

Trans-Pacific Strategic Economic Partnership Agreement

Made in the world

In recent years, business models based on imports and exports of finished products have given way to the emergence of complex supply and value chains, where business processes often take place in multiple locations.

Increasingly, company's supply chains span multiple countries or continents, with globally distributed input sources, subassembly sites, final assembly factories, distribution centres, and final customer stores. As a result, the quantity of intermediate products crossing country borders, already high, is expanding rapidly.

A joint WTO/IDE-JETRO study, "[Trade Patterns and Global Value Chains in East Asia: from trade in goods to trade in tasks](#)", shows that the Asia-Pacific region is driving the development of this model. Japan was the pioneer. It sat squarely at the hub of this global supply chain system, producing and supplying high end goods, powered by the "just-in-time" system of inventory management that spread via supply chains throughout the trading world. When the disasters of 11 March 2011 brought to a halt the production of key componentry, companies throughout the world discovered the risk that low inventory models pose when a key link in the supply chain is weakened or broken.

Producers have sought to mitigate this risk by spreading their production facilities geographically. Customers too, as a precaution, may seek to spread their orders. This will lead to a further diversification of supply chains throughout the world, but the Asia-Pacific region remains pivotal. Developing country demand, particularly in emerging economies in Asia, has been at the heart of the recovery in global trade, while Asia's fast-growing economies are producing small to medium-sized enterprises (SMEs) ready to make the most of these new opportunities.

This approach to doing business needs to be buttressed by clear trading rules because effective management of trade processes is critical to the efficiency of a global supply chain. In some countries, domestic legislation needs to be refreshed to reflect the transformation that is taking place in production and distribution patterns and business models. Trade can no longer be disaggregated from investment: we see increasing linkages between the production of goods and the supply of associated services. At the same time, behind-the-border regulations are having as much impact on the ease of doing business as traditional border restrictions.

These issues are being considered in the TPP negotiations. Trade Minister Tim Groser made the connection between the changing nature of trade and New Zealand's trade agenda, including TPP, in a speech to the [China Academy of Social Sciences](#) in Beijing yesterday.

Along with addressing traditional issues such as tariffs, TPP will also seek to support the movement of goods and services through global supply chains and address behind-the-border regulatory concerns. It will do so by taking a close look at issues in three broad areas: SME constraints, competition and trade facilitation, and regulatory coherence. We will post further articles on TPP Talk discussing these in more detail.

Source: MFAT