

# CHINA'S BELT AND ROAD

Opportunities for Australian Industry

 AUSTRALIA - CHINA  
BELT & ROAD INITIATIVE

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The ACC's grants program strengthens links between Australia and China, Hong Kong, Macau and Taiwan by supporting innovative activities to promote mutual understanding and foster stronger relations. The ACC was established in 1978 and has made a significant contribution to strengthening Australia's relationship with China.



**Australian Government**



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# Forwards

“一带一路”倡议由中华人民共和国习近平主席于2013年首倡，即“丝绸之路经济带”和“21世纪海上丝绸之路”，代表了中国加强与各参与国共同建立长期经济社会繁荣的战略愿景。

“一带一路”是中国构建开放型经济新格局和经济外交的顶层设计。“一带一路”建立在包容、合作和共赢的基础上，旨在为增进全球贸易和投资提供新的战略机会，进一步提升全球贸易投资一体化。

迄今为止，超过60多个国家参与“一带一路”建设表示了浓厚的兴趣，随着中国对外开放的深度和广度的推进，中国欢迎世界各国加入“一带一路”的全球化贸易投资的融合。

2014年11月，习近平主席在澳大利亚议会发表讲话，再一次提出中国“欢迎澳大利亚参与到海上丝绸之路”的热情邀约。

在推进“一带一路”具体项目过程中，我们认为，必须先考虑每个国家的参与意愿、发展现状以及对于“一带一路”的理解程度，从而将合作伙伴凝聚成一个核心团队。

澳大利亚和中国具有很强的经济互补关系，中国澳大利亚自由贸易协定更是进一步巩固了双边经贸关系。“一带一路”将进一步深化双边经贸关系，为中澳企业互利互惠谋求福祉。

我们非常高兴看到澳中“一带一路”产业合作促进会在积极推进澳大利亚产业和公司参与到“一带一路”建设中来并重点关注双方切实可行的合作方向和落地项目。

我们高度赞赏澳中“一带一路”产业合作促进会推进“一带一路”所做的努力和贡献。谨在此对本报告的发行表示热烈祝贺，殷切希望促进会进一步推进中澳双边经贸深度融合，衷心祝愿澳中“一带一路”产业合作促进会前途光明。

欧晓理



推进“一带一路”办公室负责人  
国家发展改革委员会西部司副司长



China's Belt and Road Initiative (also known as One Belt One Road) was first outlined by H.E. President Xi Jinping in 2013. It refers to the 'Silk Road Economic Belt' and the '21 Century Maritime Silk Road'. The Initiative represents President Xi Jinping's strategic vision for jointly strengthening the long-term economic and social prosperity of participating countries.

The Initiative aligns with China's transition to a more open economy which includes economic and governance reform. It also presents an opportunity to significantly enhance global trade and investment connectivity – founded on principles of inclusiveness, cooperation and collaboration.

More than 60 countries have so far shown interest in participating, however we would like to emphasise that collaboration is not restricted to any one country and we would like to invite more countries to join.

President Xi Jinping reiterated this stance in November 2014 in his address to the Australian Parliament where he said China 'welcomed Australia's participation in the Maritime Silk Road'.

In the course of driving this Initiative, we understand that we must take into account each country's willingness to take part, their conditions for development and, in particular, their understanding of the Initiative so as to build a core team of willing partners.

Australia and China have continue to share a strong and complementary economic relationship, strengthened most recently by the enactment of the China Australia Free Trade Agreement. The Belt and Road Initiative will enable us to further build and expand on this important relationship – providing mutually beneficial avenues for Australian businesses and Chinese enterprises to partner and collaborate.

I commend ACBRI for initiating engagement with the Australian business community and support its practical focus on linking the Belt and Road Initiative to clear outcomes for businesses in both Australia and China.

I highly appreciate the effort ACBRI has made in promoting Belt and Road cooperation opportunities between China and Australia and I am pleased to congratulate the issuing of this report. I sincerely wish ACBRI a prosperous future, in which the organisation continues to enhance the bilateral business cooperation between China and Australia.

**Ou Xiaoli**



**Head of leading group office for the Belt and Road Initiative**  
**Deputy Head**  
**Department of Western Development**  
**National Development and Reform Commission**

China is Australia's largest and one of our most important trading and investment partners.

Over the last decade Australian businesses operating in sectors such as agriculture, education, energy and resources have been able to successfully develop a strong export link with China. Likewise Chinese enterprises and investors remain key contributors to foreign direct investment in Australia.

The signing of the China Australia Free Trade Agreement (ChAFTA) in late 2015 marked a very powerful strategic point in our relationship with China. Equally, the official announcement of Australia as a major shareholder in the Asia Infrastructure Investment Bank in the same year further reinforced Australia and China's commitment to increasing infrastructure investment in our region.

I am equally excited about the establishment of the Belt and Road Initiative. It presents an overarching and collaborative framework for Australia, China and our joint trading partners to work together to grow trade, investment and people-to-people links across our region. Similarly, it sets out a pathway for Australian businesses to directly engage with Chinese business counterparts in the delivery of strategic projects.

Australian industry participants are well positioned to play a role and benefit from opportunities derived from this Initiative and the potential for collaboration will be extensive.

It provides a platform for both countries to reinforce existing economic strengths. However, it importantly paves the way for even greater diversification. For Australia this means expanding outbound and inbound trade and investment opportunities to a number of existing and importantly, emerging sectors.

It is also relevant to Australia's infrastructure development. Investment in this area is recognised as a economic priority for Australia, included in such plans as developing Northern Australia.

I support the formation of Australia-China Belt and Road initiative and its efforts in developing Australian industry.

This is a report that provides a preliminary perspective on the Belt and Road Initiative and notably highlights its potential application for some of Australia's key industries.

I encourage Australian businesses to use this report to reflect on why engagement with Chinese enterprises through the Belt and Road Initiative could benefit them, and provide a clear narrative for how they can get involved.

**The Hon Andrew Robb AO MP**



**Special Envoy for Trade  
Former Minister for Trade and Investment**





China's Belt and Road Initiative exemplifies China's comprehensive and ongoing economic reform process and provides an overarching guidance for Chinese foreign investment. It presents a plan to enhance linkages between Asia, Europe, Africa, Oceania and the Middle East through a program of diplomacy, investment in new infrastructure and promotion of more efficient global trade of goods and services.

This Initiative provides Australian companies with different approach to securing investment opportunities which they may currently have limited access to. Firstly, it has the support of the Chinese President and government. Secondly, it provides an approval mechanism which should enhance participation of business partnerships. Thirdly, it offers access to funding that has been set up to specifically support the Initiative.

The goals, geographic scope and priorities of the Initiative present an outline for how Australian and Chinese companies can work together to identify and scope commercial projects in Australia, China and other strategic markets.

The opportunity to participate in these projects can extend to a number of our industries – infrastructure, banking and finance, resources, tourism, education, healthcare, professional services among others.

To partake, Australian company representatives need to be able to clearly position the competitive advantages of their industry, and the mutual value that could be realised from an Australian and Chinese commercial partnership.

As a participant in the Australian business community, I encourage you to examine the possible benefits in engaging with this Initiative could provide to your company. We understand the key to making this assessment is developing a practical understanding of what the Initiative is and what it is seeking to achieve.

This report deliberately seeks to simplify the Initiative and its potential application to the Australian business community. In doing so, it is hoped that it will help to raise broad awareness and prompt companies to question how the Initiative can be applied as a framework for strengthening collaboration with the Chinese market.

### **Malcolm Broomhead**

**Chairman of Advisory Board, Australia-China Belt and Road Initiative  
Chairman and Independent Non-Executive Director, Asciano Limited  
Chairman and Independent Non-Executive Director, Orica Limited  
Non-Executive Director, BHP Billiton Ltd and BHP Billiton Plc  
Chairman of Advisory Board, Australia-China Belt and Road Initiative**

# Introduction

## What is this report setting out to achieve and why is it important?

This report presents a practical outline of China's new Belt and Road Initiative (otherwise known as One Belt One Road) and the complementary role government and business can play in its implementation.

The messages contained within this report are intended to provide representatives of Australia's industries and professional services with a better understanding of current Belt and Road projects. As well as provoke a level of enquiry and consideration about the breadth and depth of capability that Australia could contribute to the implementation of the Belt and Road Initiative.

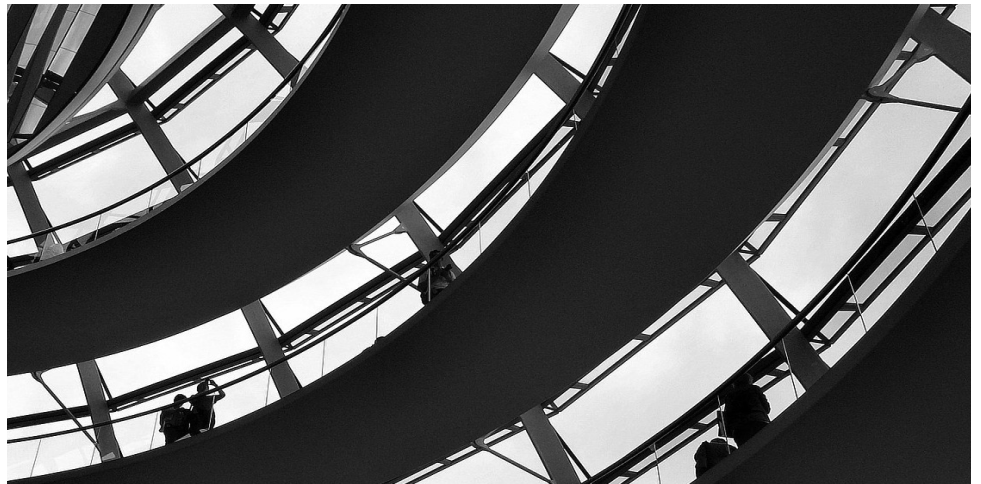
The Belt and Road Initiative aspires to increase regional cooperation and economic development with countries along the identified Silk Road routes. Beyond this geographical area, China views the Initiative as an inclusive framework, where participation will not be limited to a particular country or region, but rather offer a global model for international engagement.

Therefore, if appropriately curated and understood by both Australia and China, there will be avenues for Australian businesses to take part and benefit from the implementation of the Initiative – specifically:

Australian businesses could use the framework of the Initiative to attract Chinese partners in major Australian based projects (which may also involve commonwealth and state government interaction/regulatory compliance);

Australian businesses could use the framework of the Initiative to partner with Chinese enterprises in projects beyond Australia – both in China and in Belt and Road countries.

To participate however Australian industries and professions need to further capitalise on a strong trading relationship with China. This requires not only to reinforce the strengths of traditional trading sectors, but also to use the scope of the Initiative to identify other industry sectors where Australian businesses can bring comparative or competitive advantage.



**Ms Jean Dong,**  
Executive Director,  
Australia-China Belt and Road  
Initiative



# What isn't contained within this report and why?

The intent of this report is not to present a comprehensive set of answers but to provide an introduction to the Initiative and highlight potential areas of relevance to specific sectors within Australian industry and professional services. The report concludes by raising some questions, asking business representatives to reflect on:

What specific capabilities can Australian companies contribute to key Belt and Road Initiative projects?

Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?

Which Australian companies are recognised as industry leaders in sectors relevant to the Initiative?

How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# What are the next steps, following this report?

As the implementation of the Initiative is still in its formative stages, it is the most opportune time for Australian businesses to invest in understanding the applicability of the Initiative to their company. It is equally important for these Australian leaders to clearly outline and demonstrate competencies and experience equivalent to those of Chinese counterparts.

The perspectives shared by business leaders in both countries will play a vital role in helping to shape and inform viable trade and investment partnership opportunities – aligned with the regional priorities of the Initiative. In doing so, Australia will be ahead of powerful trading regions such as Europe, rather than lagging behind.

A key next step is to provide a platform for Australian and Chinese leaders, representing business and government, to engage in a dialogue about practical and feasible project partnership opportunities which are aligned to the framework of the Belt and Road Initiative.

The critical outcomes of this engagement will be agreement around:

Cooperation opportunities for Chinese enterprises to work with Australian businesses to identify and potentially progress priority projects;

Can Australian industry and professions play a role in the Belt and Road Initiative?

How China and Australia can utilise their complementary advantages in industry and professional services to develop projects in participating Belt and Road countries.

# What is the Australia-China Belt and Road Initiative (ACBRI)?

ACBRI was established to provide a vital link for Australian industries and professions to focus on identifying and pursuing cooperation opportunities with Chinese enterprises regarding the Belt and Road Initiative through:

- Facilitating an industry education and engagement program between Australian and Chinese industry;
- Taking a leadership role in engaging Australian and Chinese leaders, assisting business and government in a dialogue, to help establish the relevance of the Belt and Road Initiative to Australian industry;
- Producing and publishing practical guidance about the application of the Belt and Road Initiative to Australian industry;
- Supporting the cultivation of Belt and Road Initiative projects that are likely to be significant to key sectors of Australian industry and professional services.

These activities will enable industry and professional services in Australia to gain a practical understanding of investment and service pathways presented by the Belt and Road Initiative. In doing so, ACBRI will contribute to the following objectives:

- Australian industry and professional service leaders are more aware of and better educated about the Belt and Road Initiative.
- Pathways for collaboration between Australian and Chinese businesses under the Belt and Road Initiative are better understood.
- The relevance of Australian industry and professional services to the Belt and Road Initiative is recognised by key Chinese decision-makers.

**Jean Dong**



**Executive Director of Australia-China  
Belt and Road Initiative**

# 1. China's Belt and Road Initiative

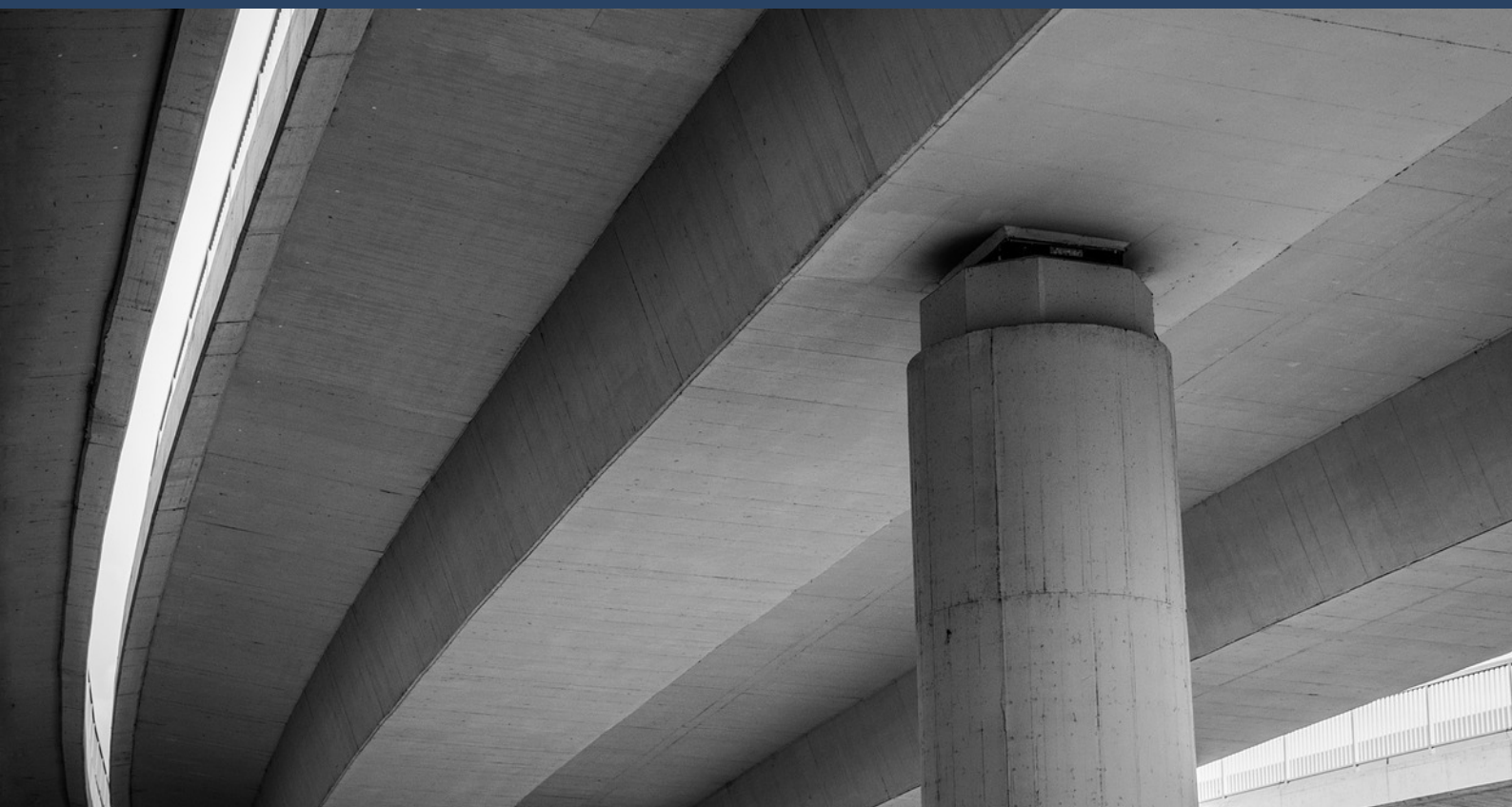
## 1.1 What is the Belt and Road Initiative?

The ancient Silk Road was a network of routes used to link commerce and trade between the East and the West. The Silk Road predates modern history. It is thought to have been established around the 2nd century (BC), with the Silk Road routes used until the 14th century (AD). Along with trade, the vast network paved by the Silk Road brought about the transmission of knowledge, ideas and cultures (United Nations Educational Scientific and Cultural Organization, 2016).

Throughout this period, the Silk Road Spirit – ‘peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit’ – promoted the progress of civilisation and contributed greatly to the prosperity and development of countries along the Silk Road (NDRC, 2015).

When Chinese President Xi Jinping visited Central Asia and Southeast Asia in September and October of 2013, he outlined a bold vision for regional development, founded on the principles of the Silk Road trade model. In his speech, he raised the concept of jointly building a modern Silk Road Economic Belt and 21st Century Maritime Silk Road (NDRC, 2015).

Three years on, this vision has transitioned from a concept and is now recognised as China's most important economic development strategy. The Belt and Road Initiative (or One Belt One Road), as it is now referred to, presents a collaborative and inclusive framework for strengthening and improving the efficiency of trade and investment (on both land and sea) between countries spanning Asia, the Middle East, Africa and Europe.



## 1.2 What is the Belt and Road Initiative setting out to achieve?

At its core, the Initiative is aspiring to promote greater long-term regional cooperation and physical connectivity between China and its trading partners. This will require significant investment directed toward strategic capital projects in and between countries, supported by appropriate and understood policy and regulatory settings, commercial partnerships and social support systems to facilitate mutually beneficial outcomes.

This required multi-dimensional approach presents significant complexity and a set of implementation challenges that need to be overcome to achieve success - with the Initiative's five 'connections' or goals reflecting this imperative (NDRC, 2015). These connections include the need for policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds (NDRC, 2015).

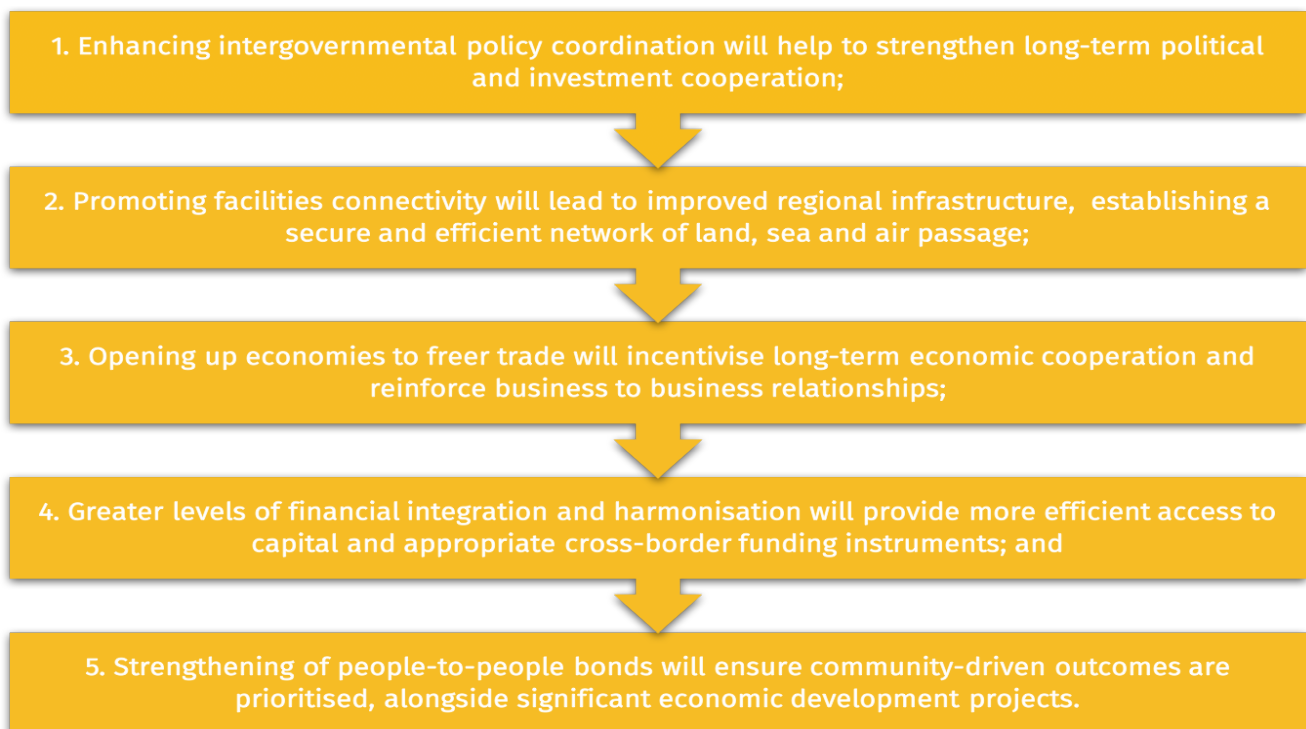


Figure 1: Belt and Road Initiative Five Connections

These connections are philosophically symbolic however more importantly; set out the 'rules of engagement' for all participants. They outline the guiding principles for which all Belt and Road projects and trade and investment activity will be approved and measured.



## 1.3 What is the geographic focus of the Belt and Road Initiative?

Primary investment and economic development activity deriving from the Belt and Road Initiative is intended to be co-ordinated through six economic corridors (NDRC, 2015).

On land, the Initiative will focus on jointly building a new Eurasian Land Bridge and the economic corridors which encompass China-Mongolia-Russia, China-Central Asia-West Asia and the China-Indochina (NDRC, 2015).

At sea, the Initiative will focus on building the China-Pakistan and the Bangladesh-China-India-Myanmar economic corridors (NDRC, 2015).

There are currently over 60 countries located within these corridors, representing a significant proportion of the world's population.

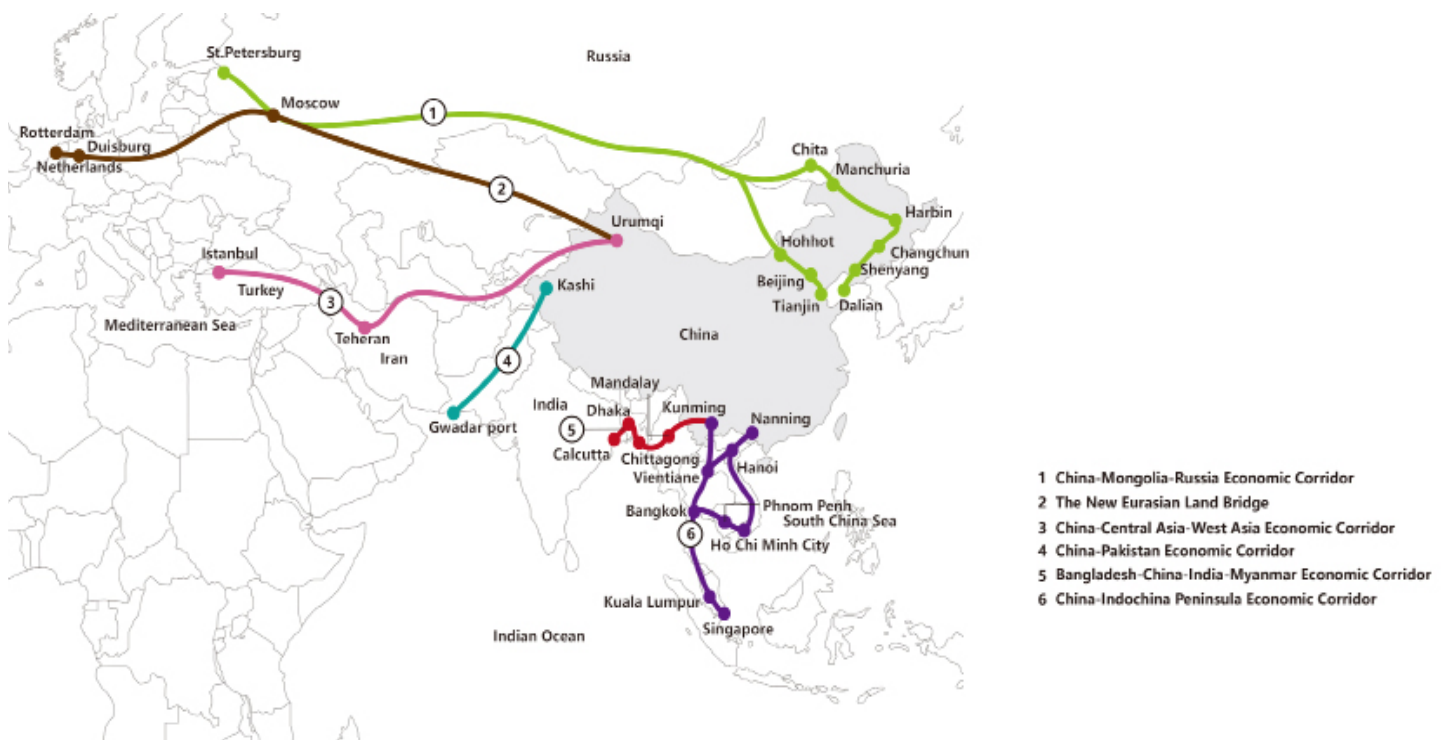


Figure 2: Belt and Road Initiative Six Economic Corridors



An important point for Australia to consider is that although these corridors outline a geographic focus for the Initiative, the Initiative aims to be an inclusive economic development strategy. This means extending the opportunity for countries such as Australia, who are not physically positioned on these corridors, to participate equally in Belt and Road capital development projects and/or benefit from expanded trade and investment pathways.



Figure 3: The New Eurasian Land Bridge

### 1.3.1 The New Eurasian Land Bridge

The New Eurasian Land Bridge will be an international railway line linking Lianyungang in China to Rotterdam in Netherlands through Kazakhstan, Russia, Belarus, and Poland. This Bridge is viewed as an opportunity to strategically connect key inland trade routes and mitigate congestion at coastal ports. The distance of the railway is set to be 11,870 kilometres (HK-TDC, 2016). The China section of the line will comprise the Lanzhou-Xinjiang Railway and Lanzhou-Lianyungang Railway (HKTDC, 2016). Although this railway is broadly viewed as feasible, questions still remain about how to improve some key segments to ensure better integration of all links in this multinational transport chain.



Figure 4: The China-Mongolia-Russia Economic Corridor

### 1.3.2 China-Mongolia-Russia Economic Corridor

The China-Mongolia-Russia Economic Corridor will link the Belt and Road Initiative to Russia's transcontinental rail plan and Mongolia's Prairie Road program (Mu, 2014). Three countries will cooperate to strengthen rail and highway connectivity and construction, advance customs clearance and transport facilitation. There are two main railway lines intended to connect China with Russia and Mongolia. One line will connect Beijing to Ulan-Ude in Russia via Hohhot in Inner Mongolia and Ulaanbaatar in Mongolia, the other will connect Dalian (in China) to Chita in Russia via Shenyang, Changchun, Harbin, and Manchuria. It is recognised that this corridor will not only facilitate improved physical connectivity between China, Mongolia, and Russia, it will help to reinforce and strengthen specific trade and commercial opportunities. Particular industries that are likely to benefit include tourism, energy and resources, media and communication, environment and research.



Figure 5: The China-Central Asia-West Asia Economic Corridor

### 1.3.3 China-Central Asia-West Asia Economic Corridor

The China-Central Asia-West Asia Economic Corridor originates in Xinjiang in China and exits the country via Alashankou, joining the railway networks of Central Asia and West Asia before reaching the Mediterranean coast and the Arabian Peninsula. The corridor mainly covers five countries in Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan) as well as Iran and Turkey in West Asia. The activity of the Belt and Road Initiative is intended to link with the national development strategies of key countries, including the Kazakhstan's 'Road to Brightness' strategy, Tajikistan's 'Energy, Transport and Food' strategy. Turkmenistan's 'Strong and Happy Era' (HKTDC, 2016) which are all focused on improving the development of infrastructure.



Figure 6: The China-Indochina Peninsula Economic Corridor

### 1.3.4 China-Indochina Peninsula Economic Corridor

The China-Indochina Peninsula Economic Corridor will link the 21st Century Maritime Silk Road route with the Greater Mekong Sub-Region (GMS). It will connect major sea ports along the coasts of Vietnam, Cambodia, Thailand and Myanmar, enhancing China-ASEAN trade and industry cooperation. Currently, the countries along the Great Mekong River are engaged in building nine cross-national highways. This includes the North-South Economic Corridor linking China Kunming to Laos and Thailand which opened in 2013 (extending a total length of 2,000 km) as well as the Singapore-Kunming Railway which is currently under construction. The sections connecting China with Vietnam, China with Myanmar and Laos are also underway (HKTDC, 2015).



Figure 7: The China-Pakistan Economic Corridor

### 1.3.5 China-Pakistan Economic Corridor

The China-Pakistan Economic Corridor is both part of the Belt and Road Initiative and a key part of China's 13th five-year development plan. It will link the Gwadar Port (in Pakistan) to Xinjiang. There are currently a number of projects under construction (at a cost of US\$46 billion) which include a vast network of highways, railways, oil and natural gas pipelines and optic fibre networks. A key project to be developed will be a 1,100 kilometre long motorway between the cities of Karachi and Lahore in Pakistan, which will connect to the already completed M2 Motorway which runs between Lahore and Islamabad. Other projects between China and Pakistan encompass the Phase two upgrade and renovation of the Karakoram highway, the Lahore rail transport orange line, a new international airport in Gwadar and the establishment of the Haier-Ruba Economic Zone (World Affairs, 2015).



Figure 8: The Bangladesh-China-India-Myanmar Economic Corridor

### 1.3.6 Bangladesh-China-India-Myanmar Economic Corridor

The Bangladesh-China-India-Myanmar (BCIM) Economic Corridor will connect India's Northeast with Bangladesh, Myanmar, and the Yunnan province of China through a network of roads, railways, waterways, and airways under an agreed and understood regulatory structure. The Corridor is considered to be a modern version of the Silk Road and a revision of the 1999 Track two Kunming Initiative between BCIM countries. It will originate in Kunming (in China) and connect to Kolkata in India, linking Mandalay in Myanmar and Dhaka and Chittagong in Bangladesh. The Corridor aims to promote trade and investment in the region through trade facilitation measures that will incentivise greater economic participation from the public and private sectors in key priority areas such as energy and power (Sahoo and Bhunia, 2014).



# 2. The role of government in supporting the implementation of the Belt and Road Initiative

## 2.1 How can government support the implementation of the Belt and Road Initiative?

On the 28th of March 2015 the Belt and Road Initiative Action Plan was jointly issued by the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce - key government agencies of the People's Republic of China (NDRC, 2015). This Action Plan provides greater clarity of the intent of the Initiative and the five goals (connections) that are considered imperative to the Initiative's successful implementation.

**The ability to coordinate government policy and regulation across a diverse range of countries and cultures is one of these critical but challenging goals.**

Achieving this level of government cooperation cannot be underestimated, requiring the Chinese Government and the governments of its trading partners to assess and work together to determine clear areas of alignment between the objectives of the Belt and Road Initiative and their own economic priorities.

This will require and highlight several areas of negotiation and agreement, including (but not limited to):



1. Coordinating economic development strategies and policies;



2. Strengthening mutually beneficial terms of trade;



3. Identifying clear measures and parameters for regional cooperation;



4. Determining fair and transparent systems for resolving disputes; and



5. Providing a regulatory environment that supports and appropriately governs participants' involvement in the implementation of local Belt and Road projects.



# The Belt and Road Initiative and ChAFTA

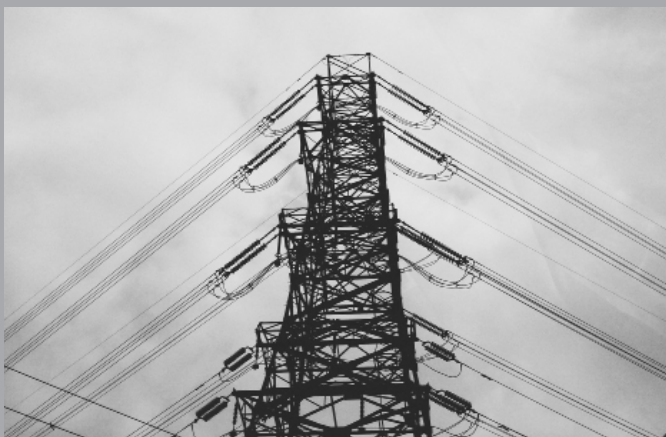
There is a well-established economic and trade relationship between Australia and China. With the China-Australia Free Trade Agreement (ChAFTA) entering into force on the 20th of December 2015, the strategic partnership between Australia and China has been further enhanced.

The measures agreed in ChAFTA will provide more efficient and productive channels for the exchange of goods, services and investment between Australia and China. A key example is the easing of trade tariffs. Currently, 86% of Australia's goods exports to China (by value in 2014) are duty free, rising to 94% by 1 January 2019 and 96% by 1 January 2029, when ChAFTA is fully implemented (DFAT, 2016). These tariff cuts will provide Australia's exports with an advantage over its competitors in entering the Chinese market, benefiting Australia's agricultural, resources, energy and manufacturing sectors.

Comparatively, the Belt and Road Initiative aspires to promote greater long-term cooperation and mutual connectivity between China and its trading partners, of which freer trade is one of five goals.

In this light, ChAFTA should be seen as complementary to Australia's participation in the implementation of the Belt and Road Initiative. As a free trade agreement, ChAFTA provides opportunities for individual Australian and Chinese businesses to partner around the delivery and financing of Belt and Road projects.

The tariff cuts provided through ChAFTA will support improved mutual market access for the trading of goods and services, in sectors that are the focus of both ChAFTA and the Belt and Road Initiative. Sectors include financial services, professional services, education, health-care, advanced manufacturing, telecommunications and infrastructure. Likewise, investment facilitated through ChAFTA will increase the availability and access to capital – to support Belt and Road projects of state and national significance in both countries. In China, this means alignment with the Belt and Road Initiative, for Australia this could mean alignment with priority economic development strategies such as Developing Northern Australia.



## 2.2 What is the role and responsibility of the Central Chinese Government?

The Central Chinese Government has over-arching responsibility for the promotion, implementation and coordination of the Belt and Road Initiative. This responsibility encompasses a number of specific roles, including but not limited to:

The Central Chinese Government acting as a facilitator of investment, negotiating (with other countries) the removal of investment and trade barriers, strengthening the business environment in China to enable industry partnerships to be developed with other Belt and Road countries (NDRC, 2015);

The Central Chinese Government acting as a regulator, governing the behavior of business and investment conduct, promoting competition and the efficient allocation of resources (NDRC, 2015);

The Central Chinese Government acting as an investor, establishing specific Belt and Road funding mechanisms such as the Silk Road Fund (NDRC, 2015).

The responsibilities are allocated across various government departments as well as specially appointed groups, as outlined below.

### Role of the Chinese Government:

#### 2.2.1 The Belt and Road Leading Group

The Initiative is being managed by an appointed Belt and Road Leading Group under the chairmanship of Vice-Premier Zhang Gaoli. Members of the Group include the Director of the Policy Research Office of the CPC Central Committee Wang Huning, Vice-Premier Wang Yang, State Councilor Yang Jing and State Councilor Yang Jiechi. The role of the Group is to guide and coordinate Belt and Road responsibilities and activities across various government departments (The State Council Information Office of the People's Republic of China, 2015).

#### 2.2.2 The National Development and Reform Commission

The role of National Development and Reform Commission is to manage the day to day implementation of the Initiative and its priorities. This includes the management of the project identification and approval process. The Commission acts as a focal point among government departments, convening joint meetings between different departments (Wang, 2015a).

#### 2.2.3 The Ministry of Commerce

The role of the Ministry of Commerce is to strengthen the level of trade and investment cooperation between China and participating Belt and Road countries. It is focussed on developing measures that expand the openness of markets, enhance trade facilitation and promote growth in new trade pathways. This includes the consolidation of existing and establishment of new free trade areas and economic zones (MOFCOM, 2015b).

#### 2.2.4 The Ministry of Foreign Affairs

The role of the Ministry of Foreign Affairs is to manage foreign diplomacy, coordinating domestic and foreign policy and protecting the legitimate rights and interests of Chinese citizens and institutions outside of China (Ifeng net, 2015). The Ministry's diplomatic role importantly includes disseminating information about and clarifying the complexity of the Initiative among participating countries through appropriate cultural, education and communication channels.

# 2.3 What is the role of China's provincial governments?

## 2.3.1 The five Belt and Road domestic regions

**North-western Region:** *Xinjiang, Shaanxi, Gansu, Ningxia, Qinghai*

The geographic position of the North-Western Region means it is well placed to focus on strengthening China's communication and cooperation with Central, South and West Asian countries. Xi'an (within the Shaanxi Province) has recently focused on delivering economic reform and the opening-up of China's interior – including the building of the Ningxia Inland Pilot Economic Zone (NDRC, 2015).

**North-eastern Region:** *Inner Mongolia, Heilongjiang, Jilin, Liaoning*

These four provinces are viewed as key economic windows that will help to facilitate trade with northern Belt and Road countries, with a particular focus on the China-Mongolia-Russia Economic Corridor (NDRC, 2015).

**South-western Region:** *Guangxi, Yunnan*

Neighbouring many ASEAN countries, provinces within the South-west Region are considered as important gateways connecting the Silk Road Economic Belt and the 21st-Century Maritime Silk Road. The Yunnan Province is viewed as key to facilitating and strengthening trade between China and South and Southeast Asia (NDRC, 2015).

**Coastal Region:** *Shanghai, Fujian, Guangdong, Zhejiang, Hainan, Hong Kong, Macao*

The Fujian Province is recognised within China as playing an important facilitator role in the development of the 21st-Century Maritime Silk Road. This includes assisting the development of the Zhejiang Marine Economic Development Demonstration Zone, the Fujian Marine Economic Pilot Zone and the Zhoushan Archipelago New Area (NDRC, 2015).

**Inland Region:** *Chongqing*

The Chongqing Municipality is focused on developing and opening-up the western region within China (NDRC, 2015).

Within China, the Belt and Road Initiative covers 19 provinces (also referred to as autonomous regions, municipalities, and special administrative regions). These provinces have been further categorised into five geographic regions.

The provincial governments within these five regions play an important Belt and Road implementation support role, helping to facilitate and procure projects that will deliver comparative advantages to the local economy. They have oversight responsibility for regional Belt and Road investment as well as local economic development activity. It is their responsibility to monitor, where appropriate, the progress of major projects, ensuring delivery is consistent with local laws and with agreed contract terms.

Each provincial government is also responsible for strengthening the coordination and optimal allocation of resources between different regions, improving the efficiency and openness of trade within China and with Belt and Road participating countries.



Figure 9: The Five Belt and Road Domestic Regions

# 3. Funding Belt and Road Initiative projects and activity

## 3.1 What are the primary Belt and Road Initiative funding institutions?

The availability of capital for the Belt and Road Initiative is a vital requirement for determining the level of commercial feasibility of projects and participation by the business community. This has been recognised by the Central Chinese Government, with a number of dedicated funding institutions providing access to investment and finance for Belt and Road projects. These are outlined in the table below and include:

**The Shanghai Cooperation Organization Development Bank**, a new institution that will be focused on financing multilateral infrastructure projects (Tass, 2014);

**The China Development Bank**, will provide debt capital for mid to long-term projects. It is also focused on raising private capital, through private banking and/or funds management, to invest in Belt and Road projects (China Development Bank);

**The Export-Import Bank of China**, is a Chinese governmental policy financial institution which will provide financial services for mechanical and electrical equipment, high-tech product imports and exports, foreign project contracting and foreign investment (EY, 2015);

**The Asia Infrastructure Investment Bank (AIIB)**, will focus on financing of infrastructure development – providing debt, equity and guarantees (China Daily, 2015a);

**The Silk Road Fund**, largely an investment vehicle, which will look at and consider higher risk and long-term development projects; and

**The BRICS New Development Bank**, an international multilateral financial institution, mainly focused on providing funding for developing countries' infrastructure needs.

**Table 1: Belt and Road Initiative Funding Institutions (Source: The People's Bank of China, 2015; AIIB, 2015; New Development Bank BRICS, 2014)**

Name	Type	Geographic focus	Belt and Road focus	Availability of capital (\$US)
The Silk Road Fund	Investment Fund	Countries along the Belt and Road routes	Financial Investment	\$40 billion
Asia Infrastructure Investment Bank	Regional multilateral development institution	Asia	Infrastructure	\$100 billion (China contribution \$50 billion.
BRICS New Development Bank	International multilateral financial institution	Developing countries	Infrastructure	\$ 100 billion (contributed by member countries)
Shanghai Cooperation Organization Development Bank	Regional multilateral development institution	SCO member countries and observer countries	Multilateral infrastructural projects	Establishment in progress
China Development Bank	Chinese government development-oriented financial institution	Countries along the Belt and Road routes	Broad finance and investment focus	Information not available
The Export-Import Bank of China	Chinese governmental policy financial institution	Countries along the Belt and Road routes	Capital investment	Information not available

## 3.2 How can global financial institutions support the Belt and Road Initiative?

Although new funding institutions have been established by China to provide funding for the Belt and Road Initiative, the sheer size of required investment to support its implementation will require the significant contribution and cooperation of multilateral financial institutions and the global banking and finance sector.

The private sector, represented by organisations including commercial banks, specialised managed and investment funds, private equity and insurers can play an important role in providing both capital and the financing expertise for Belt and Road projects (EBRD, 2015). However, the variance in political, legal and business risk across many of the Belt and Road countries necessitates deep and continued involvement by the public and non-government sectors (China Daily, 2015b).

The Belt and Road Initiative covers many countries in which existing multilateral financial institutions, such as the European Bank for Reconstruction and Development have significant investment and involvement. Belt and Road projects will benefit greatly from their investment and the experience that these institutions have in establishing public and private sector infrastructure funding models.

This level of collaboration, is likely to improve the quality and approach of China-led multilateral development banks and funds, providing a precedent that can be used in the ongoing financial reform process that is underway in China.

# 4. Challenges with implementing the Belt and Road Initiative

The Belt and Road Initiative is still in its formative stages. Notwithstanding this, its intended scale, economic transformation and intergovernmental cooperation gives rise to some key challenges that need to be understood, considered and addressed.

## 4.1 How can political uncertainty and investment risk be addressed?

The ability to identify, assess and then fund bankable projects is key to achieving economic outcomes under the Belt and Road Initiative as well as continued investor and business participation. Where funding in the Asian region is already limited, investors and project proponents will, like any other investment, seek to appropriately balance risk and reward. Countries along the Belt and Road routes present varying degrees of risk, demonstrated by the sovereign debt levels of more than two thirds of Belt and Road countries being either unrated or rated below investment-grade (Ba1-B3 or lower) by Moody's Investor Service (Praagh and Davison, 2015).

As well as the availability of funding, this level of risk reinforces the role of intergovernmental cooperation in strengthening the policy and regulatory environment of designated Belt and Road countries – improving transparency, controlling anti-competitive and unethical behavior and agreeing understood mechanisms for investor recourse (Lu, 2015).

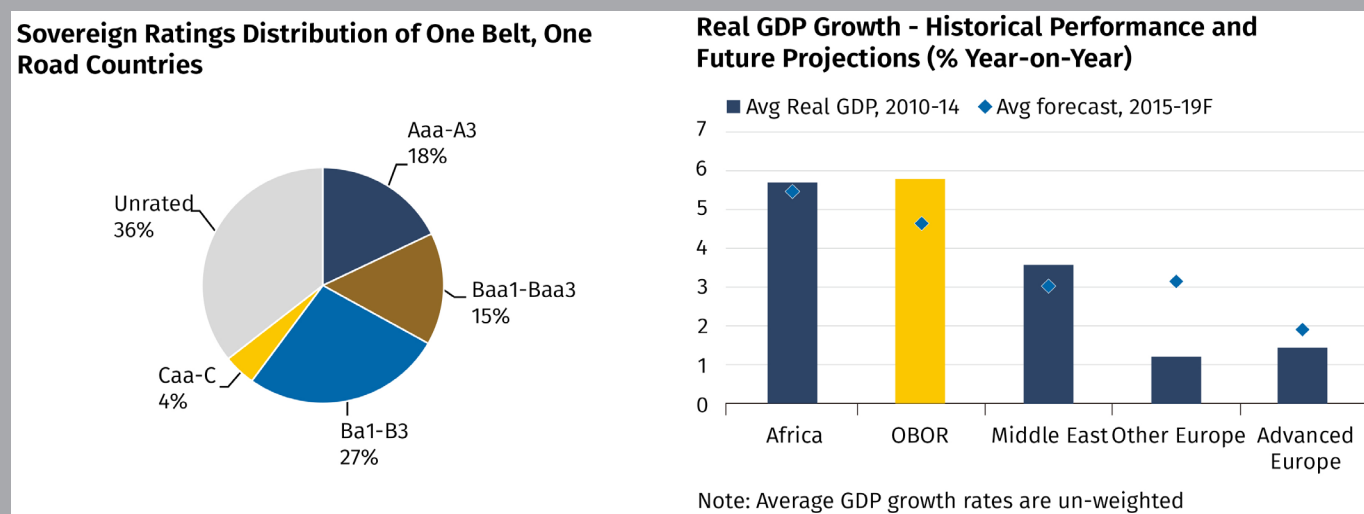


Figure 10: Moody's Investor Service Sovereign Ratings (Source: Praagh and Davison, 2015)

## 4.2 How can a cohesive understanding of the Belt and Road Initiative be achieved?

China has clearly articulated that the joint implementation of the Belt and Road Initiative is imperative to the Initiative's longevity and success (NDRC, 2015).

The level of inclusiveness aspired to means the number of participating countries will be many and varied. This will involve a diverse range of communities and cultures, presenting a challenge to successfully communicate and achieve a mutual understanding of the intent of the Initiative. Overcoming this challenge will require a carefully considered approach to engagement and education by China. This includes placing a significant focus on relationship-building. This will involve appropriate communication channels to disseminate why and how governments can support the Initiative, how businesses can participate and partner with Chinese enterprises and how local communities can help to shape and benefit from responsible economic development (Yu, 2015).

## 4.3 How can regional cooperation be attained?

The Belt and Road Initiative will involve more than 60 countries across Europe, Africa, the Middle East and Asia – covering many areas which have and are engaged in territorial disputes (Wang, 2015b). Where there are uncertain political and regulatory environments, the ability to guarantee the enforcement of bilateral trade treaties and resolve disputes is significantly impeded – all which are critical to the success of the Belt and Road Initiative (Qi and Nie, 2015).

Agreeing mutually beneficial and enforceable trade conditions is recognised and rightfully considered one of the five goals of the Belt and Road Initiative and will directly affect the extent to which efficient, effective and equitable trade and investment outcomes are achieved.

The feasibility of achieving this goal cannot be under-estimated, requiring a high level of cooperation and co-ordination between regional governments as well as the support of local business and community sectors. This includes the use of intergovernmental channels such as the World Trade Organisation, for resolving disputes (Lin, 2015).

## 4.4 How will the selection and scoping of projects be managed?

The scale of projects that will fall under the remit of the Belt and Road Initiative will be significant and complex. Without a robust, transparent, competitive and well-coordinated project approval system (between China and participating Belt and Road countries), supplemented by deep industry expertise, the risk of project failure and/or considerable cost over-runs is substantial.

Seeking to better harmonise state significant infrastructure investment frameworks between countries, remains a contemporary challenge which is not constrained to the implementation of the Belt and Road Initiative. Working out pathways to strengthen alignment between diverse regulatory, legal and commercial environments which provide for varying technical and governance standards is considered necessary to improving the underlying feasibility of infrastructure investment and delivery, globally.

Although limited information is currently available about the proposed project approvals structure for the Belt and Road Initiative, the Central Chinese and provincial governments (Shaanxi Provincial Development and Reform Commission, 2015) will play a key role in providing guidance on Belt and Road project assessment criteria (based on agreed priority areas) and coordinating initial 'expressions of interest' from potential project proponents. Whilst funding institutions such as the China Development Bank are starting to proactively assist with identifying and scoping potential projects that satisfy Belt and Road priority considerations.



# 5. The role of Australian industry in the implementation of the Belt and Road Initiative

The inclusive and mutually beneficial intent of the Belt and Road Initiative will, if appropriately curated by Australia and China, provide additional trade and investment partnership opportunities for Australian industry and Chinese enterprises, where:

Australia businesses could seek to attract Chinese partners in major Australian based projects (which may also involve commonwealth and state government interaction/regulatory compliance); or

Australian businesses could seek to partner with Chinese enterprises in projects beyond Australia – both in China as well as participating Belt and Road countries.

## 5.1 Why should Australian industry get involved?

Australia and China's trade and investment relationship is highly complementary, with industries such as energy and resources, agriculture, tourism, professional services and education recently benefiting from strong trading partnerships.

The Belt and Road Initiative offers an opportunity to realise additional benefits from this relationship as:



**The Initiative is viewed as one of China's cornerstone economic development strategies.**

The Initiative provides Chinese enterprises with an overarching framework to guide strategic decisions around why and how to engage in foreign trade and investment partnerships. Industries from participating Belt and Road countries that firstly have an understanding of the Initiative and secondly recognise how it can be used as a means to collaborate with potential China enterprises will be able to strengthen their access to business opportunities.



**The Initiative will provide Australian industry with the ability to share investment risk with China, when contemplating doing business in higher risk Belt and Road countries.**

The Initiative provides an avenue for Australian industries to collaborate with Chinese enterprises in regions with high degrees of instability and political uncertainty. These situations provide the opportunity for industry players in both countries to work out a mutually beneficial partnership structure for delivering a given Belt and Road project. *An example could include a Chinese enterprise underwriting capacity and contract tenure to establish commercially attractive conditions for an Australian business to bring specialised expertise to the delivery of a given Belt and Road project (i.e. healthcare).*



**The Initiative will provide Australian industry with access to alternative capital sources and instruments – through mechanisms such as the Silk Road Fund.**

China has recently established dedicated funding institutions to support the financing of Belt and Road projects. If such institutions operate well, Australian industries could benefit from more abundant and efficient access to capital and appropriate financial structuring. Funding avenues for Australian businesses will also be further strengthened through the establishment of an RMB clearing bank in Sydney, reinforcing the financial cooperation between Australia and China and bolstering the process of the RMB's internationalisation.



**The Initiative will provide Australian industry with additional channels for securing foreign investment in priority domestic projects.**

The Initiative could present a potential pathway for Australia to facilitate foreign investment, through the coordination and articulation of economic development priorities, such as those set out in the Developing North Australia Strategy.



## 5.2 How can Australian industry participate in the Belt and Road Initiative?

Belt and Road Initiative projects will be many and varied – with an early focus on infrastructure. Implementation over the long-term will require substantial skills in sectors in which Australia has recognised global strengths, including infrastructure, energy and resources, advanced manufacturing, education and banking and finance.

As the Initiative is still in its formative stage, it is an opportune time for industry leaders, from both Australia and China, to work together to identify viable Belt and Road partnership pathways – opening up additional trade and investment opportunities over the medium to long-term. Key to determining this is:

For Australian industries to understand the intent of the Belt and Road Initiative as well as practical examples of projects that relate to specific industry sectors and regions;

For Chinese enterprises to understand the capabilities in which Australian industries have a strong competitive strength and have direct application to Belt and Road priority areas (both in China and participating Belt and Road countries).

### Developing North Australia Strategy – potential to align priorities to the Belt and Road Initiative

Australia is looking for diversified funding sources to address the infrastructure priorities set out in the Developing North Australia Strategy, including an appropriate level of foreign investment.

China is recognised as a major source of foreign investment. Where Australian based projects are well defined (and outcomes are aligned to the Belt and Road priorities), Chinese enterprises may consider investment with an appropriate Australian based partner or partners.



## 6. Industry Fact Sheets

The following industry commentaries have been developed to present a high-level and early perspective of Belt and Road priorities and how they relate to particular industry sectors. The intent of these fact sheets is to raise broad opportunities and issues for participants in Australian industries to consider rather than identify specific project opportunities

They are expected to provide Australian industry with an emerging understanding of current Belt and Road projects and provoke a level of enquiry and consideration about the breadth and depth of capability that Australian industries could contribute to the ongoing implementation of the Initiative.

# Infrastructure

One of the key priorities of the Belt and Road Initiative is to strengthen the regional coordination of the planning, funding, development and operation of state significant infrastructure. It is hoped that the outcome of this level of cooperation will be a more efficient and accessible infrastructure network, resulting in improved connectivity between Asia, the Middle East, Africa and Europe. This outbound investment priority coincides with a China domestic focus to improve infrastructure gateways between Western provinces within China.



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to key Belt and Road Initiative infrastructure projects?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# Example Belt and Road China infrastructure focus areas:

## Relevant Chinese province

- Xinjiang Uyghur Autonomous Region
- Shaanxi Province
- Gansu Province
- Chongqing Municipality
- Yunnan Province
- Guangxi Zhuang Autonomous Region
- Fujian Province
- Guangdong Province
- Zhejiang Province

## Example focus areas:

- Establish road, rail and aviation infrastructure to develop transport hubs and better link key economic regions within China.
- Upgrade rail infrastructure to high-speed railways, further improving connectivity between the western regions, coastal regions within China and external trade routes.



Figure 11: Relevant Chinese Provinces (Infrastructure)

# Example Belt and Road participating country infrastructure focus areas:

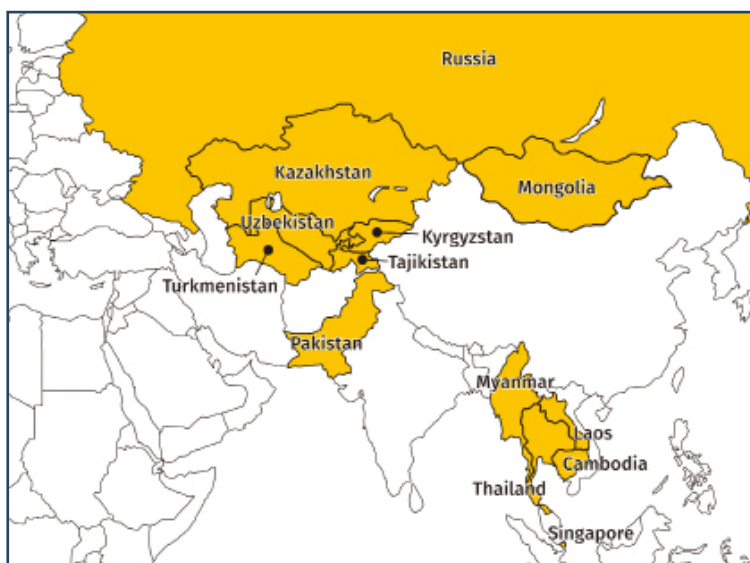


Figure 12: Relevant Countries to the Belt and Road Initiative (Infrastructure)

## Relevant Countries

- Russia
- Mongolia
- Kazakhstan
- Kyrgyzstan
- Tajikistan
- Uzbekistan
- Turkmenistan
- Pakistan
- Thailand
- Myanmar
- Singapore
- Laos
- Cambodia

## Example focus areas:

- Build road, railways, oil and natural gas pipelines, and ports to improve the interconnectivity between China and countries along the Belt and Road.
- Facilitate large-scale cargo clearance at regionally significant ports, improving logistics efficiency and reducing transportation costs.

# What capabilities are likely to be required for Belt and Road infrastructure projects?

Example capability requirements:

- Engineering advisory – civil, mechanical and chemical
- Airport planning and aviation advisory
- Urban planning and landscape design
- Architectural design
- Transportation and logistics development advisory
- Environmental management expertise
- Large-scale project management and risk management

## What are some current and planned Belt and Road infrastructure projects?

### China

**Xinjiang:** The Xinjiang Uyghur Autonomous Region is an important part of the historic Silk Road trade route and it shares its borders with eight countries. There is a current focus to develop the region into a transport hub, with the development of three passageways which will link the east coast Bohai Bay (Beijing, Dalian, and Tianjin), the Yangtze River Delta (Shanghai) and the Pearl River Delta (Guangzhou, Hong Kong, Shenzhen) – with Kazakhstan, Pakistan, Russia and Tajikistan via key cities in Xinjiang. Priority investment will be directed toward developing the China-Kyrgyzstan-Uzbekistan Railway, the China-Kazakhstan Road, the China-Tajikistan Road and the Urumqi Airport pilot project (Du, 2015).

### Countries and regions along the Belt and Road routes

**Thailand and Laos:** At the end of 2015, China and Thailand launched the 845 km China-Thailand railway project that will connect Laem Chabang (Thailand's largest port) with Nong Khai. The railway runs across Thailand, connecting to Vientiane (in Laos) and reaching China's Kunming in the north while extending to Malaysia and Singapore in the south. Along with benefits deriving from the construction of the railway and infrastructure, a key outcome of this project will be improved interconnectivity between China and ASEAN countries (Forbes Asia, 2014).

**Mongolia:** Currently, a large proportion of coal mined in Mongolia is transported to China via trucks. To significantly improve efficiency and scale, Mongolia has announced plans to extend the main trans-Mongolian railway which would connect Beijing to Ulan-Ude in Russia via Jining and Erenhot of China, Choibalsan and Ulaanbaatar in Mongolia (Campi, 2015).

# Banking and Finance

The scale and breadth of economic development activity aspired to under the Belt and Road Initiative will require the deployment of significant capital. The extent of capital required will necessitate the involvement of a number of participants representing the global banking and finance sector (both public and private) – multi-lateral financial institutions, institutional banks, managed funds, private equity and insurers.

This level of economic activity, originating from China, is also likely to further enhance the internationalisation of the RMB. Investment and implementation of Belt and Road projects and the corresponding strengthening of trade connectivity between China and participating Belt and Road countries may facilitate a deeper integration and need for RMB exchange hubs.



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to improving the availability and accessibility of capital to fund Belt and Road Initiative investment and trade?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# Example Belt and Road China banking and finance service focus areas:

## Relevant Chinese provinces:

- Xinjiang Autonomous Region
- Fujian Province
- Guangdong Province
- Yunnan Province
- Guangxi Zhuang Autonomous Region
- Shanghai Municipality
- Zhejiang Province

## Example focus areas:

- Establish pilot zones for financial reforms and innovation – testing concepts for increasing the availability and efficiency of the RMB as a trading currency
- Cultivate a multi-tiered capital market, promoting effective cross-border funding cooperation and the development of an effective and transparent insurance market



Figure 13: Relevant Chinese Provinces (Banking and Finance)

# Example Belt and Road participating country banking and finance focus areas:

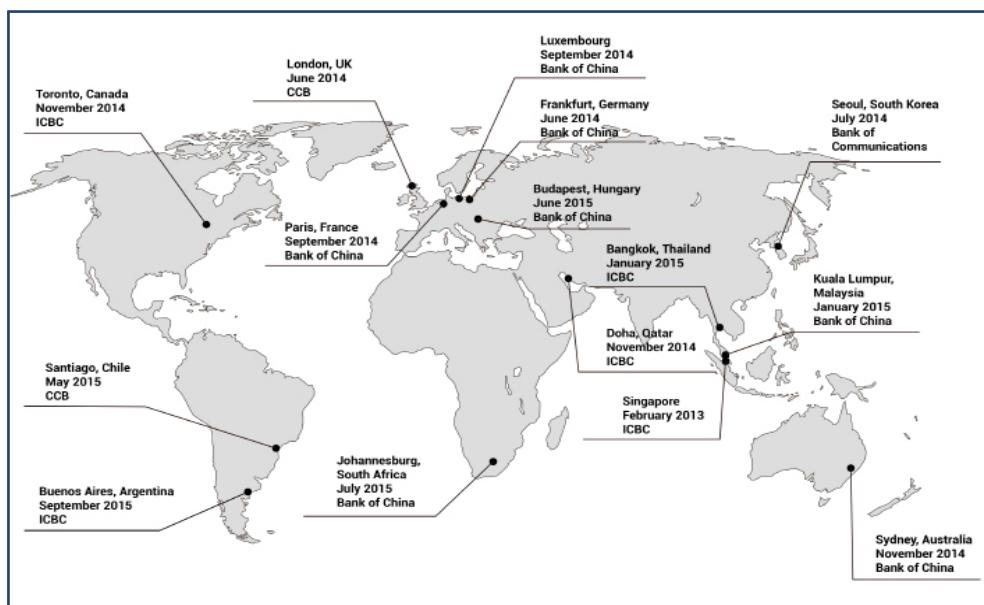


Figure 14: Relevant Countries to the Belt and Road Initiative (Banking and Finance)

## Example focus areas:

- Establish more offshore RMB settlement centres and official settlement banks, supporting RMB settlement with other Belt and Road participating countries, and accelerate the process of RMB internationalisation.

# What capabilities are likely to be required for Belt and Road banking and finance projects?

## Example capability requirements

- Financial and banking expertise
- Investment banking and private equity expertise
- Insurance, funds management
- Professional services: accounting, legal and risk advisory
- Foreign exchange expertise: payment system development, currency liberalality, clearing and settlement

# What are some current and planned Belt and Road banking and finance projects?

## China

**Xinjiang:** The Xinjiang Uyghur Autonomous Region aspires to be a major financial centre, servicing the Silk Road Economic Belt, with the City of Horgos to operate as an offshore RMB Settlement Pilot Zone. Xinjiang plans to establish a settlement platform to support cross-border financing and foreign exchange transactions and has already carried out cross-border RMB settlement with over 60 countries (Xinjiang Horgos Official Website, 2013).

**Yunnan and Guangxi:** The Yunnan-Guangxi Cross-Border Financial Reform Pilot Zone was established at the end of 2013. It was established with the main aim to facilitate financial innovation and greater cross-border use of the RMB in the China-Indochina Peninsula Economic Corridor and the Bangladesh-China- India-Myanmar Economic Corridor (China Briefing, 2013).

## Countries and regions along the Belt and Road routes

**Australia:** Sydney became an official currency trading hub for the RMB at the end of 2014. Along with the China-Australia Free Trade Agreement, the establishment of a RMB clearing bank in Australia provides an opportunity for Australian companies to gain access and efficiently trade with the Chinese market (McKenna, 2014).

# Energy and Resources

The rising level of energy consumption worldwide is requiring continual investment in innovation and infrastructure to enable the secure operation of accessible, cost-effective and efficient energy markets. The Belt and Road Initiative sets out a regional framework for improving energy infrastructure, networks and connectivity – requiring cooperation from China and participating Belt and Road countries to co-ordinate the exploration, production and trade of energy and resources. This includes traditional resources such as coal, oil and metals to renewable energy such as natural gas, hydropower, wind power, photovoltaic power, and nuclear power.



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to key Belt and Road Initiative energy and resource projects?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?



# Example Belt and Road China energy and resources focus areas:

## Relevant Chinese province

- Xinjiang Uyghur Autonomous Region
- Shaanxi Province
- Gansu Province
- Ningxia Hui Autonomous Region
- Guangdong Province

## Example focus areas:

- Establish power and utility infrastructure networks enabling oil, gas and raw materials production to support both urban and industrial development within China as well as the implementation of Belt and Road projects



Figure 15: Relevant Chinese Provinces (Energy and Resources)

# Example Belt and Road participating country energy and resources focus areas:



Figure 16: Relevant Countries to the Belt and Road Initiative (Energy and Resources)

## Relevant Countries

- Kazakhstan
- Turkmenistan
- Uzbekistan
- Tajikistan
- Kyrgyzstan

## Example focus areas:

- Establish the capacity to develop cooperative exploration and development of renewable energy, such as hydropower, wind power, and photovoltaic power.
- Develop electricity production facilities and associated distribution networks to support cross-border energy market connectivity.

# What capabilities are likely to be required for Belt and Road energy and resources projects?

## Example capability requirements:

- Energy and resource research and development
- Resource extraction, refinery and development – coal, oil, natural gas, wind, water and solar
- Equipment and explosive design, manufacturing and distribution
- Engineering and technical advisory services
- Environmental management advisory
- Large-scale project management and advisory

# What are some current and planned Belt and Road energy and resources projects?

## China

**Xinjiang:** The Xinjiang Uyghur Autonomous Region plans to develop what is known as the 'three bases and one corridor' in China. This will be viewed as a national energy resource corridor which will act as a large production and storage base for gas and oil, coal power and chemical production as well as wind energy (Cheng, 2015).

**Gansu:** The Jiuquan-Hunan ultra-high-voltage (UHV) line, the longest line of its kind to be built in China stretching 2,383 kilometres is underway. It is scheduled to be operational by 2017. The UHV transmission line is considered to be one of the key solutions to incorporating wind power into the grid (Yang and Gao, 2015).

## Countries and regions along the Belt and Road routes

**Turkmenistan, Tajikistan and Kyrgyzstan:** The construction of the China-Central Asia Natural Gas Pipeline (D line) started in September 2014 and is expected to be operational in 2016. The 1,000 km D Line, with a capacity of 30 billion cubic meters per year, will send natural gas from the Galkynysh field in Turkmenistan to Xinjiang in China (Platts, 2014).

# Agriculture

Most of the countries along the Belt and Road routes are rich in natural agricultural resources. The Belt and Road Initiative provides an historical opportunity to enhance the capacity of countries to trade agricultural commodities and products with which they have a clear comparative advantage in producing - akin to what occurred along the historic Silk Road.

The Initiative will also provide a regional platform to facilitate the mutually beneficial exchange of agriculture technology as well as farming and growing practices, leading to the adoption of more environmentally efficient and cost-effective use of natural resources.



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to key Belt and Road Initiative agriculture projects?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# Example Belt and Road China agriculture focus areas:

## Relevant Chinese province

- Ningxia Hui Autonomous Region
- Xinjiang Uyghur Autonomous Region
- Gansu Province
- Guangdong Province
- Shaanxi Province
- Fujian Province

## Example focus areas:

- Establish provincial agriculture demonstration/pilot parks to test and implement innovative and sustainable agricultural technologies and practices.



Figure 17: Relevant Chinese Provinces (Agriculture)

# Example Belt and Road participating country agriculture focus areas:



## Relevant Countries

- Russia
- Mongolia
- Kazakhstan
- India
- Tajikistan
- Turkey

## Example focus areas:

- Further develop a domestic and international logistics and agricultural supply chain to stimulate agricultural cooperation within China and between Belt and Road countries.
- Improve the coordination of inspection and quarantine regimes between Belt and Road countries, facilitating greater and responsible trade of agricultural products.

Figure 18: Relevant Countries to the Belt and Road Initiative (Agriculture)

# What capabilities are likely to be required for Belt and Road agriculture projects?

## Example capability requirements:

- Technology research, development and extension
- Specialised equipment design, manufacturing and distribution
- Agribusiness education and training
- Quality assurance and safety processes
- Traceability advisory and systems
- Farm management and productivity practices
- Food manufacturing and processing
- Best practice agricultural storage capacity
- Sustainable supply chain management and advisory

# What are some current and planned Belt and Road agriculture projects?

## China

**Xinjiang:** Two new national agricultural science and technology parks were built in the Xinjiang Uyghur Autonomous Region in January, 2016 (Qi and Wang, 2016). Alongside these two parks, another 82 sites have been identified as part of China's 7th batch of National Agricultural Science and Technology Park Developments. These parks aim to improve the development and adoption of innovative agricultural technology throughout the country.

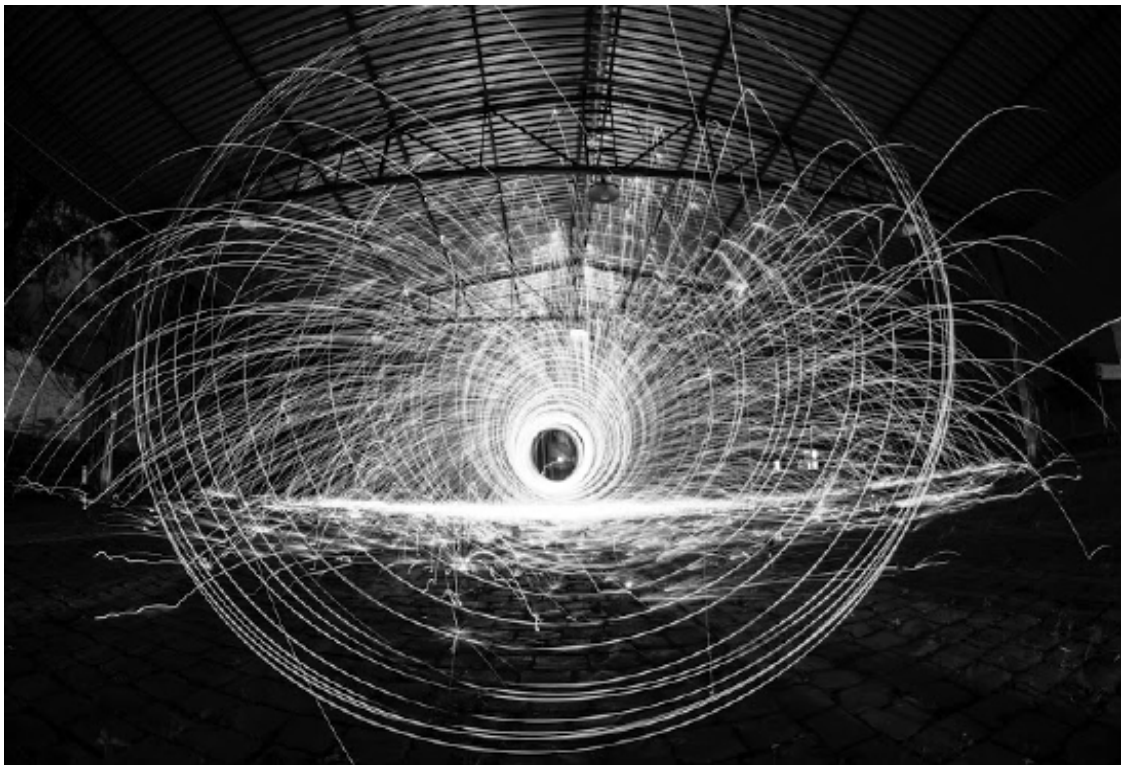
**Shaanxi:** Shaanxi is constructing the China-Kazakhstan Apple Friendship Park and the China-Kazakhstan Modern Agriculture Demonstration Park, promoting agricultural economic cooperation between China and key agricultural trading partners (The Government of Shaanxi Province, 2016). These parks will provide an avenue for countries to provide China with mutually agreed access to technology and expertise to help develop the country's agriculture industry.

## Countries and regions along the Belt and Road routes

**Indonesia, Sri Lankan and Malaysia:** Zhanjiang, located within China's Guangdong Province has announced plans to support the Indonesian Sisal Hemp and Sri Lankan Sugarcane agricultural projects, whilst Guangdong Nongken has recently invested in banana plantations in Indonesia and Malaysia (China-Britain Business Council, 2015).

# Advanced Manufacturing

The Belt and Road Initiative, appropriately coordinated with China's 'Made in China 2025' Initiative and other participating Belt and Road country innovation strategies, will provide greater pathways to build regionally advanced manufacturing sectors which are adaptive, driven by innovation and founded on strong principles of collaboration and capability development. Chinese enterprises are currently involved in developing more than 70 cooperation zone projects in countries along the Belt and Road, such as Thailand and Cambodia (MOFCOM, 2015a). This demonstrates the extent and the breadth of activity underway. In addition to the creation of these hubs, China alongside other countries with a developed advanced manufacturing sector, is progressively looking to expand the use of its technology and products in large-scale infrastructure developments. The level of construction and infrastructure development aspired to under the Belt and Road Initiative will increase these market opportunities.



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to key Belt and Road Initiative advanced manufacturing projects?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# Example Belt and Road China advanced manufacturing focus areas:

## Relevant Chinese province

- Shaanxi Province
- Gansu Province
- Chongqing Municipality

## Example focus areas:

- Develop national industrial zones or hubs, fostering collaborative and capable manufacturing hubs.
- Develop innovation-driven and modern manufacturing sectors, such as biomedicine, robotics, new materials, and integrated circuits.



Figure 19: Relevant Chinese Provinces (Advanced Manufacturing)

# Example Belt and Road participating country advanced manufacturing focus areas:



Figure 20: Relevant Countries to the Belt and Road Initiative (Advanced Manufacturing)

## Relevant Countries

- Russia
- Hungary
- Serbia
- Turkey
- Central Asia
- South Asia
- Southeast Asia

## Example focus areas:

- Establish regional industrial zones and hubs – focussing on collaboration, innovation and capability development.
- Facilitate the trade of high speed rail technology between participating Belt and Road countries, with a particular focus on Europe.

# What capabilities are likely to be required for Belt and Road advanced manufacturing projects?

## Example capability requirements:

- Advanced technology research and development
- Equipment and product design, manufacturing, distribution and procurement
- Science and engineering advisory
- Intellectual property protection advisory
- Quality assurance and risk advisory
- Supply chain management

# What are some current and planned Belt and Road advanced manufacturing projects?

## China

**Chongqing:** Information and communications technology (ICT) and electronic, automotive and high-end engineering equipment are pillar industries of the Chongqing Municipality. The Municipality has announced plans to invest in the development of 10 new industries based around integrated circuits, flat-panel displays, robotics, new materials, new energy and smart vehicles, biomedicine and environmental protection (China-Britain Business Council, 2015).

## Countries and regions along the Belt and Road routes

**Kazakhstan:** In August 2014, the Kazakhstan-China Agricultural Science and Industrial Park was built in Kazakhstan. It is recognised as the world's first overseas Chinese industrial park collaboration and a key project of the Belt and Road Initiative. The Kazakhstan industrial hub represents now one of many collaborative ventures Chinese enterprises are entering into, serving an important platform for overseas investment and the regional clustering of industries.

**Russia:** In June 2015, China committed to design a high speed railway between the Russian cities of Moscow and Kazan (The Wall Street Journal, 2015). The 770 km track will stretch through seven regions of Russia and is likely to be extended to connect to the already existing Moscow to Beijing line.



# E-commerce

Digitally disruptive e-commerce platforms are facilitating both domestic and international trade and investment and are playing an increasingly important role in the growth and scale of the global economy. Through cross-border e-commerce platforms, thousands of Chinese and international trade, tech, logistic, and legal companies have found niches in different markets and products. Further development and application of e-commerce platforms will continue to be a key driver of disruptive business models in China as well as innovative trade and investment models between participating Belt and Road countries.



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to key Belt and Road Initiative e-commerce projects?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# Example Belt and Road China E-commerce focus areas:

## Relevant Chinese province

- Zhejiang Province
- Shanghai Municipality
- Chongqing Municipality
- Guangdong Province
- Fujian Province
- Liaoning Province

## Example focus areas:

- Transfer learning from successful e-commerce platforms, understanding how to apply to the broader Chinese market.
- Experiment with new digital regulation models, providing appropriate governance mitigating the impact on trade and investment.

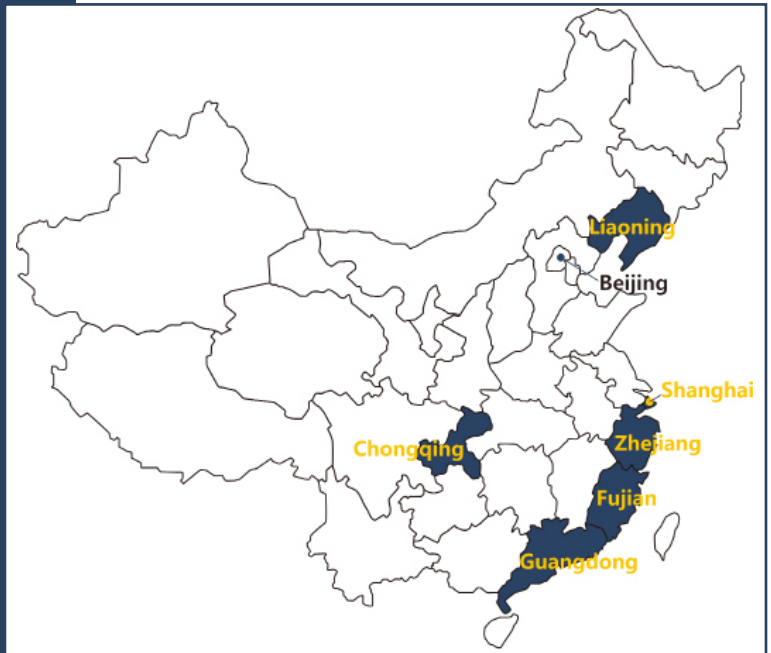


Figure 21: Relevant Chinese Provinces (E-Commerce)

# Example Belt and Road participating country E-commerce focus areas:



Figure 22: Relevant Countries to the Belt and Road Initiative (E-Commerce)

## Relevant Countries

- Russia
- India
- ASEAN
- Middle East

## Example focus areas:

- Explore collaborative e-commerce models that can be used to improve transport infrastructure and networks, international trade and logistics and provide participating Belt and Road countries with efficient access to markets in and outside China.

# What capabilities are likely to be required for Belt and Road E-commerce projects?

## Example capability requirements:

- Data centre development and management
- Data analytics and advisory
- ICT advisory – strategy, architecture, enterprise applications, information management
- Digital advisory – strategy, content, design and product development
- Supply chain management
- Warehousing
- Engineering and technical advisory

# What are some current and planned Belt and Road E-commerce projects?

## China

**Zhejiang:** China's State Council has given approval for the establishment of an e-commerce hub in Hangzhou, setting up China's first cross-border e-commerce pilot zone to promote online business. The pilot zone will lead efforts to set regulatory standards for the appropriate governance of e-commerce transactions, payments, logistics, customs clearance, tax refunds and exchange settlements. Some e-commerce companies and logistics firms, such as Alibaba, JD and Shenzhen-based logistics company SF Express, have set up offices in the pilot zone (Yang, 2015).

**Guangxi:** A cross-border trade e-commerce platform and the China-ASEAN Cross-Border E-commerce Industrial Park commenced operation on the 25th of June 2015 in Nanning (in the Guangxi Zhuang Autonomous Region). Both the platform and park will optimise e-commerce services between China and ASEAN countries, and make Nanning a national cross-border e-commerce pilot city (China Daily, 2015d).

## Countries and regions along the Belt and Road routes

**Russia, India:** Some Chinese e-commerce platforms are pushing to expand internationally, with a strategic focus on Belt and Road regions. This includes Alibaba, a large online shopping platform. It has stepped up its operations in Russia, has invested in Indian e-commerce companies and has opened up a 'trade facilitation centre' in India which provides import and export services for Indian small and medium sized enterprises (Pritchard, 2015).

# Healthcare

An ageing population, rapid urbanisation, the expansion of the middle class and reforms to the healthcare sector present considerable opportunities for enhancing healthcare services and social infrastructure in China and in key Belt and Road regions.

At the end of 2015, China unveiled a three-year plan for Belt and Road health exchange and cooperation (2015-2017). This plan articulates a priority to enhance collaboration between China and participating Belt and Road countries in eight health-care related fields. These include cooperative mechanism development, infectious disease prevention and control, capacity development and talent cultivation, health rapid response and emergency aid, traditional medicine, health system and policy, health development aid and health development (China Daily, 2015c).



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to key Belt and Road Initiative healthcare projects?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# Example Belt and Road China healthcare focus areas:

## Relevant Chinese province

- Xinjiang Uygur Autonomous Region
- Guangxi Zhuang Autonomous Region
- Yunnan Province
- Heilongjiang Province
- Inner Mongolia Autonomous Region
- Fujian Province
- Ningxia Hui Autonomous Region
- Shanghai Municipality
- Guangdong Province

## Example focus areas:

- Establish advanced medical facilities and the establishment of more private hospitals throughout China.
- Strengthen the level of cooperation in China around improving public health management and professional development.

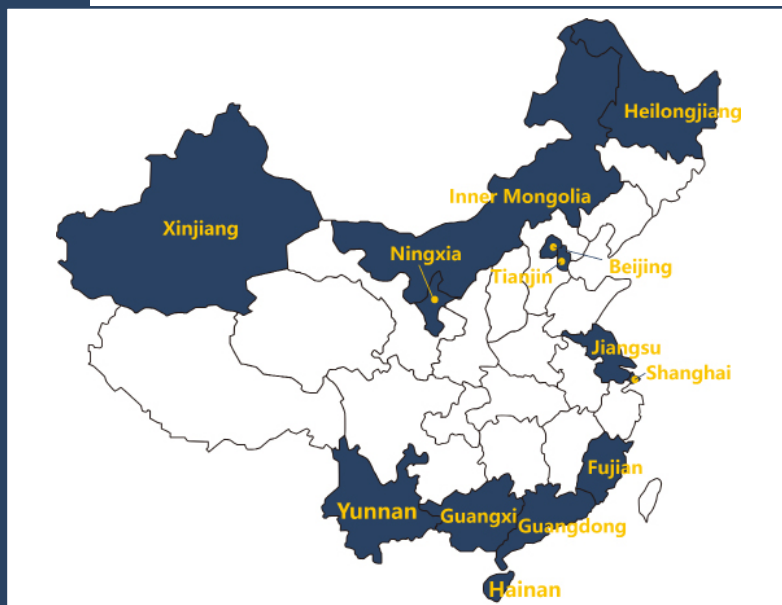


Figure 23: Relevant Chinese Provinces (Healthcare)

# Example Belt and Road participating country healthcare focus areas:

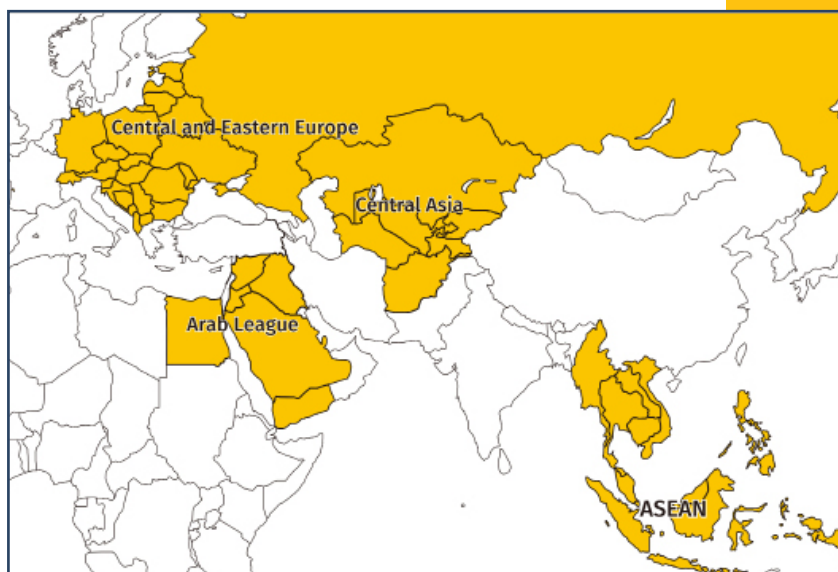


Figure 24: Relevant Countries to the Belt and Road Initiative (Healthcare)

## Relevant Countries

- ASEAN
- Central Asia
- Central and Eastern Europe
- Arab League

## Example focus areas:

- Co-organise regional health forums, facilitating intergovernmental cooperation around best-practice healthcare and reforms.
- Establish healthcare research and development joint-ventures with participating Belt and Road countries – including a focus on infectious disease prevention and treatment.
- Strengthen healthcare policy and regulatory coordination between participating Belt and Road countries

# What capabilities are likely to be required for Belt and Road healthcare projects?

## Example capability requirements:

- Aged care services
- Primary and public health professional training and certification
- Medical, pharmaceutical and biotech research and development
- Medical device and equipment – design, manufacturing and distribution
- Alternative medicine and therapeutical treatments
- Digital healthcare advisory
- Health insurance product and development

# What are some current and planned Belt and Road healthcare projects?

## China

**Ningxia:** It was announced in September 2015 that a ‘League of Cooperation’ in healthcare between China and Arab states will be established in Yinchuan (in the Ningxia Hui Autonomous Region). The intent of the League is to strengthen the level of collaboration between China and Arab states in the sharing of expertise and development of new medical technologies and innovations. Currently, more than 10 hospitals from Arab states and more than 20 Chinese hospitals have become founding members of the League (Wang and Wang, 2015).

**Beijing, Tianjin, Shanghai, Fujian, Guangdong, Hainan, and Jiangsu:** China is encouraging the establishment of more private hospitals, with the country reforming healthcare policy in 2013 to allow foreign-owned private hospitals to be established in Beijing, Tianjin, Shanghai, Fujian, Guangdong, Hainan and Jiangsu (Ministry of Health, 2014).

## Countries and regions along the Belt and Road routes

**Central and Eastern Europe:** In June 2015 in the first Health Ministers Meeting (HMM), participants from 16 countries in central and eastern Europe and China signed the Prague Declaration. The meeting and Declaration set out a solid foundation for cooperative research and development in healthcare between these regions (Czech China, 2015).

# Tourism, Creative Industries and Education

The Belt and Road Initiative intends to promote and foster the broad exchange of knowledge between participating Belt and Road countries, enabled through accessible education and experiences in areas including primary, secondary and tertiary education, technical certifications, tourism, creative and cultural industries and entertainment.

As an example, there are nearly 500 sites of world cultural and natural heritage located in participating Belt and Road countries, representing more than half of established sites around the world (Li, 2015). The Belt and Road Initiative presents an opportunity for these rich cultural and artistic heritage areas to be promoted and protected. The China National Tourism Administration is developing over 200 key tourism projects for the Belt and Road Initiative over the next three years and expects to send 150 million tourists to these countries in the next five years. This has been forecast to contribute more than \$200 billion in tourism revenue (EY, 2015).



## Can Australian industry and professions play a role in the Belt and Road Initiative?



What specific capabilities can Australian companies contribute to key Belt and Road Initiative tourism, creative industries and education projects?



Why and what experience demonstrates that these capabilities are considered a strength and a comparative advantage for Australian companies?



Who and which Australian companies are recognised as industry leaders?



How can this expertise complement the capability and capacity of Chinese enterprises and businesses within participating Belt and Road countries?

# Example Belt and Road China tourism, creative industries and education focus areas:

## Relevant Chinese province

- Xinjiang Uyghur Autonomous Region
- Gansu Province
- Shaanxi Province
- Fujian Province
- Hainan Province

## Example focus areas:

- Upgrade tourism travel experiences in China, including integrating tourism resources and establishing tourism information-sharing mechanisms
- Further develop cultural and creative industry markets - entertainment, performing arts, audio-visual, film and art



Figure 25: Relevant Chinese Provinces (Tourism, Creative Industries and Education)

# Example Belt and Road participating country tourism, creative industries and education focus areas:

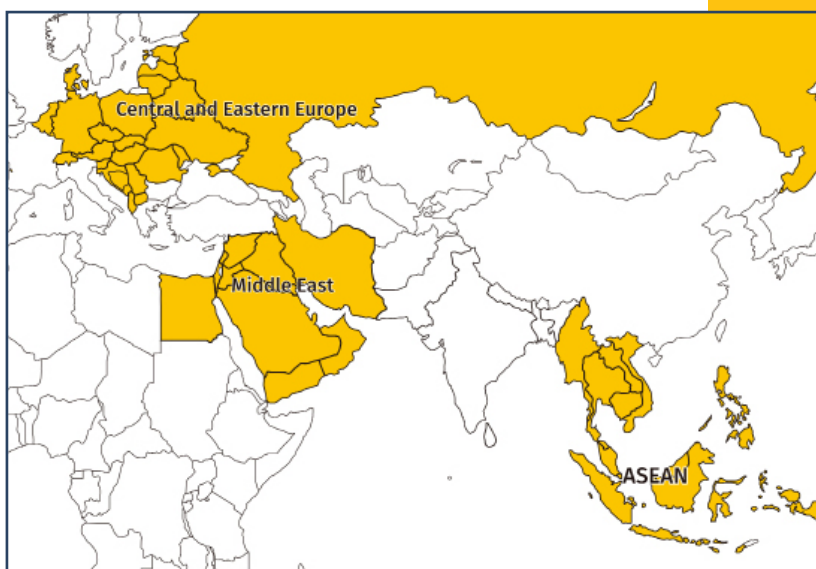


Figure 26: Relevant Countries to the Belt and Road Initiative (Tourism, Creative Industries and Education)

## Relevant Countries

- Middle-eastern countries
- Central and eastern European nations
- ASEAN

## Example focus areas:

- Improve the coordination of event programming between Belt and Road countries, such as cultural, art and film festivals.
- Jointly create competitive international tourist products and experiences with participating Belt and Road countries, including cross-promoting distinct travel experiences and destinations.
- Strengthen opportunities for developing and sharing innovative and best practice education models between Belt and Road countries.



# What capabilities are likely to be required for Belt and Road tourism, creative industries and education projects?

## Example capability requirements:

- Arts and cultural curation advisory
- Education and teaching certification program development
- Heritage and building restoration advisory
- Digital and media communications
- Industrial and architectural design
- Tourism experience and attraction advisory

# What are some current and planned Belt and Road tourism, creative industries and education projects?

## China

**Gansu:** Gansu is an important historical region, representing the prosperity of China. The Belt and Road Initiative has helped to boost growth in Gansu's tourism, with the signing of the cultural industry project promotion agreement taking place on the 15th of October 2015. The scope of this agreement includes 113 projects worth \$ (USD) 7.1 billion (Li and Xue, 2015).

**Hainan:** Both Sanya and Haikou (located in the Hainan Province) are accelerating the construction of international cruise ports to enable cruise tours of Hainan Island and new travel routes to be established, connecting Hainan to South-East Asian countries. This is consistent with the 21st-Century Maritime Silk Road Cruise Tourism Program, which is viewed as important way to enhance cultural exchange between China and participating Belt and Road countries (Hainan Provincial Bureau of Statistics, 2015).

## Countries and regions along the Belt and Road routes

**The University Alliance of the New Silk Road:** Led by Xi'an Jiao Tong University, the University Alliance of the New Silk Road (UANSR) was established on the 22nd of May 2015. Nearly 100 universities from 22 countries and regions are participating in the UANSR. The Alliance is a new higher education platform developed to promote regional collaboration among universities in participating Belt and Road countries. Collaboration is to be sought in areas including university exchanges, professional development, joint research and cultural communication (XJTU, 2015).

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