



## CHINA IN THE WORLD

## КИТАЙ В МИРЕ

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### The Belt and Road Initiative: A Model of China's Investment Cooperation with Australia and New Zealand

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**Abstract.** The large-scale Belt and Road Initiative (BRI) has undergone significant expansion in recent years. In 2017, China proposed a new route including South Pacific Region (SPR) states, intended to become a “hub” for ships heading to Latin America and back. Australia and New Zealand were chosen as key partners due to their leading positions among the region’s countries and their significant influence over political processes in the SPR. The relevance of the research topic is determined by China’s growing interest in the South Pacific Region and the consequently intensifying Sino-American competition, which significantly impacts the foreign policy decisions made in Canberra and Wellington. The aim of the present study is to identify differences in the approaches in Australia’s and New Zealand’s approaches to the BRI, and the factors influencing their policies regarding the Chinese initiative. Methodologically, the research relies on a comparative analysis of investment volumes from the People’s Republic of China (PRC) into the two countries’ infrastructure projects, as well as general scientific and specific scientific methods of historical and political research, including the narrative method and case studies. The conceptual framework of the study is the theory of hegemonic stability, which allows for examining the Belt and Road Initiative as a new economic regime of an emerging hegemon — China, which seeks to attract close US partners, namely Australia and New Zealand, to its side. The author concludes that political relations do, to a certain extent, influence the volume of Chinese investments. However, despite China’s consistently stable relations with New Zealand throughout under the review period. Chinese investment volumes in Australia were significantly higher. Furthermore, no critical infrastructure project involving China was approved in New Zealand. Meanwhile, despite the significant deterioration in Sino-Australian relations and Australia’s refusal to participate in the BRI, Chinese investors made several substantial investments in the Australian economy between 2013 and 2018.

**Key words:** investments, infrastructure, USA, security, South Pacific, Maritime Silk Road, balancing strategy, economic cooperation

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## Инициатива «Один пояс, один путь»: модель инвестиционного сотрудничества Китая с Австралией и Новой Зеландией

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**Аннотация.** В последние годы масштабная инициатива «Один пояс, один путь» (ОПОП) получила дальнейшее развитие. В 2017 г. Китай предложил новый маршрут, включающий государства Южно-Тихоокеанского региона (ЮТР), которые должны стать «хабом» для судов, направляющихся в Латинскую Америку и обратно. В качестве ключевых партнеров были выбраны Австралия и Новая Зеландия, занимающие лидирующие позиции среди стран региона и обладающие достаточным влиянием на политические процессы в ЮТР. Актуальность темы исследования обусловлена все возрастающим интересом Китая к ЮТР и усиливающейся в связи с этим китайско-американской конкуренцией, оказывающей существенное воздействие на внешнеполитические решения, принимаемые в Канберре и Веллингтоне. Цель исследования — выявление различий в подходах Австралии и Новой Зеландии к инициативе ОПОП и факторов, влияющих на политику стран в отношении китайской инициативы. Методологически исследование опирается на сравнительный анализ объемов инвестиций из КНР в инфраструктурные проекты двух стран, а также общенаучные и частнонаучные методы исторических и политических исследований, среди которых нарративный метод, кейс-стади и т. д. Концептуальной рамкой исследования является теория гегемонистской стабильности, которая позволяет рассмотреть инициативу «Один пояс, один путь» в качестве нового экономического режима возвышающегося гегемона — Китая, который старается привлечь на свою сторону близких партнеров США — Австралию и Новую Зеландию. Автор приходит к выводу, что политические отношения в определенной степени оказывают влияние на объемы китайских инвестиций, однако, несмотря на то что отношения Китая с Новой Зеландией на протяжении всего рассматриваемого периода были стабильными, объемы китайских инвестиций в Австралию были намного больше. Кроме того, ни один проект в сфере критической инфраструктуры Новой Зеландии с привлечением китайской стороны одобрен не был. В то же время, несмотря на то что китайско-австралийские отношения переживали сильный спад, а Австралия отказалась участвовать в ОПОП, в 2013–2018 гг. китайские инвесторы сделали ряд очень крупных инвестиций в ее экономику.

**Ключевые слова:** инвестиции, инфраструктура, США, безопасность, Южно-Тихоокеанский регион, Морской Шелковый путь, стратегия балансирования, экономическое сотрудничество

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## Introduction

Today, the Belt and Road Initiative (BRI) connects over 100 countries in a transnational network of trade routes centered around China. The BRI includes land and maritime infrastructure corridors linking China with Europe and Africa through Asian sub-regions. Including Oceania in the project seems an unusual step, given that the region is far from the main trade routes. However, in recent years, Beijing has been actively developing ties with the South Pacific region, which has long been under the influence of the United States and its allies.

On March 28, 2015, the National Development and Reform Commission, in conjunction with the Ministry of Foreign Affairs and the Ministry of Commerce of the People's Republic of China (PRC), released an action plan for the development of the BRI. Titled "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," the document states that "the 21st Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean on one route, and from China's coast through the South China Sea to the South Pacific on the other route."<sup>1</sup>

On June 20, 2017, China's National Development and Reform Commission and the State Oceanic Administration of the PRC released the "Vision for Maritime Cooperation under the Belt and Road Initiative" document. According to this document, the priorities of Chinese policy in establishing the 21st Century Maritime Silk

Road include green development, maritime security, innovative growth, and joint governance. Crucially, it outlines a plan for constructing three "Blue Economic Passages" along the Maritime Silk Road, designed to connect Asia with Africa, Oceania, Europe, and beyond: the "China — Indian Ocean — Africa — Mediterranean Sea Blue Economic Passage," the "China — Oceania — South Pacific Blue Economic Passage" and a passage extending to Europe via the Arctic Ocean.<sup>2</sup>

Australia and New Zealand have become key countries in the region within the framework of implementing the second route. These two regional leaders significantly influence the island nations of Oceania. Consequently, China places great importance on Australia and New Zealand in the development of the BRI in the South Pacific region, viewing them as crucial partners in establishing the regional branch of the Maritime Silk Road.

The aim of this study is to identify the differences in the approaches of Australia and New Zealand to the BRI, and the factors influencing their policies regarding the Chinese initiative, as well as to conduct a comparative analysis of the volume of investments from China into the infrastructure projects in the two countries.

## Methodology and Research Methods

China's unprecedented economic growth has led experts to increasingly assume that it could replace the United States as the

<sup>1</sup> Tuidong gong jian sichou zhi lu jingji dai he 21 shiji haishang sichou zhi lu de yuanjing yu Xingdong [The Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road] // Zhongguo yidai yilu wang [Belt and Road Portal]. March 29, 2015. (In Chinese). URL: <https://www.yidaiyilu.gov.cn/p/604.html> (accessed: 21.10.2024).

<sup>2</sup> "Yidai yilu" jianshe haishang hezuo shexiang [The Vision for Maritime Cooperation under the Belt and Road Initiative] // Zhongguo zhengfu wang [State Council of the People's Republic of China]. November 17, 2017. (In Chinese). URL: <https://www.gov.cn/xinwen/2017-11/17/5240325/files/13f35a0e00a845a2b8c5655eb0e95df5.pdf> (accessed: 21.10.2024).

future global hegemon in the medium term. ‘Hegemony’ refers to international leadership, particularly in the economic sphere. One indicator of China’s growing influence is its increasing importance to close US allies such as Australia and New Zealand, which have long pursued a policy of ‘hedging’ between the two great powers, trying to maintain a balance without jeopardizing relations with either side (Simons & Glaser (Kukartseva), 2024, p. 557).

The conceptual framework for this study is hegemonic stability theory, which posits that peace in the international system can only be achieved when there is a dominant state to ensure stability. For instance, the American economist Charles Kindleberger argued that the Great Depression of 1929 stemmed from a lack of international leadership. This was due to the weakening of the major European powers and the United States’ reluctance to manage the global economy during the interwar period, which ultimately plunged Europe into economic and political chaos (Kindleberger, 1973). The current liberal economic order, conversely, has remained remarkably stable for decades precisely because of the presence of a leader who “uses its resources and influence to establish and manage an international economy based on free trade, monetary stability, and freedom of capital movement” (Gilpin, 2001, p. 99). Thus, the hegemon maintains and guides the international order by setting rules (often through sanctions or pressure), providing incentives to encourage other states to comply and behave acceptably (Danner & Martín, 2019, p. 191), and through institutions and economic regimes (Keohane, 1984).

According to hegemonic stability theory, a rising hegemon will seek to alter the rules of the international system if doing so increases

its benefits, while the dominant state will strive to maintain its supremacy and ensure international order and stability.

China stands as a regional hegemon with the potential to become a global one. In recent decades, China’s Ministry of Foreign Affairs has developed several documents outlining Beijing’s vision for global governance. The Chinese government proposes various new concepts, including a “Community of Shared Future for Mankind,” the right to cyber sovereignty, and the fostering of cooperation within international organizations and economic regimes. Notable initiatives include the Belt and Road Initiative, the Asian Infrastructure Investment Bank (AIIB), the New Development Bank of BRICS, and others.

In turn, the United States, currently holding the position of global leader, strives to maintain the existing international order by relying on its allies. It also creates obstacles for China in implementing its economic and political initiatives aimed at elevating the PRC. Barack Obama’s “Pivot to Asia” and Trump’s / Biden’s “Indo-Pacific Strategy” are all designed to contain China with the goal of ensuring U.S. hegemony in the world (Askari & Tahir, 2020, p. 117).

Australia and New Zealand are important U.S. partners in Asia and key allies in the South Pacific region. Washington actively draws them into its anti-China policy, while China attempts to encourage constructive cooperation with these countries through economic means. Thus, by examining Sino-Australian and Sino-New Zealander relations, we can identify the dynamics of shifts in the balance of power between the PRC and the U.S.

The methodological foundation of this study is comprised of general scientific and specific scientific methods of historical and political research, including comparative

analysis, the narrative method, case studies, and others. The basis for analyzing investment statistics includes reports from China's Ministry of Commerce, reports from the University of Sydney, data from the China—New Zealand Council, and news reports from New Zealand media.

### **The Dynamics of China's Relations with Australia and New Zealand**

Since its inception in 2013, the Belt and Road Initiative has expanded rapidly. Initially conceived as a regional project to improve China's relations with its neighbors, it quickly garnered interest from nations worldwide.

At the 2014 Pacific Summit in Fiji, Chinese President Xi Jinping met with representatives from the eight countries that had diplomatic relations with China at the time, encouraging them to join the initiative (Wallis et al., 2023, p. 466). In the same year, China invited Australia and New Zealand, recognizing their status as regional leaders, to join both the Asian Infrastructure Investment Bank and the BRI (Zhang, 2019, p. 98). In extending these invitations to the two countries, Beijing pursued several objectives: first, to bolster confidence in the BRI and encourage Pacific Island nations to participate more actively; and second, to alleviate tensions in China's relations with Australia and New Zealand, which had arisen due to the U.S. anti-China strategy seeking to draw these countries into its policy of containing China.

The launch of the BRI coincided with the Liberal-National Coalition coming to power in Australia. This new government prioritized strengthening its alliance with the United States and its regional allies, primarily Japan. From that point, Australia — China relations began to gradually

deteriorate. Consequently, the Tony Abbott administration in 2014 reacted quite reservedly to China's offer to join the BRI. From 2016 onwards, Australia progressively abandoned its strategy of balancing between China and the U.S., instead intensifying its criticism of Beijing on several issues that are sensitive to China, including territorial disputes in the South China Sea, human rights in the Xinjiang Uyghur Autonomous Region (XUAR) and Hong Kong, as well as the origins of the COVID-19 pandemic (Yi, 2024, p. 57). Public statements by the Australian leader regarding the pandemic in 2020 effectively froze political ties between the two countries for two years. Simultaneously, Australia continued to expand its security and defense relationship with the U.S., joining all of Washington's anti-China initiatives in the region, including the Quad, AUKUS (Australia — United Kingdom — United States), the Trans-Pacific Partnership (TPP), etc. All of this negatively impacted the dynamic of Australia — China relations.

Unlike Australia, New Zealand has continued its hedging policy between China and the U.S., despite growing geopolitical challenges. Successive New Zealand governments have consistently asserted that, despite the different political values of the two countries, Wellington and Beijing can nevertheless set aside these differences to cooperate in areas of mutual interest. During her second term in 2021, Prime Minister Jacinda Ardern emphasized that, although New Zealand had adopted an “Indo-Pacific perspective” in line with the strategies of the U.S., the UK, and Australia, New Zealand nevertheless opposes using “geographic frames... as a tool to exclude some nations from dialogue.” She argued that the success of this policy “will depend on working with the widest possible set of partners” (Smith & Holster, 2023, p. 1584).



This position was made possible for two main reasons. First, unlike Australia, New Zealand doesn't have an active military cooperation treaty with the U.S. and is therefore less bound by alliance obligations. Second, New Zealand's export base consists primarily of agricultural products, not resources like Australia's. Consequently, New Zealand's economy is far more dependent on China, making it more vulnerable to potential trade sanctions since rapidly diversifying markets for New Zealand goods would be virtually impossible (Steff, 2024, pp. 1124–1125). In fact, to preserve the economic benefits of its free trade agreement with China, Wellington has largely overlooked differences on issues that are fundamental to its allies, such as human rights, freedom of navigation in the South China Sea, China's influence on New Zealand's domestic politics, and 'debt trap' diplomacy (Baker, 2020, p. 20). Nonetheless, in recent years, New Zealand has also become increasingly wary of China's strengthening ties with Pacific Island states. Wellington believes that China is expanding its sphere of influence at the expense of traditional partners like New Zealand and Australia (Ning, 2023b, p. 76). This poses a potential threat to the further development of Sino-New Zealand relations, contributing to closer ties between Wellington and Washington.

Thus, as U.S. anti-China policy intensified in the late 2010s, relations between Australia and China gradually worsened. However, despite active attempts by the United States to draw the

country into its strategy of containing China, New Zealand continued to maintain a high level of contact with the PRC to ensure its economic interests.

### **Australia — China Cooperation within the BRI and Chinese Infrastructure Investment**

China first invited Australia to join the Belt and Road Initiative in 2014. In a speech to the Australian Parliament on November 17, 2014, Chinese President Xi Jinping stated that "Oceania is a natural extension of the ancient Maritime Silk Road, and China welcomes Australia's participation in the building of the "21st Century Maritime Silk Road."<sup>3</sup> Earlier, throughout 2013–2014, China had engaged in negotiations with Canberra regarding its participation in the AIIB. However, influenced by U.S. pressure, the Tony Abbott government rejected the offer. In November 2015, Xi Jinping again urged Australia to participate in the BRI. During talks with his Australian counterpart on the sidelines of the G20 summit, the Chinese leader proposed connecting the Belt and Road Initiative with Australia's Northern Australia Action Plan (He, Stokes & Hundt, 2024, p. 98). This offer was reiterated during Australian Prime Minister Malcolm Turnbull's visit to China in April 2016.<sup>4</sup> Ultimately, in December 2015, Australia did join the AIIB as a founding member, becoming its sixth-largest shareholder (Yu, 2024, p. 155). Furthermore, during the second China —

<sup>3</sup> Xijinping zai aodaliya lianbang yihui de yanjiang (quanwen) [Full Text of Xi Jinping's Speech to The Australian Federal Parliament] // Zhongguo zhengfu wang [State Council of the People's Republic of China]. November 17, 2014. (In Chinese). URL: [https://www.gov.cn/xinwen/2014-11/17/content\\_2780007.htm](https://www.gov.cn/xinwen/2014-11/17/content_2780007.htm) (accessed: 21.10.2024).

<sup>4</sup> Xijinping huijian aodaliya zongli te'enbu'er [Xi Jinping Meets Australian Prime Minister Turnbull] // Renmin wang [People's Newspaper of China]. April 16, 2016. (In Chinese). URL: <http://cpc.people.com.cn/n1/2016/0416/c64094-28280609.html> (accessed: 21.10.2024).

Australia Strategic Economic Dialogue that same year, the two sides established a working group to explore opportunities for synergizing the Belt and Road Initiative with Australia's Northern Australia Action Plan.<sup>5</sup>

Despite the allure, Australia's federal government harbored significant doubts about joining the BRI. China's invitation sparked fervent debate within Australia's political, economic, and academic communities. The economic bloc strongly advocated for participation, citing substantial benefits from cooperation. Specifically, John Brumby, Chairman of the Australia — China Business Council, emphasized that if Australia aimed to develop its economy, it needed to join the BRI.<sup>6</sup> The Shadow Cabinet, comprising the Labor Party, has repeatedly expressed its support for the Chinese project. They even pledged to initiate negotiations for BRI accession if they won the next election. Shadow Foreign Minister Penny Wong and Shadow Defense Minister Richard Marles publicly stated that Australia's refusal to join the BRI was self-defeating. They urged the ruling party to seize the development opportunities presented by the initiative (Ju, 2020, p. 158).

Initially, the Australian media largely reflected the views of the economic and business communities, which urged the government to consider joining the Belt and Road Initiative. Over two-thirds of media reports focused on the initiative's vast scale, its potential benefits for Australia, and the priority of strengthening Sino-Australian trade and economic relations (Ning, 2023a, p. 46). However, following

the escalation of Sino-American tensions after Donald Trump's victory in the 2016 U.S. presidential election and the subsequent cooling of Australia — China ties, there was a noticeable increase in media articles with a negative perception of the BRI, emphasizing the initiative's shortcomings (Ning, 2023a, p. 46). Beyond general concerns about 'debt traps,' project opaqueness, and other issues widely circulated in the media, Canberra also had significant security concerns and doubts about participating in projects under China's aegis, as well as the potential reaction from the U.S. if it were to join the BRI. Consequently, after a prolonged period of hesitation, the Malcolm Turnbull government decided in 2017 to decline participation in the Belt and Road Initiative.

However, the Australian states and territories, which are not bound by the need to align their policies with Washington and which benefit from Australia — China economic cooperation, expressed interest in participating in the project due to their significantly greater autonomy. Victoria was the most active state, as China was its largest importer and a key source of investment, students, and tourists. In 2016, to attract investment, the Victorian government launched its "New China Strategy," aiming for the state to become 'China's gateway to Australia.'<sup>7</sup> Thanks to this initiative, Chinese investment in Victoria was projected to increase from 8 to 20 % of China's total investment in Australia by 2026, and Victoria's exports to China were expected to grow by over USD 5 billion.<sup>8</sup>

<sup>5</sup> Collinson E. Australian Perspectives on the Belt and Road Initiative // Australia — China Relations Institute. October 30, 2019. URL: [https://www.uts.edu.au/globalassets/sites/default/files/20191030-acri-facts---australian-perspectives-on-the-belt-and-road-initiative\\_elena-collinson.pdf](https://www.uts.edu.au/globalassets/sites/default/files/20191030-acri-facts---australian-perspectives-on-the-belt-and-road-initiative_elena-collinson.pdf) (accessed: 05.08.2024).

<sup>6</sup> Ibid.

<sup>7</sup> Partnerships for Prosperity: Victoria's New China Strategy. Melbourne : Victorian Government, 2016. P. 9.

<sup>8</sup> Ibid. P. 10–11.

In 2017, the Premier of Victoria, Daniel Andrews, traveled to China to attend the first Belt and Road Forum for International Cooperation, and in 2018, he signed a Memorandum of Understanding with China on cooperation within the initiative.<sup>9</sup> This strategy could have offered significant advantages for Victoria, as it became the first state to venture such a move. However, this event coincided with an ‘anti-China’ turn in Australia’s federal policy. In 2018, the U.S. reoriented its policy toward Asia, more actively promoting its China containment strategy among its regional security partners. Consequently, during this period, Australia — China relations began to cool, but Daniel Andrews’ initiative stood out from this trend.

The announcement of Victoria’s memorandum of understanding (MoU) with China sparked a lively debate within Australian society. Nevertheless, the initial reaction from the federal government immediately after the MoU’s signing is noteworthy for its restraint. Australian Prime Minister Scott Morrison stated that the news came as a “surprise” to him<sup>10</sup> and expressed concern that Premier Andrews had not consulted with Canberra. For her part, Foreign Minister Marise Payne claimed she hadn’t been notified of the agreement in advance, but noted it was standard practice for “states and territories ... to enter into these sorts of agreements ... with

other countries,” while only “treaties” are concluded at the Commonwealth level.<sup>11</sup> Trade Minister Simon Birmingham also voiced support for Victoria’s deal with China, though he admitted he didn’t know the MoU’s details (Pan & Ni, 2024, p. 5). Trade Minister Simon Birmingham also voiced support for Victoria’s deal with China, though he admitted he didn’t know the MoU’s details (Pan & Ni, 2024, p. 5). Observing this passive response from the central government, other states also began to show interest in participating in the BRI. Then-Chief Minister of the Northern Territory, Michael Gunner, declared in October 2019 that the “Belt and Road Initiative is a win-win for China and Australia.”<sup>12</sup>

In April 2019, Daniel Andrews traveled to China again to participate in the Belt and Road Forum for International Cooperation. In October of that year, he signed a framework agreement with China on the “Jointly Promoting the Silk Road Economic Belt and the 21st Century Maritime Silk Road.” This announcement once again provoked the Prime Minister’s indignation, but more concrete actions were only taken after then-U.S. Secretary of State Mike Pompeo stated in a May 2020 *Sky News* interview that, while he was not aware of the specifics of Victoria’s engagement with Beijing, it could still impact the U.S. intelligence-sharing partnership with Australia under the Five Eyes intelligence

<sup>9</sup> More Jobs and Investment with New Victoria and China Deal // Premier of Victoria. October 25, 2018. URL: <https://www.premier.vic.gov.au/more-jobs-and-investment-new-victoria-and-china-deal> (accessed: 07.06.2025).

<sup>10</sup> Prime Minister Scott Morrison, Victorian Premier Daniel Andrews Clash Over China Deal // ABC News (Australia). November 7, 2018. URL: <https://www.abc.net.au/news/2018-11-07/scott-morrison-daniel-andrews-clash-over-china-deal/10472026> (accessed: 21.10.2024).

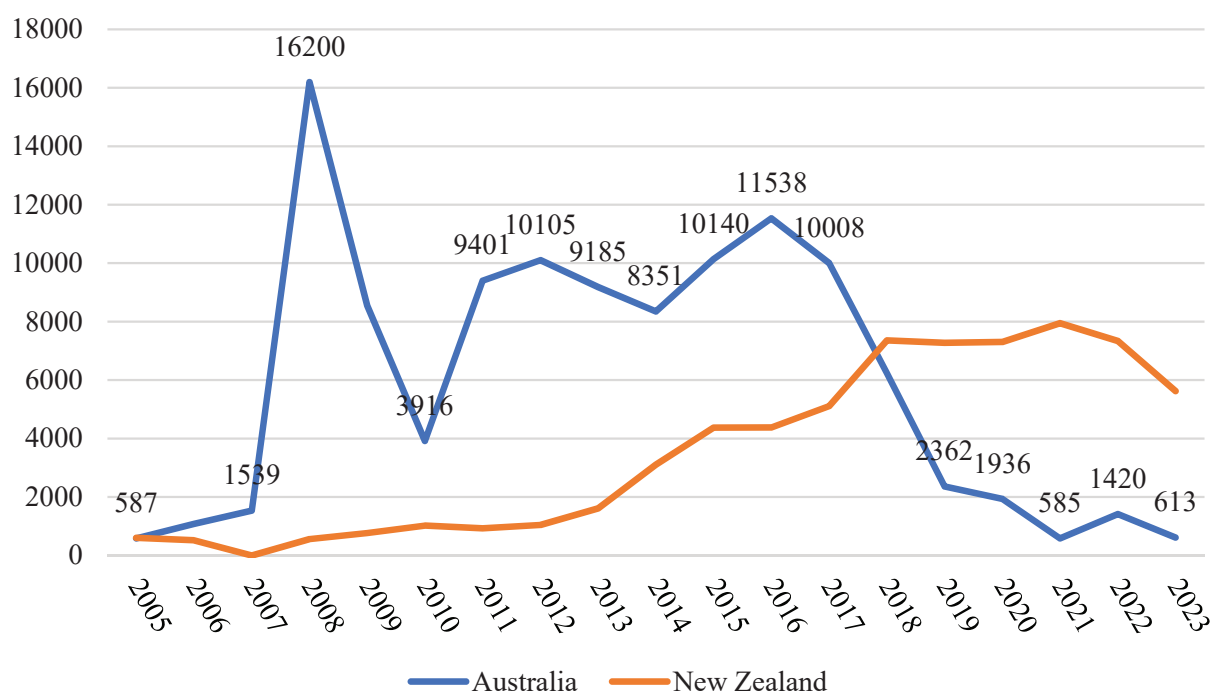
<sup>11</sup> PM ‘Surprised’ at Secret Deal // The Australian. November 6, 2018. URL: <https://www.theaustralian.com.au/nation/foreign-affairs/scott-morrison-lashes-daniel-andrews-over-china-infrastructure-deal/news-story/bf9431067939d4b5bb0afce6210dcf2b> (accessed: 21.10.2024).

<sup>12</sup> Belt and Road Initiative Can Be Win-Win, Says Australia’s Northern Territory Chief Minister // Xinhua. October 15, 2019. URL: [http://www.xinhuanet.com/english/2019-10/15/c\\_138471623.htm](http://www.xinhuanet.com/english/2019-10/15/c_138471623.htm) (accessed: 26.07.2024).



alliance.<sup>13</sup> Shortly thereafter, the Scott Morrison administration took urgent steps to revoke the agreement. On September 3, 2020, a bill was introduced in parliament, granting the federal government the authority to regulate states' relations with other foreign entities (Clough, 2023, p. 263). On December 3, 2020, both houses of parliament passed the Bill, and in April 2021, the government canceled both deals between the State of Victoria and the PRC.<sup>14</sup>

Despite Australia's refusal to formally join the Belt and Road Initiative, China has made several significant infrastructure investments in the country. Chinese foreign direct investment (FDI) began to grow rapidly in 2007 (Figure), initially concentrating in the energy sector. However, as concerns mounted over the large volume of FDI in sensitive industries and investor interest shifted towards infrastructure, Chinese investors funded a number of major projects in this area (Table 1).



#### Chinese FDI in Australia and New Zealand in 2005–2023, million USD

Source: compiled by E. Yu. Katkova based on data from the Ministry of Commerce of the People's Republic of China, the report by the University of Sydney and statistics from the China — New Zealand Council: Ferguson D., Dent H.Z., Li W., Hendrichske H., Qian S. et al. *Demystifying Chinese Investment in Australia*. Sydney : KPMG Australia ; the University of Sydney, China Studies Centre, 2024; *Zhonghua renmin gongheguo zhengfu he Aodaliya zhengfu ziyou maoyi xieding jiedu* [Interpretation of the Free Trade Agreement Between the Government of the People's Republic of China and the Government of Australia] // *Zhongguo ziyou maoyi qu fuwu wang* [Ministry of Commerce of the PRC]. April 24, 2017. (In Chinese). URL: [https://fta.mofcom.gov.cn/article/chinaaustralia/chinaaustralianews/201506/22176\\_1.html](https://fta.mofcom.gov.cn/article/chinaaustralia/chinaaustralianews/201506/22176_1.html) (accessed: 07.06.2025); The New Zealand China Council NZ China Dashboard // New Zealand China Council. 2023. URL: [https://nzchinacouncil.org.nz/statistics/#:~:text=Foreign%20Investment%20in%20New%20Zealand,\(year%20to%20March%202023\)](https://nzchinacouncil.org.nz/statistics/#:~:text=Foreign%20Investment%20in%20New%20Zealand,(year%20to%20March%202023)) (accessed: 26.07.2024).

<sup>13</sup> Ambassador Says US Has 'Absolute Confidence' in Australia After Mike Pompeo Warns of 'Disconnect' // SBS News. May 24, 2020. URL: <https://www.sbs.com.au/news/article/ambassador-says-us-has-absolute-confidence-in-australia-after-mike-pompeo-warns-of-disconnect/8zwp6k5nk> (accessed: 26.07.2024).

<sup>14</sup> Hurst D. Federal Government Tears Up Victoria's Belt and Road Agreements with China // The Guardian. April 22, 2021. URL: <https://www.theguardian.com/australia-news/2021/apr/21/federal-government-tears-up-victorias-belt-and-road-agreements-with-china> (accessed: 16.07.2025).

Table 1. China's Largest Investment in Australia's Infrastructure, in A\$

| Year | Target   | Investor  | Value       |
|------|--|---|-------------|
| 2013 | Energy system operator <i>AusNet</i> (19 % stake)  | <i>State Grid Corporation of China</i>                          | 810 million |
| 2013 | Energy system operator <i>SPI (Australia) Assets (Jemena)</i>  | <i>State Grid Corporation of China</i>                          | 2.9 billion |
| 2014 | 99-year lease (50 % stake) of the Port of Newcastle  | <i>China Merchants Port Holdings</i>                            | 875 million |
| 2014 | John Holland — a company providing services in the field of infrastructure, construction, railway transportation | <i>China Communications Construction Company</i>                | 1.1 billion |
| 2015 | 99-year lease of the Port of Darwin  | <i>Landbridge Group</i>   | 506 million |
| 2016 | Railway and port operator <i>Asciano Limited</i> (16 % stake)  | A consortium including <i>China Investment Corporation</i>      | 2.4 billion |
| 2016 | 50-year lease of the Port of Melbourne (20 % stake)  | A consortium including <i>China Investment Corporation</i>      | 1.9 billion |
| 2017 | <i>Trility Group</i> — a company providing public water supply and wastewater services                           | <i>Beijing Enterprises Water Group</i>                          | 250 million |
| 2017 | Darling Downs Gas Pipeline   | <i>State Grid Corporation of China</i>                          | 235 million |
| 2018 | <i>RCR O'Donnell Griffin Rail</i>  | <i>John Holland / China Communications Construction Company</i> | 100 million |

Source: Ferguson D., Dent H.Z., Li W., Hendrichske H., Qian S. et al. Demystifying Chinese Investment in Australia. Sydney : KPMG Australia ; the University of Sydney, China Studies Centre, 2024. P. 16.

Between 2013 and 2018, Chinese companies significantly increased their investments in Australian infrastructure, with total investments exceeding A\$11 billion. Beyond direct acquisitions, Chinese firms also secured long-term leases for major Australian ports, including those in Newcastle, Darwin, and Melbourne. However, in 2017–2018, the volume of Chinese investment in Australia began to decline following the development of new investment legislation.

Table 1 data demonstrates that, from 2017 onward, Chinese company projects became smaller, not exceeding A\$250 million. This shift occurred because, in 2018, Australia enacted the Security of Critical Infrastructure Act, which mandated the review and approval of foreign company projects by the Foreign Investment Review Board.<sup>15</sup> Consequently, the nature of Chinese FDI in Australia changed, with a preference for smaller, non-infrastructure-related projects.

<sup>15</sup> Security of Critical Infrastructure Act 2018 // Federal Register of Legislation. URL: <https://www.legislation.gov.au/C2018A00029/latest/downloads> (accessed: 30.07.2024).

In 2019, the coronavirus pandemic led to a further reduction in investment volumes. In 2020–2021, Chinese FDI reached its lowest point due to the sharp deterioration of Sino-Australian political relations. A positive trend in this area was only observed in 2022, as the two sides gradually began to restore cooperation (see Figure 1). Notably, from 2019 to 2022, China made no investments in Australia's infrastructure sector.

### **China — New Zealand Cooperation under the BRI**

Unlike Australia, New Zealand was far less aligned with the U.S. regarding its participation in the Belt and Road Initiative. So, while Canberra declined to join the Chinese project, New Zealand, in March 2017, signed a MoU with China to strengthen cooperation under the BRI. This agreement encompassed areas such as trade, political cooperation, cultural exchanges, and multilateral collaboration.<sup>16</sup> In New Zealand, there weren't widespread public debates about the necessity of joining the BRI; expectations were generally positive. However, similar to other Western nations, the government did set forth a series of requirements for potential Chinese projects involving New Zealand. These projects had to meet international standards for sustainable development, local participation, labor practices, and environmental protection.<sup>17</sup>

In 2018, the China — New Zealand Committee published a report outlining five priority areas for cooperation under the BRI:

- 1) Policy Coordination: fostering intergovernmental cooperation, identifying shared interests, and strengthening mutual political trust,
- 2) Facilities Connectivity: constructing environmentally sustainable infrastructure along the initiative's routes,
- 3) Unimpeded Trade: streamlining procedures to create a healthy business environment,
- 4) People-to-People Bonds: Enhancing collaboration in education and culture,
- 5) Financial Integration: Including local currency settlements.<sup>18</sup>

Beyond bilateral cooperation, New Zealand was also envisioned as a partner in China's multilateral Belt and Road projects and a hub simplifying the movement of people and goods between China and Latin America. Beijing was particularly interested in joint cooperation within the Pacific Island countries, as New Zealand's involvement could significantly ease regional concerns about project effectiveness and boost confidence in China's initiative. This would also diversify funding channels and reduce debt risks (Yue, 2021, p. 147). For instance, in 2021, China and New Zealand successfully completed the *Te Mato Vai* water supply network modernization project in the Cook Islands,<sup>19</sup> serving as an example of successful trilateral cooperation in the region involving the Chinese side.

<sup>16</sup> Memorandum of Arrangement on Strengthening Cooperation on the Belt and Road Initiative Between the Government of the People's Republic of China and the Government of New Zealand // Belt and Road Portal. March 31, 2017. URL: <https://eng.yidaiyilu.gov.cn/p/10479.html> (accessed: 30.07.2024).

<sup>17</sup> Young J., Lin J. *The Belt and Road Initiative: A New Zealand Appraisal*. Wellington : New Zealand Contemporary China Research Centre, 2018. P. 5. URL: [https://www.researchgate.net/publication/327035030\\_The\\_Belt\\_and\\_Road\\_Initiative\\_A\\_New\\_Zealand\\_Appraisal](https://www.researchgate.net/publication/327035030_The_Belt_and_Road_Initiative_A_New_Zealand_Appraisal) (accessed: 12.12.2024).

<sup>18</sup> Belt and Road Initiative : A Strategic Pathway. Auckland : New Zealand China Council, 2018. P. 4.

<sup>19</sup> Major Water Infrastructure Project 'Completed' // Ministry of Infrastructure Cook Islands. May 27, 2021. URL: <https://ici.gov.ck/news/major-water-infrastructure-project-completed/> (accessed: 30.07.2024).

For New Zealand, the main potential benefits of participating in the BRI center on domestic infrastructure development, as the total cost of necessary infrastructure projects has now exceeded USD120 billion.<sup>20</sup> However, despite these potential gains, however, New Zealand's approach to the BRI has been characterized by uncertainty.

With the expansion of economic ties in recent years, China has emerged as one of the foremost investors in New Zealand. Chinese FDI saw rapid growth after the signing of the Free Trade Agreement (FTA) in 2008, which became China's most comprehensive bilateral FTA with a developed economy. Under this agreement, New Zealand committed to reducing tariffs on all goods imported from China to zero by January 1, 2016. The negotiations to upgrade the FTA began in November 2016, and after six rounds, an updated agreement came into effect in April 2022, incorporating investment liberalization and simplified customs procedures (Zhang, 2024, p. 63).

Investment cooperation has also developed more consistently due to the significantly more stable relations between New Zealand and China compared to those between Australia and China. Figure 1 illustrates that, since 2007, Chinese FDI into New Zealand has grown steadily without the sharp fluctuations seen in Australia — China investment cooperation. By 2018, the volume of Chinese FDI into Australia had fallen to lag behind that in New Zealand, standing at USD 613 million and USD 5.6 billion respectively, as of 2023 (see Figure 1).

Chinese investments in New Zealand are primarily concentrated in sectors such

as agriculture, resource development, insurance, construction, and tourism (Cheng & Li, 2023, p. 44). The largest Chinese companies in New Zealand's agricultural market include *Yashili New Zealand Dairy* (producing infant formula), *Yantai China Pet Food* (pet food), as well as dairy companies *Blue River Dairy*, *Maui Food Group*, and *Shanghai Pengxin*, which own extensive agricultural land in New Zealand. In the hospitality, cultural, and tourism industries, the largest players are *China Travel Service* and *Fu Wah International Group*.<sup>21</sup>

Following the signing of the MoU to strengthen cooperation under the Belt and Road Initiative in 2017, the investment flow from China to New Zealand increased (Table 2).

In 2016–2020, Chinese companies undertook a number of large investment projects in luxury real estate and tourism infrastructure, with the majority concentrated in Auckland. For instance, the Chinese company *Fu Wah International Group* built the five-star *Park Hyatt Hotel* in Auckland and planned to build a 435-apartment residential complex, valued at up to NZ\$400 million, as well as a hotel in Queenstown. Additionally, the company intended to invest in the New Zealand version of the “Orient Express” — a luxury tourist train.<sup>22</sup> However, at the time of writing, there is no information about the launch of these projects. Among the successful examples of New Zealand's cooperation with Chinese enterprises are the construction of the *Pacifica*, *NDG Auckland Centre*, and *Seascape Apartments* skyscrapers, and the *Pacific Gardens* residential complex, comprising 1,100 homes.

<sup>20</sup> Bishop H.Ch. National Infrastructure Pipeline Worth over \$120 Billion // New Zealand Government. June 19, 2024. URL: <https://www.beehive.govt.nz/release/national-infrastructure-pipeline-worth-over-120-billion#:~:text=%24121.2%20billion%20total%20project%20value,of%20all%20rates%20revenue%20collected> (accessed: 30.07.2024).

<sup>21</sup> Invest in New Zealand Handbook. Auckland : China Chamber of Commerce in New Zealand, 2024. P. 22, 47.

<sup>22</sup> Xinxilan jiang jian “dongfang kuaiche” guanchuan nanbei dao [New Zealand to Build ‘Orient Express Running Through North and South Islands’] // Sohu. December 5, 2017. (In Chinese). URL: [https://www.sohu.com/a/208585722\\_99939278](https://www.sohu.com/a/208585722_99939278) (accessed: 30.07.2024).

Table 2. Existing and Potential New Zealand Infrastructure Projects Involving Chinese Companies, in NZ\$

| Project Name  | Year | Investor   | Value         | Project status   |
|---|------|--|---------------|--|
| Modernization of the Cook Islands Water Supply Network                    | 2014 | China Civil Engineering Construction Corporation, New Zealand Government | 89 million    | Completed in 2021  |
| Park Hyatt Hotel  | 2016 | Fu Wah International Group   | 300 million   | Completed in 2020  |
| The Pacifica, 57-storey residential tower                                 | 2017 | Hengyi Pacific   | 300 million   | Completed in 2020  |
| Pacific Gardens Residential Complex (1100 houses)                         | 2017 | Changda International Development  | 700 million   | In progress  |
| Whangarei — Northport Highway and Northport — Marsden Point Rail Upgrades | 2017 | China Rail   | 500 million   | Proceeding without China's involvement   |
| NDG Auckland Centre, 52-storey skyscraper                                 | 2017 | New Development Group  | 350 million   | In progress  |
| O Mahurangi — Penlink Toll Road   | 2018 | China Tiesiju Civil Engineering  | 400 million   | Proceeding without China's involvement   |
| Seascope Luxury Apartment (187 meters, 221 apartments)                    | 2018 | Shundi Customs, China Construction New Zealand                           | 300 million   | In progress  |
| Regional high-speed rail  | 2020 | –  | 14 billion    | Under discussion. The project is intended to proceed without Chinese participation |
| Second Auckland Harbour Bridge/Tunnel                                     | 2023 | –  | 35–45 billion | Under discussion. The project is intended to proceed without Chinese participation |
| Lactoferrin Factory   | 2023 | Yili Group   | 43.2 million  | In progress  |
| Trackless trams   | 2024 | China Rail   | unknown       | Canceled   |

Source: compiled by E.Yu. Katkova based on: Major Water Infrastructure Project 'Completed' // Ministry of Infrastructure Cook Islands. May 27, 2021. URL: <https://ici.gov.ck/news/major-water-infrastructure-project-completed/> (accessed: 30.07.2024); The O Mahurangi — Penlink Project // Consult ANZ. April 23, 2024. URL: <https://www.consultanz.com.au/project-spotlight-new-zealand-o-mahurangi-penlink/> (accessed: 30.07.2024); Yili jitianu xinxilan huojidika xiangmu kaigong [Yili Group's Hokitika project in New Zealand Starts Construction] // Zhongguo yidai yilu wang [Belt and Road Portal]. May 26, 2023. (In Chinese). URL: <https://www.yidaiyilu.gov.cn/p/0KF85K2R.html> (accessed: 21.10.2024); Zhongguo nv fuhao jiang zai aokelan jian gongyu, jiazhi 4 yi niu bi! [A Chinese Female Billionaire Will Build an Apartment in Auckland Worth NZ\$400 Million!] // Xinxilan xianqu zhongwen wang [Chinese New Zealand Herald]. August 27, 2018. (In Chinese). URL: <https://www.chineseherald.co.nz/news/property/fu-wah-reveals-400m-435-unit-wynyard-apartment-retail-plans/> (accessed: 30.07.2024); Bell M. Pacifica Penthouse Split Opens Luxury Space Up to More Buyers // Stuff. February 11, 2022. URL: <https://www.stuff.co.nz/life-style/homed/real-estate/127751077/pacifica-penthouse-split-opens-luxury-space-up-to-more-buyers> (accessed: 30.07.2024); Harrowell Ch. First Stage of \$700m Pacific Gardens Development Ready Next Year // Stuff. August 4, 2017. URL: <https://www.stuff.co.nz/business/95334317/first-stage-of-700m-pacific-gardens-development-ready-next-year> (accessed: 30.07.2024); Laird L. Northland Rail Link Talk Turns into Chinese Whispers // NZ Herald. March 28, 2017. URL: <https://www.nzherald.co.nz/northern-advocate/news/northland-rail-link-talk-turns-into-chinese-whispers/QITZMSASDWE36TIEHY2G8A7WAY/> (accessed: 30.07.2024); Nichols L. Billionaire Planning New Zealand's Tallest Building Blames City Rail Link and Covid for Delays // NZ Herald. February 23, 2022. URL: <https://www.nzherald.co.nz/nz/billionaire-planning-new-zealands-tallest-building-blames-city-rail-link-and-covid-for-delays/ZRPBD4QMFMOSU7PYJ2T2LNRMVU/> (accessed: 30.07.2024); Construction Starts on New Zealand's Highest Residential Building // Building Today. February 28, 2018. URL: <https://buildingtoday.co.nz/2018/02/28/construction-starts-on-new-zealands-highest-residential-building/> (accessed: 30.07.2024); China's Belt May Support NZ Projects // NZ Herald. December 7, 2018. URL: <https://www.nzherald.co.nz/property/chinas-belt-may-support-nz-projects/ILX2O44PTHRBGQO63EUTC6ZLMI/> (accessed: 30.07.2024); Smith S. Auckland Trackless Tram Trial Off Due to 'Unsolicited' Demands from Manufacturer // Stuff. February 13, 2025. URL: <https://www.stuff.co.nz/nz-news/360579987/auckland-trackless-tram-trial-due-unsolicited-demands-manufacturer> (accessed: 08.06.2025).

Regarding investments in road infrastructure, several attempts were made to engage the Chinese side in road construction and railway modernization, but none have been successful to date. In 2017, the Chinese state-owned company *China Rail* signed an agreement with the

Northland Regional Council to identify potential projects for strategic cooperation and engagement. Following this, the media reported that the company would finance the reconstruction of the 22-kilometer four-lane Whangarei — Northport State Highway and the Northport — Marsden



Point railway section, valued at NZ\$500 million.<sup>23</sup> This news sparked considerable debate regarding the advisability of involving the Chinese side in building critical infrastructure around the port. As of yet, no concrete projects have been implemented or proposed under this agreement. Ultimately, the modernization of the highway and railway lines is being carried out by New Zealand companies using government funding.<sup>24</sup>

Another potential project involved a Chinese enterprise investing in a toll road designed to connect the Whangaparaoa Peninsula with Auckland. In 2018, it was reported that the Auckland Chamber of Commerce supported *China Tiesiju Civil Engineering*'s bid to construct the Penlink toll road, valued at NZ\$400 million.<sup>25</sup> However, the New Zealand Transport Agency ultimately awarded the project to four New Zealand companies, with its total cost amounting to USD 830 million. Construction is planned for completion in 2026.<sup>26</sup>

In addition to these initiatives, there were plans to attract Chinese investors to other major projects. These included, for instance, a regional express railway connecting Hamilton and Auckland (with an estimated cost of over NZ\$14 billion), the construction of a second bridge

or tunnel across Auckland Harbour, as well as smaller-scale plans for a new sports and entertainment stadium on Auckland's waterfront and a conference center in Queenstown.<sup>27</sup> However, for the first two initiatives, the government ultimately decided against attracting foreign capital, and for the stadium and conference center projects, there are no concrete proposals yet. In 2024, media reported that in May, *China Rail* presented the Auckland Council's Transport, Resilience and Infrastructure Committee with the idea of building trackless trams. A trial run was scheduled for late 2024,<sup>28</sup> but the project was canceled in early 2025 after Auckland Transport did not approve the budget for partial funding for the trials and the purchase of an exhibition model.<sup>29</sup>

Thus, despite China and New Zealand signing an agreement for the joint development of the BRI, the results achieved over seven years have been quite modest. A 2024 report by the *New Zealand Initiative* think tank, identifies the following reasons why there is still no concrete work plan for the BRI. First, concerns about the transparency of BRI activities, and second, China's reorientation of the initiative from large infrastructure projects to 'small and beautiful'

<sup>23</sup> Laird L. Northland Rail Link Talk Turns into Chinese Whispers // NZ Herald. March 28, 2017. URL: <https://www.nzherald.co.nz/northern-advocate/news/northland-rail-link-talk-turns-into-chinese-whispers/QITZMSASDWE36TIEHY2GBA7WAY/> (accessed: 30.07.2024).

<sup>24</sup> Botting S. Government to Spend \$550M on Northland Railway, Including Spur to Northport // NZ Herald. April 6, 2022. URL: <https://www.nzherald.co.nz/northern-advocate/news/government-to-spend-550m-on-northland-railway-including-spur-to-northport/3LN6R5NFU2ALIMQN235PLQIUVI/> (accessed: 30.07.2024).

<sup>25</sup> Chatterton M. We've Got a History of Leaving Things Just Too Damn Long // Radio New Zealand. October 8, 2018. URL: <https://www.rnz.co.nz/news/national/368206/we-ve-got-a-history-of-leaving-things-just-too-damn-long> (accessed: 30.07.2024).

<sup>26</sup> The O Mahurangi — Penlink Project // Consult ANZ. April 23, 2024. URL: <https://www.consultanz.com.au/project-spotlight-new-zealand-o-mahurangi-penlink/> (accessed: 30.07.2024).

<sup>27</sup> China's Belt May Support NZ Projects // NZ Herald. December 7, 2018. URL: <https://www.nzherald.co.nz/property/chinas-belt-may-support-nz-projects/ILX2044PTHRBGQO63EUTC6ZLMI/> (accessed: 30.07.2024).

<sup>28</sup> Smith S. Trackless Trams Trial Coming to Auckland // Stuff. July 9, 2024. URL: <https://www.stuff.co.nz/nz-news/350337409/trackless-trams-trial-coming-auckland> (accessed: 30.07.2024).

<sup>29</sup> Smith S. Auckland Trackless Tram Trial off Due to 'Unsolicited' Demands from Manufacturer // Stuff. February 13, 2025. URL: <https://www.stuff.co.nz/nz-news/360579987/auckland-trackless-tram-trial-due-unsolicited-demands-manufacturer> (accessed: 08.06.2025).

ones.<sup>30</sup> If all the initiatives in which the Chinese side initially planned to participate are considered, their final cost significantly exceeded the amount Chinese companies were prepared to invest.

Furthermore, in 2021, New Zealand tightened its investment policy, introducing stricter requirements for foreign investors. The following rules were introduced: a ‘national interest test’ for foreign state-owned enterprises purchasing 25 % or more of shares; additional scrutiny for the acquisition of ‘sensitive’ land, requiring confirmation that the purchase will bring long-term benefits to New Zealand; and additional due diligence in cases of acquiring 25 % or more of New Zealand assets or making investments exceeding NZ\$100 million.<sup>31</sup> Beyond this, Wellington harbors concerns about investments from Chinese state-owned enterprises, which are primarily responsible for undertaking large infrastructure projects.

In this context, China and New Zealand’s cooperation within the BRI is progressing extremely slowly. The initiative’s website lists only one project: the construction of a lactoferrin factory in Hokitika by the Chinese company *Yili Group* in 2023, which invested SGD 700 million (approximately USD 532 million) in the project.<sup>32</sup>

## Conclusion

To summarize the analysis of Australia and New Zealand’s cooperation with China under the Belt and Road Initiative, we can draw the following conclusions.

Despite the gradual deterioration of Australia — China relations throughout the 2010s, and the

Australian Liberal administration’s refusal to join the BRI, China nonetheless made a number of significant infrastructure investments in Australia during this period, including in the ports of Newcastle, Darwin, and Melbourne. It was only after a severe crisis in bilateral relations, triggered by U.S. pressure on Canberra, that Chinese investors ceased major investments in the Australian economy.

In contrast to Australia, New Zealand-China relations were more stable. Following the signing of a memorandum to enhance cooperation under the BRI in 2017, the investment flow from China to New Zealand increased. In 2018, New Zealand surpassed Australia in the volume of Chinese investments, and in recent years, Chinese investors have made a number of investments in New Zealand’s infrastructure projects, primarily in the tourism, housing, and agricultural sectors. However, no critical infrastructure project involving the Chinese side has been approved. Although New Zealand strives to mitigate the negative impact of Sino-American rivalry and requires foreign investment in critical infrastructure, it’s clear that concerns over Chinese investments — which equally affect all Anglosphere countries — cannot but impact the development of China — New Zealand investment cooperation.

In this regard, it is important to acknowledge the growing influence of the American factor on Australia and New Zealand’s relations with China. These countries’ growing reliance on the Chinese market over the past two decades has weakened the U.S. position as the current global hegemon, threatening to undermine

<sup>30</sup> Clark N., Hartwich O. *Belt and Road Initiative : Implications for New Zealand*. Wellington : The New Zealand Initiative, 2024. P. 3.

<sup>31</sup> Foreign Investment Policy and National Interest Guidance // Te Tai Ōhanga. The Treasury. 2021. URL: <https://www.treasury.govt.nz/sites/default/files/2021-06/for-invest-pol-nat-interest-guidance-jun21.pdf> (accessed: 21.10.2024).

<sup>32</sup> Yili jituan xinxilan huoqidika xiangmu kaigong [Yili Group’s Hokitika Project in New Zealand Starts Construction] // Zhongguo yidai yilu wang [Belt and Road Portal]. May 26, 2023. (In Chinese). URL: <https://www.yidaiyilu.gov.cn/p/0KF85K2R.html> (accessed: 21.10.2024).

the existing international order. In response, Washington has increased pressure on its partners in recent years and stepped-up efforts to consolidate its allies, aiming to preserve the status quo and its own global leadership.

Consequently, it can be concluded that in the near future, despite all attempts to maintain a balance in relations with China and the U. S., Australia and New Zealand will be compelled to distance themselves from China.

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