

EDITORIAL

WHY NEW ZEALAND NEEDS EUROPEAN INVESTMENT: TOWARDS NEW ZEALAND – EUROPEAN ENDEAVOURS

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Abstract

This editorial explores why New Zealand needs European investment. It offers several connected arguments. First, as investment is an important driver of future prosperity, New Zealand needs to stay in an open dialogue with foreign investors (including Europeans) who can aid in meeting our national and international goals (such as mitigating/adapting to the climate crisis). Second, the EU is already contributing to New Zealand's investment needs (being the 5th largest foreign investor) but given EU's size and our value alignment in a geopolitically fracturing world, EU's role can be increased and its investment more actively sought via regulatory change, such as the reform of New Zealand's Overseas Investment Act. Third, New Zealand is not here only as a "target market" for EU investment or to trade with the EU. It can also offer European partners pockets of expertise in niche areas such as space economy and bioeconomy, and contribute both knowledge and investment towards mutually beneficial and innovative "New Zealand - European endeavours." While acknowledging the histories that shape us, Aotearoa New Zealand can pursue a forward-looking partnership with Europe – one that emphasises shared endeavours, mutual investment, and co-created futures.

Charting the path towards future prosperity: The role of investment

Investment is an important driver of future prosperity, and small open economies like New Zealand don't have enough capital to provide for all their investment needs. The current New Zealand government has recognised this logic, aiming to unlock growth through investment from abroad.¹ While innovation and technological advancement are key drivers of economic prosperity,² investment – including foreign direct investment – remains an important additional “lever of riches”, supporting the kind of technological creativity highlighted by economic historian and one of the 2025 Nobel laureates Joel Mokyr.

Economic research has shown that foreign direct investment (FDI) can contribute to economic development via channels like capital and technology transfer, productivity and innovation, job creation and human capital. However, there are certain preconditions for this, such as sufficient human capital development in the host nation, and the presence of a range of intangible capital assets related to absorptive capacity to benefit from FDI.³ Recent 2024 data from the Organisation of Economic Cooperation and Development showed that foreign firms were 80% more likely to spend on R&D than domestic firms, were 70% more energy efficient, and 69% more productive, although they were also 12% more carbon intensive.⁴ In sum, while future prosperity is a much wider concept than purely economic growth, it is important to invest in our future with an open mind and engage in conversations with investors from abroad. Prosperous small countries such as Ireland have benefited from FDI.

¹ McClay, Todd. 2 December, 2025. <https://www.beehive.govt.nz/speech/unlocking-growth-through-investment>

² Joel Mokyr, *The Lever of Riches: Technological Creativity and Economic Progress* (New York: Oxford University Press, 1992); Peter Záborský, Igor Ingrš, and Monica Riviere, "The Emerging Innovation Hot Spots: Developing Knowledge in the Innovation Back Loop," *Business Horizons* (2025), <https://doi.org/10.1016/j.bushor.2025.04.010>

³ Eduardo Borensztein, Jose De Gregorio, and Jong-Wha Lee, "How Does Foreign Direct Investment Affect Economic Growth?" *Journal of International Economics* 45, no. 1 (1998): 115–35; Peter Záborský, "Competitiveness Gap and Host Country Effects of FDI in the New OECD," *International Journal of Trade and Global Markets* 5, no. 3/4 (2012): 336–54; Peter Zamborsky, "Intangibles and Host Country Effects of Foreign Direct Investment," *Journal of International Business and Economics* 12, no. 2 (2012): 123–37.

⁴ <https://www.oecd.org/en/blogs/2024/11/oecd-fdi-data-impacts-regulation.html#:~:text=FDI%20in%20Figures,flows%20were%20down%20by%2014%25>

Taking stock: European investment in New Zealand (and vice versa)

Europe is an important but not yet a major investor in New Zealand, and New Zealand investment in Europe is even more rare.⁵ There are reasons to shake up the status quo, with the New Zealand-EU free trade agreement potentially serving as a platform for increased confidence, expanded trade and mutual investment. The reciprocity in our trade and investment matters not only in economic terms, but also in relation to regulations (e.g., in the sphere of technology and data), ethical commitments, and broader planetary priorities.

The largest foreign investors in New Zealand in 2019-2024 were Australia, U.S., U.K. and Singapore, which together accounted for 57.5% of total foreign investment in New Zealand.⁶ In terms of FDI stock (total capital invested) in the year ending March 2024, the EU ranked fifth after Australia, the U.S., Singapore, and Japan in terms of largest foreign investor, accounting for approximately 5% of the total FDI stock in New Zealand, according to StatsNZ.⁷ According to Eurostat data, the stock of EU foreign direct investment in New Zealand amounted to EUR 9.9 billion in 2023, majority of which was concentrated in financial and insurance services, which accounted for nearly EUR 3 billion. Investments in professional, scientific, and technical activities followed, contributing EUR 1.6 billion, while manufacturing attracted EUR 1.3 billion in investment.⁸ Interviews with investors and experts from Europe indicated potential for investment in various sectors, such as renewable energy,

⁵ Igor Ingršt and Peter Záborský, "Knowledge Flows, Strategic Motives and Innovation Performance: Insights from Australian and New Zealand Investment in Europe," *Journal of Management & Organization* 27, no. 5 (2021): 948–71.

⁶ The majority of which was portfolio investment by mobile investors such as mutual funds, and about 28% of it was direct investment by companies that set up operations in the country. <https://www.stats.govt.nz/information-releases/balance-of-payments-and-international-investment-position-year-ended-31-march-2024/>

⁷ Stats NZ, "International Investment Position - Bpm6 Annual Directional Basis Stock of Direct Investment by Country (Annual-Mar)," 2024. <https://infoshare.stats.govt.nz/>.

⁸ Eurostat, "EU Direct Investment Positions by Country, Ultimate and Immediate Counterpart and Economic Activity," 2025. https://ec.europa.eu/eurostat/databrowser/view/bop_fdi6_pos_custom_16505883/default/table?lang=en.

tourism, and food and beverages by German investors, and green technologies, food processing/packaging, and infrastructure for Swedish investors considering New Zealand.⁹

Inside the first European Union – New Zealand Business Summit

The first EU – New Zealand Business Summit, which took place in Auckland in November 2025, further demonstrates areas for possible business cooperation and mutual investment.¹⁰ Speakers at the summit included a banker from Westpac New Zealand, who talked about his firm raising €500 million through its first green bond issuance in the European market in 2019. This marked the first time a New Zealand issuer had issued a green bond (tied to environmentally sustainable projects). Another speaker included a development director from the French VINCI Highways, an active investor in major road infrastructure in New Zealand, which has secured significant design-build contracts for key projects such as New Zealand's Ōtaki to Levin highway. VINCI focuses on network upgrades, congestion relief, and sustainable transport links. In the tech sector, in 2025 Swedish Ericsson secured a five-year deal to modernize One NZ's network, replacing existing systems with cloud-native 5G technology, enabling unified 4G/5G platforms, AI integration, and new enterprise services.

While these investment examples highlight New Zealand needs and EU resources, there are also opportunities for a more balanced cooperation and investment in both directions. For example, the summit included many businesses from the space and aerospace sectors. Here New Zealand firms such as Rocket Lab and Dawn Aerospace demonstrated capabilities to invest in Europe. Rocket Lab's recently acquired for US\$75 million a German company Mynaric, which specializes in developing laser optical communications terminals for use in space and air applications. Dawn Aerospace has dual operations in New Zealand and in the Netherlands. These firms show that in niche areas where New Zealand has

⁹ https://www.nzefc.org.nz/assets/files/FTA/2025-06_EU-NZ_Investment_Study.pdf

¹⁰ https://www.eeas.europa.eu/eeas/celebrating-success-first-european-union-%E2%80%93-new-zealand-business-summit_en

an innovative edge, it is capable to leverage its unique knowledge in global competition.¹¹

Overall, the examples of our mutual investment engagement suggest that investment is more than just capital flow – it has a relational nature, and can be seen as part of building collaborative and innovative capabilities and institutional familiarity.¹²

The case for reforming New Zealand's Overseas Investment Act

One way in which New Zealand is trying to create a more investor-friendly environment is to reform its Overseas Investment Act, reducing barriers and creating a more enabling environment for FDI. Expert lawyers and investors describe the current legislative framework as “an overly complex regime which is not conducive to, and actively operates to discourage, critical foreign investment in New Zealand.”¹³ As seen in Figure 1, New Zealand had the most restrictive score in the OECD, driven mostly by stringent screening and approval procedures. OECD research suggests that reforms liberalising FDI restrictions by about 10% as measured by the OECD FDI regulatory restrictiveness index could increase bilateral FDI in stocks by 2.1% on average.¹⁴ Hence, there is a potential for substantially increased investment in New Zealand with a new regime, if the new law passes all the approval hurdles and comes into effect. Of course, other factors such as corporate tax rates matter for FDI too, with New Zealand's 28% rate higher than in “comparator countries” such as Ireland (12.5%) and Singapore (17%).

¹¹ Peter Zámorský and Igor Ingršt, "Knowledge and Innovation Strategies in Global Competition: Insights from New Zealand Multinationals in Europe," *Journal of Knowledge Management Practice* 25, no. 6 (2025), <https://doi.org/10.62477/jkmp.v25i6.603>.

¹² Peter Zámorský, Igor Ingršt, and Bernhard Dachs, "More Than Knowledge Seeking: A Cooperation-Seeking Motive for Innovation in MNEs," in *International HRM and Development in Emerging Market Multinationals* (London: Routledge, 2021), 149–72.

¹³ <https://www.russellmcveagh.com/insights-news/major-reform-proposed-for-new-zealands-overseas-investment-controls/>

¹⁴ Fernando Mistura and Caroline Roulet (2019). The determinants of Foreign Direct Investment: Do statutory restrictions matter? OECD Working Papers on International Investment 2019/01. https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/03/the-determinants-of-foreign-direct-investment_c371303e/641507ce-en.pdf

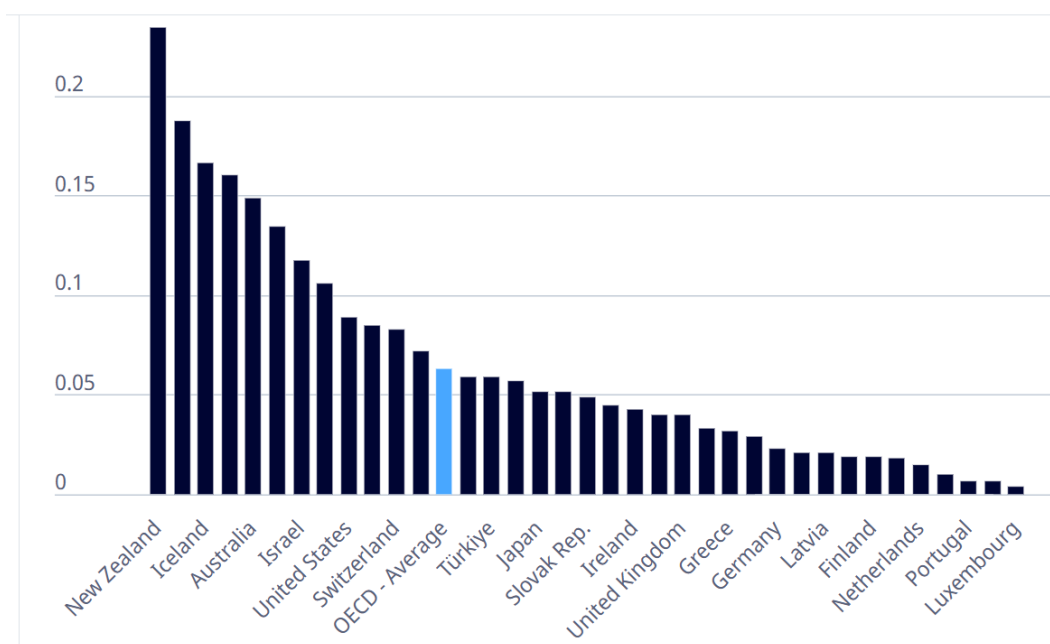


Figure 1. OECD FDI Regulatory Restrictiveness Index, 2023.

Europe and the funding landscape for research in New Zealand

This year's issue of the *New Zealand Journal of Research on Europe* highlights research as a broader dimension of investment and cooperation between the EU and New Zealand. One of the important successes in the recent reset of EU-New Zealand relations was New Zealand's associate member status in Horizon Europe, the EU's flagship funding scheme with an estimated budget of over NZ\$160 billion for the period 2021-2027. Matt Rašković, in his article on leveraging the New Zealand country brand in Horizon Europe funding applications, notes that New Zealand researchers and innovative players from diverse areas such as health, climate, and bioeconomy have participated in consortia with European partners, researching topics such as treatment of latent tuberculosis infection, smart bio-wearables, bioprinting platforms, and resilient urbanism, where New Zealand offered valuable niche contributions.¹⁵

The projects financed by the EU take a broader view of knowledge as *Wissenschaft* and fund research in the clusters of culture, creativity, society, democracy and governance.

¹⁵ Matt Rašković, "Leveraging the New Zealand Country Brand in Horizon Europe Funding Applications: An Overview and Some Insights," *New Zealand Journal of Research on Europe* 19, no. 1 (2025): 1–23.

Nancy November, in her article on “Investing in social sciences and humanities in Aotearoa: What would Warren Buffett say?,” argues that the famous US investor’s principles—long-term horizons, portfolio diversification, and capability as the ultimate compounding asset—imply that investments in social sciences and humanities can be seen as high-yield long-term investments within the national knowledge portfolio, and should be encouraged alongside areas such as STEM prioritized by our current government.¹⁶ Not all projects have to produce new products or services; some research can improve the social, cultural and political milieu. Both articles can be integrated with what I have argued before about the levers of future prosperity: local knowledge and innovative capacity are conducive to global investment.

Towards Aotearoa New Zealand – European endeavours

Aotearoa New Zealand continues to grapple with the legacies of its colonial past while seeking pathways that are more rooted in its place in Te Moana-nui-a-Kiwa (The Pacific Ocean) and in Mātauranga Māori. These efforts to reimagine national identity are ongoing and multifaceted, involving negotiation, debate, and the integration of diverse worldviews. Within this context, renewed engagement with European investment and trade offers an opportunity to co-develop inclusive, future-oriented partnerships based on shared values and reciprocal investment and engagement. When Aotearoa brings distinctive perspectives, whether in space innovation, food systems, or approaches to knowledge, into conversations with European counterparts, the result can be more than transactional. The mutual engagement can open space for co-creation of futures that reflect our diversity, histories, values and shared commitment to planetary well-being. The European Union’s principle of “unity in diversity”, and its recognition of plural knowledge systems in global partnerships, provides a meaningful foundation for these kinds of endeavours.

¹⁶ Nancy November, "Investing in Social Sciences and Humanities in Aotearoa: What Would Warren Buffett Say?" *New Zealand Journal of Research on Europe* 19, no. 1 (2025): 24–34.

Hence, the answer to the question of “Why New Zealand needs European Investment?” can be summed up in several points I have argued for in this editorial. First, investment is an important driver of future prosperity, and New Zealand needs to stay in an open dialogue with foreign investors (including Europeans) who can aid in meeting our national and international goals (such as mitigating/adapting to the climate crisis). Second, the EU is already contributing to New Zealand’s investment needs but given EU’s size and value-alignment in a geopolitically fracturing world¹⁷, its role can be increased and its investment more actively sought via regulatory reforms. Last, New Zealand is not here only as a “target market” for EU investment or to trade with the EU. It can also offer European partners pockets of expertise in niche areas such as space economy and bioeconomy, and contribute both knowledge and investment towards mutually beneficial innovative “New Zealand - European endeavours.”

¹⁷ Peter Zámboorský, "Contextualising the Russian Invasion of Ukraine: A Fractured Globalisation Perspective," *New Zealand Journal of Research on Europe* 17, no. 1 (2023): 1–7.

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