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A slide in global corruption rankings is bad for ‘Brand NZ’ – what can the government do?

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In 2010, then US secretary of state Hillary Clinton famously described New Zealand as a country that “punches way above its weight”. She was referring to our role in international relations, global security and natural disaster responses. But she was also talking about the country’s international reputation for being clean, green, safe and honest.

New Zealand has long enjoyed the economic and reputational benefits of these attributes. But recent rankings measuring the country’s international influence, transparency and corruption have started to tell a different story.

Between 2021 and 2023, New Zealand dropped ten places – from 16 to 26 – on the Global Soft Power Index. This measures a country’s influence abroad (among nation states, societies and international corporations) through its use of non-coercive measures.

Also, for the first time in a decade, New Zealand has dropped to third place in Transparency International’s Corruption Perception Index (CPI), which measures perceived levels of corruption in the public sector.

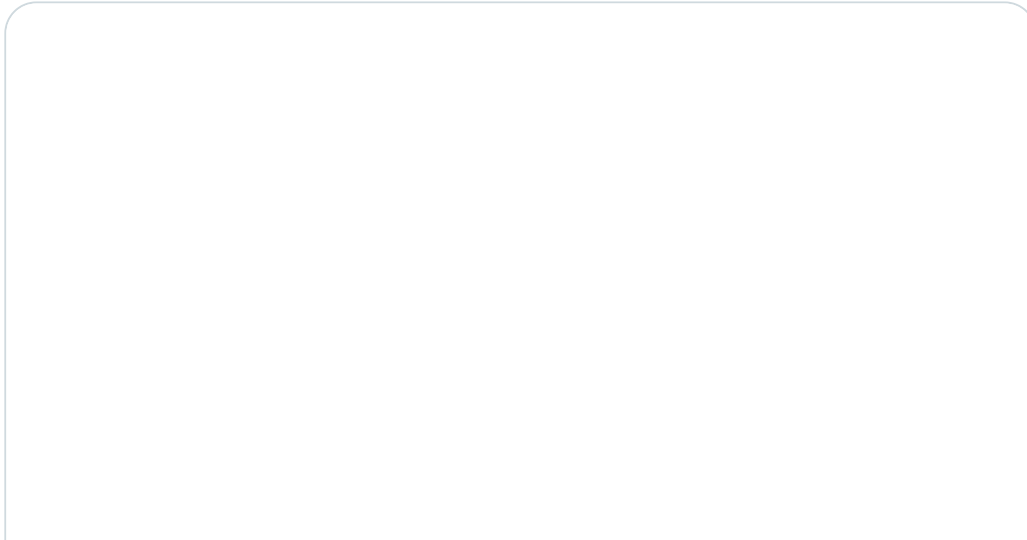
That puts New Zealand five points below Denmark in first spot, and two below Finland. What’s going on, and what are the political and economic implications?

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Brand New Zealand

According to the 2023 Anholt-Ipsos Nation Brand Index, New Zealand is the 14th most valuable country brand in the world, valued at close to half a trillion New Zealand dollars in 2022 by brand valuation and strategy company Brand Finance.

Indeed, “Brand New Zealand” – a carefully crafted and closely curated mix of national storytelling, strategic marketing and cross-sector investment – was a key driver behind the NZ\$68.7 billion in exports of goods in 2023. On top of that, it drives a large part of the NZ\$15 billion spent by tourists, and NZ\$6 billion generated by overseas students.

Brand New Zealand is a precious commodity in its own right, which has taken many decades to build. But it can be quickly squandered, particularly through poor governance.

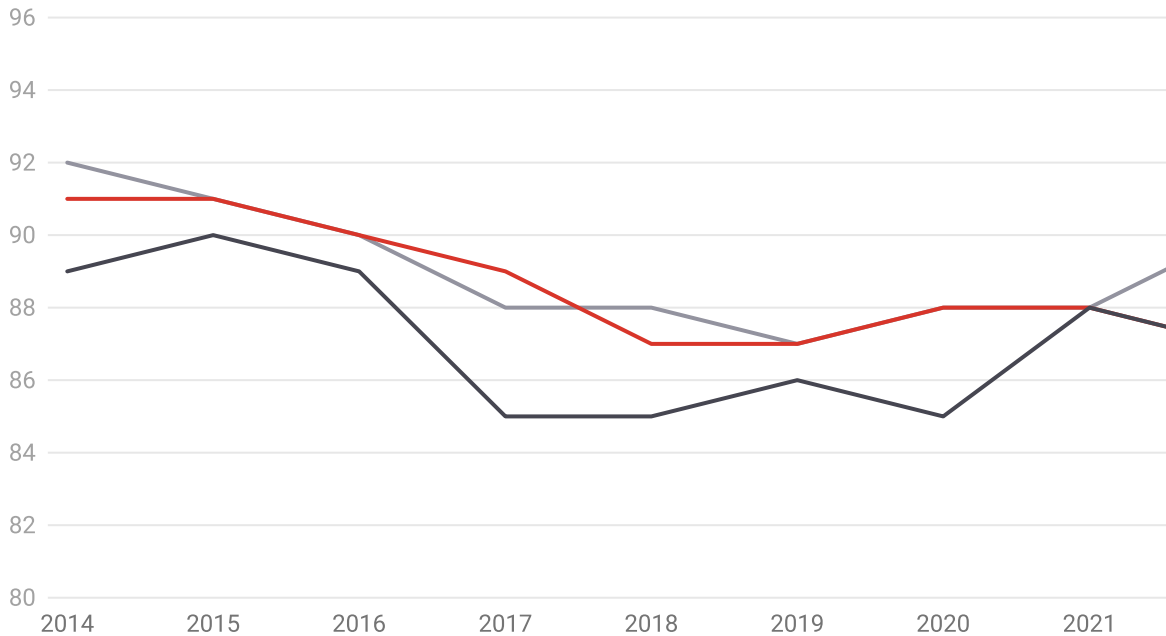
Enjoying levels of trust in public institutions above the OECD average has meant New Zealand takes pride in being recognised among the least corrupt countries around the world.

The corruption ranking in turn affects the cost of accessing finance by countries, which eventually trickles down to household mortgages. It also influences public policies, public and private investment decisions, and market entry decisions by international firms (such as Ikea and Amazon).

Since 2014, New Zealand has dropped six points in its CPI score, three times more than Denmark or Finland. That's not a trend we'd want to see continue.

Corruption Perception Index scores for New Zealand, Denmark and Finland

The CPI score is out of 100, where 0 means highly corrupt and 100 means very clean. Denmark has been ranked first globally for the past six years.



Each country's score is a combination of at least 9 data sources drawn from 10 different corruption surveys and

Perceptions matter

Corruption, defined as the misuse of authority for personal or organisational gain, reflects illegal activities which are purposefully hidden from the public and uncovered only through investigation, persecution or when a scandal erupts.

The CPI is based on expert assessment and opinion surveys from many different corruption studies by reputable global institutions, including the World Bank, the World Economic Forum, and the Economist Intelligence Unit.

A higher CPI score implies a lower level of perceived corruption. The aggregation of different indices makes the CPI more reliable than any single source.

New Zealand's country credit risk rating – measured by the Economist Intelligence Unit, and which represents the single largest component of a country's CPI score – has not dropped (yet).


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But its two-point CPI slide from 87 to 85 is driven by perceptions among business leaders, as captured by the most recent World Economic Forum's executive opinion survey taken in August 2023.

The survey asks those leaders to report on any pressures to make undocumented extra payments or bribes, and instances of untoward diversion of public funds to groups, firms or individuals.

CEO of Transparency International New Zealand, Julie Haggie, attributes the 2023 drop in business leaders' confidence to three specific factors:

- several high-profile cases of COVID-19 subsidy fraud and tax evasion by businesses
- the government's insufficient response to a rise in scamming, as well as a lack of transparency around government spending on outside consultation contracts and infrastructure projects
- and a heightened focus on appropriate spending of public funds during a cost-of-living crisis when most New Zealanders are doing it tough.

 Winston Peters, Christopher Luxon and David Seymour standing together

Coalition party leaders Winston Peters, Christopher Luxon and David Seymour: avoiding perception of state capture is a priority. Getty Images

Trust in government

New Zealand's CPI score (85) still warrants an A grade. But the long-term slide should not be ignored. We need to understand it as part of a wider trend of stagnation across the Asia Pacific.

In 2023, the region received a failing grade, with an average CPI score of just 45 – dragged down by North Korea (CPI: 17), Myanmar (20) and Afghanistan (20).

Transparency International also highlighted the “slow decline” of top performing countries in the region – New Zealand, followed by Singapore (CPI: 83), Australia and Hong Kong (both 75).

Read more: Australia's ranking in global anti-corruption index remains steady – but shows we cannot be complacent

New Zealand's latest CPI score may not yet reflect any erosion of public trust brought on by the coalition government's policies around revisiting the Treaty of Waitangi principles. But it must still be mindful of the fragility of general trust in public institutions and the government.

Damaging that trust can have unintended consequences for our international reputation. It could potentially cost the country thousands of jobs, drive away talent, and dampen export growth.

There is a tension here, too. Cutting public spending by between 6.5% and 7.5%, as government agencies have been told to do, may be viewed positively by business leaders. But it can also erode public trust in government.

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Turning the trend around

To halt or reverse the slide, New Zealand might look to Australia. While it placed 14th in the latest Transparency International ranking (with a CPI score of 75), Australia has gained two points under the Albanese Labor government.

This marked a turnaround in previously declining CPI scores. It was driven by the establishment of a new federal anti-corruption commission, and significant changes to whistle-blowing protection.

As New Zealanders learn about the sometimes messy inner power dynamics of a three-way coalition, one thing is clear: the government would be wise to assure the domestic and international public that there is no risk of state capture by specific interest groups, such as tobacco, the military industrial complex, or foreign property developers.

State capture by vested interest groups is a form of public corruption and would likely significantly affect New Zealand's declining CPI score. Again, public perceptions count as much as reality in such cases.