebrating.

They are competing in a world that is changing fast.

There has been a huge surge in international trade in our lifetime. Trade across country borders has risen five-fold since 1990 and is set to rise faster still in future.

The form of that trade has changed too. A lot of international trade now happens in supply chains, with intermediate products sourced from different countries combining to make up a final finished product.

Rather than exporting a complete product, many companies are now exporting a component into a supply chain.

This trend towards supply chains – or value chains – has grown suddenly, in tandem with the development of the internet. Supply chains now make up more than half the value of world exports.

Most of the world's leading branded products are the result of value chains sourcing components from many countries.

Their power comes from the quality and efficiency of each link in the chain, with different companies competing hard to sell their components into the chain.

Value chains require an enormous amount of communication, integration and management.

As a result, exporting now depends even more on making connections, communicating and engaging.

This is the environment in which New Zealand exporters must make their way.

Many are doing well. New Zealand companies are contributing food ingredients towards major branded international food products; others contribute engineered components towards manufactured machinery, and so on - in each case being connected into large value chains.

Being connected brings great benefits. It provides information and clarity on comparative advantage and so it prompts innovation and productivity - OECD research shows increased connectedness brings increased revenue.

But being internationally connected is harder from New Zealand, just about the remotest place on earth: the OECD research also shows that New Zealand ranks only 43^{rd} on global connectedness.

The result is that fewer of New Zealand's exports – around 16 percent – go into global value chains, compared with other developed countries that have about 50 or 60 percent of their exports going into value chains.

There is a clear goal to focus on here.

New Zealand companies can get better connected by excelling in websites and digital communication, hiring executives with the skills to engage with overseas value chains, and using information gained to compete hard in areas of strength.

Challenges for New Zealand exporters remain.

Contact Catherine Beard