

Millionaire immigrants need better lures

GUEST COLUMNIST



Marcus Beveridge

New Zealand could open its floodgates and attract literally hundreds of Chinese millionaires if it eased up

The government recently announced policy changes to the Investor 1 (\$10 million, no English) and Investor 2 (\$1.5 million, limited English) categories for business immigrants. These become effective sometime in July 2011.

In essence these modifications:

- reduce the minimum number of days such a business immigrant is required to spend in New Zealand each year for the qualifying three-year period from 73 to 44 days;
- allow a wider range of "active" acceptable investments;
- allow funds to be transferred to New Zealand via foreign exchange companies rather than solely trading banks; and
- permit residential property development to be included as an acceptable investment with appropriate safeguards (details of which are yet to be released)

The changes also modify existing policy so investor immigrants are required to have, as a precondition of residency, pre-existing involvement in a business with either at least five fulltime employees or at least an annual turnover of \$1 million.

At a recent breakfast function in Auckland, Immigration Minister Jonathan Coleman also noted:

- business immigration can stimulate growth and be an economic driver;
- in 19 months business migration has attracted more than \$562 million in potential capital investment;
- Immigration New Zealand (INZ) needs to be less focused on processes and on rules and more customer focused, agile and responsive to employer needs;
- export education contributes about \$2.8 billion a year from some 90,000 foreign students; and
- INZ needs to pull its socks up and



A BETTER WELCOME: More millionaires would come

streamline its processing times.

In addition, Mr Coleman noted that tourism, which generates more than \$9 billion a year, also requires INZ to be nimble. Some 123,000 people visited New Zealand from China last year, adding \$365 million to the economy. INZ has set up a Visa Acceptance Centre in Guangzhou and will shortly do so in Shanghai and Beijing.

As China is New Zealand's fastest growing visitor market, INZ needs to respond quickly and be flexible and adaptive.

Most of the minister's comments were, of course, sensible. However, the business migration changes may change the settings a little and, if modified more strategically, could quite easily result in New Zealand capturing billions more in investment funds annually.

Total business-based immigration applications in 2001 were in excess of 2500 and in 2002 exceeded 3000.

In 2001, this represented \$1 billion and closer to \$2 billion in 2002. At that time most of these funds simply sat in trading banks on two-year term deposits, priming and fuelling the residential property sector.

Current business migration numbers are probably less than

25% of these busy years. The reasons for the dramatic reduction in numbers include:

- the Labour government introducing a level of English as a precondition of residency under the \$1.5 million category;
- Winston Peters and other politicians promoting the widely held and misunderstood perception that business migration is about rich people buying permanent residency (or citizenship) rather than attracting global talent to our shores; and
- the US, Canada, Australia were more desirable destinations, particularly for Chinese, with far easier rules. For example, in California \$US500,000 and a Mexican manager appear to satisfy the rules and most significantly there is no equivalent forensic accounting approach to the transfer of investment funds from China to the US.

This is probably the crux of the matter. New Zealand could open its floodgates and attract literally hundreds of Chinese millionaires in a short period. Some would say this is more desirable than borrowing more than \$300 million a week to keep public services ticking over.

To increase levels of business migration, Mr Coleman could encourage his officials to work

closely with NZTE to link \$10 million migrants with New Zealand businesses.

A partnership approach would apply and smarter marketing would focus on OECD targets, including the UK and the US as well as developing markets and South-east Asia.

The results from these initiatives would probably yield little fruit, as indicated by the relative trickle of millionaire migrants over the past five years.

However, if New Zealand chose to dispense with a certain level of command of English language and relaxed its money transfer requirements, and unleashed such products on China, it would capture billions of dollars in very little time.

That is the future anyway given the ultimate direction of these policy changes coupled with an apparent easing of strict foreign exchange regulations in China.

In such circumstances, we do need vision and strategy. Public-private partnerships, a partial rebuild of Christchurch, or say a second Auckland harbour crossing, could all be considered.

The recently announced tweaks to the millionaire category will probably not count for much in the short term. But, despite the potential of us becoming servants in our own state, the devil will be in the detail to be released in a month or so.

Depending on what the precise provisions are, a little bit of our sovereignty might be for sale for a fair few pieces of silver.

Marcus Beveridge is principal of Queen City Law. Lawyer Jan Chen contributed to this article, which is the first in a two-part series looking at Chinese immigration to New Zealand.

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ECONOMICALLY SPEAKING

If the New Zealand dollar were a daughter, would it be possible to ground her? The orthodox would say this is impossible as the dollar must be allowed a clean float as part of our commitment to free trade and globalisation. But the orthodox are wrong, for the IMF has endorsed the use of controls on capital flows. **Page 18**

TECHNOLOGY

Auckland firm PowerbyProxi has landed a deal with Spanish wind turbine operator IM FutuRe that has the potential to save large wind farms millions of dollars in replacement parts and maintenance **Page 25**

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