

Regulating FDI in New Zealand

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Plus ça change...

- New Zealand's FDI policy in 2013: a debate about land ownership and Chinese investment
- New Zealand's FDI policy in 1891: a debate about land ownership and British investment

"I care not if dozens of large landowners leave the country. For the prosperity of this country does not depend on this class. It depends on ourselves, upon the rise of our industries, and upon markets being secured in other countries, and not upon such fictitious things as whether the large capitalists remain or leave the country."

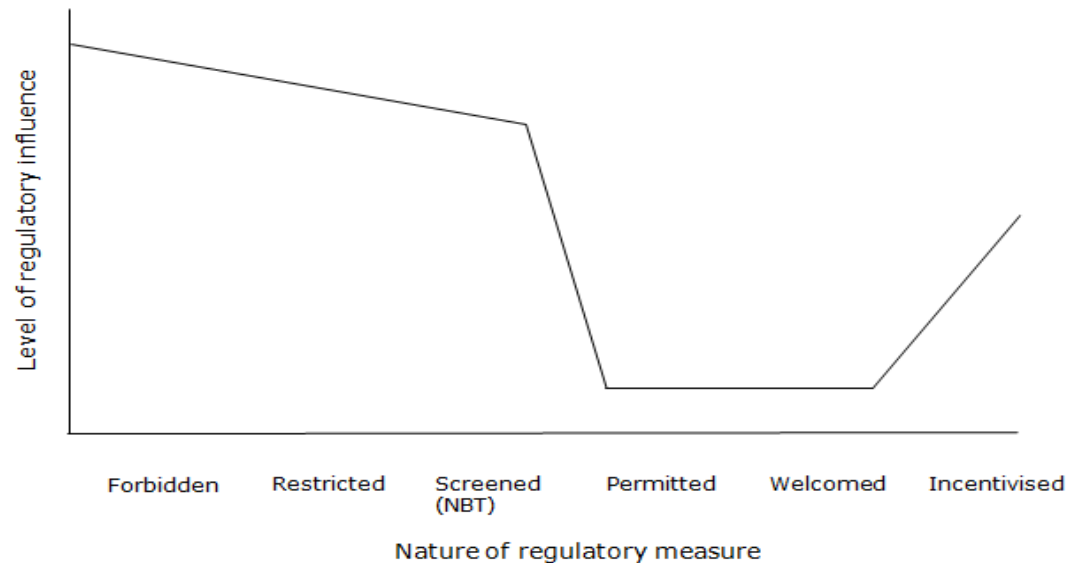
(Premier John Ballance, quoted in W Sutch *Poverty and Progress in New Zealand*, 1969)

- R Boast *Buying the Land, Selling the Land* (2008)
- Overseas Investment Regulations 2005, regs 28(h), (i) and (j)
- *Crafar Farms* saga

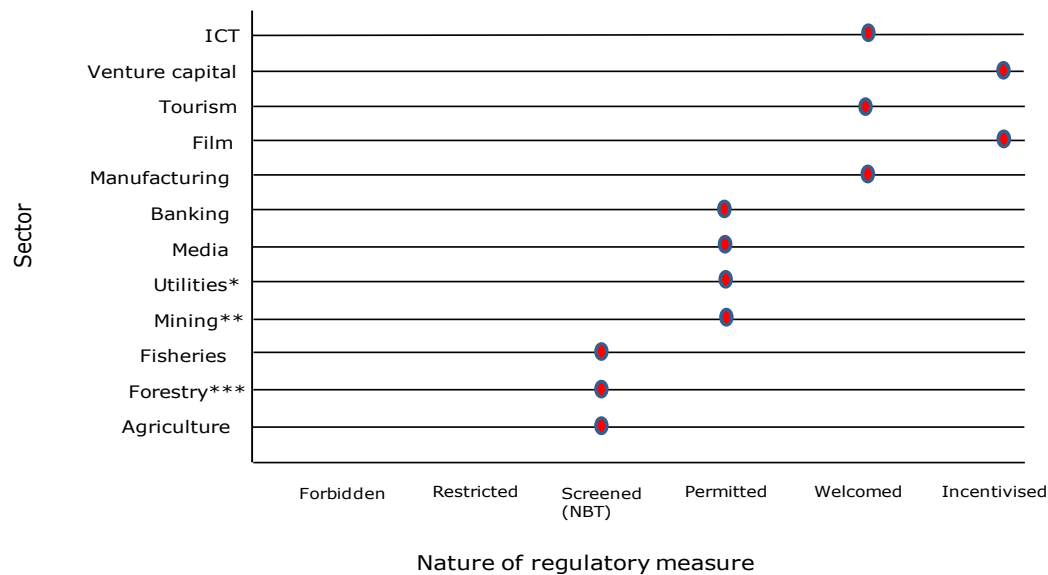
Spectrum of FDI policy space

Figure 1

Regulatory influence over FDI flows



Distribution of New Zealand's FDI policy



* Note that former SOE utilities Telecom, Chorus and Air New Zealand contain FDI controls in their company constitutions

** Mining permit applications are subject to an approval process which applies to all applicants regardless of nationality

*** Investments in forestry land are screened, but not the entry into forestry rights agreements

Five themes

- Tactics vs strategy
- Untangling the land debate
- Regulatory techniques beyond legislative fiat
- Limited data > politicisation of debate ('tug of war between policy and politics')
- Creating policy from limited data > the need to experiment

Broad outline of a strategy

- FDI useful to extent contributes to GDP
- New Zealand's economic future lies in closer ties with Asia:
 - moving into and up regional value chains
 - improving connectivity, partnership
 - using FDI to increase ODI
- Key New Zealand issue is labour productivity
- Little evidence of lack of capital, seems most likely need to improve multi-factor productivity > spillovers
- But hard to predict exactly when spillovers will occur

An attempted rationalisation

	Competitive advantage	No competitive advantage
Exportable	Should generally regulate to extract spillover benefits	Should generally seek spillover benefits
Not exportable	Less important to regulate to extract spillover benefits	Spillover benefits less likely; main purpose of FDI is to fund large projects

Two concluding thoughts

- On *prohibitive* side of spectrum, regulatory stability has real value
 - requires political courage and skill
- On *permissive* side of spectrum, regulatory flexibility and creativity has real value
 - requires risk and experimentation