

# The Treasury

## Overseas Investment Act Submissions Information Release

December 2019

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## Submission on Review of Overseas Investment Act

By Dr Viola Palmer

May 2019

I understand that this is a review and not a revamp of the OIO Act 2005. Nevertheless I consider it important to look at some basic assumptions about the Act. Otherwise the exercise is like that of the Emperor's new clothes.

### Basic assumptions of the OIO Act.

1. Its purpose is to "grow our economy and lift our productivity".  
Does overseas investment necessarily do this ? The Treasury paper puts some doubt on this. Consider for example the huge profits of the Australian owned banks which go offshore. NZ owned banks account for only 15% of our banking transactions. The biggest bank ANZ has flouted the Reserve Bank minimal capital values for years.
2. Productivity as measured by GDP is desirable.  
This is debatable and more emphasis is being placed on Gross Domestic Wellbeing as a suitable yardstick. In this context overseas investments should be screened for the benefit to well-being.
3. Foreign investment is necessary for NZ not to be left behind in the global economy.  
Consider the case of Finland which was a primary producer like NZ but post-war lifted its economy through expertise rather than exploiting the environment.(Upheaval: by J Diamond)
4. Foreign investment is in the national interest.  
There has been a 650% increase in overseas investment in NZ in the past 28 years (CAFCA) . Is this in the national interest ?  
Foreign investment which exploits the environment, leaves costly clean-ups behind, takes its profits offshore and provides minimal employment for New Zealanders or receives NZ subsidy, is not in the national interest.

### Categories of Overseas investments

#### 1. Rural land.

Selling rural land is selling the family silver. We are 'becoming tenants in our own land' (J Key). Land is basic to our agricultural economy and who owns and profits from it is important in the national interest.

Initially when the purchase of rural land without OIO permission was reduced to 5 hectares, sales dropped. Since then they have risen to more than in previous years, so that any slowing measures have not worked. It is estimated that about 10% of rural land is now in the hands of overseas owners, many of them transnational corporations.

There are countless TNCs and millionaires who could buy up NZ land, making it unaffordable to our own people. This also has the effect of excluding thoroughfare by New Zealanders. Most countries do not allow sale of land to overseas non-resident owners. It is foolish of NZ to allow it

## 2. Forestry

Most NZ forestry is now overseas owned. Instead of making it easier, the rules should be tightened around this sort of investment. Although we need trees to offset carbon emissions, it is only a short term advantage to grow and cut plantation forests. It is not in the national interest to provide roading for log trucks, to fix up erosion, to clean up polluted rivers and lakes, and be left with depleted soil at the finish.

For example the slip on the Otaki Forks Road in 2016 occurred soon after the forest had been cut. It cost NZ taxpayer \$500,000 to reopen the road.

The subsidies for tree planting need to be carefully directed into areas which are not erosion prone, which are not useful rural land, and which tie the owners to rectify any untoward effects.

## 3. Water

With looming climate change and prolonged droughts likely, the bottling of fresh water by foreign owned companies is utterly short-sighted.

## 4. Monopoly infrastructures.

These should be kept in NZ ownership, with profits remaining in the country, and control being under NZ laws.

## Conclusion

Overseas investment is a tricky subject. Investors are mostly seeking good returns. Some are seeking bolt holes from their own cultures. It is up to the Government to provide laws and regulations such that these investments will advantage our country and people. In addition to the present criteria (some of which have been poorly enforced) the criteria of conserving the environment, meeting Maori cultural values and not increasing our carbon emissions need to be taken into account.