



Asian Investment in New Zealand

A research report was commissioned from NZIER by the Asia New Zealand Foundation in 2008. It examines inward foreign direct investment (IFDI) to New Zealand from Asian nations.

Below is a summary of some of the main findings of the report. The full report is available on Asia: NZ Online, in the Knowledge and Research section.

Highlights

A new report by the New Zealand Institute of Economic Research (NZIER), *Asian Investment in New Zealand*, commissioned by the Asia New Zealand Foundation, has revealed that New Zealand has benefited little from the growing amounts directly invested overseas by rising Asian economies.

As Asian markets became more liberalised, and Asian domestic companies grew wealthier, Asian outwards foreign direct investment (OFDI) grew from US\$70 billion in 1985 to US\$1,785 billion in 2006. A large portion of that investment has remained in the Asian region.

Over the last 20 years, about US\$28 billion – slightly more than 1.5% of the total additional investment growth – has found its way into New Zealand. Excluding reasonable amounts arriving from traditional economic powerhouses such as Japan, Singapore and Hong Kong, little of the growing OFDI from countries like Taiwan, South Korea, China, Malaysia, India and Indonesia has been destined for New Zealand over the last five years.

A reason behind this inadequate growth of direct Asian investment to New Zealand is the small size of the consumer market here. Asian firms, on the other hand, have tended to invest in New Zealand to gain control of resources, particularly in forestry, food processing or tourism. These areas may attract additional foreign direct investment (FDI) from Asia as Asian economies continue to grow and consumer tastes change.

The NZIER report argues that in order to encourage Asian FDI to New Zealand, care needs to be taken of our reputation as a destination for inward foreign direct investment (IFDI), which has played an important role for New Zealand's economic development. Increasing awareness of the possibilities available to Asian investors may help to attract IFDI. Focusing on strengthening the links

between Asia and New Zealand in trade and migration will undoubtedly be of additional benefit.

The researchers have examined outward investment flows from Asia and inward investment flows to New Zealand from a selected group of countries. Factors determining the volumes of FDI as well as the influence of government on the investment climate have been analysed separately. Data have been sourced from the United Nations Conference on Trade and Development (UNCTAD) and from Statistics New Zealand.