

BELT AND ROAD INITIATIVE

A Strategic Pathway

Commissioned by

Ko Te Kaunihera o Aotearoa me Haina

New Zealand China Council
新西兰-中国关系促进委员会



Sponsors:



Disclaimer:

This Report has been prepared by PwC for the NZ China Council and represents the views of the author. However, neither PwC, the NZ China Council, nor any contributor or sponsor represents or warrants the correctness or accuracy of the contents of the Report nor takes any responsibility to anyone that relies on the Report or any aspect of it. Anyone wishing to rely on the Report should make their own inquiries and take their own advice.

FOREWORD by the Chair of the NZ China Council, Sir Don McKinnon

I am pleased to provide an introduction to this report on opportunities for New Zealand under China's Belt and Road Initiative (BRI) prepared by PwC.

The NZ China Council was established in 2012 as an independent organisation bringing together key stakeholders from government, business and the wider community and dedicated to building strength and resilience into New Zealand's relationship with China.

BRI is an extraordinarily ambitious undertaking and one which continues to evolve. In commissioning this report, the Council wished to achieve a number of objectives. First and foremost, we wanted to consider BRI from a New Zealand perspective and to inform stakeholders of opportunities and any potential risks. Second, we wanted to contribute in a practical way to the development of ideas and projects which could be advanced under the Memorandum of Arrangement (MoA), which the two governments concluded during the visit of Chinese Premier Li Keqiang in March 2016: the MoA is an aspirational, non-binding undertaking, which nevertheless signals New Zealand and China's willingness to explore options for closer collaboration under a BRI framework. And, lastly, we wanted to provide some further analytical underpinning for the work that needs to continue to be done to grow New Zealand's relationship with China at a time when many others are competing for the attention of an emerging super-power.

The report tries to take a fresh, innovative and practical approach to the prospects for co-operation under BRI. We asked PwC to focus in particular on opportunities to create greater connectivity between New Zealand, China and the 68 other BRI participants. While BRI is perhaps best known for the large-scale infrastructure projects being undertaken in developing countries along the Belt and Road, we believe New Zealand's approach needs to reflect our comparative advantage, especially given the limited size of New Zealand's domestic infrastructure programme from a global perspective. This is not to say that there are no opportunities in infrastructure – including potentially in supplying New Zealand services solutions in infrastructure projects in third countries – but the focus of this report is firmly on connectivity.

The Council is very grateful to the sponsors of this project, whose logos appear on the cover. They have engaged in this project because they see the analysis and, even more so, the discussions that will follow to be important for New Zealand. Representatives of these organisations participated actively with PwC in a "diverge-converge" process, described in the report, which evaluated a large number of possible activities against a set of criteria which highlighted above all relevance to both countries, ease of implementation as well as reputational and other risks. The outcome was the eight activities grouped under four categories in the areas of Trade Facilitation, New Zealand as a Conduit to South America, the Creative sector and Innovation. These areas for future co-operation are not intended to be exhaustive, but illustrative of what could be developed. We fully expect other potential areas to be uncovered as part of ongoing discussion that we hope will be generated around this report.

The Council is also grateful to the Ministry of Foreign Affairs and Trade (MFAT) which provided both a significant grant towards the completion of the report and useful background material and insights. The final report is issued on the authority of the Council alone and should not be taken to represent the policy of the New Zealand Government.

As we continue to develop engagement with BRI it is important that we do so aware of potential risks and challenges, which have been highlighted in a number of quarters and which are considered in the report, and in the light of New Zealand's key interests and deeply-held values.

The next steps for this report envisage the presentation of further relevant materials on the Council's website as well as a programme of outreach and consultation around New Zealand. We welcome feedback on the report and encourage its wide dissemination and use as a starting point for further reflection and discussion.

We thank the report's authors at PwC for their work and look forward to the continuing journey along the Belt and Road.

Sir Don McKinnon

Auckland, 1 March 2018



EXECUTIVE SUMMARY

The Belt and Road Initiative (BRI) was announced in 2013¹ by Chinese President Xi Jinping who subsequently described it as the “project of the century”.² BRI promotes closer ties between countries through development-led trade growth. This requires a massive infrastructure construction programme complemented by bilateral commitments covering trade and investment. BRI is also regarded as a significant geostrategic initiative, which reflects China’s changing status as an economic and military power.

At the 19th National Congress of the Communist Party of China held in Beijing in October 2017 the BRI was embedded within the Chinese Constitution.³ This demonstrates the importance and permanence of BRI within the Chinese system.

The growth in New Zealand’s trade and investment with China has been critical to our relative economic prosperity since the Global Financial Crisis. China is New Zealand’s largest trading partner in goods and second largest trading partner when trade in services are included. The New Zealand - China Free Trade Agreement (FTA) signed in 2008 was China’s first FTA with a developed country.⁴ China is one of the world’s fastest-growing economies and its vast population and growing middle class present huge potential for New Zealand.

In March 2017, New Zealand and China signed a Memorandum of Arrangement (MoA) under which the countries undertook to explore ways of working together in specified areas to expand trade and investment and to develop a pathway for cooperation and exchanges to support the BRI.

The scale of the BRI is hugely ambitious. The estimated cost of BRI projects is expected to be approximately US \$2.5trillion over the next decade.⁵

BRI related infrastructure development is changing the flow of goods around the globe. These changes have the potential to impact on the flow of New Zealand’s trade into China.

69 countries and organisations have signed up to be a part of BRI.⁶ The vast majority of those countries have focused their attention on infrastructure. While infrastructure may eventually be a feature of BRI in New Zealand, our location and advanced economy status creates an opportunity to examine alternative approaches that may offer more immediate and scalable potential and play to New Zealand’s comparative advantages.

BRI is dynamic and continues to evolve as the priorities and interests of China and other Belt and Road countries change. It is helpful to think of the Belt and Road Initiative as an evolving concept as opposed to a tightly defined and rigid project.

BRI has grown from its original infrastructure foundation to now encompass a much broader vision, including sectors such as health, education and digital.

The changing nature of BRI means it is challenging to clearly define BRI and the opportunities it presents. However what is clear is that BRI is at the very core of China’s country to country relationships. Proactive engagement with BRI demonstrates an understanding of the importance of BRI to China. The breadth and inclusiveness of BRI means that countries can decide for themselves the extent to which they engage with BRI.

Having signed the MoA New Zealand has signalled willingness to engage with BRI. We must now determine the depth and breadth of our engagement.

Engaging with BRI gives us an opportunity to protect our hard won and valuable relationship with China, a relationship that may otherwise be at risk of “preference erosion” as China is likely to focus its resource and attention on countries that are fully engaged with the Belt and Road. We also need to be alert to the implications of a fundamentally bilateral initiative, with China at the centre, for the region’s trade and economic architecture.

The New Zealand China Council (NZCC) has commissioned this report to set out a range of options to expand New Zealand’s “connectivity” with China and other countries along the Belt and Road. The options are not intended to be exhaustive but an illustrative indication of what could be developed between New Zealand and China working together under BRI.

Engaging in such an ambitious and wide-ranging initiative is not without risk. Potential risks are identified in the report. These need to be closely evaluated and taken into account as New Zealand develops its engagement with BRI.

NZCC’s intention is to enable better understanding of BRI and catalyse an informed discussion of the available options open to New Zealand.

This will contribute to the development of the working plan as foreshadowed by the MoA and enable informed decisions among stakeholders around how New Zealand engages with China’s Belt and Road Initiative.

NZ – CHINA TWO WAY TRADE GROWTH

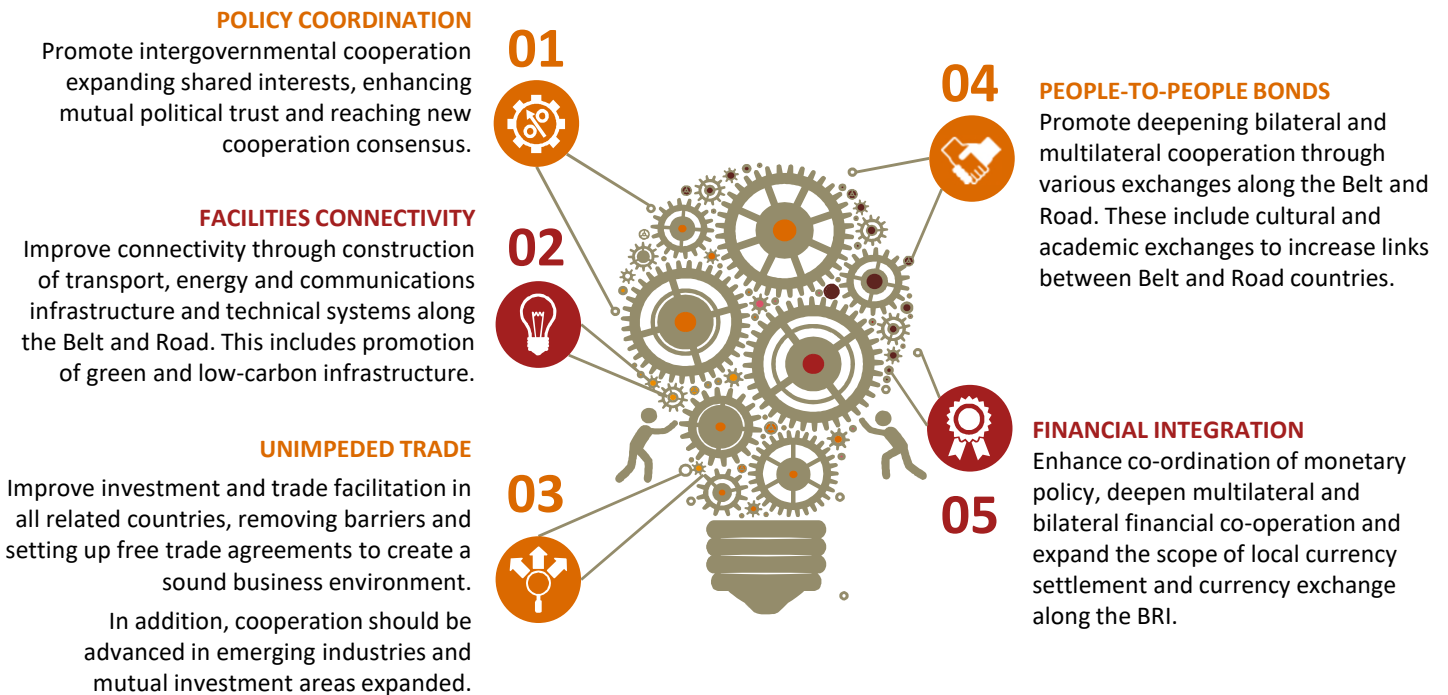


Source: Stats NZ data for the year ended March 17

EXECUTIVE SUMMARY

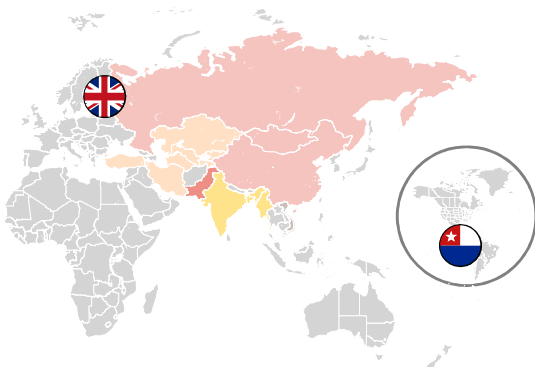
President Xi Jinping has said “The (Belt and Road) initiative will be open and inclusive, not exclusive”⁷. The areas to which BRI could apply are therefore broad and open to further expansion. The National Development and Reform Commission (NDRC) has set out five coordination priorities to guide engagement with BRI.

THE FIVE BRI COORDINATION PRIORITIES⁸



Notice that only one (priority #2) of the five priorities relates directly to infrastructure.

GEOGRAPHICAL COVERAGE



- The BRI countries have a combined population of 4.4 billion. To date, 69 countries (including New Zealand) and organisations have signed up to be a part of the BRI. Organisations such as the United Nations, the World Bank and the International Monetary Fund are taking an active role in BRI.^{6,9}
- The core infrastructure elements of BRI are focused on six major economic corridors and the 21st Century Maritime Silk Road.
- While New Zealand has the chance to be on the 21st Century Maritime Silk Road, our geographical position means we are irrelevant to the vast majority of BRI infrastructure.
- The BRI Forum held in Beijing in May 2017 provided a platform for countries to use the evolving and flexible nature of BRI to signal a willingness to participate even when they had not always been “on the map”.

“Britain is a natural partner for Beijing and I welcome the BRI as a opportunity to strengthen these ties.”¹⁰

Philip Hammond
British Chancellor

“Chile is ready to be a bridge country between Asia and Latin America.”¹¹

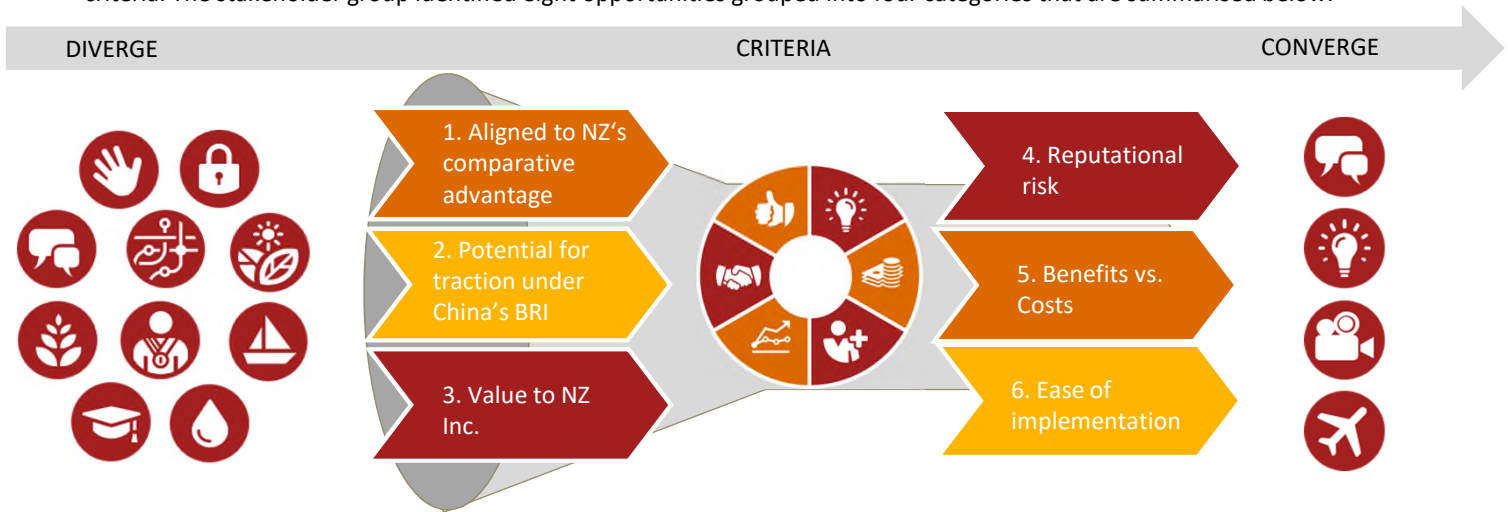
Michelle Bachelet
President of Chile

EXECUTIVE SUMMARY

PROCESS OVERVIEW

New Zealand’s geographical position does not preclude participation in the BRI: rather it places a premium on identifying innovative ways to engage, building on the positive relationship we have developed with China. Fulfilling the NZCC’s brief for this report required an open minded and inclusive approach to identifying engagement opportunities focusing on leveraging the BRI to develop enhanced connectivity with China and other Belt and Road countries rather than infrastructure.

It was important that this report focused on a manageable number of ideas that can be further developed into executable opportunities. A range of possible initiatives were identified using a diverge/converge approach, based around six assessment criteria. The stakeholder group identified eight opportunities grouped into four categories that are summarised below.



THE OUTCOME IS EIGHT OPPORTUNITIES GROUPED INTO FOUR CATEGORIES

1. TRADE FACILITATION

Collaborating to help optimise trade facilitation under the BRI.



1.1 Biosecurity – Build on collaboration agreements already in place to enhance biosecurity efforts.

1.2 Customs clearance – Work with BRI countries to enhance customs clearance protocols.

1.3 Hubbing - Establishing supply chain hubs in China or elsewhere utilizing Belt and Road infrastructure for supply chain benefits.

2. NEW ZEALAND AS A CONDUIT TO SOUTH AMERICA

Enabling connectivity between South America and China to facilitate the movement of people and goods.



4. INNOVATION

Utilising our innovative capability through research collaboration and commercialisation links with China and across BRI.

3. CREATIVE SECTOR

Utilising New Zealand’s world leading creative capabilities to develop creative properties that can enhance people-to-people links and cultural engagement.



3.1 Creative properties – Collaboration on the generation of creative properties focused on increasing the understanding of peoples and cultures along the BRI.

3.2 BRI Interactive simulations – Collaboration to produce a game simulation which is both engaging and informative.

3.3 Epcot type location based experience – New Zealand could work to create a center to showcase the cultural aspects of each BRI country.

Following this report the NZCC has identified next steps including the development of web-based materials to assist understanding of BRI and further consultation with stakeholders. Thank you to all those associated with this report who have invested considerable time and resources to support this initial analysis and the conversation that will inevitably follow.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
SECTION ONE - BRI background	
BRI Background	8
Global Map	9
BRI Economic Corridors	10
Risk Considerations	12
Global BRI Connectivity Projects	13
Connectivity Case Study: Singapore	15
NZ – China Memorandum of Arrangement on Cooperation on the BRI	16
SECTION TWO – Developing a strategic pathway	
Options Considered & Process	18
New Zealand Engagement Levels	19
1.1 Trade Facilitation – Biosecurity	20
1.2 Trade Facilitation – Customs Clearance	22
1.3 Trade Facilitation – Hubbing	24
2. New Zealand as a conduit to South America	26
3.1 Creative Sector – Creative Properties	28
3.2 Creative Sector – BRI Interactive Simulations	30
3.3 Creative Sector – “Epcot type” Location Based Experience	32
4. Innovation – Research Collaboration and Commercialisation	34
Conclusion and Next Steps	36
APPENDICES	
Appendix A – End Notes	37
Appendix B – Useful Resources	39

SECTION ONE

BRI background

BRI BACKGROUND

- The Belt and Road Initiative (BRI) arose out of China's "Go Out" policy focused on promoting outbound Chinese Investment in overseas assets.
- BRI was described by President Xi Jinping as the "project of the century" in 2014.²
- BRI is a regeneration of the 'old Silk Road', a network of trading routes that connected China across Eurasia from the second century BC to the end of the fourteenth century AD. Silk and many other goods were exchanged across these land and maritime routes. In addition to tangible transport, the movement of people aided the transmission of culture, language, knowledge and beliefs along the routes.
- Originally conceived as an infrastructure development programme along ancient trade routes linking China and Eurasia, the concept has broadened out considerably to include a vision of enhanced connectivity along both overland routes ('the belt') and maritime lanes ('the road') linking China, Africa, South East Asia, the Pacific and on to Latin America.
- The NDRC is the lead government body tasked with overseeing BRI. The International Cooperation Centre (ICC) leads the international cooperation under the BRI.
- China's economic interests originally focused on increasing demand for industrial construction but has expanded to become an ambitious globalisation programme aimed at boosting the flow of trade, capital and services.
- Historically trade has developed in response to rules based structures such as multilateral trade arguments. The BRI provides a potential new stimulus whereby trade could evoke a response to infrastructure development that maps out alternative trade routes.
- The BRI also holds strong international political currency as shown by the c.1,200 people from over 100 countries who attended the BRI Forum hosted by President Xi Jinping in Beijing in May 2017. Attendees included 28 heads of state and government as well as other leading figures from organisations such as the UN, the World Bank and the IMF.¹²
- Like the historical Silk Road, the scope of the Belt and Road extends beyond infrastructure and encompasses cultural exchange and people-to-people connections exemplified by a wide range of activities from education exchanges to health care programmes.
- China has stated that all countries in the world are invited to be a part of the BRI. Many countries, including Britain¹⁰ and Chile¹¹ have publicly stated their intention to be a part of BRI.
- The NZCC believes that New Zealand's strong and economically viable relationship with China is at unconscious risk of "preference erosion" as China focuses on BRI countries. Preference erosion describes a situation whereby the favourable position with China that New Zealand has historically benefited from would be eroded as a result of China focusing its resources and attention on other countries more fully engaged with the Belt and Road.
- Having signed the Memorandum of Arrangement ^A and as a founding member of the Asian Infrastructure Investment Bank ^B, New Zealand is well positioned to positively engage with the BRI. This report is intended to enable an informed discussion of the alternatives available to New Zealand.

The BRI covers

63%

of the world's population and

29%

of Global GDP.⁵

Total trade between China and other Belt and Road countries in 2014 - 2016 is approximately.⁹

US\$3 trillion

The BRI is predominantly bilateral delivered through a hub and spoke model.

69 countries

and organisations have signed up to the BRI.⁶

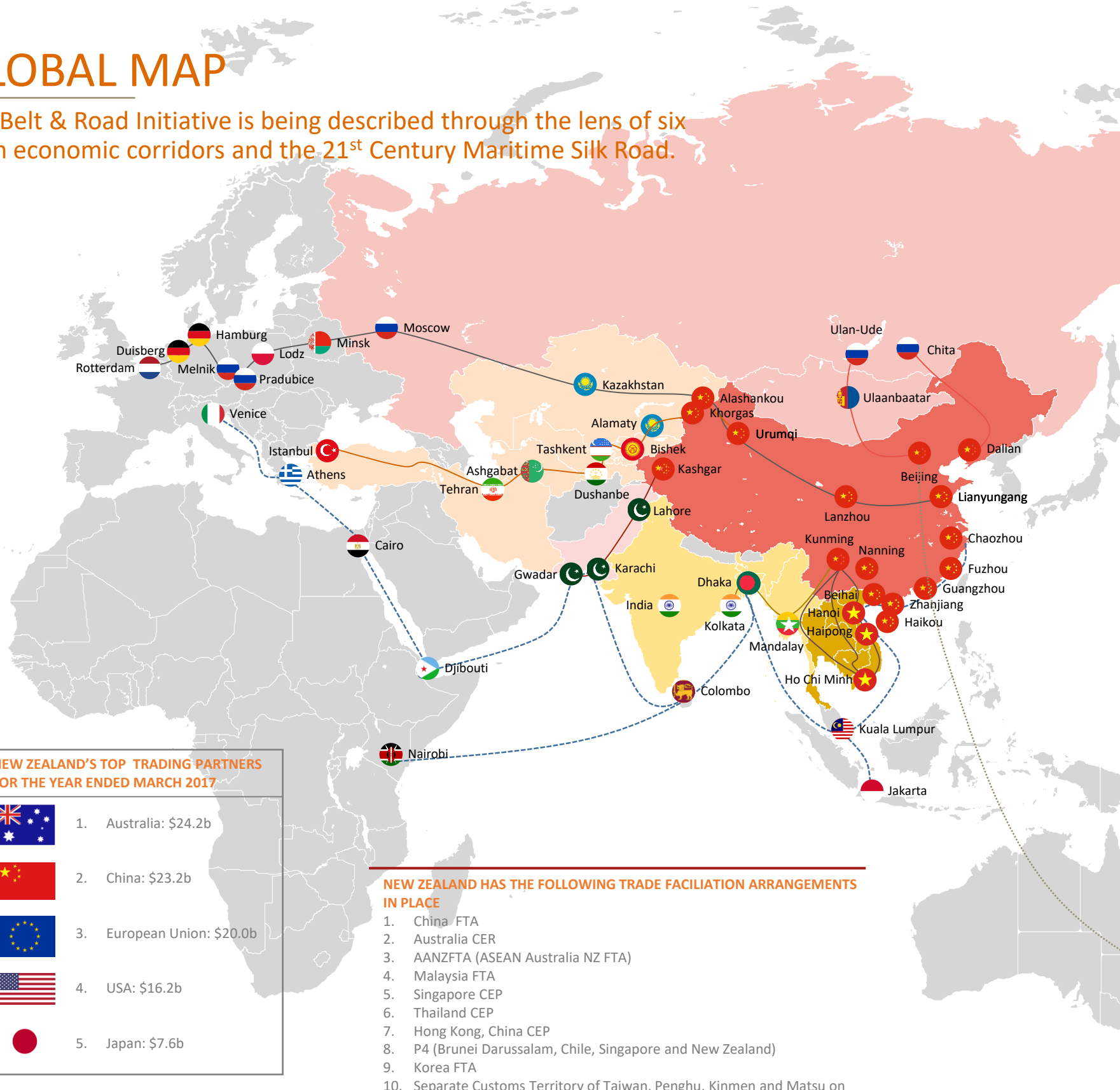
A: Refer to page 16 for a full description.

B: The AIIB is a multilateral finance institution founded by China to bring countries together to invest in sustainable infrastructure and other productive sectors.¹³

GLOBAL MAP

The Belt & Road Initiative is being described through the lens of six main economic corridors and the 21st Century Maritime Silk Road.

- 01 The new Eurasia Land Bridge Economic Corridor
- 02 China-Mongolia-Russia Economic Corridor
- 03 China-Central Asia-West Asia Economic Corridor
- 04 China-Pakistan Economic Corridor
- 05 Bangladesh-China-India-Myanmar Economic Corridor
- 06 China-Indochina Peninsula Economic Corridor
- 07 21st Century Maritime Silk Road



Some of the economic corridors are relevant to New Zealand. For example the New Eurasia Land Bridge could provide an alternative supply route for New Zealand produce to European markets. It could also bring greater competition from European suppliers by improving their access to the Chinese market.



NEW ZEALAND'S TOP TRADING PARTNERS FOR THE YEAR ENDED MARCH 2017

- 1. Australia: \$24.2b
- 2. China: \$23.2b
- 3. European Union: \$20.0b
- 4. USA: \$16.2b
- 5. Japan: \$7.6b

NEW ZEALAND HAS THE FOLLOWING TRADE FACILITATION ARRANGEMENTS IN PLACE

- 1. China FTA
- 2. Australia CER
- 3. AANZFTA (ASEAN Australia NZ FTA)
- 4. Malaysia FTA
- 5. Singapore CEP
- 6. Thailand CEP
- 7. Hong Kong, China CEP
- 8. P4 (Brunei Darussalam, Chile, Singapore and New Zealand)
- 9. Korea FTA
- 10. Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC)

BRI ECONOMIC CORRIDORS

China has identified six key economic corridors and the 21st Century Maritime Silk road which are shown on the previous map and summarised below

01 THE NEW EURASIAN LAND BRIDGE (NELB)

The NELB links the Pacific to the Atlantic, from China's coastal cities of Lianyungang and Rizhao, to the Netherland's Rotterdam and Belgium's Antwerp. As at August 2017, 20 Chinese cities were connected to 15 European cities by rail.^{14,15} More than 5,000 freight train journeys have been made since the start of the direct rail freight services in 2011.¹⁶

02 THE CHINA-MONGOLIA-RUSSIA ECONOMIC CORRIDOR (CMREC)

CMREC is built on the foundation of the "development of trilateral cooperation between China, Russia and Mongolia" signed in June 2016. This connects the Chinese BRI, the Russian Trans-Eurasian Belt and the Mongolian Steppe Route projects. One of the most significant projects is Amur Bridge which is due to be completed in 2019, linking northernmost China with south-eastern Russia by a high speed railway.¹⁷

03 CHINA – CENTRAL AND WEST ASIA ECONOMIC CORRIDOR (CCWAEC)

CCWAEC links China and the Arabian Peninsula. This mostly follows the trajectory of the ancient Silk Road. It starts in Xinjiang in Western China and joins five Central Asia countries (Kazakhstan, Kyrgystan, Tajikistan, Uzbekistan and Turkmenistan) in the journey to the Mediterranean coast and Arabian peninsula through Western Asia across Iran, Iraq and Turkey.¹⁷

04 CHINA – PAKISTAN ECONOMIC CORRIDOR (CPEC)

CPEC's 3,000-kilometre-long corridor starts from China's Kashgar and ends at Pakistan's Gwadar. It connects the Silk Road Economic Belt in the north and the 21st Century Maritime Silk Road in the south. It is a trade network of highways, railways, pipelines and optical cables, and is a flagship project under the Belt and Road Initiative. Notable projects are the Karakoram Highway and the Gwadar deep water port.¹⁷

05 BANGLADESH-CHINA-INDIA-MYANMAR ECONOMIC CORRIDOR (BCIMEC)

BCIMEC is a hybrid land sea route connecting Kunming in Southern China, through Myanmar and Bangladesh to Kolkata in India. This corridor encompasses expressway, high-speed rail link, air and water way connections as well as power transmission and oil pipelines. The Kolkata and Kunming (K2K) highway and sea routes via the Kaladan multi-modal transit routes are almost completed.¹⁷

06 CHINA – INDOCHINA PENINSULA ECONOMIC CORRIDOR (CICPEC)

CICPEC aims to connect eight major cities – Singapore, Kuala Lumpur, Bangkok, Phnom Penh, Ho Chi Minh City, Vientiane, Hanoi and the Chinese city of Nanning. Additional connectivity nodes would be extended to the major economic hubs of Guangzhou and Hong Kong, linking ten cities with a cumulative population of over 50 million in the region.¹⁸

BRI ECONOMIC CORRIDORS (continued)

07 THE 21ST CENTURY MARITIME SILK ROAD

This is the 'road' of the BRI connecting regional waterways. The China-Indian Ocean-Africa-Mediterranean Sea Blue Economic passage will link the CICPEC running westward from South China Sea to the Indian Ocean. This will connect the CPEC and the BCIMEC. A second blue economic passage connects China – Oceania – South Pacific and a third blue economic passage is envisioned leading up to Europe through the Arctic Ocean.¹⁹ More detail is yet to be released but the second blue passage through the South Pacific could place New Zealand on the 21st century Maritime Silk road.

BEYOND THE ECONOMIC CORRIDORS

The BRI is inclusive not exclusive, as evidenced by some initiatives being initiated outside the key Belt and Road economic corridors.

LATIN AMERICA

- In November 2016, President Xi Jinping visited Latin America and encouraged these countries to join the BRI.
- China has free trade agreements with Peru and Chile.¹⁷
- A feasibility study is underway considering an east-west railway across South America from Brazil to Peru.²⁰
- This would reduce the cost of shipping raw materials but the route is contentious due to the potential ecological and environmental impact.

AFRICA

- China's involvement with Africa has been expanding for some time.
- Other than mining for natural resources, China's main investment have been in infrastructure.
- One project of note is the US\$11bn construction of a 1,400km coastal railway in Nigeria. This was led by the China Civil Engineering Construction Corporation and the Federal Republic of Nigeria.¹⁷

The BRI has the potential to realise many opportunities for countries along the BRI

Enhanced multilateral cooperation

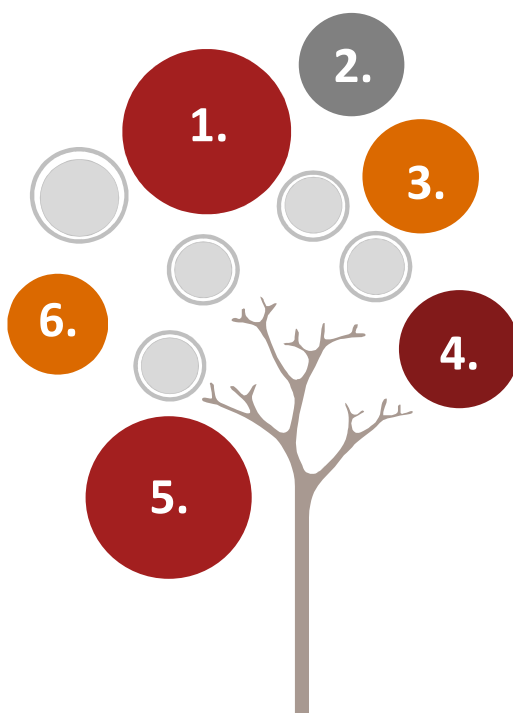
As more countries engage around a BRI platform this could open up opportunities to enhance multilateral structures.

Travel time reduction

The development of new connections between countries provides, in some cases, a significant reduction in travel time and costs.

Security of supply

Increased connectivity through the creation of economic corridors provides increased and alternative access to primary goods and labour.



Increased market access

For countries along the economic corridors, infrastructure linkage supports the potential for development led trade i.e. improved infrastructure will be followed by trade growth.

Increased connection provides access to some poorly connected economies

Developing regions which currently don't have strong connections to neighbouring countries will benefit from the expanded network BRI may provide. This could provide transformational opportunities for certain geographical regions.

Cultural exchange

Increased connectivity also applies in a cultural sense, building stronger connections across the BRI.

RISK CONSIDERATIONS

There are a number of significant challenges inherent in the Belt and Road that need to be closely evaluated to ensure that New Zealand's actions are in line with our best interests and values.

Long term nature increases risk

Many of the large scale projects will take time to build and require a long life to enable economic returns. Some projects extend through areas that are prone to geopolitical, financial and operational risks.

Bilateral imbalance

The BRI is primarily bilateral, with China as the dominant partner at the centre. Given the scale advantage enjoyed by China there is a risk of imbalance in country to country arrangements.

Financial burden

The ambitious scale of many BRI projects risks creating a large financial burden on developing BRI countries who could find it challenging to meet loan obligations and become financially exposed to the success of single projects.

Governance risks

Some BRI countries do not have expertise or a strong track record in the governance required to ensure projects are viable and fiscally secure.

Political instability

The BRI touches on a number of countries with a history of political instability.

Infrastructure alignment

Standardising the 'hard' infrastructure along the Belt and Road is challenging, particularly where existing infrastructure already exists.

Security infrastructure

Elements of BRI infrastructure plans have been viewed as having potential military uses that could impact on the security of neighbouring countries or regions.

Infrastructure maintenance

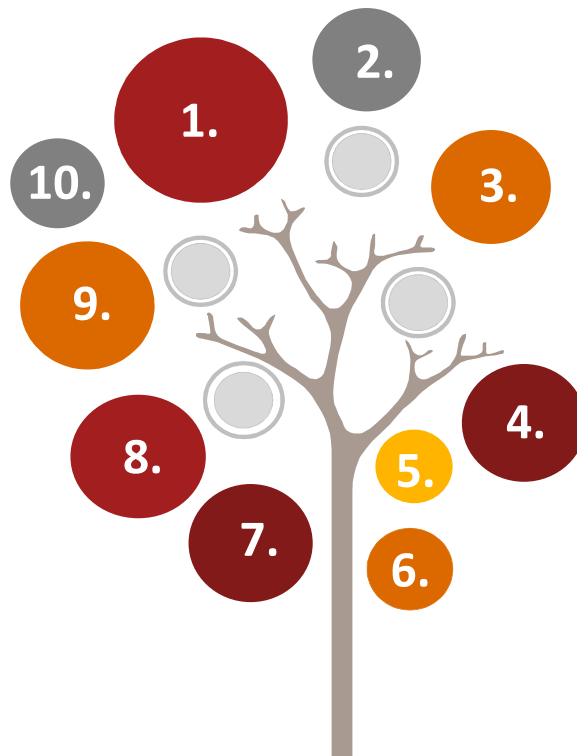
Much of the infrastructure is being built in harsh or remote environments which may require a significant commitment to maintaining each "link" in the chain. This is required to ensure an effective and efficient long term network.

Perceived 'competition' with other established trade routes

In addition to political and security challenges, the BRI may diminish the importance of existing trade routes. This could discourage affected parties from engaging positively with the BRI.

Risk to traditional relationships

The BRI has been described as encouraging "contested multilateralism"²¹ with several countries such as Japan and Australia adopting a cautious approach to participation. If New Zealand is seen to be too forward leaning on BRI then this could impact on some of New Zealand's traditional relationships.



GLOBAL BRI CONNECTIVITY PROJECTS

China is investing in non-infrastructure projects to achieve the BRI cooperation priorities as shown by the selected examples below. BRI carries such strong political currency in China that projects are increasingly being positioned under BRI to gain traction with related parties.



TECHNOLOGY TRANSFER CENTRES

- The international technology transfer centre of Inner Mongolia was set up in Manzhouli in June 2016, connecting Mongolia with Russia in areas of education, culture, science and agriculture. This centre supports relationships with agencies in Southeast Asia resulting in 53 technology promotion projects.²²
- In July 2017, China and Pakistan attended the inauguration ceremony of Pakistani sub-centre of China-South Asia Technology Transfer Centre and signed two agreements on cooperation for science and technology.²³
- The State Council of China intends to build a basic national technology transfer system by 2020. This includes enriching the technology transfer pool and launching more international cooperation under the BRI.²⁴



DIGITAL SILK ROAD

- In November 2017, Estonia and China signed a Memorandum of Understanding on Strengthening the Development of Digital Silk Road for Information Connectivity. This focuses on promoting of e-commerce ecosystem development through a number of applications such as logistics and trade information connectivity and cooperation in fields such as smart cities.²⁵
- A business led association based in Brussels called "ChinaEU" fosters cooperation, trade and investment in digital products and services between Europe and China.²⁶
- In September 2017, the Online Silk Road Convention of the China-Arab States Expo 2017 focused on international cooperation in the digital economy and the construction of a cyberspace silk road. This includes cross border e-commerce and smart city development.²⁷



HEALTHCARE

- In February 2017, the Chinese Red Cross Foundation established the Belt and Road Fraternity Fund. The first use of funds delivered treatment to 20 Afghanistan children with heart disease.²⁸
- China and the World Health Organisation signed a Memorandum of Understanding in May 2017 to jointly establish the 'Health Silk Road'. This includes human resource exchanges and hospital alliances along the Belt and Road.²⁹

GLOBAL BRI CONNECTIVITY PROJECTS (continued)



TOURISM

- In September 2017, China set up the World Tourism Alliance during the United Nations World Tourism Organisation General Assembly. This attracted 89 members from 29 countries and regions, including New Zealand, the United States, France, Germany, Japan, Australia, Malaysia and Brazil.³⁰
- 2019 will be the China-New Zealand Year of Tourism. The China National Tourism Administration will work with New Zealand officials to establish a focus for the year that reflects the priorities and interests of both countries.³¹



EDUCATION

- The Oxford Law Faculty hosted the One Belt One Road Summit on 14 September 2017. This was attended by over 100 delegates from around the world. This summit launched Oxford's "One Belt One Road Programme" on 15 September. This will be focused on researching common legal, socio-legal, regulatory and framework issues concerning the BRI implementation.³²
- China launched the University Alliance of the Silk Road in 2015, which connects 130 universities and is coordinated by China's Xian Jiaotong University.³³
- A new Silk Road Law School alliance was established in December 2015 between 20 Chinese and foreign law schools including Australia, Helsinki, Delhi, Russia, Brazil, South Korea.³⁴
- China has also set up a Sino-Russia university alliance in September 2017 with 40 Chinese universities and 20 Russian universities.³⁵



CUSTOMS CLEARANCE

- Within China, the general administration in Tianjin, Hothot Customs, Manzhouli Customs, Urumqi Customs signed a memorandum of cooperation in September 2017 to strengthen coordination on customs clearance. Tianjin is the connecting point of the CMREC as well as the NELB corridors.³⁶
- China-Russia-Mongolia Customs Symposium on 14 June 2017 stated that countries have made progress in customs clearance cooperation and the 3M cooperation mechanism (i.e. mutual exchange of information, mutual recognition of customs control and mutual assistance of enforcement).³⁷
- In November 2017, China Customs has drafted an implementation guideline of Mutual Recognition for Authorized Economic Operators (AEO) of the World Customs Organization (WCO). This has been approved.³⁸
- As at 13 November 2017, China Customs has signed AEO mutual recognition agreements with 34 countries and regions.³⁹

CONNECTIVITY CASE STUDY: SINGAPORE



The PwC Report “Repaving the Ancient Silk Routes” showcases how Singapore is an example of a small country, which is using its competitive advantage in the context of the BRI.¹⁷

- Singapore is the largest foreign exchange centre in Asia Pacific.
- Singapore already manages ~60% of infrastructure project finance transactions in Southeast Asia.

SINGAPORE HAS POSITIONED ITSELF AS THE GATEWAY TO THE SOUTH EAST ASIA REGION VIA THE 21ST MARITIME SILK ROAD

INFRASTRUCTURE FINANCING HUB

Leverages its world class business environment which supports facilitation of investments into SE Asia.

- Business friendly
- Established network of business communities
- Economically open
- Low tax regimes
- Absence of foreign exchange controls
- Diversified talent pool
- World class infrastructure
- Strong and independent legal system

INFRASTRUCTURE SUPPLY CHAIN DEPTH

Singapore has a growing ecosystem of participants across the infrastructure supply chain. This provides collaboration opportunities with Chinese companies in the region.

KNOWLEDGE AND EXPERTISE EXCHANGE

Singapore has the skills in urban planning expertise to share and complement China’s expansion.

BRI INVOLVEMENT TO DATE

Singapore and China have launched a joint project “Chongqing Connectivity Institute” to focus on bilateral collaboration in the following specified areas.

- Finance (>US\$6bn of deals concluded in 2016).
- Aviation (Changi Airport will work with Chinese authorities on the new Chongqing Jiang Bei Airport).
- Transport and logistics (establishing a transport and logistics hub in Chongqing).
- Information communications technology.

NEW ZEALAND-CHINA MEMORANDUM OF ARRANGEMENT ON COOPERATION ON THE BRI

The Memorandum of Arrangement (MoA) on Strengthening Cooperation on the Belt and Road Initiative between the Government of New Zealand and the Government of the People's Republic of China was signed on 27th March 2017 in Wellington by Chairman of the National Development and Reform Commission, H E He Lifeng, and Minister for Economic Development, Hon Simon Bridges.⁴⁰

- The MoA is an enabling and non-binding document which provides both countries 18 months to create a more specific bilateral action plan.
- This strategic report is intended to provide ideas that can be further explored and converted to actionable initiatives.
- The BRI MoA links the New Zealand-China FTA upgrade and the goal set in 2014 of growing two-way trade to \$30billion by 2020 to the BRI.



"Through connectivity and mutual learning among the countries along "the Belt and Road", and drawing on the comparative advantage and contributions of the participants and their private sectors, the participants will promote the exchange and integration of goods, technologies, capital and personnel, push forward coordinated economic, social, environmental and cultural development and common progress, and promote dialogue and fusion among civilizations."

**New Zealand – China
Memorandum of
Arrangement
2017**

SECTION TWO

Building a strategic pathway



OPTIONS CONSIDERED AND PROCESS

- The NZCC in collaboration with project sponsors have commissioned this report to contribute ideas that can be further explored during the 18 month time frame established in the MoA. The NZCC’s decision to focus on connectivity initiatives allows this report to explore opportunities other than infrastructure through which New Zealand as a small trading nation can engage in the BRI. This does not mean that infrastructure investment may not eventually be a feature of New Zealand’s participation in BRI. Strengthening New Zealand’s overall engagement with BRI should be beneficial to any infrastructure related developments.
- To capture a range of options through a diverge and converge process, a wide variety of initiatives that New Zealand could pursue were collected and narrowed down by assessing them against the six criteria described below.

DIVERGE



CONVERGE



THE INITIATIVES SELECTED FOR CONSIDERATION WERE EVALUATED AGAINST THE FOLLOWING SIX CRITERIA

Aligned to NZ’s comparative advantage
NZ must have a top quartile position in the potential area of cooperation.

Value to NZ Inc.
Each initiative must deliver benefit to NZ as a whole. This is more likely to be achieved through multilateral mechanisms.

Ease of implementation
The initiative must be feasibly implementable with the resources available.

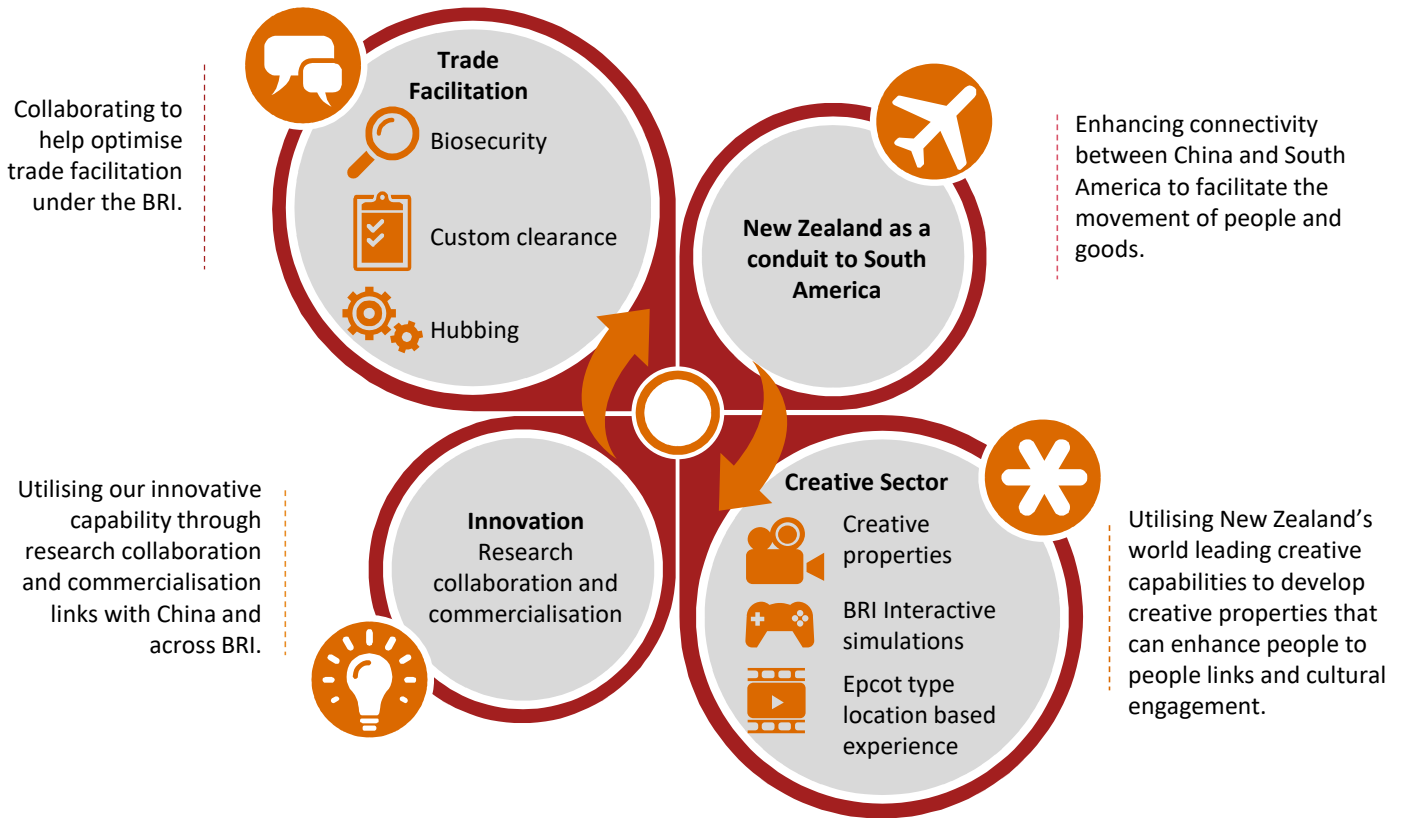
Potential for traction with China under BRI
Engagement and interest from China in implementing any of the proposed initiatives will be critical to success.

Benefits vs costs
Each initiative must have a value proposition that has the potential to deliver net benefits.

Reputational risk
NZ’s position as an internationally trusted and dependable partner must not be compromised.

NEW ZEALAND ENGAGEMENT LEVELS

The outcome of the process is eight initiatives under four categories. Each initiative has been assessed against the specified criteria and presents a viable opportunity for New Zealand to engage with the BRI. This report explores different levels of engagement for each initiative to give options over the breadth and depth of potential engagement.



APPLICATION OF PROPOSED INITIATIVES TO THE FIVE BRI COOPERATION PRIORITIES SET OUT BY CHINA'S NATIONAL DEVELOPMENT AND REFORM COMMISSION

The proposed initiatives are summarise above and the BRI cooperation priorities are described in full on page 4.

POLICY COORDINATION

FACILITIES CONNECTIVITY

UNIMPEDED TRADE



PEOPLE-TO-PEOPLE BONDS

FINANCIAL INTEGRATION

1.1 TRADE FACILITATION

BIOSECURITY

DESCRIPTION

- The BRI will result in both an expansion of existing trade flows and new routes for the movement of people and goods. New Zealand has a world leading reputation in both biosecurity processes and the associated scientific knowledge.
- New Zealand can build on the collaboration agreements and projects already in place to partner with China to enhance biosecurity efforts.
- An example of an existing project that could be extended to China's BRI is the Better Border Biosecurity Sentinel Plant Project. Its aim is to forecast and future proof New Zealand native and agricultural ecosystems against plant pests and diseases. This involves growing either expatriate native trees or crops of value to New Zealand in overseas countries.⁴¹
- The nature of biosecurity risks means that the greatest benefit can be drawn from expanding collaboration across multiple BRI countries.
- Multilateral aspects could include trilateral collaboration focused on biosecurity and biological invasion.

Opportunity to apply New Zealand's world class biosecurity expertise to enhance BRI trading partners' biosecurity, plant protection and food safety.

NEW ZEALAND'S CAPABILITY

- New Zealand has a world class biosecurity regime.
- New Zealand has a number of strong scientific links with China. An example of this was the recent invitation to New Zealand to host the 4th International Congress on Biological Invasions in 2021. All previous events have been held in China and will cover applied research around marine, aquatic, animal, plant and insects.⁴²
- As a result of Premier Li's visit to New Zealand in March 2017, a number of Agriculture related initiatives were announced.⁴³
 1. New Zealand and China will establish a new Agriculture Growth Partnership.
 2. Establish a Joint International Research Centre for Food Science between AgResearch, COFCO Nutrition and China Agricultural University.
 3. Memorandum of Understanding signed between AgResearch and the Institute of Plant Protection-China Academy of Agricultural Sciences (IPP-CAAS) focusing on biosecurity and plant protection research cooperation.

1.1 TRADE FACILITATION

BIOSECURITY (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. Working with Chinese counterparts to develop a co-ordinated inter-department biosecurity themed research programme as found with Better Border Biosecurity.			 			
II. Set up a joint laboratory (either virtual or in designated facilities in each respective country) for example with AgResearch, Plant and Food Research and China's Institute of Plant Protection (IPP) focused on plant / animal protection and biosecurity.			 			
III. Establish an enduring framework to identify and implement joint research projects with Chinese counterparts working in the field of plant protection and biosecurity which could be extended to include multiple BRI countries.			 	 		

AN EXAMPLE OF THE STRONG RESEARCH LINKS BETWEEN NEW ZEALAND AND CHINA:

- China's IPP led a delegation visit to New Zealand in October 2017. This was headed by the IPP Director General Prof. Zhou Xueping.
- The delegation visited AgResearch research facilities as well as received presentations by Plant and Food Research, Lincoln University Bio-Protection Center and Better Border Biosecurity.⁴²

INDIRECT AMPLIFICATION

Innovation

- New methods to approach biosecurity may arise out of joint research efforts.

An example of another potential project:

Tourism, biosecurity and pathways into NZ: identifying risks and mitigation strategies. This will allow better understanding of the cultural aspects and motivations impacting biosecurity awareness and compliance by Chinese tourists.⁴²

1.2 TRADE FACILITATION

CUSTOMS CLEARANCE

DESCRIPTION

- To date, much of the focus for BRI has been on the opportunities to build physical infrastructure. The value of that infrastructure is enhanced through maximising the efficient movement of goods.
- New Zealand can work with China to help build capability in other BRI countries to enhance customs clearance protocols along the BRI.
- This concept could encompass Joint Electric Verification systems, Mutual Recognition Arrangements, and could enhance supply chain integrity.
- Timely customs clearance is an important aspect for efficient trade.
- A large number of countries are engaged in the BRI and increased access to these BRI economies could result in resource constraints on General Administration of China Customs (GACC).

Opportunity to apply New Zealand's customs expertise to ease movements of goods across the BRI.

NEW ZEALAND'S CAPABILITY

- New Zealand has become a very efficient trading partner with China. While opportunities for improvement will always remain, there are efficient protocols for exchange of information and certification of origin.
- New Zealand is a well regarded international counterpart.
- NZ Customs has a positive relationship with GACC.



1.2 TRADE FACILITATION

CUSTOMS CLEARANCE (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. A one-off trilateral project with a BRI country utilising New Zealand's experience of how to work efficiently with China to help enhance that country's customs clearance with China.	?	×	✓	\$	Easy	Low
II. Structured bilateral development and delivery across multiple jurisdictions.	?	×	✓ ✓	\$ \$	Med	Low
III. Establish a permanent capacity building centre of excellence with participation open to all BRI countries.	?	×	✓ ✓ ✓	\$ \$ \$	Hard	Med

CUSTOMS ARRANGEMENTS CURRENTLY IN PLACE

- As at 13 November 2017, China has Authorised Economic Operator Mutual Recognition Agreements with 34 countries and regions including the EU, New Zealand and Singapore.³⁸
- China has 14 free trade agreements in place including the China-ASEAN FTA and the Mainland and Hong Kong Closer Economic and Partnership Arrangement.⁴⁴
- China has more FTAs currently in negotiation.

INDIRECT AMPLIFICATION

Trade

- This would have a secondary effect in enhancing New Zealand's trading relationship with the engaged BRI countries.
- Multilateral engagement would provide a platform for the standardisation of best practices increasing harmonisation across jurisdictions.

Implementation consideration:

Significant resources would need to be applied to create the capacity building centre for level three.

1.3 TRADE FACILITATION HUBBING

DESCRIPTION

- Hubs are becoming key components of international supply chains with benefits including speed to market, reduced working capital and efficiency in transport.
- Establishing hubs in China or elsewhere utilising Belt and Road infrastructure will enhance the value of BRI assets.
- The efficiency and attractiveness of hubs could be enhanced through pre-clearance of product that is exported to a specific hub.
- The attractiveness of specific hub locations is driven by the efficient transportation options to other major markets either in-country or in neighbouring countries.

Opportunity to develop hubs within the BRI network to enhance supply chain connectivity and efficiency.

NEW ZEALAND'S CAPABILITY

- New Zealand has experience working across jurisdictions on hub locations and alternative hub structures.
- Fonterra has established a MPI certified hub in Singapore to allow ease of access into South East Asia.



1.3 TRADE FACILITATION

HUBBING (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. Explore opportunities for hub locations in the context of future changes in trade flows arising from BRI projects.						
II. Expand Level I to include the impact of pre-clearance of inbound products.			 	 		
III. Expand Level II to include the impact of "non-manipulation" agreements with other jurisdictions.			 	 		

EXISTING AGREEMENTS WITH CHINA

- No New Zealand related hub has been established in China however preclearance for fresh milk exists.

INDIRECT AMPLIFICATION

Trade

- This would have a secondary effect in enhancing New Zealand's trading relationship with the engaged BRI countries. It would also open new supply chain routes.

Supply chain benefits:

An in market hub could extend to accessing Europe using an alternative method of transport e.g. pre-cleared products could be shipped to a hub in China and then utilise a non-manipulation agreement and efficient land transport options to optimise access to other markets.

2. NEW ZEALAND AS A CONDUIT TO SOUTH AMERICA

DESCRIPTION

- Build on existing connectivity to significantly enhance passenger and airfreight transit to make New Zealand a major and natural connection between South America and China.
- From a trade perspective, the NZ-China pathway is already well defined with a Mutual Recognition Agreement and Joint Electronic Verifications in place. Similar processes could be extended into South America.
- This initiative involves NZ Customs and biosecurity compliance as well as physical infrastructure for processing the transit goods.
- Increasing connectedness as a country aids regional competitiveness and economic development.

Opportunity to leverage New Zealand's geographic location and relationships with China and South America to enhance the flow of people and goods.

NEW ZEALAND'S CAPABILITY

- Air connectivity networks exist with seven carriers connecting New Zealand to eight Chinese cities.⁴⁵
- Shortest/comparable flight distance between certain Chinese and South American cities including the important routes between Shanghai and Chile and Argentina.
- Alternative route enhances overall security of supply.
- New Zealand has a positive relationship with China Customs and efficient trade facilitation with China.

2. NEW ZEALAND AS A CONDUIT TO SOUTH AMERICA (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. Work with existing infrastructure and process.	n/a	✘	✔	\$	Easy	Low
II. Accelerate growth of trade through revised customs systems and staged expansion of connectivity with South America.	👍	✘	✔ ✔	\$ \$	Med	Low
III. Create a designated South America hub operation alongside Chinese counterparts and South American BRI countries.	👍	✘	✔ ✔ ✔	\$ \$ \$	Med	Low

- While alternative routes exist currently a significant portion of trade flows through Dallas Fort Worth or Miami, America.

IMPEDIMENTS TO IMPLEMENTATION

- Transit visa system must be reconfigured to either use visa waivers for transit passengers that are not exiting the airport or an enhancement of the existing electronic five year visa for a short term stay.

- Better slot access (time to land the plane) at the northern end of the connection to ensure efficient connections through New Zealand to South American connections.

INDIRECT AMPLIFICATION

Tourism

- This would have a secondary effect in encouraging more tourists from both South America and China to visit New Zealand.

Extensions of this initiative could include:

- Application to shipping routes.
- New Zealand as the landing point of a transoceanic data cable connecting China and Chile. Chile has expressed interest in becoming a main docking point for data flows.

3.1 CREATIVE SECTOR

CREATIVE PROPERTIES

DESCRIPTION

- Collaboration on the generation of creative properties focused on increasing the understanding of peoples and cultures along the BRI. This could include factual documentary style content or be focused on educational content for a younger audience looking at the people to people and cultural opportunities that arise from enhanced community.
- Increase the number of co-productions by Chinese and New Zealand companies, enhancing each country's film and entertainment industries. This could be extended to other countries with co-production agreements with China.

Opportunity to use creative properties to expand people to people links, cultural awareness and exchange.

NEW ZEALAND'S CAPABILITY

- New Zealand has world renowned creative capabilities.
- New Zealand has signed a Television Programmes Co-Production Agreement in November 2014 with China. This provides all benefits accorded in NZ and China including grants, production incentives and unrestricted access to the domestic market for distribution.⁴⁶

3.1 CREATIVE SECTOR

CREATIVE PROPERTIES (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. Introduce educational and cultural content related to Belt and Road countries into existing properties.						
II. Participate in an exchange of finished programmes.			 			
III. Structured, longer term projects which utilise the co-production treaties in place with China and other BRI countries. This will foster cross-regional media production and would promote New Zealand's premium creative property offering.			 	 		

EXISTING AGREEMENTS WITH CHINA

- Natural History NZ is a member of the Belt and Road Media Initiative (BRMI) and a NHNZ representative spoke at the inauguration and summit in Beijing in August 2016.
- The BMRI is being delivered in two stages starting with the exchange of finished programmes and moving through to co-production of creative properties.

INDIRECT AMPLIFICATION

- Tourism**
 - This would have a secondary effect of promoting awareness of New Zealand culture, business and tourism.

To date, there has been one feature film approved under the New Zealand-China 2014 co-production agreement. The New Zealand Film Commission and the China Film Co-Production Corporation have a proposed pipeline of 17 feature film collaborations.⁴⁷

3.2 CREATIVE SECTOR BRI INTERACTIVE SIMULATIONS

DESCRIPTION

- Collaboration to create a game simulation that is both engaging and informative emphasising aspects such as cultural exchange and people-to-people bonds.
- The construct of a game could also include exploring the societal benefits from trade flows, the impact of infrastructure on movements of people and goods and the potential impact of both bilateral and multilateral trade agreements.
- An interactive game with live play would also enable people-to-people connections and an opportunity for countries to present their culture and history.

Opportunity to use gamification to engage broader audiences and develop greater understanding of people, cultures and connectivity across the Belt and Road.

NEW ZEALAND'S CAPABILITY

- New Zealand already has game development businesses that understand building and delivering games for a global audience and do business with China e.g. Grinding Gear Games (Path of Exile), Rocketwerkz (DayZ) and InGame.
- New Zealand also has a track record of creative innovation e.g. Weta Workshop.

3.2 CREATIVE SECTOR

BRI INTERACTIVE SIMULATIONS (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. An interactive webpage focused on one or two aspects such as trade, which a user would explore once for a short period.						
II. An interactive simulation capturing users for a few hours aimed at demonstrating the scale, complexity, challenges and connectivity of the BRI through cultural education.						
III. Multi layered, multi player interactive simulation which is used across a range of applications e.g. an educational resource for schools and business. This involves real time people-to-people exchange and cultural education.			 	 		

EXISTING AGREEMENTS WITH CHINA

- To our knowledge, no BRI related game exists in the market.
- Several NZ games business have investment and publisher relationships with Chinese partners.

INDIRECT AMPLIFICATION

Tourism

- This would have a secondary effect of encouraging more tourists to visit New Zealand.

Feasibility study:

The NZ game industry has the ability and expertise to create a business case outlining this proposition further.

3.3 CREATIVE SECTOR

“EPCOT” TYPE LOCATION BASED EXPERIENCE

DESCRIPTION

- New Zealand can collaborate with China to create an “epcot” type location based experience centred in Beijing facilitating the culture, people and community of Belt and Road countries.
- The concept of “epcot” – “experimental prototype community of tomorrow” originated from the 1980’s Disney theme park which contained pavilions focusing on an immersive experience of various different countries around the world.
- This attraction could showcase the story of the Silk Road and cultural aspects of each BRI country.
- Through using sister experience centres in satellite locations in other Belt and Road countries, such as New Zealand, greater impact can be achieved especially in the areas of people to people connection and culture.
- Linking satellite locations using Virtual Reality technologies and instant translocation technology could create a truly unique experience.

Opportunity to use “epcot” type location based experience to engage broader audiences and develop greater understanding of people, cultures and connectivity across the Belt and Road.

NEW ZEALAND’S CAPABILITY

- New Zealand has a rich history of media creativity with companies such as Weta Workshop specialising in creating entertainment experiences.



3.3 CREATIVE SECTOR

“EPCOT” TYPE LOCATION BASED EXPERIENCE (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. “Epcot” type centre established in Beijing as the “centre of BRI”, showcasing the links between the people and cultures across the BRI.				 		
II. Network of “Epcot” type centres established across Belt and Road countries to build connectivity and understanding.			 	 		
III. Network of “Epcot” type centres established with Virtual Reality facilities allowing guests to interact with live participants in other countries.			 	 		

EXISTING AGREEMENTS WITH CHINA

- The New Zealand creative sector has strong links to China through Weta Workshop, NHNZ, Pukeko Pictures and the gaming sector.

INDIRECT AMPLIFICATION

Tourism

- This would have a secondary effect of showcasing New Zealand to international audiences.

Extension of the VR concept:

Users could communicate with each other between centres with the use of live translation technology.

4. INNOVATION

RESEARCH COLLABORATION AND COMMERCIALISATION

DESCRIPTION

- New Zealand can utilise our innovative capability through the existing research collaboration and commercialisation links with China.

Opportunity to advance collaboration in Science & Technology and accelerate entrepreneurship and commercialisation of opportunities across the Belt and Road.

NEW ZEALAND'S CAPABILITY

- New Zealand has a strong capability in science innovation and research.
- The Health Research Council (MBIE) has existing relationships with China's Science and Technology of the People's Republic of China (MOST).
- Examples include:
 - University of Auckland Innovation Institute China (Auckland UniServices in Hangzhou).⁴⁸
 - Wellington-Changsha Innovation Technology Transfer Centre (Viclink and Hunan Zhaotai Research Medical Group).⁴⁹
 - Joint institute between University of Waikato and Zhejiang University City College in Hangzhou.⁵⁰
 - Creative HQ partnered with a Chengdu start up in their 2016 Lightning Lab XX Accelerator programme in Wellington.⁵¹

4. INNOVATION

RESEARCH COLLABORATION AND COMMERCIALISATION (continued)

Levels of engagement	Potential for traction with China under BRI	Existing arrangements with China	Value to NZ Inc.	Benefits vs costs	Ease of implementation	Reputational risk
I. Enhance coordination and establish a collaboration framework between existing New Zealand institutions to identify potential fits with BRI and use the greater profile generated to accelerate opportunities.						
II. Establish a country to country level structure to increase the number of scientists on exchange and the number of joint research projects established between NZ and China.						
III. Establish a comprehensive network in NZ and China of start up incubators sharing incubation technique. This will embed knowledge through an immersive experience. This will be coordinated through a central hub e.g. the NZ China (Suzhou) Innovation center.			 	 		

SELECTED EXISTING AGREEMENTS WITH CHINA

- MBIE and Chinese Ministry of Science and Technology (MOST) have a NZ-China Strategic Research Alliance Non-Communicable Diseases announced in October 2015.⁵²
- China – NZ scientist exchange programme launched in May 2015.⁵³
- Health Research Council (HRC) and National Natural Science Foundation of China (NSFC) signed an arrangement on bilateral cooperation in biomedical research in May 2017.⁵⁴

INDIRECT AMPLIFICATION

• Education

Enhanced research and development would have a secondary effect in encouraging more science students to study in New Zealand through profiling New Zealand's capabilities and the collaboration between countries.

Example: New Zealand has world leading capabilities in high temperature super conductor (HTS) technology which has applications in high speed rail technology. A project jointly led by Robinson Research Institute (Viclink) and Beijing Jiaotong University was awarded the largest international cooperation grant approved by China's MOST this year. The success of this project already has had flow on effects for NZ business who have been commissioned to provide ancillary services.⁵



CONCLUSION

- This report is intended to be a first step in helping to shape New Zealand’s engagement with China’s Belt and Road Initiative.
- It is clear that opportunity exists for New Zealand to engage and enhance not only existing linkages with China but also with other BRI countries. *Choosing not to engage will not only be a missed opportunity but also mean these opportunities are available for other countries to explore and realise the benefits.* Other countries will take up these opportunities if New Zealand does not engage, thereby eroding our preferential position in the Chinese market
- New Zealand has a number of comparative advantages that give us the opportunity to offer a meaningful and mutually beneficial proposition to China.
- The eight proposed initiatives fall under the four categories of Trade Facilitation, New Zealand as a conduit to South America, Creative Sector and Innovation.
- The extent to which we engage with these opportunities must now be explored through stakeholder consultation and business case development, ensuring the actions taken are in line with New Zealand’s best interests and values.

NEXT STEPS



STAGE ONE

- Provide background to the BRI and place it in a New Zealand context.
- Outline different depths and ways in which New Zealand can respond to engage with the BRI.

STAGE TWO – Q2 2018

- Provide an online resource base for New Zealand stakeholders to access relevant information about BRI.
- Provide a place to store media and relevant articles about BRI from a New Zealand perspective.
- Provide a means to store commentary about BRI by the New Zealand China Council, and members.

STAGE THREE – Q2 2018

- Develop greater awareness amongst New Zealand shareholders about BRI and potential New Zealand involvement.
- Test the hypothesis on New Zealand engagement levels developed in stage one with interested parties.

Please direct all enquires to:

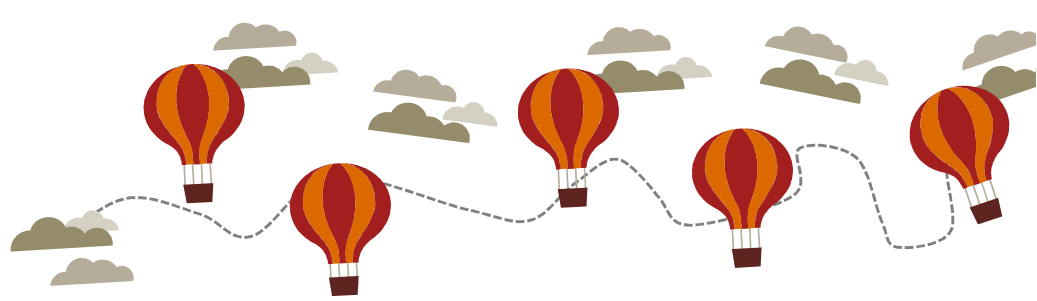
- NZ China Council – info@nzchinacouncil.org.nz
- PwC – www.pwc.co.nz/contact-us/

APPENDIX A - END NOTES

1. Ministry of Foreign Affairs of the People's Republic of China, "President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries", 7 September 2013
2. Financial Times, 'China's Xi hails Belt and Road as 'project of the century'', 14 May 2017
3. Reuters, "Pressure on Xi's 'Belt and Road' enshrined in Chinese party charter", 25 October 2017
4. New Zealand Foreign Affairs & Trade, <https://www.mfat.govt.nz/en/countries-and-regions/north-asia/china#five>
5. HSBC, 'What is the Belt and Road Initiative?', <http://www.business.hsbc.co.nz/en-gb/nz/campaign/belt-and-road-initiative>
6. Belt and Road Portal Yidaiyilu, 'China signs cooperation agreements with 69 entities under Belt and Road', 18 September 2017
7. China Daily, "Xi's statements on the Belt and Road Initiative", http://wap.chinadaily.com.cn/2017-04/15/content_28940829.htm
8. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road', 28 March 2015
9. Xinhuanet, 'Full text of President Xi's speech at opening of Belt and Road forum', 14 May 2017
10. The Guardian, 'Philip Hammond calls China a 'natural partner' as he seeks post-Brexit trade deals', 14 May 2017
11. Ministry of Foreign Affairs of Chile, 'President Bachelet in "The Belt and Road" Forum: "Chile is ready to be a bridge between Asia and Latin America"', 14 May 2017
12. Xinhuanet, 'China Focus: What to expect from Belt and Road Forum', 1 May 2017
13. Asian Infrastructure Investment Bank, www.aiib.org
14. Railfreight, 'Twenty Chinese cities on Eurasian rail freight network', 30 August 2017
15. BBC, 'All aboard the China-to-London freight train', 18 January 2017
16. China Daily, '700 China-Europe freight trains to depart Xinjiang in 2017', 20 October 2017
17. PwC, 'Repaving the ancient Silk Roads', June 2017
18. Gal Luft, Institute for the Analysis of Global Security, 'It takes a road. China's one belt one road initiative: an American response to the new silk road', November 2017
19. Belt and Road Portal Yidaiyilu, 'Vision for Maritime Cooperation under the Belt and Road Initiative', 20 June 2017
20. BBC, 'China, Peru and Brazil mull Amazon railway', 23 May 2015
21. Alice de Jonge, 'Australia risks missing out on China's One Belt One Road', 16 May 2017 <https://theconversation.com/australia-risks-missing-out-on-chinas-one-belt-one-road-77704>
22. Belt and Road Portal Yidaiyilu, 'Belt and Road Initiative prompts Inner Mongolia's opening up', 8 August 2017
23. Belt and Road Portal Yidaiyilu, 'China, Pakistan vow to strengthen cooperation on science, technology', 10 July 2017
24. The State Council Information Office of the People's Republic of China, 'China to complete national technology transfer system by 2025', 27 September 2017
25. Email correspondence with Liisi Karindi, Enterprise Estonia, 23 November 2017
26. ChinaEU, 'ChinaEU', <http://www.chinaeu.eu/chinaeu/>
27. Belt and Road Portal Yidaiyilu, 'Online Silk Road connected China and Arabian countries', 08 September 2017
28. Belt and Road Portal Yidaiyilu, 'China's B&R fund helps Afghan children with heart diseases', 08 September 2017
29. World Health Organisation, 'Towards a Health Silk Road;', 18 August 2017
30. Belt and Road Portal Yidaiyilu, 'World Tourism Alliance Officially Established', 13 September 2017
31. Beehive, "2019 to be China-New Zealand Year of Tourism", 28 March 2017
32. University of Oxford, Faculty of Law, 'OBOR Summit Programme Launch Event', 17 September 2017
33. Xi'an Jiaotong University, 'XJTU Initiated the University Alliance of the New Silk Road', 22 May 2015
34. China Daily, 'Chinese and foreign law schools launch New Silk Road alliance', 11 December 2015
35. Belt and Road Portal Yidaiyilu, 'Sino-Russian university alliance established', 14 September 2017
36. Belt and Road Portal Yidaiyilu, 'Customs cooperation serves needs of Belt and Road', 05 August 2017
37. General Administration of Customs People's Republic of China, 'Vice Minister Zou Zhiwu Attends the China-Russia-Mongolia Customs Cooperation Symposium', 28 June 2017

APPENDIX A - END NOTES (continued)

38. Belt and Road Portal Yidaiyilu, 'WCO approves China's first draft of AEO mutual recognition guideline', 06 November 2017
39. Belt and Road Portal Yidaiyilu, 'China, Israel ink AEO accord', 13 November 2017
40. MFAT, "NRA-NZ-China cooperation on Belt and Road Initiative", 27 March 2017
41. Better Border Biosecurity, <https://www.b3nz.org/>
42. Email correspondence with Mark McNeil, AgResearch, 16 October and 3 December 2017
43. Beehive, 'China-New Zealand Initiatives, Announced 27 March 2017', 27 March 2017
44. China FTA Network, <http://fta.mofcom.gov.cn/english/index.shtml>
45. Tourism NZ, <http://www.tourismnewzealand.com/markets-stats/markets/china/>
46. New Zealand Film Commission, "Co-Productions", <https://www.nzfilm.co.nz/new-zealand/funding-and-support/funding-programmes/international-co-productions>
47. New Zealand Film Commission, "Animated feature 'Beast of Burden' approved as first official China-New Zealand feature film co-production", 18 March 2017
48. NZ Herald, "UniServices goes global from Hangzhou", 28 March 2017
49. University of Victoria, "Opening of Wellington-Changsha Innovation Technology Transfer Center", 2 October 2017
50. University of Waikato, "Waikato leads the way in China with new joint venture", 24 May 2017
51. CreativeHQ, "China looks to wellington to disrupt home market", 15 September 2016
52. Health Research Council of New Zealand, "International Relationships Fund: New Zealand – China Strategic Research Alliance Non-Communicable Diseases", October 2015
53. The Embassy of the People's Republic of China in New Zealand, "The China-New Zealand Scientist Exchange Programme Launch Ceremony held in Wellington", 25 May 2015
54. The Beehive, "China-NZ to collaborate on biomedical research", 28 March 2017
55. Email correspondence with Peter Lai, VicLink, 14 November 2017



APPENDIX B - USEFUL RESOURCES

Belt and Road Portal is the 'official' Chinese portal which is hosted by the State Information Center.

<https://eng.yidaiyilu.gov.cn/index.htm>

MFAT provides information about the NZ- China relationship and the nature of trade as well as a record of official engagement

<https://www.mfat.govt.nz/en/countries-and-regions/north-asia/china>

South China Morning Post dynamic website that visually explains the five main projects of the Belt and Road Initiative.

<http://multimedia.scmp.com/news/china/article/One-Belt-One-Road/>

HKTDC hosts a BRI resource hub and has a list of BRI investment projects.

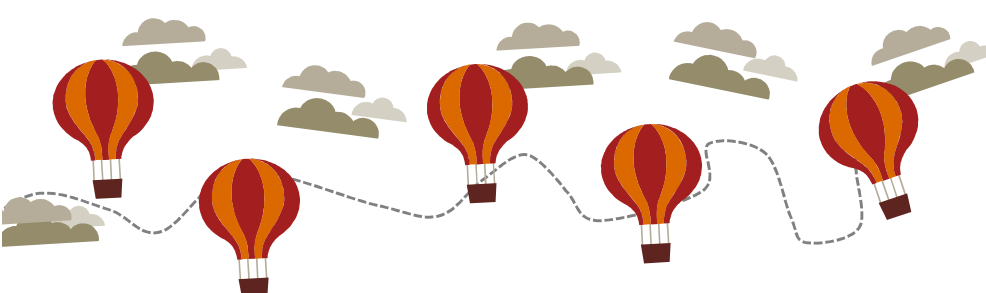
<http://beltandroad.hktdc.com/en/>

Caixin Media is a producer of investigative journalism in China.

https://www.caixinglobal.com/2017/belt_road_initiative/

Asia New Zealand Foundation is a non-profit, non-partisan organisation which builds New Zealanders' knowledge and understanding of Asia.

<http://www.asianz.org.nz/>



Ko Te Kaunihera o Aotearoa me Haina
New Zealand China Council
新西兰-中国关系促进委员会



<http://nzchinacouncil.org.nz/>