# Submission
# by the Campaign Against Foreign Control of Aotearoa
# to the
# Foreign Affairs, Defence and Trade Committee
# on the proposed
# Agreement between New Zealand and Singapore on a Closer Economic Partnership

**September 2000**

## Contents

# Summary

This submission principally addresses three issues regarding the Agreement: the process of consultation and adoption, Investment and Services.

**Process**

We state our profound disappointment at the extraordinarily short time allowed for submissions and public debate on this Agreement, and the lack of information provided to inform the debate – particularly the secrecy surrounding the text of the Agreement itself until only two weeks before submissions closed.

This is a 192 page, highly complex document whose implications cannot be fully understood without reference to even more complex documents, such as those under the WTO, CER and APEC, as well as our own and Singapore's body of law. Its implications, as this and other submissions will show, are far-reaching. That is all the more significant because it is seen as a "Trojan Horse", in the words of Tim Groser, head of Asia 2000[1], for more such agreements with many of the countries with which New Zealand has its most important trading and investment relationships.

Such Agreements are akin to entrenched legislation. Policy options are closed off to future elected governments, and they cannot be regained without either negotiation with a foreign government or the extreme and unlikely step of abrogation of an agreement. They therefore require if anything *more* testing processes than normal legislation. Instead this Agreement is receiving essentially token scrutiny.

**We therefore ask the Committee to delay its hearings and extend the date for submissions by at least a month to allow more time for the Agreement to be debated publicly and for submissions to be prepared.**

**We also submit that the process of ratifying such agreements and approving changes to them or their scope, be permanently placed in the hands of Parliament, accompanied by a rigorous, public and participatory process of scrutinizing their principles and their detail. The process should take into account their entrenched nature.**

We also express concern at the shallowness and one-sided nature of the National Interest Analysis. It fails to give more than a token cost-benefit analysis, and addresses only glibly the concerns that this Agreement will raise. It is little more than a marketing exercise for the Agreement, rather than a genuine assessment of its long-term effects on New Zealand society and whether it should proceed in its final form.

**We submit that National Interest Analyses should be compiled by a body independent from the Government, and taking into account public consultation and independent expert advice.**

**Investment**

Foreign investment has rapidly increased its presence in New Zealand's economy since the economic reforms started in 1984. Its influence has been economic and po-

[1] "Beyond CER: new trade options for NZ", address by Tim Groser to the New Zealand Institute for Policy Studies, 15/3/00.

litical. Government policy has been to encourage it by dismantling any restrictions, except where land and fishing quota are concerned (though remaining restrictions are largely unenforced other than in exceptional cases). Claims are frequently made by government and business spokespeople for its beneficial effects.

Those claims are based on anecdote and theory, not on an examination of the actual experience of New Zealand and the APEC region. When those experiences are examined, current deregulatory policies towards foreign investment are seen to be highly dangerous and indeed damaging to New Zealand's economic development and the welfare of its people. New Zealand simply cannot afford its current liability of both overseas borrowing and direct investment. Therefore, to the extent we accept foreign investment, on a number of grounds we must be selective. **A robust filtering mechanism is essential with regard to foreign direct investment.**

New Zealand is also at high risk from the same "hot money" that was the immediate cause of the 1997 financial crisis in Asia. **It is therefore essential that New Zealand maintains the ability to control international capital movements and the proceeds from investments**.

A detailed analysis of Singapore-sourced investment in New Zealand is provided. At March 2000, Singapore direct investment in New Zealand was $1.023 billion, or more than five times the $193 million owned by New Zealand direct investors in Singapore. It has been very strongly focused on Service industries.

The Services provisions in this Agreement are therefore highly significant, and Singapore has a head start in benefiting from them.

By no means all the effects of Singapore's investment have been benign, and much of it has been takeovers and/or investment in property with little benefit to New Zealanders. Job creation, where it has occurred, has been overwhelmingly in low-paid, insecure and often deunionised work such as in tourism.

In stark contrast to New Zealand's increasing deregulation – a pace which is forced by this Agreement, WTO agreements, APEC and other arrangements – Singapore retains highly interventionist policies at home. It also contrasts strongly with Singapore's advocacy of liberalisation in its international relationships.

Through joint government and industry long-term planning, tax incentives and other encouragement, Singapore is successfully seeking high value-added industry and services, in contrast to much of its investment here. At the same time as it encourages development of high-value services, it is aiming at maintaining industrialisation at around 25% of GDP.

That is greatly aided by continued Singapore Government ownership of a large part of Singapore's commerce. It controls around one thousand "government-linked" companies, whose value amounts to approximately one quarter of the value of the Singapore share market. It is through these companies that parts of Singapore's investment in New Zealand is channelled.

Singapore's function as a services, consulting, transport and financial centre for South East Asia and the south eastern Pacific is also important. A large number of transnational corporations are actively represented there, and use it as a base for investment and provision of services to the wider region.

With this background, it is possible to understand better the significance of what is being proposed in the Agreement's investment and services provisions.

The very wide **definition of investment** (Article 27(1)) is reminiscent, though not identical to that in the ill-fated Multilateral Agreement on Investment.

It includes **intellectual property**, which could have significant results that are difficult to predict. Under some circumstances it could act as a back door means of giving investors the right to directly enforce the WTO's TRIPs (Trade-Related aspects of Intellectual Property Rights) agreement, which forms the intellectual property provision of this Agreement.

The investment definition also includes "**business concessions** conferred by law or under contract, including any concession to search for, cultivate, extract or exploit natural resources". That apparently includes permits given by local governments, such as under the Resource Management Act, other environmental regulations or building codes. That has profound implications if expropriation is interpreted to include "equivalent effect", meaning that loss of an investment's value through loss of profitability is treated as "expropriation". It would mean that any change in environmental regulations by central or local government which reduced the profitability of an enterprise (and hence the value of a permit or asset) could be subject to compensation and perhaps reversal of a law or regulation change.

This is not merely a theoretical problem. The Investment Agreement signed with Chile in July 1999 (without any Parliamentary – let alone public – oversight as far as we are aware) has MAI and NAFTA-like expropriation provisions (its Article 6). If the government, as it has signalled, negotiates a wider agreement with Chile, Singapore, and other countries, then the interaction of the two may become of considerable importance.

The definition of "**investor**" (Article 27(3)) does not capture what would commonly be thought of as a "Singapore" investor. It means that a company (etc) need not be owned in Singapore: all it needs is some form of presence in Singapore.

This allows any transnational company to take advantage of the provisions of this Agreement by the simple arrangement of passing ownership of its New Zealand subsidiaries to its Singapore subsidiary. This is particularly relevant given Singapore's role as a key business centre for Southeast Asia.

It could be used as a loophole allowing corporations to avoid New Zealand laws and regulations related to investment from other countries, such as the Overseas Investment Act, or action to control hot money.

This makes the Agreement a Trojan Horse in another sense.

Article 29 introduces "**National Treatment**" for investment. That is the principle that overseas investors must be treated at least as well as local investors. It undermines the economic development policies of the Labour/Alliance Government, which aim at the "incubation" of new industries and ensuring their longer term survival against overseas competition.

Article 31, on **Repatriation and Convertibility**, in most circumstances prevents New Zealand from instituting capital controls in any form on transfers to and from Singapore, with a limited number of exceptions which would be of little use to stabilise capital flows.

These provisions rule out a potent economic instrument that is used in Malaysia, Chile, China, and other countries. It is essential if New Zealand wishes to regain any substantial degree of economic sovereignty, and if we wish to maintain our own currency.

Article 34 is unprecedented for New Zealand, in that it provides for **investor enforcement** of alleged breaches of the investment provisions. It is extraordinarily dangerous, as members of NAFTA are finding, and was one of the strongest objections to the MAI. It is a potent basis for expensive litigation, the very threat of which may give overseas investors additional power in dealing with central government, and local government if central government (as is likely) passes on the results in precedent-setting cases. It is discriminatory in that the same power is not available to New Zealand investors with respect to the New Zealand government – although they could gain it by owning their companies through a Singapore subsidiary! The procedures are secretive and allow for no involvement by interested parties such as a local government which may the subject of the claim, nor the public.

The effect of these provisions is to immediately freeze or weaken our laws that control overseas investment, making it more difficult even than under the WTO's General Agreement on Trade in Services (GATS) to put in place more stringent controls. However, there is a commitment to progressively weaken even those controls that remain.

Singapore in contrast has considerably stronger controls on foreign investment, which it too has frozen. However it clearly has got the better of the deal in being able to preserve those powers, and has more to bargain with in future reviews.

**Services**

The Agreement's Services provisions, while taking the same approach as the GATS agreement, increases the pace of liberalisation. The GATS agreement is responsible, for example, for preventing the Government taking more assertive action to increase local content into broadcasting.

The increased pace of liberalisation is seen most directly in Article 20 which provides that (at least) two-year reviews under Article 68 of the Agreement will "progressively expand these initial commitments … in accordance with the APEC objective of free and open trade in services by 2010". That is, the aim is complete removal of any limitations on overseas suppliers to provide our services within nine years.

Commitments in the Services area are listed by sectors the country is prepared to open up, in Annex 2 of the Agreement. Amendments can be made to the list, but they must expand the list or at least ensure that the "overall balance of benefits under the Agreement is maintained". Again, there is no going back.

New Zealand has added a significant number of Service sectors to its commitments compared to GATS.

Of concern is the addition of environmental and ambulance services. The inclusion of environmental services could be very significant for local government, which carries responsibility for important environmental services such as sewerage, and rubbish collections. Both will increase commercialisation in those sectors.

While Singapore's additions superficially appear longer, that is largely because they are more specific to sub-sectors, rather than the full sectors that New Zealand has generally committed to.

Again, it is difficult to escape the conclusion that New Zealand is liberalising more quickly, and has left itself with considerably less bargaining power for future negotiations, even if further liberalisation were desirable. That disadvantage is all the more so given Singapore's substantial stake in our services industries. It is well placed to expand that into new, related areas.

And again, the effect is to lock the growing services sector into rapidly increasing commercialisation and overseas ownership. We have seen the effects of this on social services, rural areas and on small users of services, in telecommunications, electricity, rail, banks, local government services and many other sectors.

**Other issues**

Both the preamble and objectives essentially make liberalisation an end in itself. While paying lip service to employment opportunities, standards of living and "consumer welfare" (whatever that is), the overwhelming focus is on trade and investment. Human and labour rights, the environment, New Zealand's cultural identity, and the Treaty rights of Maori are unrecognised or relegated to token clauses.

The Agreement is built on a foundation that will lead to further economic and social impoverishment of our society. Human rights, labour rights, environmental and Treaty of Waitangi clauses could not patch up that fundamental fault.

There are provisions on **Competition** in the Agreement. Competition in a small economy is difficult to ensure in many sectors. Relatively few local firms can reach a sustainable economy of scale, simply because of the small size of the market in their sector. An approach that sees competition as an end in itself, rather than one of a number of desirable means to an end, forces overseas ownership of services and industry, as that may be the only "market" way to introduce competition. A careful balance is therefore needed between competition and regulation.

We support concerns expressed by unions and local industry at the removal of **tariffs** on textiles, clothing, footwear, furniture and carpets from Singapore, and the low (40%) content requirement (Rules of Origin) for goods to be eligible for the zero tariff. It raises concerns that products produced in appalling conditions from neighbouring low-wage free trade zones, such as Batam, will find entry to New Zealand through this Agreement. It negates the tariff freeze on which this government was elected, which was a recognition of the loss of jobs and production that the country suffered as a result of previous governments' tariff cuts. More than that, it makes it even more difficult to reinstate tariffs and other support should that prove to be necessary, as we believe it will, to rebuild New Zealand's productive base in this and other sectors. The weakening of **anti-dumping** rules, and complete removal of **safeguards** are equally regrettable.

New Zealand has experienced the "hollowing out" of its economy in the experiment of the last 15 years. The economy has lost international competitiveness, as revealed in recurring danger-level current account deficits – with even a goods trade deficit in the year to March 2000, an exceptional occurrence. The economy has also lost much of its ability to substitute for imports. That is being seen now, despite a low dollar which makes imports more expensive.

The effect of the **Government procurement** provisions is likely to be that central government and local government, will not be able to use their spending power to simultaneously achieve social aims. Those aims typically include supporting non-profit groups, creating employment, and regional economic development. Commercialisation will be encouraged, as described in relation to services.

This Agreement will further reduce our ability to regain the controls needed to build a healthy economy. But more, it is another agreement that forces continued liberalisation of New Zealand's trade and investment policies. Continued liberalisation will conflict with the new government's economic and regional development policies. Our ability to take anything more than superficial action to close social and regional gaps will be permanently foreclosed to New Zealand central and local governments.

In addition, and perhaps most importantly, the Agreement is of special and wider concern because of its significance as a "Trojan Horse" or catalyst for further similar agreements with other ASEAN nations, and as a back door entry for investors from other countries.

**We therefore reject the whole principle of this Agreement. We submit that, given the increasing and widespread New Zealand and international opposition to the effects of trade and investment liberalisation, most clearly represented by the events inside and outside the WTO meeting at Seattle last December, and increasing evidence of the falsity of the theories and concepts on which it is based, that a moratorium and public inquiry should be held before embarking on yet another act of liberalisation.**

## 1. Introduction

1.1. This submission principally addresses three issues regarding the Agreement: the process of consultation and adoption, Services, and Investment.

1.2. Most of our submission focuses on investment because it is our area of specialist concern and expertise. Because Services are most frequently provided through commercial presence involving investment, our submission also covers that area in some detail.

1.3. This is not intended to minimise the importance of other areas including tariffs, government procurement, and the effects on local government, on which we will comment only briefly. It is intended to be complementary to submissions by other individuals and organisations including Professor Jane Kelsey, GATT Watchdog, and the Trade Union Federation, whose general approach we strongly support.

1.4. Other parts of the Agreement also impinge on investment: for example, the preamble, objectives, competition, intellectual property (TRIPs), and disputes settlement. We comment on the first three briefly at the end of submission, and the other two are covered in the discussion below.

1.5. As a general point, we take the view in this submission that as this Agreement is a "catalyst" or "Trojan Horse" for future agreements, it needs to be judged from a wider perspective than simply New Zealand and Singapore.

## 2. Process

2.1. Before going any further, however, we must state our profound disappointment at the extraordinarily short time allowed for submissions and public debate on this Agreement, and the lack of information provided – particularly the Agreement itself – to inform the debate.

2.2. This is a 192 page, highly complex document whose implications cannot be fully understood without reference to even more complex documents, such as those under the WTO, CER and APEC, as well as our own and Singapore's body of law. Its implications, as this and other submissions will show, are far-reaching. That is all the more significant because it is seen as a "Trojan Horse", in the words of Tim Groser, head of Asia 2000[2], for more such agreements with many of the countries with which New Zealand has its most important trading and investment relationships.

2.3. The document itself was released only on 11 September, only 14 days before submissions formally closed. Both governments refused to release drafts prior to its initialling. That meant that any discussion and debate until that point was largely shadow-boxing. Assurances by MFAT officials could not be examined because the wording of the Agreement was not available. "Consultations" – most of them by invitation only – were one-sided affairs, with officials declining to give information that would enlighten debate, because the Agreement was still under negotiation.

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[2] "Beyond CER: new trade options for NZ", address by Tim Groser to the New Zealand Institute for Policy Studies, 15/3/00.

2.4. We have heard of at least two major organisations, in Auckland, who asked for MFAT briefings, but were unable to receive them until submissions had closed. Even if late submissions have been possible, the timetable is absurd for considered comment and internal democratic processes.

2.5. The public was left in a Catch 22 situation. If they showed concern they were given bland assurances and told they should wait to see the Agreement. Having waited for the Agreement, we find it is a done deal, with a totally impractical timetable to examine it properly to discover its implications. Even Parliament has only two options: to accept or reject it.

2.6. While we welcome such an Agreement being put before a Select Committee and debated in Parliament as a significant advance over the previous secretive and authoritarian process of Executive decree, it is still a nonsense if the consultative stages – both before signing and at the formal submission stage – are not properly informed by the text of the Agreement and have insufficient time to properly examine and debate the consequences.

2.7. Such Agreements are akin to entrenched legislation. Policy options are closed off to future elected governments, and they cannot be regained without either negotiation with a foreign government or the extreme and unlikely step of abrogation of an agreement. They therefore require if anything *more* testing processes than normal legislation. Instead this Agreement is receiving essentially token scrutiny.

**2.8. We therefore ask the Committee to delay its hearings and extend the date for submissions by at least a month to allow more time for the Agreement to be debated publicly and for submissions to be prepared.**

**2.9. We also submit that the process of ratifying such agreements and approving changes to them or their scope, be permanently placed in the hands of Parliament, accompanied by a rigorous, public and participatory process of scrutinising their principles and their detail. The process should take into account their entrenched nature.**

2.10. We also express concern at the shallowness and one-sided nature of the National Interest Analysis. It fails to give more than a token cost-benefit analysis, and addresses only glibly the concerns that this Agreement will raise. It is little more than a marketing exercise for the Agreement, rather than a genuine assessment of its long-term effects on New Zealand society and whether it should proceed in its final form.

**2.11. We submit that National Interest Analyses should be compiled by a body independent from the Government, and taking into account public consultation and independent expert advice.**

## 3. Campaign Against Foreign Control of Aotearoa (CAFCA)

3.1. CAFCA has been in existence for over twenty-five years. Its aims are obvious from its name, and it concerns itself with all aspects of New Zealand's sovereignty, whether political, economic, military or cultural. It opposes foreign control of New Zealand by other States or by corporations, but welcomes interaction with people of other countries on the basis of equality. It is anti-racist and internationalist in outlook and has wide networks with other groups and individuals in New Zealand and overseas.

3.2. Its members include a number of institutions and libraries, journalists, politicians from most political parties, public figures, trade unionists, environmentalists, and other researchers in the area. Members receive a magazine, *Foreign Control Watchdog*, approximately three times a year. It is acknowledged as a unique and well-researched source in this area, where hard information is difficult to come by. CAFCA also researches, publishes, and organises public meetings and other events.

3.3. Since December 1989, CAFCA has been receiving monthly information from the Overseas Investment Commission (OIC) on its decisions. We analyse this information, and supply our analysis on subscription and on request to mainstream news media and other interested parties, and it is published regularly in *Watchdog*. We are therefore aware of most significant direct investments into the country.

## 4. Investment

### 4.1. General Background

4.1.1. Foreign investment has rapidly increased its presence in New Zealand's economy since the economic reforms started in 1984. Its influence has been economic and political. Government policy has been to encourage it by dismantling any restrictions, except where land and fishing quota are concerned (though remaining restrictions are largely unenforced other than in exceptional cases). Claims are frequently made by government and business spokespeople for its beneficial effects.

4.1.2. A detailed submission examining these claims was made to this Select Committee's Inquiry into the Implications of New Zealand's Participation in APEC, in August 1998. We presented evidence refuting the usual claims that foreign investment *in general* provides benefits in employment, increased efficiency and contributing to international competitiveness, access to technology, management skills, use of capital, a wider pool of assets and experience, and access to markets. There are numerous examples of investment satisfying few or none of those criteria. There are many where it has clearly been a drain on New Zealand's resources.

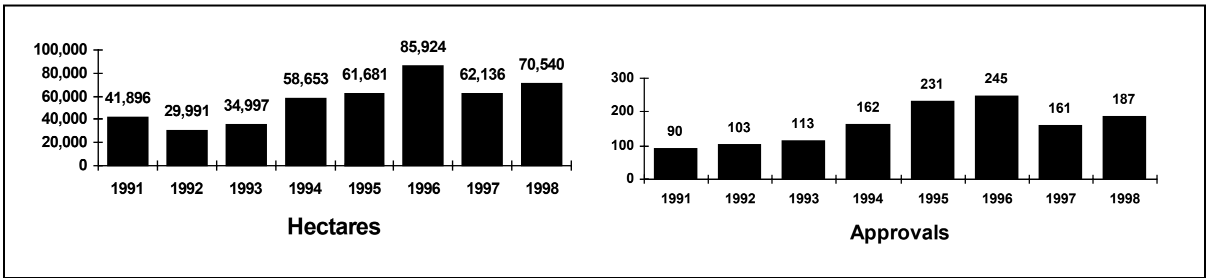
4.1.3. The essence of that submission, which we reiterate here, is that those claims are based on anecdote and theory, not on an examination of the actual experience of New Zealand and the APEC region. When those experiences are examined, current deregulatory policies towards foreign investment are seen to be highly dangerous and indeed damaging to New Zealand's economic development and the welfare of its people. If foreign investment is to be part of a development strategy we must carefully control what we accept, and how it behaves if accepted.

4.1.4. Where those claims are true in specific cases, the investor should be made to provide proper evidence, and proposals should be selected on merit. Currently however, there is no practical filtering of the great majority (by value) of investment. In those cases – that of general investment where land and fishing quota are not involved – the only criteria are that the investor should have business acumen, should demonstrate a financial commitment, and in regard to individuals controlling the investor, be of good character.

4.1.5. Where substantive “national interest’ criteria do exist, for land and fishing quota, they are largely unenforced, with the notable and praiseworthy recent exception of the Sealords case. Indeed until recently, the Overseas Investment Commission was working under instructions that applications to invest “should be approved unless good reason exists to refuse them”.

4.1.6. The effect of that has been shown in the quantities of land that have been approved to be sold overseas in recent years, as can be seen in the following figure. Close to one million hectares are under now overseas management or ownership for forestry alone.

**Land sales approved by the Overseas Investment Commission 1991-98**




| Major activities, 1991-98 | |
|---|---|
| **Use** | **ha.** |
| Forestry | 273,327 |
| Sheep farming | 61,665 |
| Mining | 25,833 |
| Dairy farming | 21,718 |
| Tourist related | 13,936 |
| Beef farming | 10,533 |
| Manufacturing | 7,020 |
| Orchard | 3,573 |
| Mixed farming | 3,844 |

| Major origins, 1991-98 | |
|---|---|
| **Country** | **ha.** |
| United States | 166,044 |
| Malaysia | 82,991 |
| Australia | 42,298 |
| Japan | 36,529 |
| Hong Kong | 24,854 |
| U.K. | 20,569 |
| China | 11,010 |
| Taiwan | 9,852 |
| Canada | 6,568 |

| Major regions, 1991-98 | |
|---|---|
| **Region** | **ha.** |
| Gisborne/Hawkes Bay | 85,417 |
| Otago | 67,314 |
| Nelson/Marlborough | 59,490 |
| Southland | 45,394 |
| Canterbury | 45,245 |
| Waikato/Taranaki* | 41,296 |
| Northland | 18,676 |
| Auckland | 16,468 |
| Bay of Plenty/Coromandel | 16,201 |

* Includes King Country and Wanganui

4.1.7. New Zealand simply cannot afford its current liability of both overseas borrowing and direct investment[3]. Overseas debt is now $109 billion, or 105% of GDP. The current account deficit, which has for several years been at levels causing concern both within and outside New Zealand, is equal to or exceeded by the loss of resources from net investment earnings going to overseas investors in most years. In other words, ending our excessive reliance on foreign investment in New Zealand would lead to a significant improvement in our current account, if it were replaced by local investment (see Appendix 1 for supporting statistical data).

4.1.8. That is not an unrealistic objective given that the great majority of direct investment is a result of takeover rather than “Greenfield” creation of new real assets. For example the now-defunct semi-official Foreign Direct Investment Advisory Group estimated that the sale of privatised state assets “accounted for approximately 42% of total inbound investment to New Zealand over the decade

[3] Overseas investment where control is intended.

[1986 to 1996]"[4] alone. Until very recently we produced those same goods and services without paying some overseas corporation for the privilege!

4.1.9. Put another way, around one-third of the proceeds of our exports of goods and services are used to pay for dividends and interest on overseas investment.

4.1.10. In addition, investors attempt to use their commercial and economic power to maintain or change government policies to their advantage. A recent example was that of TransAlta Canada, which threatened to exit as a result of the electricity reforms (*Press*, 2/6/98, "TransAlta threatens to pull out of New Zealand", p.18). It has since carried out that threat. There are frequent examples of businessmen heading companies such as Bankers Trust (now part of Deutsche Bank), Independent News Plc, and Comalco, making statements with the intention of influencing government policy in favour of investors, despite New Zealanders' electoral decisions and obvious needs. The threat of capital flight or persuading other investors to withdraw is always present. That is particularly credible in the fragile state induced by New Zealand's current account deficit and overseas indebtedness.

4.1.11. Therefore, to the extent we accept foreign investment, on a number of grounds we must be selective. **A robust filtering mechanism is essential with regard to foreign direct investment.**

4.1.12. The problems of hot money are particularly severe with non-direct foreign investment. As at 31 March 2000, half (49.6%) of New Zealand's total overseas debt was due in less than one year, making the country susceptible to rapid withdrawal of capital. Rapid reversals of capital flows were the immediate cause of the 1997 financial crisis that began in Asia. They are the main reason for the volatility in our currency, leading to current suggestions that we abandon it altogether.

4.1.13. A successful response to the financial crisis was taken by Malaysia in freezing capital movements. Chile (with whom New Zealand signed an investment agreement in July 1999) has controls on capital that require deposits to remain for at least 12 months. Even mainstream economists are again looking at capital controls seriously (e.g. Paul Krugman, "Crises: The Price of Globalization?", August 2000, unpublished).

4.1.14. **It is therefore essential that New Zealand maintains the ability to control international capital movements and the proceeds from investments**, which under the definition given in this Agreement, may include capital gains, the proceeds from the liquidation of an investment, and loan payments in connection with an investment (Article 27 (2)), all of which may be used to transfer capital in times of flight.

## 4.2. Investment from Singapore

4.2.1. An analysis of Singapore-sourced investment in New Zealand, and of Singapore's own policies at home, is provided in Appendices 2 and 3. The following comments result from this analysis.

[4] "Inbound Investment: Facts and Figures", Foreign Direct Investment Advisory Group, August 1997, p.6.

4.2.2. The Singapore government and Singaporean companies have been very active investors in New Zealand – far more so than New Zealand companies in Singapore. At March 2000, Singapore direct investment in New Zealand was $1.023 billion, or more than five times the $193 million owned by New Zealand direct investors in Singapore. Singapore investment has fallen from a peak of over three times that in 1996 ($3.277 billion), which in itself is a reminder of the potential volatility of investment flows.

4.2.3. Resultant flows of income from that investment are not available, but can be expected to be at least proportionately in Singapore's favour. We say "at least", because the record of New Zealand investment abroad has frequently been loss-making, and almost always at lower returns than in the reverse direction.

4.2.4. Singapore investment in New Zealand has been very strongly focussed on Service industries, especially hotels (where Singapore-based investors dominate, and CDL is the largest hotel operator in New Zealand), commercial property, transport (including control of Air New Zealand), residential and lifestyle development, and computer retailing and services. Other services represented include communications, finance, golf courses, a marina, a motor vehicle dealer, tourism (including three lodges) and the Sky City Casino (63% owned by Singapore-based Brierley Investments Ltd, BIL).

4.2.5. The Services provisions in this Agreement are therefore highly significant, and Singapore has a head start in benefiting from them.

4.2.6. By no means all the effects of Singapore's investment have been benign, and much of it has been takeovers and/or investment in property with little benefit to New Zealanders. Job creation, where it has occurred, has been overwhelmingly in low-paid, insecure and often deunionised work such as in tourism.

4.2.7. In stark contrast to New Zealand's increasing deregulation – a pace which is forced by this Agreement, WTO agreements, APEC and other arrangements – Singapore retains highly interventionist policies at home. It also contrasts strongly with Singapore's advocacy of liberalisation in its international relationships.

4.2.8. Through joint government and industry long-term planning, tax incentives and other encouragement, Singapore is successfully seeking high value-added industry and services, in contrast to much of its investment here. At the same time as it encourages development of high-value services, it is aiming at maintaining industrialisation at around 25% of GDP.

4.2.9. That is greatly aided by continued Singapore Government ownership of a large part of Singapore's commerce. It controls around one thousand "government-linked" companies, whose value amounts to approximately one quarter of the value of the Singapore share market. It is through these companies that parts of Singapore's investment in New Zealand is channelled.

4.2.10. Its main holding company, Temasek Holdings, directly owns 5% of BIL. It and other Singaporean, Malaysian and Indonesian interests (including government linked ones) own more of BIL through the Camerlin Group, together controlling the company through a 20% shareholding. BIL's holdings in New Zealand include

- Air New Zealand Ltd (30%),

- Cedenco Foods Ltd (49%),
- Gold & Resource Developments NL (14%),
- Sealord Group Ltd (50% – for sale),
- Sky City Casino (63%),
- Tasman Agriculture Ltd (66%), and
- Union Shipping Group (100%).

4.2.11. Other Singapore Government linked companies with interests in New Zealand include

- Singapore Airlines, with a further 25% of Air New Zealand;
- Singapore Technologies, whose 59% subsidiary, Singapore Computer Systems, owns 60% of Computerland, one of New Zealand's major computer service providers. Singapore Technologies, when it made the acquisition in 1993, was owned by the Singapore Ministry of Defence. Until 1998 it also owned 35% of Bellsouth New Zealand.
- Singapore Changi Airport Enterprise Pte Ltd, which has a key 7% interest in Auckland International Airport, and has shown interest in acquiring other shareholdings including Auckland City Council's 25.8%.

4.2.12. Singapore has been notably successful in its planned, interventionist strategy. The WTO, in its March 2000 Trade Policy Review of Singapore (quoted in Appendix 2), was obviously keen that this be progressively dismantled. Whether Singapore would remain as successful if this were to happen seems doubtful.

4.2.13. Its success casts considerable doubt on New Zealand's recent strategy of deregulation and privatisation at home (stopped rather than reversed by the new government) while actively pursuing trade and investment liberalisation in its international economic relationships, of which this Agreement is a further example. It puts New Zealand at a considerable disadvantage in the proposed relationship.

4.2.14. Finally, Singapore's function as a services, consulting, transport and financial centre for South East Asia and the south eastern Pacific is also important. A large number of transnational corporations are actively represented there, and use it as a base for investment and provision of services to the wider region.

## 4.3. Investment in the Singapore Agreement

4.3.1. With this background, it is possible to understand better the significance of what is being proposed in the Agreement's investment and services provisions.

4.3.2. Part 6 of the Agreement covers investment. We will not give a detailed analysis of its provisions, but will cover its main effects and problems.

4.3.3. The very wide **definition of investment** (Article 27(1)) is reminiscent, though not identical to that in the ill-fated Multilateral Agreement on Investment.

4.3.4. It includes **intellectual property**, which, when combined with the disputes procedure (Article 34), National Treatment (Article 29) and the Repatriation and Convertibility provision (Article 31), could have significant results that are difficult to predict. Under some circumstances it could act as a back door means of giving investors the right to directly enforce the WTO's TRIPs (Trade-related Intellectual Property Rights) agreement, which forms the intellectual property provision of this Agreement.

4.3.5. For example, suppose measures were put in place to encourage local manufacture and use of generic pharmaceuticals, as occurs in Canada and other countries. A transnational pharmaceutical manufacturer of a brand-name equivalent could take action claiming it as a breach of National Treatment because it is put at a disadvantage in the operation of its investment in New Zealand (even if it was free to manufacture locally itself), or even a form of expropriation because it reduces its profitability (a claim successfully taken by a number of companies under NAFTA, as is described in paragraph 4.3.8).

4.3.6. Given the guarantee that investors can "transfer and repatriate freely" their investments, does (Article 31 (1)) mean that the government could not legislate to ensure intellectual property such as patents and plant varieties developed in New Zealand should remain available to New Zealanders even if sold to an overseas investor?

4.3.7. The investment definition also includes "**business concessions** conferred by law or under contract, including any concession to search for, cultivate, extract or exploit natural resources". That apparently includes permits given by local governments, such as under the Resource Management Act, other environmental regulations or building codes. That has profound implications if expropriation is interpreted to include "equivalent effect", meaning that loss of an investment's value through loss of profitability is treated as "expropriation". It would mean that any change in environmental regulations by central or local government which reduced the profitability of an enterprise (and hence the value of a permit or asset) could be subject to compensation and perhaps reversal of a law or regulation change.

4.3.8. That has been the result of expropriation provisions in NAFTA, where companies have sued the Canadian (by the Ethyl Corporation) and Mexican (Metalclad Corporation) governments successfully, gaining settlements of US$13 million and U.S.$16.7 million respectively. In the Canadian case, an environmental law had to be repealed. A further case is currently in progress where Methanex Corporation is suing the Californian State government claiming its ban on methyl tertiary butyl ether (MTBE), made by the company in New Zealand and Chile, amounts to expropriation. In the Mexican case, Metalclad Corporation, a US waste disposal company, accused the Mexican government of violating Chapter 11 of NAFTA when the state of San Luis Potosi refused it permission to re-open a waste disposal facility. The State Governor ordered the site closed down after a geological audit showed the facility would contaminate the local water supply. The Governor then declared the site part of a 600,000 acre ecological zone. Metalclad successfully claimed that this constituted an act of expropriation.

4.3.9. This is not merely a theoretical problem. The Investment Agreement signed with Chile in July 1999 (without any Parliamentary – let alone public – oversight as far as we are aware) has MAI and NAFTA-like expropriation provisions (its Article 6). If the government, as it has signalled, negotiates a wider agreement with Chile, Singapore, and other countries, then the interaction of the two may become of considerable importance. It could also be activated by the passing of legislation providing for compensation for investors.

4.3.10. We also note that the definition of investment includes **short term financial instruments**, meaning that "hot money" has the same protection as productive and more stable direct investment. We will return to this shortly.

4.3.11.Similarly, as already remarked in 4.1.14, the definition of "**proceeds from investment**" (Article 27(2)) is very wide, including some capital such as capital gains, the proceeds of the liquidation of an investment, and loan payments. That means that there is little real distinction, in terms of controlling capital flows, between investment and its proceeds.

4.3.12.The definition of "**investor**" (Article 27(3)) does not capture what would commonly be thought of as a "Singapore" investor. It includes "any company, firm, association or body, with or without legal personality, whether or not incorporated, established or registered under the applicable laws in force in a Party, making or having made an investment in the other Party's territory".

4.3.13.That means that the company (etc) need not be owned in Singapore: all it needs is some form of presence in Singapore. Unlike a service provider, which must (Article 25) "engage in substantive business operations in the territory of one or both Parties" to be covered by the Agreement, an investor can be covered if it is merely "established or registered" under the laws of one or other country.

4.3.14.This allows any transnational company to take advantage of the provisions of this Agreement by the simple arrangement of passing ownership of its New Zealand subsidiaries to its Singapore subsidiary. This is particularly relevant given Singapore's role as a key business centre for Southeast Asia.

4.3.15.For example, if Deutsche Bank (which took over the notorious speculator, Bankers Trust, last year) decided it wanted a guarantee it could get its money out quickly whatever the circumstances, using Article 31, it could simply transfer the ownership of its New Zealand subsidiaries to its Singapore subsidiary. Or suppose the threshold for investments requiring the oversight of the Overseas Investment Commission were returned to $10 million from the current $50 million which is bound into this Agreement and a less formal agreement with Australia. That could be done unilaterally for all but Singapore and (possibly) Australian investment. Then a company controlled by individuals who were not of "good character" (under the Overseas Investment Act) could, if taking over a company of between $10 and $50m, simply use a Singapore subsidiary to quite legally avoid having their investment refused entry.

4.3.16.We point out in passing that Article 27(3b) could be read to mean that an investor is covered even if not established or registered under the applicable laws in force in a Party.

4.3.17.Article 29 introduces "**National Treatment**" for investment. That is the principle that overseas investors must be treated at least as well as local investors. It has very important implications for the "incubation" of new industries and ensuring their longer term survival, which is part of the more active economic development policy of the Labour/Alliance government. To nurture such industries, preferential treatment in the way of grants, and potentially other incentives and concessions, may be given. Under this provision, those can only be given if equivalent benefits are made available to Singapore-based investors. That may mean nurturing competitors who will knock out their local equivalents, negating the purpose of the measures.

4.3.18.Both the Most Favoured Nation (Article 28) and National Treatment (Article 29) provisions include **expropriation and consequent compensation** as one the aspects that must be given equal treatment. It is difficult to anticipate the consequences of this. Some possibilities are suggested above.

4.3.19. They also apply to **establishment** of investments. That opens the possibility of investor disputes if they can claim they were treated less favourably than investors or investments from New Zealand or other countries during the process of financing and acquiring permits etc for an investment project. Again, that has implications for local as well as central government.

4.3.20. Article 31, on **Repatriation and Convertibility**, in most circumstances prevents New Zealand from placing controls on capital transfers, or the proceeds from investments (see 4.3.11). That prevents New Zealand from instituting capital controls in any form on transfers to and from Singapore, with a limited number of exceptions which would be of little use to stabilise capital flows.

4.3.21. The most useful exception is in Article 73, which provides for "Measures to Safeguard the Balance of Payments". This provision allows controls on capital and income flows "in the event of serious balance of payments and external financial difficulties or threat thereof". That is obviously aimed at when a problem is imminent or existing (as it is arguably now). It does not allow for preventive measures, when such controls might be most useful. The measures taken must be temporary, and "consistent with the Articles of Agreement of the International Monetary Fund".

4.3.22. These provisions rule out a potent economic instrument that is used in Malaysia, Chile, China, and other countries. It is essential if New Zealand wishes to regain any substantial degree of economic sovereignty, and if we wish to maintain our own currency.

4.3.23. Article 34 is unprecedented for New Zealand, in that it provides for **investor enforcement** of alleged breaches of the investment provisions. It is extraordinarily dangerous, as illustrated in the above examples under NAFTA, and was one of the strongest objections to the MAI. It is a potent basis for expensive litigation, the very threat of which may give overseas investors additional power in dealing with central government, and local government if central government (as is likely) passes on the results in precedent-setting cases. We note that it is discriminatory in that the same power is not available to New Zealand investors with respect to the New Zealand government – although they could gain it by owning their companies through a Singapore subsidiary! The procedures are secretive and allow for no involvement by interested parties such as a local government which may the subject of the claim, nor the public.

4.3.24. Finally, the investment section must be read alongside the Annexes. Annex 2 lists Services commitments, but includes exceptions that the two governments are making to National Treatment and open service market access (see below). Annex 3 lists any limitations (exceptions) to the commitments each government is making to the investment principles mandated in the Agreement.

4.3.25. Under Article 32, investment limitations may be changed only if it "does not decrease the conformity of the limitation" to National Treatment and Most Favoured Nation Treatment (treating the other country at least as well as any third country is treated), and if it "does not affect the overall level of commitments" of the country under the investment provisions. Further there will be reviews of the limitations at least every two years "with a view to reducing the limitations or removing them". In essence, our investment controls can only be further liberalised (i.e. weakened), from the date of signing of the Agreement.

4.3.26. The effect of the Annexes on New Zealand (other than the addition of numerous service sectors, which we cover below) is as follows:

- The $50 million threshold, below which most investment does not require the approval of the Overseas Investment Commission (OIC), is locked in. Until November last year it was a tighter $10 million, but raised after an agreement between Australian and New Zealand ministers. One of the last acts of the National-led government was to change the Overseas Investment Regulations to apply the higher $50 million threshold to investment from *all* countries, despite knowing that the election might well change the extremely permissive view the outgoing government had taken. New Zealand could still change the threshold back to $10 million for all but signatories to this Agreement (currently only Singapore). It could not take it any lower because a commitment at that level was made by a previous government in the General Agreement on Trade in Services (GATS), in the WTO. However, as noted in 4.3.15, this Agreement provides a loophole for investors from any country.
- The threshold at which a company is regarded as an "overseas company" is set at 25% overseas ownership. That is also locked in by GATS. It is higher than many other countries, which have values ranging from anything above zero. Australia requires approval for *any* direct investment and for 5% portfolio investments in media companies, and in general regards a 15% holding by a single overseas investor as a "substantial foreign interest". The authoritative United Nations "World Investment Report 1999" describes a 10% stake as being "normally considered as a threshold for the control of assets" (p.465). Again, we are prevented from tightening our exceptionally permissive standards: we can only loosen them further.
- Similarly, a 25% ownership of fishing quota, or of a company owning fishing quota, is locked in.
- With regard to land sales, a threshold of $10 million is preserved for OIC scrutiny of land sales wherever the land is situated, and for the sale of any land outside urban areas exceeding five hectares, scenic reserve land (including historic or heritage areas, the foreshore and lakes), land over 0.4 hectares on specified off-shore islands, and any land on all other islands. Notably, the exception for urban land worth less than $10 million is not part of the Overseas Investment Act criteria, but was put in regulations by the previous government and now cannot be reversed for Singapore.
- The "screening regime", which presumably includes the criteria used to judge whether an investment should be allowed, may still be changed. However, this may be an empty power. The criteria – which have been shown to be inadequate to prevent substantial sales of land and major strategic assets – have probably been substantially locked in by the GATS agreement, although this is a matter of interpretation which we have not had time to investigate further.
- More favourable treatment may be accorded to New Zealand nationals and permanent residents in respect of ownership of Producer and Marketing Board assets.

- Restrictions on foreign fishing vessels fishing in, or crossing, our waters are retained.
- More favourable treatment may be accorded to New Zealand nationals and permanent residents in respect of ownership of enterprises currently in State ownership. Note however that a similar provision under GATS preserved companies that were in State ownership as of that date (1995). This Agreement only preserves this right for those relatively few still not privatised. It is not clear if this Agreement takes precedence over GATS in this regard. If it does, then this provision takes away our ability to instate some form of control over previously privatised SOEs. For example, the conditions on Telecom's ownership (which are specifically reserved in Annex 2) could not be changed unless perhaps Singapore investors were given equal rights with New Zealanders. Under GATS we would have the right to regain some control of, for example, the Bank of New Zealand, Postbank, and Tranzrail, but not under this Agreement.
- Some special reporting requirements for overseas companies.
- A special provision, replicated in Singapore's limitations, to encourage entrepreneurs: "More favourable treatment may be accorded to New Zealand nationals and permanent residents in the form of incentives or other programmes to help develop local entrepreneurs and assist local companies to expand and upgrade their operations." Note however, that this is not a general exception to allow support for locally owned industry. It allows incentives, etc, only for individuals, not companies, and so in practice can only be small-scale.

4.3.27. The effect therefore is to immediately freeze or weaken the status quo, making it more difficult even than under GATS to put in place more stringent controls on overseas investment. However, there is a commitment to progressively weaken even those controls that remain.

4.3.28. These provisions also make the Agreement a Trojan Horse in another sense: as a back door entry to New Zealand for companies from any country should we tighten our controls on overseas direct investment or capital flows.

4.3.29. Singapore in contrast has considerably stronger controls on foreign investment, which it too has frozen. However it clearly has got the better of the deal in being able to preserve those powers, and has more to bargain with in future reviews. Its limitations include for example:

- a foreigner who wishes to register a business firm must have a local manager who should be a Singapore citizen, permanent resident, employment pass holder or a dependent's pass holder and have written permission from Singapore Immigration and Registration.
- every company must have at least two directors, and one of whom must be locally resident;
- non-citizens cannot own land
- non-citizens are restricted from purchasing landed property and residential property in a building of less than 6 levels. There are also restrictions on non-citizens owning Housing and Development Board flats;
- banks are not allowed to extend Singapore Dollar (S$) loans to non-Singapore citizens (excluding permanent residents) and non-Singapore companies for the purpose of purchasing residential properties in Singa-

pore. Banks are allowed to extend only one loan to permanent residents for the purchase of residential property, which must be owner-occupied.

- Banks are not allowed to extend S$ credit facilities to non-residents for speculating in the S$ currency and interest rate markets; financing third-party trade between countries not involving Singapore; financing the acquisition of shares of companies not listed on the Singapore Stock Exchange or Central Limit Order Book; or financing activities outside Singapore except with Singapore Government approval. Banks must also consult the Government before making certain loans (such as to buy more than S$5 million of shares).
- Singaporeans get more favourable treatment in the Printing & Publishing, Manufacture & Repair of Transport Equipment, and Power/Energy sectors, and in respect of companies in government ownership. Similarly for licensing of the manufacture of a list of goods including firecrackers, iron and steel products, beer and stout, CD, CD-ROM, VCD, DVD, DVD-ROM, chewing gum, cigarettes, matches and cigars.
- There is a general exception for Singapore's Government-linked companies.

## 5. Services

5.1. The changes that this Agreement represents with regard to Services are not as startling as for investment, which represents a significant step beyond the WTO agreements.

5.2. However, the Services provisions, while taking the same approach as the GATS agreement, increases the pace of liberalisation. The GATS agreement is responsible, for example, for preventing the Government taking more assertive action to increase local content into broadcasting.

5.3. Its first Article (14) commits to "progressive liberalisation through successive reviews". Though it gives a nod towards "recognising the rights of both Parties to regulate, and to introduce new regulations, giving due respect to national policy objectives including where these reflect local circumstances", that must be seen in the wider context of the agreement.

5.4. That is seen most directly in Article 20 which provides that (at least) two-year reviews under Article 68 of the Agreement will "progressively expand these initial commitments … in accordance with the APEC objective of free and open trade in services by 2010". That is, the aim is complete removal of any limitations on overseas suppliers to provide our services within nine years. Though they recognise this might be unrealistic ("Trade in a particular number of services sectors and measures affecting trade in services may not be fully liberalised by 1 January 2010") and so agree to meet before 2008 to identify a list of the remaining exceptions, the aim is to travel in one direction only: towards greater liberalisation.

5.5. What that would mean for social services such as education and health is left to the mercies of the governments in power in 2007.

5.6. Commitments in the Services area, like the GATS, are listed by sectors the country is prepared to open up, in Annex 2. Amendments can be made to the list, but they must expand the list or at least ensure that the "overall balance of benefits under the Agreement is maintained". Again, there is no going back.

5.7. There is also a commitment towards greater mutual recognition of qualifications. While there is much of merit in this, care must be taken that local culture elements (such as New Zealand history and Treaty of Waitangi content in courses) is not "harmonised" out. Indeed, the provision that "measures relating to professional qualification and registration requirements and procedures do not constitute unnecessary barriers to trade in services" does not bode well. Neither do provisions imported from the GATS Article IV.4 that the qualifications should be "based on objective and transparent criteria, such as competence and the ability to supply the service" and be "not more burdensome than necessary to ensure the quality of the service". Trade, "competence", and provision of services come before general educational values and breadth of knowledge.

5.8. New Zealand has added a significant number of Service sectors to its commitments compared to GATS. These additions include urban planning and landscape architecture, dental services, research and development services on social sciences and humanities, except those undertaken by tertiary institutions, market research, management consulting, technical testing and analysis, placement and supply of personnel, investigation and security services, equipment maintenance and repair, photography, packaging, printing, conventions, interior design, couriers, environmental services, ambulances, residential health facilities other than hospitals, archiving, sports and recreation, maritime agency, maritime brokerage, international towage, and certain port services.

5.9. Significant is a reduction in Audio Visual services offered, to only motion pictures. This is presumably an attempt not to exacerbate the damage done by the GATS provision to local content in broadcasting.

5.10. Of concern is the addition of environmental and ambulance services. The inclusion of environmental services could be very significant for local government, which carries responsibility for important environmental services such as sewerage, and rubbish collections. When taken with government procurement, it could mean difficulties for community and other non-profit organisations doing recycling and environmental cleanups for the local council. Although there is a limited exemption for "bodies funded primarily from specific special levies on particular industries, or by community groups or from special grants or public donations", that applies to the body calling for tenders for the service, not the supplier. Ambulance services may be similarly forced into commercialisation.

5.11. In the limited time available it is impossible to consider the implications of all the additions.

5.12. While Singapore's additions superficially appear longer, that is largely because they are more specific to sub-sectors, rather than the full sectors that New Zealand has generally committed to.

5.13. Again, it is difficult to escape the conclusion that New Zealand is liberalising more quickly, and has left itself with considerably less bargaining power for future negotiations, even if further liberalisation were desirable. That disadvantage is all the more so given Singapore's substantial stake in our services industries. It is well placed to expand that into new, related areas.

5.14. And again, the effect is to lock the growing services sector into rapidly increasing commercialisation and overseas ownership. We have seen the effects of this on social services, rural areas and on small users of services, in telecommunications, electricity, rail, banks, local government services and many other sectors.

## 6. Other issues

### 6.1. Preamble and objectives

6.1.1. We would have thought that the Labour Party would be embarrassed being associated with the **preamble and objectives**, given its election on a strongly stated policy opposing deregulated markets and the neo-liberal experiment that has blighted the lives of most New Zealanders for the last 15 years. Statements in the preamble like *"Conscious that open, transparent and competitive markets are the key drivers of economic efficiency, innovation, wealth creation and consumer welfare"* and *"Mindful that liberalised trade in goods and services will assist the expansion of trade and investment flows, raise the standard of living, and create new employment opportunities in their respective territories"* are simply the international counterpart to the damaging dogma that has been rejected by the electorate within New Zealand. They are statements that are being increasingly rejected around the world, especially in developing countries. They are based on a particular school of economic theory, and the enormous vested interests of the major economies, backed by their transnational corporations, not on observation of the reality that people live with.

6.1.2. That reality is stagnant and falling living standards, increased poverty, deteriorating public services and increasingly glaring disparities between rich and poor in a society that is increasingly locking out opportunities to those without money. Because trade and investment liberalisation forces commercial values into every pore of society, the policies that can be used within New Zealand to reverse these trends are ever more restricted, and those that can be used are made less and less effective. Yet this Agreement calls repeatedly for *ongoing liberalisation* and ultimately a "commitment to achieving the Asia-Pacific Economic Cooperation (APEC) goals of free and open trade and investment" by 2010 – or in other words full liberalisation within a decade.

6.1.3. Both the preamble and objectives essentially make liberalisation an end in itself. While paying lip service to employment opportunities, standards of living and "consumer welfare" (whatever that is), the overwhelming focus is on trade and investment. Human and labour rights, the environment, New Zealand's cultural identity, and the Treaty rights of Maori are unrecognised or relegated to token clauses.

6.1.4. The Agreement is built on a foundation that will lead to further economic and social impoverishment of our society. Human rights, labour rights, environmental and Treaty of Waitangi clauses could not patch up that fundamental fault.

### 6.2. Competition

6.2.1. **Competition** in a small economy is difficult to ensure in many sectors. Relatively few local firms can reach a sustainable economy of scale, simply because of the small size of the market in their sector. An approach that sees competition as an end in itself, rather than one of a number of desirable means to an end, forces overseas ownership of services and industry, as that may be the only "market" way to introduce competition. Overseas owners can use their international operations to build an economy of scale. They can also choose between different tax and labour laws to their advantage.

6.2.2. That was one basis for the concern this year at the prospect of a transfer to other overseas owners of Brierley Investments Ltd's share of Sealords, New Zealand's largest fishing company. Overseas owners can avoid our labour laws, ACC, and taxation. They may have preferential entry to certain markets, including their home market. In the eyes of many in the industry, that would have been unfair competition that could well have led to the competitive destruction of locally based fishing and processing.

6.2.3. A careful balance is therefore needed between competition and regulation.

## 6.3. Tariffs

6.3.1. We support concerns expressed by unions and local industry at the removal of **tariffs** on textiles, clothing, footwear, furniture and carpets from Singapore, and the low (40%) content requirement (Rules of Origin) for goods to be eligible for the zero tariff. It raises concerns that products produced in appalling conditions from neighbouring low-wage free trade zones, such as Batam, will find entry to New Zealand through this Agreement. It negates the tariff freeze on which this government was elected, which was a recognition of the loss of jobs and production that the country suffered as a result of previous governments' tariff cuts. More than that, it makes it even more difficult to reinstate tariffs and other support should that prove to be necessary, as we believe it will, to rebuild New Zealand's productive base in this and other sectors. The weakening of **anti-dumping** rules, and complete removal of **safeguards** are equally regrettable.

6.3.2. New Zealand has experienced the "hollowing out" of its economy in the experiment of the last 15 years. We have felt that in at least two ways. The economy has lost international competitiveness, as revealed in recurring danger-level current account deficits – with even a goods trade deficit in the year to March 2000, an exceptional occurrence (See Appendix 1, Table 2). That is a striking failure for the experiment, which justified many of its most draconian actions on increasing international competitiveness.

6.3.3. The economy has also lost much of its ability to substitute for imports. That is being seen now, with a low dollar which makes imports more expensive. Despite that, because the latent import substitution capacity has long since been killed off, imports continue to enter at barely diminished rates. Tariffs, anti-dumping rules, safeguard measures, and other forms of support for industry have never seemed more valuable.

6.3.4. The previous government tried to demonstrate some gain from tariff cuts by commissioning a report which seems to show that as consumers we are better off because of tariff reductions on cars, household appliances, shoes and clothes. The study estimated that households were on average $1,140 per year – about 3% – better off as a result in 1998 compared with 1987 . This needs to be treated with care.

6.3.5. Firstly, it is looking only at consumers. It is selectively looking at benefits to them. At whose expense did the reduced prices come? Some came from New Zealanders losing jobs in those industries. Some of those people remain unemployed, some found jobs at lower incomes. Seventy percent of household incomes fell during the period 1986-1996[5] *after* such price reductions had been taken into account. For most of us then, lower prices are small consolation. Some of the saving came from government – it no longer had the income from the tariffs to maintain public services or pay off debt. It also had higher costs in unemployment benefits. Some came from importers or manufacturers. The study gives us no clue as to whether New Zealand was better off in net terms, which is the reason given for tariff cuts.

6.3.6. Secondly, the study assumes that manufacturers, wholesalers and retailers did not simply increase their margins to take some of the benefit of the tariff cuts. Tim Hazledine, Professor of Economics at the University of Auckland, has shown that this is crucial in determining whether there are net benefits to the whole economy[6]. He has demonstrated that under quite plausible conditions, the country would suffer a net loss by removing tariffs.

### 6.4. Government procurement

6.4.1. All contracts over $125,000 must be opened to Singapore on an equal basis to local companies. The competitive position of local goods suppliers is weakened by the Rules of Origin mentioned above. Service suppliers may be competing with companies from around the world using a Singapore base for tendering.

6.4.2. There are important restrictions on achieving social ends in procurement (Article 53): central or local governments cannot “impose seek or consider” making conditions on suppliers that would “encourage local development or improve the balance of payments accounts by requiring domestic content, licensing of technology, investment, counter-trade or similar requirements.”

6.4.3. Similarly, governments must “use value for money as the primary determinant in all procurement decisions” (Article 49), where “‘value for money’ means the best available outcome for money spent in terms of the procuring agency’s needs. The test of value for money requires relevant comparison of the whole of life costs and benefits relating directly to the procurement. ‘Whole of life costs and benefits’ include fitness for purpose and other considerations of quality, performance, price, delivery, accessories and consumables, service support and disposal.” (Article 48(g))

6.4.4. The effect of these provisions is likely to be that central government and, more often, local government, will not be able to use its spending power to simultaneously achieve social aims. Those aims typically include supporting non-profit groups, creating employment, and regional economic development. Commercialisation will be encouraged, as described in relation to services.

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[5] “New Zealand Now: Income”, Statistics New Zealand, February 1999.

[6] “Tariffs in the New Zealand Textiles, Clothing and Footwear Industries”, A report for the NZ Trade Union Federation, by Tim Hazledine, Professor of Economics, University of Auckland, 14 October 1997, presented as a submission to the Review of Post-2000 Tariff Policy, October 1997.

## 7. Conclusion

7.1. The Singapore government and Singaporean companies have been very active investors in New Zealand – far more so than New Zealand companies in Singapore. By no means all the effects of this investment have been benign, and much of it has been takeovers and/or investment in property with little benefit to New Zealanders. Job creation, where it has occurred, has been overwhelmingly in low-paid and insecure positions.

7.2. As with all foreign investment, there is a demonstrable need for more, rather than less, control of the quantity and type of investment that is allowed into New Zealand. The need is particularly highlighted by the fact that Singapore actively pursues such policies at home, successfully seeking high value-added industry and services, in contrast to much of its investment here.

7.3. The most immediate need is to control our mountainous foreign debt and precarious current account deficit.

7.4. This Agreement will further reduce our ability to regain such controls. But more, it is another agreement that forces continued liberalisation of New Zealand's trade and investment policies. Continued liberalisation in itself will conflict with the new government's economic and regional development policies. But in its moves in the direction of the MAI, APEC, and NAFTA, we are perilously close to a position of no return. It will become impossible to reclaim our ability not only to control foreign investment, but also many options for economic development. Our ability to take anything more than superficial action to close social and regional gaps will be permanently foreclosed to New Zealand central and local governments.

7.5. In addition, and perhaps most importantly, the Agreement is of special and wider concern because of its significance as a "Trojan Horse" or catalyst for further similar agreements with other ASEAN nations, and as a back door entry for investors from other countries. Even if its provisions turn out to make little difference to the already highly liberalised New Zealand-Singapore relationship (which we doubt), they will set a new pace, and undermine our ability to reintroduce a range of controls, in the wider context.

**7.6. We therefore reject the whole principle of this Agreement. We submit that, given the increasing and widespread New Zealand and international opposition to the effects of trade and investment liberalisation, most clearly represented by the events inside and outside the WTO meeting at Seattle last December, and increasing evidence of the falsity of the theories and concepts on which it is based, that a moratorium and public inquiry should be held before embarking on yet another act of liberalisation.**

# Appendix 1: Statistical data

New Zealand's Overseas Debt

| Year to March | Overseas Debt $Million | GDP $Million | Exports of Goods and Services $Million | Ratio of Overseas Debt to : GDP % | Exports % |
|---|---|---|---|---|---|
| 1994 | 72,545 | 80,793 | 25,044 | 89.8 | 289.7 |
| 1995 | 69,975 | 86,543 | 26,932 | 80.9 | 259.8 |
| 1996 | 75,425 | 91,409 | 27,238 | 82.5 | 276.9 |
| 1997 | 81,300 | 95,125 | 27,529 | 85.5 | 295.3 |
| 1998 | 99,348 | 98,035 | 28,571 | 101.1 | 347.7 |
| 1999 | 102,412 | 98,858 | 30,431 | 103.6 | 336.5 |
| **2000** | **109,064** | **103,549** | **33,110** | **105.3** | **329.4** |

*Source: Statistics New Zealand. Various Hot Off the Press releases on Overseas Debt, GDP and Balance of Payments.*

Balance of Payments Major Components

| Year ended March | Balance (inward less outward payments, in $million) on: Goods | Services | Inv Income | Transfers | Current a/c | GDP | Ratio of Current a/c to GDP |
|---|---|---|---|---|---|---|---|
| 1994 | 3,136 | -899 | -4,521 | 1,470 | **-814** | 80,793 | -1.0% |
| 1995 | 2,092 | -591 | -5,955 | 1,811 | **-2,644** | 86,543 | -3.1% |
| 1996 | 995 | -141 | -5,999 | 255 | **-4,891** | 91,409 | -5.4% |
| 1997 | 996 | -462 | -7,264 | 756 | **-6,014** | 95,125 | -6.3% |
| 1998 | 1,409 | -1,014 | -6,399 | 477 | **-5,528** | 98,035 | -5.6% |
| 1999 | 1,422 | -1,160 | -4,976 | 359 | **-4,358** | 98,858 | -4.4% |
| **2000** | **-811** | **-423** | **-6,604** | **509** | **-7,329** | **103,549** | **-7.1%** |

*Source: Hot off the Press Balance of Payments various March years, Statistics New Zealand.*

# Appendix 2: Singapore Investment in New Zealand – the current situation

Data on the investment relationship between New Zealand and Singapore are, like most bilateral data, hard to come by. Statistics New Zealand provide the information shown in Table 1, which has been available only since 1994 and relates only to *direct* investment (investment where control is intended, as distinct from portfolio investment or debt). It shows a considerable imbalance between the two countries.

In most years the flow of Singapore investment to New Zealand has been many times larger than the reverse. The total flow over those years, however, is dominated by the exceptional disinvestment of $0.7 billion in 1999. That abruptly reversed the pattern of the previous years, but continued at a much lower level in the year to March 2000. New Zealand investors also disinvested in comparable proportions in those two years.

Table 1

**Investment between Singapore and New Zealand**

Years Ended 31 March

*NZ$(million)*

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|
| Net flow of NZ Direct Investment to Singapore | 6 | 29 | 53 | 31 | 99 | -73 | -53 |
| Net flow of Singapore Direct Investment to NZ | 210 | 310 | 261 | 11 | 218 | -702 | -27 |
| Total NZ Direct Investment in Singapore | 97 | 154 | 175 | 176 | 301 | 288 | 193 |
| Total Singapore Direct Investment in NZ | 2,215 | 2,595 | 3,277 | 2,547 | 2,162 | 1,177 | 1,023 |

(Source: Statistics New Zealand – Direct Investment Statistics by Country and Country Groupings, March 1998, March 1999, *Hot Off the Press*)

The result of these flows is that Singapore direct investment in New Zealand stood at $1,023 million at 31 March 2000, while New Zealand direct investment in Singapore stood at less than a fifth of that – $193 million – at the same date. Singapore investment in New Zealand had been consistently above $2 billion since 1994, rising to a peak of $3,277 million in 1996. The 2000 stock of Singapore investment here is therefore at a much lower level than in previous years. New Zealand investors also disinvested from Singapore in 1999 and 2000. New Zealand investment in Singapore at March 1999 and 2000 was lower than 1998, but higher than the years before that.

There are no data available on the resultant investment income flows, but it seems certain that they are heavily in Singapore's favour.

## *Singapore's investment policies*

Singapore takes a much more strategic – and interventionist – approach than New Zealand to the development of its economy. That applies also to the selection of foreign investment it has encouraged into the country, and to the strong government ownership of strategic companies, many of which are themselves important foreign investors. It also has a regime of investment incentives. As the WTO described it in its March 2000 Trade Policy Review of Singapore:

> "Along with a liberal trade and investment regime, the Government has sought to support Singapore's economic development by implementing policies to encourage certain activities. In the past, this included direct government involvement in key sectors through government-linked companies, which are currently managed by a holding company (Temasek). In addition, the Government created statutory boards to implement its policies; their present role consists primarily of regulating and promoting economic activities that are thought to have high growth potential, as well as providing technical and marketing assistance. In order to encourage investment in the desired activities, a number of tax incentives have been provided. Most recently, with rising unit labour costs relative to other countries in the region, Singapore's trading advantage appear to be moving towards higher value-added manufacturing and services sectors; the Government has responded to this by establishing long-term development programmes, including tax incentives, to encourage investment in higher value-added activities."

Government-linked companies, according to the review, "some of which are the largest in Singapore … account for around 25% of the market capitalization of the Stock Exchange of Singapore". The areas the government aims to encourage are in high value-added manufacturing and services:

> "In 1998, manufacturing accounted for 22% of GDP. Singapore aims to maintain the share of manufacturing at around 25% of GDP and has actively promoted the development of high value-added manufacturing activities. This policy has been largely successful, with electronics dominating both manufacturing output and merchandise exports. Notwithstanding a cyclical decline in export demand in 1998, electronics and electronic products accounted for 43% of value added in manufacturing; office machines, including electronic products and telecommunications equipment accounted for almost 62% of merchandise exports.
>
> As in the case of manufacturing, government policies in services have encouraged investment in high value-added sectors. Currently, services account for around 64% of GDP and provide employment to around 70% of Singapore's workforce. The importance of services in the economy and the need to encourage the development of higher value-added activities has highlighted the need for accelerated liberalization in this sector. Reform in services has been deliberately gradual, however, so as not to cause unnecessary disruption and to ensure an orderly transition to full competition. Liberalization is most advanced in financial and telecommunications services. In other sectors, such as energy and water, which are important business inputs to manufacturing and services activities, reform is taking place more gradually."

It has not opened its economy to foreign-owned services to the degree New Zealand has:

> "Under the GATS, Singapore made commitments in 7 of the 12 sectors; commitments were not made in distribution services, education services, environmental, health-related and social services, and other services. In addition, only partial commitments were made in some sectors, notably transport, where commitments were made only in maritime transport, while no commitments were made in certain professional services, such as legal services."

It is in these areas that New Zealand negotiators gained concessions – despite concerns at the effect of opening up such services, especially education, health and social services, at home. Singapore has also made some concessions in telecommunications and finance. In the GATS agreement on telecommunications,

> "… Singapore committed to grant licences for up to two additional operators for public switched services and leased circuit facilities from 1 April 2000; this replaced the previous offer, under which exclusivity was granted to Singapore Telecommunications (SingTel) until 2007. Under the Agreement on Financial Services, Singapore's commitments include an offer to increase offshore bank lending limits to residents of Singapore from S$100 million per bank to S$200 million, and to allow up to 49% aggregate foreign equity ownership in locally owned insurance companies."

Singapore is one of the most dependent countries on foreign investment – more so even than New Zealand, the second most dependent amongst developed countries[7]. Nevertheless, as recorded in the Services and Investment Annexes to Agreement, it still has a number of restrictions, although these are steadily being removed:

> "Singapore's foreign investment regime is liberal, the exception being some services sectors and real estate, where there are limits on foreign investment. However, several of these restrictions are being gradually reduced or removed. Recent examples of this include the financial services sector, where a 40% limit on foreign investment in any locally incorporated bank has been abolished and the limit on foreign ownership of companies listed on the Singapore Stock Exchange raised from 49% to 70%; the previous cumulative 73.99% limit on foreign investment in the telecommunications sector was abolished in January 2000."

## *The nature of Singapore investment in New Zealand*

Official data is not available as to the nature of Singaporean investment in New Zealand. To provide that data, an analysis of the decisions of the Overseas Investment Commission (OIC) from December 1989 to May 2000 was made. The results are

[7] According to the UN's World Investment Report 1999, foreign investment stock in Singapore amounted to 81.6% of GDP, while in New Zealand it amounted to 46.2% of GDP.

tabulated in the appendix. It should be noted that they are a summary only. Naturally they can reflect only information released by the OIC: some information is suppressed by the Commission as being confidential. If investments are sold to a New Zealand party, that will not be recorded by the OIC. Further, some investment does not require OIC consent at all. Notably this includes investment, not involving land or fisheries, which is worth less than $10 million, or less than $50 million since November 1999, or involves the acquisition of less than 25% of a company.

An example of the latter escaping OIC records was the controlling interest gained by South East Asian interests – including Singaporean – in Brierley Investments Ltd (BIL) in 1996. This acquisition eventually led to the company moving its headquarters to Singapore. According to BIL's 1999 Annual Report, the Singapore Government, through Temasek Holdings, directly owns 5% of BIL. It and other Singaporean interests own more of BIL through the Camerlin Group which, with Temasek, controls the company through its 20% shareholding. BIL's holdings in New Zealand include

Air New Zealand Ltd (30%)
Cedenco Foods Ltd (49%)
Gold & Resource Developments NL (14%)
Sealord Group Ltd (50% – for sale)
Sky City Casino (63%)
Tasman Agriculture Ltd (66%)
Union Shipping Group (100%)

According to the OIC, there is also a 5% Singaporean interest in Fletcher Challenge Ltd (as at August 1999).

An example of a deal too small to require OIC approval is that of Mohan Mulani of Singapore, an associate of the principals of the Pacific Group. He took a controlling 75% stake in one of the then few remaining independent flour mills, Canterbury Roller Flour Mills, in March 1994. Possibly the smallest company then on the Stock Exchange, Mulani took over the company to get a listed company which he said he intended to "transform into a broader business in the food industry". He sold its flour-milling assets and it eventually moved into tourism, including Flexiplan Holidays and the Sovereign Resort Hotel, Methven, Canterbury. By May 2000 the company was about to lose its third (Singaporean) owner in six years, and was on the verge of insolvency, having been forced to sell the hotel in a mortgagee sale and liquidate Flexiplan (*Press*, "Canty Roller stake", 5/2/94; "Singapore bid for Canty Roller", 18/2/94; "Transco increases bid for CanRoller", 1/3/94; "Canterbury Roller sells fixed flour-milling assets", 2/4/94; "Flour mill boost planned", 23/4/94; "Auditors say Roller not a going concern", 9/5/00, p.14).

Finally, one important transaction had not yet been recorded by the OIC by May 2000: that of Singapore International Airlines purchasing a 25% stake in Air New Zealand. BIL was still left with 30% of the company.

The investments cover primary and secondary industry, but significantly in terms of the proposed Free Trade Agreement, are strongly focussed on tertiary industry: services.

## Primary industry

Interests include cattle and horse breeding, dairy, deer, kiwifruit, and other farming, forestry, horticulture, market gardening, orchards and vineyards. Most of these are relatively small holdings, the principle exceptions being in dairy, deer and, until recently, vineyards. In addition, BIL has interests in fishing through its Sealords interest, and vegetable growing through Cedenco. BIL also has a gold mining interest (Macraes) which is a subsidiary of its 14% owned Gold & Resource Developments.

In **dairy farming**, BIL's 66% ownership of Tasman Agriculture gives it control of 64 dairy units comprising over 13,000 hectares in the South Island (though it is currently selling them down), plus further farms in Tasmania. Counterpoint Equities (with a small Singaporean holding) for a time had control of the second-largest corporate dairy farmer, Dairy Brands, with 2,735 hectares of land in 14 South Island dairy farms in July 1999, but has since sold down its shareholding.

In **vineyards**, Corbans Wines was until September 2000 a subsidiary of the DB Group, and has substantial and constantly expanding land holdings. At February 2000 they stood at 556 hectares freehold and 97 hectares leasehold. The DB Group is 75% owned by Asia Pacific Breweries Ltd – in turn owned about 40% by Heineken of the Netherlands, 40% by Fraser and Neave of Singapore, and 20% in other Singapore holdings. In September 2000 DB sold Corbans to Montana Wines (28% owned by Lion Nathan of Japan). A further vineyard part-owned by a Singapore resident, remains.

**Deer farming** includes half a dozen examples, the most notable being the 2,144 hectare Lilybank Station, which was purchased for $1 by L.Y.A. Poh of Singapore from his business colleague, Tommy Suharto (Hutomo Mandala Putra), son of the deposed Indonesian dictator, in 1999. Poh has since purchased a further 279 hectare property. A 861 hectare portion of the Woodbine Station near Queenstown is also owned by a Singaporean for deer farming and tourism.

## Secondary industry

Interests in secondary industry cover beer brewing, and ice cream making.

**DB Group**, the second largest brewer in New Zealand, is 75% owned by Asia Pacific Breweries Ltd – in turn owned 40% by Heineken of the Netherlands, 40% by Fraser and Neave of Singapore, and 20% in other Singapore holdings.

**Tip Top Ice Cream** is owned by Peters and Brownes Foods Ltd of Australia, which is 21% owned by Asia Dairies Pte, a subsidiary of Fraser and Neave (see DB Group above)[8].

## Tertiary industry: Services

This is where the bulk of Singapore investment in New Zealand lies. The most significant categories are:

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[8] As at 30 September 1999, Fraser and Neave Annual Report 1999, p.45.

## Hotels

Singapore dominates New Zealand's tourist hotel sector. CDL, which owns or manages the Kingsgate, Millennium, Copthorne, and Quality chains, is the largest hotel owner in New Zealand. Hotel Grand Central, and the Pacific Group (Stanley and Freddie Tan of Singapore, with George Horsburgh, a New Zealand High Commissioner to Singapore in the mid 1980s), which has built apartment-style hotels in Queenstown and Christchurch, are also prominent. In addition there are a number of smaller operators.

## Commercial property

A large number of different investors are active in commercial property ownership and development. Two of the most active groups are the Pacific Group and Hind Hotels International (Jhunjhnuwala family). Both are also involved in hotel ownership and the Pacific Group is also developing residential properties. A particularly controversial investor was the group which proposed the development of the Britomart Centre in central Auckland, which had a small Singaporean shareholding.

## Transport

Air New Zealand is heavily Singapore-influenced through both the direct 25% ownership by Singapore Airlines, and the remaining 30% shareholding by BIL. Singapore Changi Airport has a 7% shareholding in New Zealand's main international airport, Auckland International Airport, and is seeking to increase that through the privatisation of Auckland City's shareholding. Both Changi Airport and Singapore Airlines are Singapore Government owned.

In addition, BIL owns the Union Shipping Group, which formed a "maritime pool joint venture" with one of its main competitors, the French-owned Australia New Zealand Direct Line, for the operation of a Trans-Tasman liner trade. The "pool" controlled 30-40% of the trade when it was formed in 1997.

## Residential and lifestyle development

CDL subsidiary Kupe, which acquired Landcorp Properties from the government in 1994, and then formed CDL Land, is active in buying and developing land for subdivision throughout the country. Universal Homes, which is listed in Singapore but 27% owned in China, is also very active in developing residential subdivisions in the North Island. The Pacific Group, and its subsidiaries City Life, Dynasty Pacific, and at one time the Habitat Group, specialises in developing up-market inner city apartments. There are a number of smaller operators or individual purchasers.

## Computer retailing and services

Computerland is 60% owned by Singapore Computer Systems, a 59% subsidiary of Singapore Technologies, which, when it made the acquisition in 1993, was owned by the Singapore Ministry of Defence. The company is one of the largest business computer retail outlets and service providers in New Zealand other than the major computer manufacturers. An interesting aspect of its services is computer training. It provides conventional training in Microsoft products and the like. However, its branch in Christchurch has used the New Zealand Qualifications Authority recognition of a "PTE" (private training enterprise) – the Canterbury Institute of Languages – to allow it to provide courses leading to the NZQA qualification, the National Certificate in

Computing Level 3. This allows students taking those courses with Computerland to claim government funding.

Renaissance is a major reseller of software and the head Apple agent in New Zealand. It is 51% owned by Electronic Mail International, controlled by Acma of Singapore through its 51% ownership.

### Other services

Other services represented include communications, finance, golf courses, a marina, a motor vehicle dealer, tourism (including three lodges) and the Sky City Casino (63% BIL).

## *Investment host*

Singapore also acts as the host for a number of companies which are not Singapore owned but use their Singapore branch to take shareholdings in New Zealand companies. Examples include Cerebos (fruit juices and drinks), Sitel Corporation (teleservicing marketing), Danone (French owner of Griffins biscuits), and games machines.

*26 September, 2000*

# Appendix 3: Details of Singapore investment in New Zealand

***notified by the Overseas Investment Commission December 1989 to May 2000***

*Note:* These are a summary only. Further details are available from CAFCA or the OIC itself. Naturally they can reflect only information released by the OIC: some information is suppressed by the Commission as being confidential. If investments are sold to a New Zealand party, that will not be recorded by the OIC. Further, some investment does not require OIC consent at all. Notably this includes investment, not involving land or fisheries, which is worth less than $10 million, or less than $50 million since November 1999, or involves the acquisition of less than 25% of a company. An example of the latter escaping OIC records was the controlling interest gained by South East Asian interests – including Singaporean – in Brierley Investments in 1996. Where an investor makes multiple investments under a single industrial category, they are collected below under the date of the first investment.

*(Shaded items once were Singapore owned but were later sold to owners from other countries)*

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| Appliance retail | June 95 | Noel Leeming | Lion City Holdings (Jumabhoy family) (38%). June 96, Murray International of Scotland took 41% (not clear what that left Lion City with). | Lion City sold out in November 97. |
| Beer | Feb 91 | Magnum Corporation (now DB Breweries) | Now 75% Asia Pacific Breweries (owned approximately 40% by Heineken of the Netherlands, 40% by Fraser and Neave of Singapore, and 20% in Singapore public) | Initially owned jointly with Brierley Investments. In November 93 Asia Pacific Breweries took 54.7% direct ownership and control. See also groceries. |
| Cattle stud | Feb 97 | 273 ha. freehold and 17 ha. riverbed leasehold in Marlborough | WH Holdings. | To establish joint venture with Te Mania Angus Stud. |
| | April 97 | 4 ha. Kaiapoi, Canterbury | WH Holdings, owners Wong Chun Win and Hoon Bee Teck | To establish joint venture with Te Mania Angus Stud. |
| Commercial property | Sep 91 | 50 Anzac Ave, Auckland | Albizia Investments Ltd, owned by Customhouse Building(s) Pte Ltd | |
| | Jan 92 | Jotham Developments Ltd – shopping centre at 277 Broadway, Auckland, and "Extreme on Broadway". | Newmarket Newzealand Ltd (registered in the British Virgin Islands, owned by Denis Chen Chiu Kao and May Jen Chiang Lio Sun ["Denis and May Jen"]) Also operated through associated company Auckland One. | July 93 bought KPMG Peat Marwick Centre, 9 Princes St, and 102-112 Symonds St, Auckland; October 93 bought Hunters Plaza Shopping Centre, Papatoetoe. December 99, May 2000 bought further land by the Broadway property. |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| | June 92 | Central Office Park Ltd – Penrose, Auckland | Hind Hotels International (members of the Jhunjhnuwala family) | In July 95 bought Florencia Properties, from Skellerup Group, which owns Skellerup manufacturing plants in Auckland and Christchurch, which Skellerup will lease back. |
| | Jan 93 | Park Tower, 2 Kitchener St, Auckland | Long Chuan Properties | |
| | Feb 93 | Bush Inn Shopping Centre and Tavern | Assobuild Properties Ltd (Chou Li Chen, Kim Loh Feng, Sim Lair Hee) | |
| | April 93 | Plimmer City Centre, Wellington | Grand Central (NZ) – owned by Hotel Grand Central | In August 93, bought Central Tower and Cashel St Car Parking Buildings, Christchurch, and further purchases under the $10 million OIC threshold since. |
| | May 93 | 3 ha. at Newmarket, Auckland | Lim Ming Siam (25%); Brunei shareholders (75%) | |
| | Aug 93 | Mid City Centre, Manners St, Wellington | DSJ Pte (Tan, Lee and Ng families) | |
| | Sep 93 | BP House, Wellington (followed by many others) | Getty Ltd (70% S. Tan) | Stanley and Freddie Tan (Singapore) and George Horsburgh (Aotearoa) are the principals behind the Pacific Group which has extensive property interests in Aotearoa, mainly in Central Business Districts, including office buildings, hotels and apartments. Its subsidiaries and associated companies include New Zealand Land Ltd, New Zealand Land Trust, Dynasty Pacific Corporation, and at one time the Habitat Group. |
| | Oct 93 | Hongkong Bank House, Queen St, Auckland | Sintau Ltd (Mr Ng Siong Tee and Ta Chang (Pte) Ltd) | |
| | Oct 93 | Property Link Holdings | Panoramic Island Ltd (Mr M. Mulani) | |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| | Dec 93 | Mayfair House, The Terrace, Wellington | Switch Enterprises (Ghaffar, Parikh and Musthafa families) | |
| | Oct 94 | Grand Complex, Wellington | Royal Properties Investment, a subsidiary of Hotel Royal Ltd | |
| | June 95 | 3751 sq. m. on fringe of Auckland City | Cook Street Developments (Brunei and Singapore) | To build 66 commercial and retail shop units. |
| | Sep 96 | Pacific Plaza Shopping Centre, Whangaparaoa, Auckland | Aral Property Holdings (registered in British Virgin Islands; owned in Singapore and Hong Kong) | |
| | Jan 97 | 8 ha. at Foxton | Scottie Holdings owned by William Cheng | Leased by BTR Nylex Operations Ltd. |
| | March 97 | 2 ha. in Viaduct Basin, Auckland | Heng Holdings S.E.A. (Pte) Ltd, a subsidiary of Tong Nam Contractors Pte Ltd, 90% owned by Heng Hiang Boon and Geng Boon Heng, 10% by Tan Leng Cheng of Singapore. | Perpetually leased to subsidiary, Quercus Investments Ltd, which Mancon Berhad of Malaysia took a 51% holding in September 97. Sold in October 98; "various stratum estate units" at 300 Queen Street Auckland, and 24 stratum units in Heritage Hotel, Christchurch, from Symphony Group bought in forced exchange. |
| | April 97 | 3.46 ha. in Auckland CBD – for Britomart project | Britomart Group, with some Singapore ownership. | |
| | June 97 | The Princess Wharf, Auckland – 2.22 ha. | Promet Private Ltd, subsidiary of Promet Berhad of Malaysia and listed on the Singapore stock exchange. | |
| Communications | Nov 94 | 20% of BellSouth New Zealand | Subsidiaries of Singapore Technologies, owned by the Singapore Government. | Increased in 35%, September 95. Sold to Vodaphone in September 1998. |
| | Aug 95 | Halbury Ltd | Pacific Century Telecommunications Ltd, owned by R Li | Intends to establish a private satellite based telecommunications network. |
| Computer retailing and services | Aug 93 | ComputerLand New Zealand | Singapore Computer Systems (controlled by Singapore Ministry of Defence through Singapore Technology Holdings) | |
| | March 95 | Renaissance Software, a subsidiary of Tri- | 51% owned by Electronic Mail International, controlled by | Ownership by EMIL has varied. |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| | | umph Industries | Acma of Singapore (51%) | |
| Conglomerate | Aug 91 | Salmond Smith Biolab | Transco Investments (Mulani family) | Fish, horticulture, food processing, scientific products and plasticware divisions. Later sold to Tiong family of Malaysia (completed February 1996) |
| | Aug 99 | 5% of Fletcher Challenge | | |
| Dairy farming | May 92 | 92 ha. near Hamilton | | |
| | Aug 98 | 79% of Dairy brands New Zealand Ltd, which owns 3,961 hectares of land in Canterbury, Otago and Southland | Counterpoint Equities Ltd (minority Singapore shareholding) | Sold, beginning in July 99. |
| | Sep 98 | Tasman Agriculture Ltd which owns 64 dairy units in the South Island, comprising over 13,000 hectares | 60.61% owned by Brierley Investments Ltd | Numerous farms bought and sold at various times. Recently declared intention to sell New Zealand farms, though bought further farms in May 2000. |
| Deer farming | August 90 | 404 ha., Kaipara | | |
| | Nov 90 | 71 ha. S. Kaipara Head (PR) | | July 93 – had "intended to settle" but changed their plans and sold the property. |
| | Aug 91 | 256 ha., Oxford, Canterbury (PR) | | Also Tourism |
| | Apr 96 | 145 ha., Rakaia Gorge, Canterbury | Malbeth Developments Ltd (owned by five residents of Singapore, one of Malaysia) | Also forestry |
| | Sep 97 | 861 ha. freehold and leasehold of Woodbine Station, Kinloch, Glenorchy, Queenstown | Mrs Siau Lin Chong | Also farm park tourism venture to be established. |
| | Sep 99 | 2,136 ha. Crown Pastoral Lease and 8 ha. freehold, Lilybank Station | Mr LYA Poh | Bought Willows deer farm, Millers Flat, covering 279 ha. in February 2000 |
| Entertainment | July 97 | 63.1% of Sky City Casino, Auckland | Brierley Investments Ltd | |
| Farming (gen- | June 90 | 1,747 ha. farm, | | |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| eral or unspecified) | | Hanmer (intend PR) | | |
| Finance company | March 96 | SBSA Mortgage Investments | Universal Homes (subsidiary of HIP Holdings Ltd, listed in Singapore, 27% owned in China) | Mainly engaged in residential subdivision. |
| Food manufacturing | March 90 | Griffin and Sons Ltd | Suffell Holdings Ltd (50% Britannia Industries Pte Ltd, Singapore; 50% BSN Groupe, France). By 1998 was a subsidiary of Danone of France, through its Singapore subsidiary, Danone Asia. | Manufacture and sale of biscuits, dressings, snack foods, small goods, convenience foods.<br><br>Shareholding changed in June 1991 to increase BSN (French) interest. |
| | March 97 | Tip Top Ice Cream | Peters and Brownes Foods Ltd of Australia, 21% owned by Asia Dairies Pte, a subsidiary of Fraser and Neave of Singapore. | |
| | Oct 97 | Food Solutions Group Ltd, owning 595 ha. farm land | Joint venture between Huttons NZ (70%, Brierley subsidiary) and Danone Asia Pte Ltd (30%, Singapore). Sold to Kiwi Co-operative Dairies subsidiary Mainland, in 1999. | Manufacturing and wholesaling pig foods, smallgoods and convenience foods. |
| | March 98 | Coffee business of Unilever | FreshFoods Holdings | |
| Forestry | July 93 | 557 ha. at Mangamuka, Northland | Messrs Chua and Lee | Also own most of Sweetwater Nurseries Ltd which in October 93 bought 30 ha. at Awanui, Northland for a tree nursery and in March 94 leased an adjacent 28 ha. Sweetwater is largely owned by Agroforestry Development (NZ) Ltd (April 94, 75% sold to Chinese company – though appears still to be Singapore owned – see November 97) – see Orchards, Market Gardening. In August 94, Fortknox Investments, owned by the Chinese company with 75% of Agroforestry bought a 75% interest in 559 hectares at |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| | | | | Mangamuka Forest, and in February 97, bought the remaining 25%. |
| | Sep 93 | Cutting rights over 75 ha. on the West Coast and 48 ha. in Canterbury | Ngo Chen Long (Singapore) and Lee Sai Wan (Indonesia) | |
| | April 95 | 68 ha. at Oamaru | | |
| | July 98 | 22 ha. south of Balclutha | Two Singapore citizens | |
| Golf courses | March 91 | 88 ha. Golf course near Queenstown. | Woodlot Farm Ltd: Peter Fong in partnership with New Zealander | Added to at various times. Capital from Prawiro, Indonesia, August 92. Shareholding changes September 93 and December 95. |
| | June 92 | Gulf Harbour Ltd and related companies. | Goh Cheng Liang | Also Marina – q.v. |
| Grocery wholesaling and retailing | Feb 91 | Magnum Corporation (Rattrays, Countdown) | 54% Asia Pacific Breweries | See also Beer. In June 1991 took over GUS – own Dollarwise, Supervalue retail chains; supply the IGA, Super Discounters, and Super Seven stores, and Value Rite hardware stores. In July 1992, sold to Foodland Associated Ltd of Australia. |
| Holding company (i.e. Singapore company is not final owner – just a holding company) | Jan 97 | New Juice Ltd | 50% Cerebos Gregg's of Japan, 50% Rio Beverages | Fruit juices and drinks. Cerebos Gregg's is owned 50% by Cerebos Pacific of Singapore, which in turn is owned 84% by Suntory of Japan. |
| | Jan 97 | Telebusiness New Zealand Ltd | Sitel Asia Pacific Holdings, owned by Sitel Corporation, U.S.A. | Teleservicing marketing. Sitel Asia Pacific Holdings is incorporated in Singapore but owned in the U.S.A. |
| | March 97 | 50% of Timeout Northlands Ltd | L.A.I. Asia PTE Ltd, subsidiary of Steinberg International Pte of Singapore, owned by Aberdee Pte of Australia. | Entertainment |
| Horse breeding | Sep 90 | 43 ha. Cambridge (PR) | | |
| | Apr 91 | 31 ha. S. Auckland | Nawa Corporation | |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| | May 93 | Colmere Investments (16 ha. at Clevedon); Bardsleigh Properties (4 ha. at Clevedon) | Maltese Cat Ltd, owned by the McLean family. | A further 4 ha. bought in November 95. |
| | Oct 96 | 8 ha. Ruakaka, Whangarei | North Star Racing Ltd, owned 50% by a Swedish national residing in Singapore | |
| Horticulture | Sep 90 | 4 ha. Tauranga (PR) | | |
| Hotels | Oct 90 | Kingsgate International Corporation Ltd | 71% Jit King Investments and Tai Tak Securities | 1993 sold five hotels to CDL and 1994 50.35% of the company acquired by CDL (see below); another 32% also owned in Singapore. |
| | June 91 | Parkroyal Hotel, Queenstown | Wedson Holdings | From Magnum Corporation |
| | Aug 91 | Quality Inn, Durham St, Christchurch | Casuarina Enterprises | |
| | Oct 91 | THC Hotel Queenstown | Mayview Holdings | |
| | Apr 92 | Euro-National Corporation | CDL Hotels New Zealand (City Developments Ltd, Hong Leong Parties) | Singapore, Malaysia and Aotearoa owned Now biggest hotel owner in Aotearoa. July 93 bought 70% of Quality Inns chain; September 93 bought five Kingsgate hotels, in April 94, 50.35% of the company acquired by CDL and July 94 got approval to acquire whole company; another 32% also owned in Singapore; November 93 bought Auckland City Travelodge; July 94 bought 49% interest in Waitangi Resort Hotel (renamed Quality Resort Waitangi) and announced construction of new hotel in Queenstown. |
| | Oct 93 | ParkRoyal Hotel, Queen Elizabeth Square, Auckland | Raffles New Zealand Ltd (Kumar brothers and V Ramayah). In November, sold to their company Royal | Bought from DB Group. Managed by Accor Asia Pacific under the Novotel brand. November 94, |

| Industry | Date | Company/asset | Owner | Comments |
| --- | --- | --- | --- | --- |
| | | | Wordwide Pte Ltd. In May 96 sold 50% to Probo Pacific owned by AB Catena of Switzerland. | Raffles took control of Holiday Inn Hotel Queenstown. In January 97, Tourism Asset Holdings Ltd, majority owned by AAPC (France), bought out both Raffles companies. |
| | Oct 93 | Lakeland Hotel, Queenstown | Tropical Resorts Ltd (Wah-Chang Group of Singapore, 40%, Natsteel Resorts International Ltd of Singapore 19%, Chang-Fung Company Ltd, Hong Kong 12%, Japan-Asia Investment Company Ltd of Japan 19%, and Asian Strategic Capital Ltd of Hong Kong 10%.) | Bought by Veloso Group, a trust company for Tropical Resorts, in November 94.<br><br>Bought by Noahs Regency Hotel Ltd of Australia in June 1998. |
| | June 94 | Housing Corporation Building, Cathedral Sq, Christchurch | Jegual Investments Ltd | Developed into Millennium Hotel |
| | Nov 94 | Holiday Inn Hotel, Queenstown | Raffles Queenstown Ltd (60% Raffles South Island – owned by R and A Kumar of Singapore) | In January 97, Tourism Asset Holdings Ltd, majority owned by AAPC (France), bought out both Raffles companies. |
| | Dec 94 | 220 ha. at Warewaka Point and Tauhara Station, Taupo | Taupo Resort Investment Ltd, subsidiary of Pidemco Land Ltd owned by the Singapore Government | To be developed into “an integrated resort which will consist of an international standard hotel of 200-300 rooms, and 18 hotel golf course, villas, condominium units, a club house and other facilities.” |
| | March 95 | Old Government Building and Carucca House, Cathedral Square. Greenstone Lodge, Fernhill. | Pacific Group of Stanley and Freddie Tan (Singapore) and George Horsburgh (Aotearoa) with the Symphony Group (Aotearoa). In November 96 purchased remaining interest in Greenstone Lodge. Pacific Hotel Trust, owned 25% by Dynasty Pacific Group, set up in September 97 to own these and other Citylife/Heritage developments. | Began development of apartment-style hotels in Christchurch (the Randolph) and in Queenstown. June 1995, Farmers building in Auckland – constructing a 200-room hotel and five-level retail centre on the 1.2 hectare sit. |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| | July 95 | James Cook Hotel, car park and commercial and retail properties, Wellington | Singapore/Malaysia Consortium – Singapore partner Hotel Grand Central Ltd | September 95 bought Auckland Airport Hotel, Manukau City. |
| | Jan 96 | Regent Hotel, Auckland | Hai Sun Hup Group | |
| | Sep 96 | Auckland Airport Travelodge | Glopeak NZ Hotels, a subsidiary of Singatronics Ltd | |
| | May 97 | Sheraton Rotorua | Consortium including Thiam Soon Ng, Lian Seng Tan and his Lawindale Holdings of Singapore. | |
| | July 99 | Hyatt Regency Hotel Auckland | Savoy Trust | |
| Kiwifruit | Nov 90 | 5 ha. Tauranga (PR) | | |
| Marina | June 92 | Gulf Harbour Ltd and related companies | Goh Cheng Liang. In May 96 he reduced his holding to 55%, Sim Lai Hee and Tay Kang Thiam each acquiring 20% | Also golf course – q.v. |
| Market gardening | March 92 | 92 ha. at Cambridge | Agroforestry Development (NZ) (April 94, 75% sold to Chinese company) | Herbs; also chestnuts – see Orchard. Also see forestry. |
| Motor dealership | April 98 | Continental Car Services | Sime Singapore Ltd, 69% owned by Sime Darby Berhad of Malaysia | |
| Orchard | March 92 | 92 ha. at Cambridge | Agroforestry Development (NZ) (April 94, 75% sold to Chinese company) | Chestnuts; also herbs – see market gardening. Also see forestry. |
| | April 93 | 5 ha. at Harewood, Christchurch | | Pipfruit |
| Residential or lifestyle development | June 94 | 4 ha. Meadowbank, Auckland | Remuera Park Ltd (Mr Yeo Singapore, 50%, Messrs Lim and Lim of Brunei 25% each) | Townhouses |
| | Oct 94 | Landcorp Property including 47 land development projects and 1,450 ha. freehold land throughout Aotearoa. | Kupe Group, 56% owned by CDL Hotels New Zealand | In November 94, CDL gained approval to acquire other 44% of Kupe if opportunity arose. CDL Land has also acquired numerous pieces of land for subdivision. Some pieces of Landcorp's land have been sold since and further acquired – e.g. 16 hectares at Welcome Bay, Tauranga (approved |

| Industry | Date | Company/asset | Owner | Comments |
|---|---|---|---|---|
| | | | | November 95). |
| | July 95 | City Life Apartments, The Terrace, Wellington | City Life Holdings (Wellington), subsidiary of New Zealand Land Trust | Bail out by one part of Pacific Group by another. In December 95 they were bought by another related company, Dynasty Pacific Corporation. |
| | March 96 | 9 ha. at Weymouth, Manurewa | Universal Homes (subsidiary of HIP Holdings Ltd, listed in Singapore, 27% owned in China) | For residential subdivision. First of many such projects. Also acquired SBSA Mortgage Investments in August 96. |
| | Oct 96 | 10 ha. at Gulf Harbour, Whangaparaoa | Hibiscus Hills Ltd, owned by Investors Realty Group Properties, owned in Singapore (registered) and Malaysia | |
| | Nov 96 | 67 ha. Kelly's Cove, Auckland | Lion Holdings Ltd, 55% owned by Manukau Properties Ltd, owned by Brian Chang, Singapore resident. | |
| | Dec 96 | Henley Downs Holdings Ltd, owning 707 ha. 12 km south of Queenstown adjoining Lake Wakatipu | Two residents of Singapore | |
| | July 98 | 0.29 ha. and 0.26 ha. plus 1/27th share each of Closeburn Station, Queenstown | High Country Lakes Ltd, majority owned by Mr Ang Kong Hua of Singapore, and Lot 10 Closeburn Ltd, owned by Suppiah Dhanabalan of Singapore, resp. | Blocks for residential development, plus share of running costs of station. Two Singapore residents bought a further block in November 98 and a further one in February 2000. |
| | Aug 98 | 34% of La Pointe Beach Estates Ltd which owns 48 ha. at Ruakaka, Northland | Edwin Sheares of Singapore | |
| | Sep 99 | 26 ha. north of Te Anau | Lai Kiat Yeong | |
| Tourism | Jan 95 | Russell Slipway and 4 ha. at Russell, Bay of Islands | Rucinon Investments, owned by the Tan family of Singapore (also shareholders in the Pacific Group) | Resurrect and sell slipway and develop tourist venture on the land. |
| Tourist farm | Oct 93 | 48 ha. Cherry Blossom Meadows Woodhills Estate, S. Kaipara Head | J.B. Curran | |

| Industry | Date | Company/asset | Owner | Comments |
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| Tourist lodge | Jan 92 | Tourist lodge at Cromarty, Fiordland | Fiordland Wilderness Lodge Ltd (50% GKC Wuu of Singapore) | Some land sold to Wuu to raise funds, and further 17 ha. bought at Otatara for an airfield, October 92. |
| | Dec 93 | Armalite Holdings, owning 13 ha. in Queenstown | Anthony Chan | "Farm-stay chalet" |
| | Aug 94 | Moose Lodge and 32 ha. by Lake Rotoiti (Omni Realty and Services; and Omni Resorts) | Rosalind and Shirley Chan of Singapore, and Kazuyuki Ohashi of Japan | |
| Transport | Feb 97 | Union Shipping Group | NZ Maritime Holdings Ltd, owned by Brierley Investments Ltd | NZMH buys out TNT's 50% share, giving it complete control. Also formed a "Maritime Pool Joint Venture" with Groupe Bollore Technologies of France, owner of the Australia New Zealand Direct Line – ANZDL. Some exchange of interests followed. |
| | June 99 | 59.52% of "A" shares and 34.19% of "B" shares, totalling 47.11% of Air New Zealand | Brierley Investments | Includes 209 hectares of freehold and 4,803 ha. of leasehold land including Coronet Peak and Mt Hutt skifields and high country airfields. |
| | Nov 99 | Auckland International Airport | 7.14% owned by Singapore Changi Airport Enterprise Pte Ltd, owned by the Government of Singapore | Is looking to increase its shareholding. |
| Viticulture | Sep 93 | Marlborough Cellars Ltd, incl 11 ha. vineyard at Cloudy Bay | Corbans Wines. | Many other pieces of land bought for vineyards between 1993 and 2000: total 556 ha. freehold, 97 ha. leasehold at February 2000.<br><br>Sold by DB Group to Montana Group, 28% owned by Lion Nathan of Japan, September 2000. |
| | April 2000 | 19 ha. between Tarras and Cromwell, Central Otago | Aurora Vineyard Ltd (25% owned by I. Scott of Singapore). | |