



The case for foreign investment

Foreign investment is valuable for New Zealand.

Unfortunately, with foreign investment peaking in Auckland housing, it's getting bad press.

But foreign investment in business is important for the economy.

It's not widely appreciated how significant foreign direct investment (FDI) has always been for New Zealand's development.

Early businesses and infrastructure like roads and railway were established by FDI in colonial times.

Today local businesses need to spend on plant, equipment and other things, and they seek foreign investment because New Zealand's relatively shallow capital base can make it hard to access sufficient affordable capital locally.

Establishment of foreign-owned business in New Zealand is another form of FDI that benefits us by creating new industries, creating jobs, promoting skills and producing tax revenues.

Proliant – a factory newly established in Manawatu – is a good example.

Situated close to Feilding, the factory takes blood by-products from cattle to produce BSA (bovine serum albumin), used in vaccines and pharmaceuticals. Proliant produces about half the world's BSA.

The Proliant plant is a replica of a plant in Iowa. The company owners wanted a second factory elsewhere in the world for risk mitigation – if one plant went down for some reason, they could still operate from the other.

They chose New Zealand because it has the highest rating in freedom from bovine spongiform encephalopathy (mad cow disease), and they chose Feilding because of its central location, access to water and waste facilities and Massey University.

The factory is a good fit this country and its location here will benefit local jobs, skills and tax revenues for New Zealand.

There are many other examples of companies aided or established by foreign investment.

What they have in common is a greater ability to develop, grow and create jobs.

The case for foreign investment in business needs to be made more clearly in the light of emotive comment about foreign investment in Auckland housing.

What if we decided to restrict foreign investment?

Our ability to grow and develop new businesses would be severely constrained. Our ability to achieve significant export gains would be compromised. And we would lose our reputation as an open economy engaged with the rest of the world.

All investments carry some risk, but foreign investment has been positive for New Zealand through our history, and can continue contributing to a strong economic future.

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