

ANNUAL GENERAL MEETING 1 DECEMBER 2021

CHAIR'S REPORT

I am pleased to present my report for the 2020-21 financial year and to update the Council on recent developments. This will be my final report as Chair, as I step down from the Council following ten years of service.

The New Zealand China Relationship

Whilst the year to June 2021 was impacted by COVID-19, overall New Zealand goods exports to China remained remarkably resilient, growing by \$2.1 billion (12.3%) over this period. Exports to other key markets, such as Australia, Japan and the UK fell, which resulted in the overall percentage of our exports sent to China growing to 31%. In addition, our goods imports from China grew by 8.7%.

Unfortunately, our bilateral services trade has not fared as well, with tourism and education understandably impacted by COVID-19. Export tourism services fell by 75%. The impact on the education sector was less severe (30% drop), with the sector benefitting from students already based in New Zealand, combined with institutions pivoting to deliver China based or online courses, in anticipation of students returning when borders reopen.

The political relationship underpins our trade and economic relationship, and it is starkly apparent that the geopolitical environment has become more challenging. As Minister Mahuta noted in her speech to the Council earlier this year, "there are some things on which China and New Zealand cannot and will not agree." Inevitably, New Zealand and China will have different perspectives on certain issues given our differences in worldviews, and the structural diversity in our respective political and legal systems. That said, we must continue to ensure that differences do not define our relationship, and are managed in a constructive and consistent manner.

Over the past year the debate around the need to diversify trade has intensified. As I have previously noted, trading a portfolio of goods and services across a number of markets, helps underpin our prosperity and insulate New Zealand from the vagaries of the international economy. We must not however, allow a commendable and understandable desire to diversify our market opportunities, to divert focus on what is, for New Zealand, a critical relationship. China continues to be a critical, complex, and highly competitive market for our exporters. Our goods trade has continued to grow for the simple reason that our economies are highly complementary and the China market offers good returns and robust growth potential.

Earlier this year we welcomed the signing of the upgrade of the NZ-China Free Trade Agreement. We support China's interest in joining regional trade agreements which facilitate implementation of effective and up to date rules in the region as well as globally.

We have also launched several new initiatives to work on in cooperation with China. There are no truly global issues that can be solved without China at the table, and we look forward to continuing to develop projects that will add further strands to the relationship and bring practical benefits.

Structure and Governance

The Council's new structure with a Council of up to 30 members, an Executive Committee responsible for governance, and Working Groups focused on specific projects has been operating effectively. The Council has attracted a high-level group of representatives covering a range of key sectors. The Council's Executive Team have met with the Executive Committee on a regular basis, and made good progress setting the Council's work-plan and implementing robust governance and financial procedures.

Membership update (as at 30 June 2021)

The Council welcomed new members Anna Mowbray (Co-founder of Zuru), Greg Foran (CEO of Air New Zealand), Justin Watson (Chief Aeronautical and Commercial Officer for Christchurch International Airport), Kiri Nathan (Founder of Kiri Nathan Ltd), Paul Morgan (Chair of Wakatū), Peter McBride (Chairman of Fonterra), René de Monchy (CEO of Tourism New Zealand), and Sirma Karapeeva (CEO of Meat Industry Association).

The Executive Team ran a rigorous process and selected two inaugural Next Generation Members, Ben Abraham and Nathalie Harrington. Luke Qin was also identified through the Next Generation process and joined the EC as a representative of ANZ.

The Council also welcomed Miriana Stephens (Director of Wakatū Incorporation) and Paula Wilson (Manager of North Asia Division, MFAT) to the Executive Committee.

At the close of the reporting period (June 2021), the NZCC had 26 Council and 7 Executive Committee members and 4 NZIBF contributors. Changes during the reporting period included:

From the Council: the departures of John Loughlin (Chair of Meat Industry Association); John Monaghan (former Chair of Fonterra); Stephen England-Hall (former CEO of Tourism New Zealand).

From the Executive Committee: the departure of Grahame Morton (former Principal Advisor - Asia and Americas, MFAT) and Mike Arand (former China Market Advisor, NZTE).

I would like to express my sincere thanks to all departing members for their contribution to the Council's work.

The Council's Programme

Key activities included:

- **Council meetings** bringing the private and public sectors together to engage on China which included meeting with Minister David Parker (in his previous role as Minister for Trade and Export Growth) at the July 2020 meeting, Prime Minister Jacinda Ardern at the December 2020 meeting and Minister Mahuta at the April 2021 meeting (where she delivered her first speech dedicated to the New Zealand – China relationship, which was live-streamed by the Council).
- The Council spearheads **innovative initiatives** to add resilience to the relationship and also deliver benefits to both countries. We have validated possible concepts, and started projects focused on **climate change** and **packaging**. We have brought together experts at the New Zealand end, and identified partners in China to drive these projects forward.
- **Launch of the NZCC Podcast platform:** To promote a broader understanding of the New Zealand China relationship the Council has launched a podcast platform focused on the NZ-China relationship. The podcasts promote topical stories that inform, educate and hopefully engage NZ audiences. We have interviewed people closely involved in the NZ-China relationship and traversed a wide range of issues including trade, education, investment, culture and language. We have also provided a platform for other NZ organisations engaged in China. The podcast has been well received and developed a loyal listener base.
- **Launch of the “How many eggs, in how many baskets” report:** The Council commissioned this report to provide a fact-based context for the continuing debate around New Zealand’s export concentration. The report was launched with a presentation of key findings, a panel discussion, and an abbreviated podcast version of the launch via the Council’s social media channels.
- Launch of an **‘insight’** page to host explainer videos, interviews, and speeches on topics that impact on the relationship.

Advocacy and communications

Keeping New Zealanders educated and informed about the importance of the relationship and the changing commercial environment has been a key objective of the Council. The Council has continued to maintain a strong presence in both traditional media, and across social media platforms.

Commentary from the Council has been carried across a broad range of media outlets, including national TV and radio interviews (Newstalk ZB, TVNZ etc.), and international outlets (ABC News Radio, the South China Morning Post and Financial Times). Interviews with Chinese media, particularly CCTV, Xinhua and CGTN have been carried by a significant number of media outlets across China. Most interviews focused on New Zealand's trade exposure to China and the FTA upgrade, which provided a good opportunity for the Council to amplify its voice on these important topics.

Sponsorship was provided to the Chinese Language Week 2020. Our Next Generation members worked with NZTE, Fonterra, Zespri, PwC, MinterEllison and Dentons Kensington Swan to produce videos for Chinese Language Week. This format resulted in a significant increase in social media engagement compared to previous years.

To reach a variety of audiences, the Executive Team participated in a wide range of presentations and webinars, including regular presentations to the China Capable Public Service Masterclass.

The Council has also maintained regular engagement with relevant government agencies as well as the New Zealand Embassy network in China, and is cooperating actively with a range of organisations in both countries.

The Year Ahead

Several activities are already planned/underway for the 2021-22 year, including:

- Commissioning an updated report on New Zealand's trade patterns with China.
- Launching research findings on the value of the Southern Link.
- Further advancing Working Group initiatives focused on climate change and packaging.
- Continuing to expand communications and social media platforms to inform New Zealanders about the importance of the relationship.
- Sponsoring and supporting events which enhance the trade and investment relationship and people to people links.
- Forging greater connections with Chinese track-two organisations and counterpart organisations in like-minded jurisdictions.

Appreciation

I would like to thank all Council and Executive Committee members for their committed support and valued contribution to Council meetings, events, and activities. I express my appreciation to the Ministry of Foreign Affairs and Trade and NZTE for the continuing financial support, and invaluable advice and assistance they provide to the Council.

We thank Chris Brown, Peter Graczer and the team at Sputnik for their communications expertise; Michael Tan and Luke Butler at PwC for financial management services; and colleagues at MinterEllisonRuddWatts for legal services.

Final words

When I was first asked to establish the New Zealand China Council, the objective was to lay a foundation for an independent voice on matters pertaining to a relationship that was neither Governmental nor commercial, a voice that could speak with some authority on a range of issues pertaining to this important and complex relationship. In its tenth year, the Council continues to be the leading organisation in New Zealand advocating for a stronger, more resilient relationship with China which meets New Zealand's interests.

Next year is the 50th anniversary of the establishment of New Zealand-China diplomatic relations. We have come a long way, but we still have a long way to go.

The work has been challenging, rewarding and worthwhile. I am confident that I leave my role at the helm of an organisation that is well-established and credible.

I wish the Council continued success.

A handwritten signature in black ink, appearing to read 'Don McKinnon', with a stylized, cursive flourish at the end.

Rt Hon Sir Don McKinnon
Chairman
New Zealand China Council

MEMBERSHIP OF THE NEW ZEALAND CHINA COUNCIL (AS AT 30 JUNE 2021)

Council Members:

Rt Hon Sir Don McKinnon, Chairman, NZ China Council
Andrew Poole, Chief Executive and Managing Partner, MinterEllisonRuddWatts
Anna Mowbray, Chief Operating Officer, ZURU
Arihia Bennett, Chief Executive Officer, Te Rūnanga o Ngāi Tahu
Ben Abraham, Next Generation member
Bruce Cameron, Chair, Zespri
Chris Seed, Secretary, Ministry of Foreign Affairs and Trade
Danny Chan, Deputy Chair, ACG Colleges
Derek McCormack, Vice Chancellor, Auckland University of Technology
Fran O'Sullivan, Columnist, New Zealand Herald
Greg Foran, CEO, Air NZ
Heida Donegan, Corporate and Commercial Partner, Dentons Kensington Swan
John McKinnon, former Ambassador to China
Justin Watson, Chief Aeronautical and Commercial Officer, Christchurch International Airport
Kiri Nathan, Co-founder of Kiri Nathan Fashion Ltd.
Mark Averill, CEO and Senior Partner, PwC
Mark Tanner, Founder and Managing Director, China Skinny
Martin Thomson, Chair NZCTA, Partner DLA Piper
Nathalie Harrington, Next Generation member
Paul Morgan, Chair of Wakatū Incorporation
Peter Chrisp, Chief Executive, New Zealand Trade & Enterprise
Peter McBride, Chair, Fonterra Co-operative Group
René de Monchy, CEO, Tourism NZ
Richard Leung, National President, New Zealand Chinese Association
Sirma Karapeeva, CEO, Meat Industry Association
Steven Boyce, Head of Institutional Relationships & Corporate Finance, ANZ (Acting Member)

Executive Committee Members:

Billie Moore, Head of Government Affairs, Tourism New Zealand
Colum Rice, Senior Partner, PwC New Zealand
Fiona Acheson, Regional Director China, NZTE
Luke Qin, Manager, ANZ
Miriana Stephens, Director, Wakatu
Paula Wilson, Divisional Manager North Asia, MFAT
Simon Tucker, Director Global Stakeholder Affairs, Fonterra

NZIBF Financial Contributors:

Philip Gregan, Chair New Zealand International Business Forum (NZIBF)
Kirk Hope, CEO Business New Zealand
Sam McIvor, CEO, Beef and Lamb NZ
Tim Silverstone, General Counsel, Sealord