Foreign Direct Investment to New Zealand

By Joanna Scott-Kennel

Foreign-owned enterprises employ a significant and increasing percentage of the country’s workforce. What are the implications for the economy?

In the mid-1990s, New Zealand relied more heavily on foreign direct investment (FDI) as a source of fixed capital formation than any other developed country (UNCTAD, 1999). The figure reached 38% by the year 2000. Inward FDI stock as a percentage of gross domestic product (GDP) rose to 49% (UNCTAD, 2002), an increase of more than 400% from $9.7 billion in 1989 to $52.5 billion in 2003 (CAFCA, 2003). As a result, FDI accounts for a significant proportion of output (GDP) and jobs in New Zealand, with foreign owned firms being larger, on average, than domestic firms. Data from Statistics New Zealand (SNZ) indicates that, in 2002, foreign-owned enterprises accounted for two percent of the total number of enterprises, but employed 18 percent of New Zealand’s workforce. Foreign owners also control an estimated 47% of the sharemarket (CAFCA, 2003).

Over the past two decades, there has been growing global recognition of the importance of FDI to economic growth and performance. In New Zealand inward FDI has been associated with development and growth of many traditional industries, such as meat and banking (Akoojie, 1996a). However, despite New Zealand’s heavy reliance on FDI, there is a lack of systematic, empirical research on the impact of FDI on the current industry environment. In late 1960s, Deane (1970) found that a large proportion of FDI coming into New Zealand was greenfield, import-substituting investment largely undertaken to avoid protectionist measures. Since then, the composition of inward FDI has changed; today’s foreign investors are more likely to acquire existing assets or companies. The level of inward FDI stock into New Zealand is also declining as a proportion of all investment flows; from $64 billion in 1998, to $52 billion in 2003. Although this decline is in line with international trends, it signals the dangers of becoming complacent about our ability to attract direct (rather than portfolio) investment (Yee, 2004).
Hence, the importance of understanding the impact of FDI on New Zealand today cannot be overstated. The country depends on this external source of capital for economic growth, yet there has been a real lack of research on the topic. In order to address this gap, this article presents key findings from a study of FDI in New Zealand. The research examines the impact of inward FDI on New Zealand enterprises, by exploring the activities of locally-based, foreign-owned firms. Although the survey was conducted in late 1999 and early 2000 - prior to more recent fluctuations in FDI - it extends previous research by investigating both the immediate (first round) impacts of FDI on the foreign affiliate based in New Zealand, and longer-term (second round) impacts associated with linkages with local firms. It is also the only major empirical study on inward FDI to have been conducted since Deane’s (1970) study - evidence of the dearth of research on this topic from a New Zealand perspective.

FDI in New Zealand – Impacts and Research

Although New Zealand managers are well aware of the changing business environment and the necessity of remaining globally competitive, the contribution of inward FDI is under-recognised. Two types of impacts of inbound FDI can be identified: first round and second round. First round impacts arise from FDI-related capital flows, employment creation, and technology transfer. At the level of the firm these impacts are expected to improve the competitiveness of the locally based, foreign-owned affiliate relative to local competitors. For example, access to resources and international markets via the parent company enable an affiliate to compete more effectively in the local market (Enderwick, 1995). First round impacts, which have been the focus of most FDI research in New Zealand, are more immediate in nature – occurring at the time of the investment - making them more easily observed and measured.

Second round impacts are increases in economic activity and competitive upgrading by local firms as a result of direct and indirect linkages with foreign firms. Linkages such as local sourcing may not only increase demand for locally produced goods and services, but also encourage the diffusion of technology, information and knowledge, and managerial practices. Provision of technical or other types of assistance from foreign-owned firms can improve local firm capabilities, and indirect access to international markets via multinational channels enhances opportunities for exporting. Second round impacts are much more diffuse and more difficult to measure, given that they occur over a longer time period. As a consequence, they have not been subject to previous survey research in New Zealand (Enderwick, 1998). This is despite calls for research in this area, and recognition that second round impacts have equal, if not greater, potential for the upgrading of local capabilities (Dunning, 1993; UNCTAD, 2001).

Existing empirical research on the impact of FDI in New Zealand provides a rather narrow view of the overall situation (Enderwick, 1998) for the following reasons: focus on macro level analysis, first round impacts, and at the firm level, over-reliance on case study methodology. Macro level analysis (Rosenberg, 1961) fails to capture firm level impacts thus limiting our understanding of how the activities of multinational enterprises (MNEs) might affect local enterprises. Studies of first round impacts (Deane, 1970) fail to capture the longer-term effects of inward investment – these are particularly important in the case of acquisitionary (non-greenfield) investment. Case studies provide useful evidence of benefits or drawbacks associated with specific instances of FDI (Enderwick, et al. 1995; Akoorie, 1996b; Duncan, et al. 1997; Scott-Kennel, 1997; Martin, 2002), but are generally limited to examining a particular industry (Jaray, 1998; Chung 1994; Duncan et al. 1994) or type of investor (Cremer and Ramasamy 1996; Enderwick, 1995; Harper, 1994).

Recent research has questioned the relationship between the high level of inward FDI stock and economic growth and performance, arguing that FDI has not fulfilled its potential in New Zealand (Enderwick, 2003). Enderwick posits that MNEs
can contribute to renewal and upgrading of competitive advantage, although improvements to the investment climate, as well as attraction of the right types of inward FDI, should lead to greater benefits than have been apparent to-date.

**Why study the impact of FDI?**

In order to address the question of 'why study the impact of FDI', one needs to understand why investment by a foreign company differs from investment made by a purely domestic company. More than forty years of research in the area of MNEs and FDI provides a theoretical underpinning (see Dunning, 1993) that suggests that the MNE's ability to organise their unique, firm-specific assets and resources over many countries, and exploit the advantages of operating in these countries, fundamentally alters their approach to business, the nature of their assets and resources, and accordingly, the impact they have on host countries (Kogut, 1983).

In line with existing research, this paper proposes that the direct transfer of firm-specific advantages or resources from the foreign parent to a local affiliate, and subsequent employment of those resources in the host country has the potential to strengthen the capabilities of host country firms. Previous research (Dunning, 1993; Dunning & Narula, 1996) suggests that this upgrading may occur via intra- and inter-firm relationships or linkages. At the first-round level, the intra-firm (parent-affiliate) transfer of firm-specific assets and resources benefits the MNE's New Zealand affiliate. At the second-round level, the inter-firm (affiliate-local firm) transfer of resources has the potential to benefit local firms. Thus, the issues of interest are if, and how, these transfers occur. Specifically, the following research questions are addressed:

**First Round Impacts on the Affiliate**

1) What resources are transferred from the foreign parent to the New Zealand affiliate?
2) What is the extent of reliance on resource transfer by the affiliate?
3) Are innovations introduced to New Zealand by the affiliate sourced from foreign parents or developed locally?
4) What resources and innovations contribute to the competitive advantage of the affiliate in New Zealand?

**Second Round Impacts on Local Firms**

5) What is the extent of competitive, buy, supply, and collaborative linkage formation between the affiliate and local (NZ) firms?
6) What resources or assistance are transferred from the affiliate to local firms via buy, supply, and collaborative linkages?

**Multinationals in New Zealand – The Respondents**

The research questions were investigated using data collected through a postal survey, which followed the total design method (Dillman, 1978). The population of interest was New Zealand based companies that had 25% or more foreign (non-New Zealand) ownership. As firm-level foreign ownership data is not published in New Zealand, a database of foreign-owned enterprises was generated by cross-referencing secondary data sources, including international and national

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**TABLE 1: Foreign Parent to New Zealand Affiliate Resource Transfer**

<table>
<thead>
<tr>
<th>Resources</th>
<th>Extent of Reliance on Parent Resources (% of total number of affiliates, n=515)*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>none</td>
</tr>
<tr>
<td>Product [service] technology</td>
<td>11</td>
</tr>
<tr>
<td>Production [service del.] technology</td>
<td>20</td>
</tr>
<tr>
<td>Research and development</td>
<td>16</td>
</tr>
<tr>
<td>Management practices/culture</td>
<td>7</td>
</tr>
<tr>
<td>Marketing systems</td>
<td>14</td>
</tr>
<tr>
<td>Distribution systems</td>
<td>28</td>
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<tr>
<td>Employment practices</td>
<td>23</td>
</tr>
<tr>
<td>Human resources and skills</td>
<td>22</td>
</tr>
<tr>
<td>Training (or training systems)</td>
<td>21</td>
</tr>
<tr>
<td>Economies of scale or scope</td>
<td>20</td>
</tr>
<tr>
<td>Access to inputs</td>
<td>35</td>
</tr>
<tr>
<td>Access to information, experience and expertise</td>
<td>5</td>
</tr>
<tr>
<td>Access to markets</td>
<td>26</td>
</tr>
<tr>
<td>Access to finance</td>
<td>12</td>
</tr>
</tbody>
</table>

* figures are subject to rounding
business directories, membership lists of business associations, media reports and approval data from the New Zealand Overseas Investment Commission. The survey was sent out in late 1999 (with a follow-up in early 2000) to all New Zealand head offices of foreign-owned companies (affiliates) included in the database.

A total of 516 fully completed questionnaires were returned from the population of 1554, giving a 33% useable response rate. Of the 516 respondents, 63% represented a New Zealand affiliate (ie. a branch or subsidiary) of a multinational company. A further 25% were formerly New Zealand-owned companies that had been acquired by foreign companies. The remainder were either joint ventures (6%), or firms owned by foreign individuals (13%).

On average, the New Zealand affiliates had been established for over 27 years, and had been owned by their current foreign investor for almost 17 years. The survey revealed that the past two decades have been active times for foreign investment, as 76% of the affiliates were set up or acquired by their present overseas investors after 1980, and 46% from 1990 onwards. Half of the parent companies were based in the U.S. and Australia (one quarter each), 10% were based in Japan and 9% in the U.K. Respondents came from all industry sectors, with manufacturing firms making up 31% of the sample, followed by wholesale trade (27%), property & business services (10%), and finance & insurance (8%).

Proximity to markets and customers in New Zealand and/or Asia-Pacific was the most common reason given for investing in New Zealand, followed by protecting and advancing competitive position for the parent company and shareholders, then conducting trade and/or supporting activities for the parent. The affiliates accounted for NZ$28 billion in sales (based on the financial year prior to the survey, typically 1998 to 1999) and employed a total of 85,626 staff. Despite their local market focus, exporting was also important for these firms; over half (54%) of the respondents were involved with exporting, which accounted for an average of 35% their sales. Research and development (R&D) was conducted in New Zealand by 55% of the affiliates, it accounted for 4% of sales (on average).

Impact of FDI - Results

First Round Impacts on Affiliates.
All of the foreign-owned affiliates indicated that they relied on the transfer of resources from their foreign parent companies, although the extent of this reliance varied. Table 1 shows that over half the affiliates had a major or complete reliance on their parent for finance, product (or service) technology, and information and expertise. R&D, management practices, and production (or service delivery) technology resources were also obtained from the foreign parent. Affiliates appeared more independent in terms of resources relating to distribution systems, employment practices, human resources and skills, and training (refer Research Questions 1 & 2, pg 43).

In order to identify unique resource transfer, the survey also asked the affiliates about innovation. Were they benefiting from their foreign parents’ innovations or engaging in innovation independently in New Zealand? Eighty per cent of affiliates reported some innovation during the past three years, most frequently linked to products, product (or service) technology, and production (or service delivery) technology. Figure 1 shows that while product (or service) technol-
ogy, but there is also plenty of local innovation conducted by the affiliate (Question 3).

Table 2 shows the extent to which different types of resources contribute to the affiliate’s competitive advantage relative to other New Zealand competitors (Question 4). It is clear that both technology-related and managerial (HR) resources are the most important, although all resources contribute to overall competitiveness. Linking these results with those of questions 1-3, it is apparent that the most important sources of competitive advantage may come from parent companies in the form of technology, parent and affiliate joint effort in the form of management practices/corporate culture; or from the affiliate itself in the form of human resources and marketing systems.

In summary, the results strongly suggest that affiliates rely on multiple sources for competitive advantage, and the parent company plays an important role in providing resources associated with competitive advantage. These findings provide evidence that the transfer of resources and innovations from the foreign parent to the local affiliate, combined with independent local development of more location-bound resources, is fundamental to competitiveness in the New Zealand business setting. They also reveal the distinct and largely positive first round impact of foreign investment on the local affiliate’s operations. The foreign affiliate not only draws on local resources and competences in the same way a domestic firm would do so, but also taps in to foreign sources of technology, knowledge and other firm-specific advantages from parents and related affiliates internationally.

**Second Round Impacts on Local Firms.**

Foreign affiliates exert considerable competitive pressure over other New Zealand firms via indirect competitive linkages (Question 5). The majority of respondent affiliates indicated that they were the dominant (70%) or only firm (3%) in their industry in New Zealand. Almost all said that competition had been increasing in their industries. The affiliates indicated that, on average, they had a moderate influence on the level of competition between firms, as well as the competitiveness of other firms in their industry over the past three years. While the self-reported nature of these findings mean they should be interpreted with caution, they are suggestive of the dominant role affiliates play as competitors in New Zealand.

This competitive pressure can be attributed to the size of foreign affiliates relative to other firms9, as well as their abilities to draw on the resources and competencies of their foreign shareholders. Local firms are forced to raise standards to international levels in order to compete with the affiliates in the domestic market, particularly for products and service offerings for which affiliates rely heavily on parent companies. Affiliates are also likely to contribute through demonstration effects whereby local firms learn of, and try to emulate innovations introduced by the affiliates.

All foreign-owned affiliates were involved in buying and supplying a wide range of products and services in New Zealand through buy and supply linkages (Question 5). On the demand side, 79% of affiliates relied on New Zealand suppliers for specialised products, and 89% for specialised services10. However, most affiliates (over 80%) also rely on foreign sources of inputs, particularly specialised products. Fewer specialised products are sourced in New Zealand than internationally via foreign parents, but sourcing of specialised products from these sources is roughly the same. Nearly half of the affiliates indicated that New Zealand suppliers were only able

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**TABLE 2: Competitive Advantage of New Zealand Affiliates**

<table>
<thead>
<tr>
<th>Competitive Advantage</th>
<th>None</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Completely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product [service] technology</td>
<td>5</td>
<td>9</td>
<td>22</td>
<td>55</td>
<td>9</td>
</tr>
<tr>
<td>Production [service del.] technology</td>
<td>9</td>
<td>16</td>
<td>28</td>
<td>43</td>
<td>4</td>
</tr>
<tr>
<td>Management practices/culture</td>
<td>4</td>
<td>20</td>
<td>34</td>
<td>38</td>
<td>3</td>
</tr>
<tr>
<td>Marketing systems</td>
<td>6</td>
<td>20</td>
<td>35</td>
<td>35</td>
<td>3</td>
</tr>
<tr>
<td>Distribution systems</td>
<td>14</td>
<td>25</td>
<td>25</td>
<td>32</td>
<td>4</td>
</tr>
<tr>
<td>Human resources and skills</td>
<td>5</td>
<td>19</td>
<td>29</td>
<td>43</td>
<td>5</td>
</tr>
<tr>
<td>Economies of scale or scope</td>
<td>14</td>
<td>18</td>
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<tr>
<td>Access to inputs</td>
<td>24</td>
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<td>4</td>
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<tr>
<td>Access to markets</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>33</td>
<td>6</td>
</tr>
</tbody>
</table>

*figures are subject to rounding
to supply specialised products to a minor extent or not at all. These results signal supply difficulties in New Zealand, and a preference for intra-firm (parent-affiliate) purchasing.

On the supply side, 77% of affiliates had supplied specialised products and services to New Zealand companies in the past three years, including new product and services, designs, and technology. Approximately, three quarters of these products and services were either developed by the foreign parent, or were jointly developed by the parent and the New Zealand affiliate. These results suggest that New Zealand industry benefits from access to specialised products and services from foreign sources (often adapted to local conditions) that otherwise would not be available.

In the twelve months prior to the survey, over half (52%) of the foreign affiliates surveyed gave assistance or resources to other New Zealand firms to help improve their products and services (Question 6). Forty per cent of the affiliates gave assistance to agents and customers, and 22% to suppliers and subcontractors. Figure 2 shows that local firms benefited from technical assistance, product component specifications, staff training, and information about markets, suppliers and contacts. This result concurs with previous studies, which have found that foreign affiliates form on-going relationships with local firms to facilitate procurement from suppliers (UNCTAD, 2001; Duncan et al., 1997). However, this study makes a distinct contribution by finding that agents and customers, rather than suppliers, seem to benefit more frequently from such relationships.

The most interesting findings in this study, however, were related to the formation of collaborative linkages. In the three years prior to the survey, almost one third (29%) of the respondents formed at least one collaborative agreement11 with a New Zealand partner (on average one agreement annually) (Question 5). To facilitate response, foreign affiliates were asked to comment on their single most important collaborative agreement during this time. These agreements were formed for the purposes of distribution or marketing (40% of agreements), technology or product development (20%), access to resources and supplies (20%), management contracts (10%), and for strategic reasons (8.5%).

Most of these agreements involved a two-way transfer of resources from the foreign-owned affiliate to the New Zealand partner (82%) and vice versa (72%) (Question 6). Figure 3 shows that a wide range of resources were transferred between the firms, with information, experience and expertise, and product/service technology being transferred most frequently. Local firms also received production technology, R&D, marketing systems, training, specialised inputs and access to markets.

Half of these collaborative agreements involved the transfer of unique resources between the firms: specifically 34% of agreements involved the transfer of unique product or service related technologies, 15% transferred unique production (or service delivery) technology, 12% transferred unique information, experience or expertise, and 9% transferred unique R&D. The collaborative agreements also involved joint devel-
opment of resources by foreign and local partners in 43% of cases. This finding is important because it shows New Zealand firms are gaining access to unique resources that otherwise would not be available to them outside of these collaborative agreements, and that foreign and local firms are cooperating for mutual development of firm-specific assets and resources. Also, given that results presented earlier in this paper indicate that product, production and technology related resources are most frequently sourced from overseas parents, this suggests that collaborative partners benefit from the transfer and development of resources associated with foreign investment. Thus, there is clear evidence of the potential for collaborative foreign affiliate–local firm agreements to develop local resources, capabilities and ultimately, competencies. These results are crucial to our understanding of FDI in New Zealand for two reasons; one, they address the lack of previous research on collaborative agreements, and two, they highlight the potential for second round effects via such agreements.

**Concluding Comments**

The objective of this research was to investigate the impact of inward foreign direct investment on New Zealand enterprises, based on a nationwide survey of foreign-owned affiliates. Our focus was the deployment of foreign resources within New Zealand by foreign-owned affiliates, specifically considering the transfer of such resources via linkages with local firms. The study found that New Zealand-based foreign affiliates benefited from resources from their parent companies, particularly in the areas of finance, products (or services) and technology. Affiliates were also responsible for introducing and adapting new innovations to the New Zealand market from offshore. At the first round level, affiliates gained competitive advantage in New Zealand through access to parent company resources and innovations, in conjunction with local development of these resources. Foreign parent companies contributed to the affiliates’ competitiveness in most areas of operations, particularly technology, but the affiliate contributed more to the development of location-bound competencies, particularly those relating to human resources and distribution. The implications of these findings are that, via the foreign affiliate, New Zealand industry benefits from the introduction and development of new technologies, innovations and operating practices by foreign-owned companies, but is also able to build on these competencies through local initiatives.

At the second round level, foreign affiliates generated demand for specialised services, but tended to rely more heavily on offshore parents for specialised products. This suggests that demand, particularly for locally produced specialised products, has the potential to be increased. This study also provides evidence that the impact of foreign investment on local firms is not limited to demand and supply. Competitive pressure by affiliates, as dominant players in their industries, encouraged local firms to improve operating capabilities. In
addition, over half of the affiliates provided assistance and resources directly to help local firms improve their capabilities, products and services. Almost one third of the affiliates formed collaborative linkages, such as strategic alliances, which involved both the inter-firm transfer of resources and the development of resources. Mutual transfer of both physical resources (e.g. technology) and intangible resources (e.g. knowledge and expertise) facilitated the upgrading of assets and resources by both foreign and local partners.

“...foreign investment may offer an alternative route for the future development of technologies, and access to international expertise and markets...”

While a causal link between foreign investment and local firm upgrading at the second round level cannot be confirmed by this study, it appears that foreign affiliates do contribute to local firms’ capabilities through on-going relationships involving resource transfer. The findings of this study are particularly important in light of previous research that has been limited to an assessment of buy and supply linkages - despite the fact that collaborative agreements have the most potential to contribute to local industry upgrading.

Overall, this research has provided a broader view of activities of foreign-owned firms in New Zealand. These findings have improved our understanding about the process by which foreign investment contributes to the capabilities and resources of local enterprises through resource transfer and/or diffusion within both intra-firm and inter-firm networks. The findings show that New Zealand firms have the opportunity to benefit from access to technologies, innovation and know-how that would not otherwise have been available in the domestic arena. Affiliates gain competitive advantages through intra-firm resource transfer and collaboration with local firms that have existing location-specific expertise and marketing networks. In turn, local firms improve their capabilities through access to resources and assistance via linkages with the affiliates. Complementarity between the resources accompanying FDI and those already available in New Zealand signals the benefit of linkages to both local and foreign firms.

Affiliates, particularly former New Zealand companies acquired by foreign investors, not only maintain or establish networks and linkages within New Zealand, but also draw on their foreign parent and associated companies internationally. There are two important implications for New Zealand firms. First, foreign investment may offer an alternative route for the future development of technologies, and access to international expertise and markets - both critical to the growth of small firms from small economies (Skilling, 2001). Second, New Zealand firms acquired by MNEs, and even those with linkages with foreign affiliates, can go on to act as conduits for intra- and inter-firm resource transfer.

It is also apparent from the results that resource transfer continues long after the initial investment has been made. This underscores the importance of evaluating the second round impact of existing investment, rather than just the immediate changes to capital, technology and employment associated with new greenfield FDI. Given that greenfield investment accounts for only a small proportion of inward FDI into New Zealand (as it does in other developed countries (UNCTAD, 2000)), and tends to be directed towards low growth/return sectors, adopting policies to attract new greenfield investment (as proposed by BCG, 2001) may have only limited success. This study suggests that facilitating second round impacts might be just as important, if not more important, to maximising the beneficial impact of inward FDI. New Zealand’s heavy reliance on acquisitionary investments, and the growing control of local industry by foreign companies, means that understanding second round impacts via spillovers and linkages should assume greater importance for researchers and policymakers alike.

Thus, findings of this study should prompt policy makers and managers to re-evaluate the potential role of foreign investment, not just as a source of capital and employment at the time of investment, but as a vehicle capable of spanning both domestic and international domains that can contribute to the existing New Zealand enterprise capabilities through the transfer and diffusion of technology, innovation and know-how (Rosenberg, 2001; Simpson et al., 2000). The challenge for the future, therefore, is to successfully attract and foster ‘quality’ inward FDI – FDI that is most likely to form beneficial linkages with local industry - and to understand what barriers to linkage formation, local sourcing, and capability upgrading exist (Scott-Kennel, 2001).

With this in mind, the author suggests that future research might build on the results of this paper by collecting data for later time periods, and by including a comparison of affiliate activities with those of New Zealand firms, in particular, examining the extent and strength of linkage formation. This research suggests that foreign firms do have more to offer by way of unique resources sourced from abroad then transferred via inter-firm linkages to local firms, but in contrast, may not be as deeply embedded via local buy and supply linkages due to their multinational nature.

1 This is reflected in changes to policy. In 2001 alone, 71 countries made 208 changes to FDI laws; 90% of these were favourable to FDI (UNCTAD website).

2 FDI is defined according to the Overseas Investment Commission (OIC) guidelines: ownership of 25 percent or more of the voting shares in a New Zealand company by an overseas person or company.

3 These firm-specific advantages or resources include products, services, technology, innovation and research, production processes, access to finance and markets, and managerial, employment and organisational practices, access to finance and markets, as well as experience and expertise.

4 This proposition is based on the Investment Development Path, developed by Dunning and Narula (1996).

5 Given that this was one third of the (known) population of foreign-owned companies, non-response bias is less likely to be an issue, and the results can be considered
representative of the whole population.

6 Figures do not sum to 100%, as some respondents belong to more than one category.

7 Innovation was defined as any service, product, process technology, or any aspect of management that was considered to be a new development in their industry (in New Zealand).

8 It is interesting to note that only 13% of the affiliates stated that they had been acquired by their foreign parents to obtain their existing innovation, while 16% indicated that the foreign parents had invested to further develop existing innovation within New Zealand.

9 SNZ data confirms that foreign owned enterprises are typically larger than domestic counterparts. Listed firms, the majority of which have foreign ownership, are also larger.

10 Our rationale for focussing on specialised products and services was that the purchase or sale of generic goods (such as stationery or raw materials) and the use or provision of basic services (such as freight) cannot be expected to contribute to local capability other than through demand and supply effects, so it is more useful to look at linkages that involve exchange of more specialised products and services (defined as those of a specialised nature, including customised, innovative and/or professional products/services) that contribute more to local capability by virtue of the intrinsic skills, technology, competences and buyer-supplier relationships embodied within them.

11 Joint ventures were not included as collaborative agreements, as the focus of this research is the transfer of resources between firms without ownership ties.

REFERENCES

This paper presents key findings from a survey conducted as part of the author’s PhD research (Scott-Kennel, 2001), and builds on the work of other researchers in New Zealand. For an overview of work in the area of FDI in New Zealand prior to this study, refer to Enderwick (1998), and for the FDI situation and policy issues following this study see BCG (2001) and Enderwick (2003). For more on the impact of FDI and inter-firm linkages worldwide refer to UNCTAD (2001), and for a comprehensive review of FDI theory see Dunning (1993).


