Globalisation by Stealth

With the threshold for company purchases raised from $50m to $100m, purchases under this amount would only be blocked (by the Commerce Act) if it resulted in less competition.

This move would mean foreign companies would be treated no differently from New Zealand buyers, self inflicting some of the 'national treatment' provisions contained in the Multilateral Agreement on Investment (MAI), a draft agreement that was defeated by worldwide popular opposition in 1998.

The US has made it clear it has the overseas investment rules in its sights if it ever deigns to begin negotiating a free trade agreement with New Zealand. But even supporters of free trade have questioned the wisdom of making such concessions unilaterally, without gaining concessions in return.

The officials' recommendations prove what CAFCA have said all along – that "free trade" agreements seriously restrict NZ sovereignty. The paper cites the Government's commitments under the General Agreement on Trade in Services (GATS) (part of the WTO) and the Singapore free trade agreement as inhibiting our ability to set restrictions on foreign investment. The paper also says that the proposed new threshold for company takeovers will become the new benchmark for all future free trade agreements, further 'protecting' the changes from democracy.

The commitments under GATS interfere with our right to change New Zealand's foreign investment regime. Any new restrictions placed on foreign investors buying coastal land or other assets could be subject to a challenge under GATS. This is yet another example why NZ should get off the 'free trade' roller coaster before it is too late.

What You Can Do About the Bill

- Send a CAFCA postcard to your MP and register your opposition to the weakening of the current overseas investment law and regulations. Write to your local paper. Call talkback.
- Argue for stronger controls over foreign investment, the conditions that are placed on it, and the monitoring that should follow. Advocate strongly for tighter control on overseas ownership of land and fisheries.
- Check out our website www.cafca.org.nz for more information and analysis, including CAFCA's detailed submission to the select committee considering the bill.
- Become informed. Join CAFCA and gain access to a wealth of information and analysis that you will not find in your local newspaper.

The Government wants the new legislation to come into force by **July 2005**, so act now.

Public pressure works

Treasury's initial proposals threatened to remove oversight of company purchases altogether. The Government adopted a threshold of $100m in response to public pressure.

Every member of the Campaign Against Foreign Control of Aotearoa (CAFCA) receives a copy of each issue of *Foreign Control Watchdog*. Annual Membership of CAFCA is $20.00 (or $15 unwaged). Make cheques payable to CAFCA. CAFCA is not registered for GST.

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Foreign Investment in New Zealand

Transnational Takeover Alert!

Oppose the new Overseas Investment Bill

We will lose our right to pick and choose

Australia and many of our nearest neighbours have greater controls on foreign investment than New Zealand does. Yet the government has recently introduced legislation to weaken restrictions to foreign takeover of New Zealand businesses.

Campaign Against Foreign Control of Aotearoa

Join the Fightback Against Corporate Globalisation

Under current law foreign investors require Overseas Investment Commission (OIC) or Ministerial consent to:

- Acquire 25% or more of a business or property worth over $50 million.
- Buy over 5 hectares of land, or land worth more than $10 million. Tighter restrictions apply to 'sensitive' land, such as offshore islands; and foreshore. Similar restrictions apply to acquisition of fishing quota.

The New Overseas Investment Bill

On 10 November 2004, the Government introduced a new bill to replace all existing controls on investment by overseas persons in New Zealand. Together with government announcements, this would mean:

- OIC to be abolished, with most functions transferred to Land Information NZ
- Theshold below which no approval is required to buy NZ companies to be raised from $50m to $100m.
- Approval no longer required to buy urban land worth between $10m and $100m, such as properties in Central Business Districts.
- The foreign investors themselves will be responsible for post-consent monitoring. They will only have to file a report "regularly" on how they are complying with the terms of their consent and outline any reasons for non-compliance. Guess how many will say "No, we're not complying". While the new bill allows LINZ to ask consent holders for information it is not clear when or if these powers will be used.
- Criteria for land approvals are to be expanded to take into account natural heritage; historic heritage; walking access; economic development; and residency of the applicant. Non-residents will have to submit a management plan. While this is welcome, the alleged tightening up of "sensitive" land sales will be more illusory than real, unless there is a change in attitude from the current uncritically welcoming stance.

Is Our Future a Branch Office Economy?

The vast majority of "foreign investment" is not investment at all, but takeover of existing businesses. The proposed changes will remove virtually all remaining oversight of by far the most important foreign investment in New Zealand in an economic, social and environmental sense: company takeovers and establishment.

Hugely significant corporate takeovers will be subject to no more special scrutiny than if they had been two New Zealand companies.

"We need to have some sense of economic and business self-determination in the long run in order that you don't just end up being a call centre at the bottom of the earth."

NZ Stock Exchange head Mark Weldon.

The Sorry Case of Tranz Rail…

In 1993 a National Government sold New Zealand Rail to an American TNC for $328.3m, and control of the track for a paltry $1 a year.

Privatisation as Tranz Rail led to the run down of its services, tracks and rolling stock, a fire sale of its assets and massive redundancies. Its appalling safety record, including many deaths and injuries of staff and customers, became so serious that it warranted a public inquiry. CAFCA believe that the OIC should be empowered to revoke approvals in such cases.

To add insult to injury, when the Government bought back the track in June 2004 for $1, it also agreed to spend $200m restoring the track, repairing years of neglect. The new transnational owner Toll Holdings gained sole use of the track until 2070.

What's Wrong with Foreign Control?

Loss of Control of our Economy, of our Democracy

Many economic commentators recognise that New Zealand is over reliant on foreign investment. But this money comes with strings attached. Whenever an elected government announces policy that is deemed to be a threat to profits, foreign investors threaten to take their money out, in effect, a threat of a capital strike. CAFCA believes we should not be liable to such blackmail.

Profits go offshore

Transnational corporations (TNCs) export huge profits out of New Zealand. In the decade 1994 – 2003, TNCs made $42.2 billion profits. Only 23% was reinvested, and in some years more was sent overseas than was earned.

Not Great for Employment

Foreign investors only employ 17% of the workforce, despite owning a huge portion of the economy. Foreign investment does not guarantee more jobs. In fact it often adds to unemployment. TNCs have made tens of thousands jobless.

Privatisation

Many foreign investors see former public utilities as a golden fleece, a ready-made monopoly for private profit. Since its sale to overseas owners in 1990, Telecom has often been accused of overcharging consumers, abusing its position in the market while the vast majority of its profits are sent offshore.

Rotten Records

Transnationals in New Zealand have a well-documented record of asset stripping, appalling health and safety records, and ignoring local needs such as further processing of raw materials. One example is Tranz Rail (see box); we can provide many more examples.