

AUSTRALIAN POLITICAL EXCHANGE COUNCIL

TWENTY-THIRD AUSTRALIAN DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA

18 TO 24 APRIL 2015



DELEGATION

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Executive Summary

We often think of ourselves as well travelled people and that we have a good understanding of the world around us. But what this exchange demonstrated was that if we think we know China, then we are sadly mistaken.

The twenty-third Australian Political Exchange Council Delegation to the People's Republic of China travelled to Beijing, Xiamen and Shanghai from 18 to 24 April 2015. What we saw was a modern and confident nation with friendly and entrepreneurial people. We heard phrases such as the "Chinese Dream" and "One Belt, One Road" and we understood the significance that these ideas and initiatives will play in transforming China into a modern and prosperous nation.

The delegation was warmly welcomed by our host, the All-China Youth Federation (ACYF) and was given an insight into the workings of the Communist Party of China; the behind the scene negotiations to establish the Asian Infrastructure Investment Bank; the historical and modern perspectives on China's foreign relation policy; and the private sector successes based on innovation and hard work.

China is a country in transition and its leadership and people will face unique challenges in the coming decades, but what we learnt from the exchange is that despite our many differences, we share the same goals and challenges. We all want jobs and job security; we want clean air, safe food and fresh water; our two nations face the challenges of an aging population and housing affordability; and both our youths are immersed in reality of the digital world.

In each of the meetings that we attended, we were reminded of the importance of cultivating relationships and the importance that exchanges such as these play in forming friendships and understanding of cultures. The delegation's hope is that we have been successful in understanding a small piece of China and taking these experiences back to our individual lives.



A visit to the Temple of Heaven in Beijing

Delegation Report

Saturday, 18 April 2015 - Beijing

Visit to the Forbidden City

The delegation was given a guided tour of the Forbidden City, a fortified palace complex of nearly 1,000 buildings. It was the imperial seat of power from the Ming dynasty (1368–1644) through to the Qin dynasty (1644 to 1912) and similar to the rest of Beijing, was constructed in a grid pattern in accordance with *feng shui* principles. The Forbidden City was designated as a United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage site in 1987.

Sunday, 19 April 2015 - Beijing

Visit to the Great Wall of China at Juyongguan

The delegation visited the Juyongguan section of the Great Wall, which is located approximately 50km north-east of Beijing. This section of the Great Wall was first built during the Qin dynasty and acted as a barrier against invasions from the north. Due to its proximity to Beijing, this section of the Great Wall is one of the most frequently visited by tourists.

Visit to the Chaowai Youth Centre, Chaoyang District of Beijing

The delegation visited the Chaowai Youth Centre, a facility that is funded by the Beijing Municipal Government. The facility offers a number of programs and services to local youths, ranging from classes in Chinese culture, traditional music, welfare assistance and sporting activities.

The delegation was given a briefing into Chinese culture, which is largely influenced by the teachings of Confucius, and insights into social etiquette that existed at the time of the Han dynasty. In addition, the delegation was invited to participate in the traditional art of Chinese calligraphy.

The delegation also participated in an open forum that was attended by a number of locals as part of the Youth Centre's "social and business entrepreneur" incubator program. The discussion was held in the centre's café-style break out room.



The delegation was invited to dress in Han dynasty era costumes

Monday, 20 April 2015 - Beijing

Meeting with Mr Zhou Changkui, Vice-President of All-China Youth Federation (ACYF)

The delegation met with Mr Zhou Changkui and Madam Dong Xia (Deputy Secretary-General) and was briefed on the roles and responsibilities of ACYF. In addition, the delegation had an open and wide-ranging discussion on topics including the current political climate, China's economic challenges and perceptions and pressures affecting China's youths.

The following is a summary of key points covered:

- At its core, the ACYF is the umbrella body for 52 member organisations (including the Communist Youth League) and over 77,000 individual members throughout China. The objectives of the ACYF are to “represent and protect the legitimate rights and interests of young people and promote youth participation and development”. The ACYF is often referred to as the “training ground” for the country's leadership and a number of its former leaders have gone on to hold high office, including former Presidents Hu Jintao and Jiang Zemin.
- China is a country in transition and many of the challenges facing Chinese youths are not dissimilar to those facing those from Western countries. These issues include the dominance of the internet, as part of daily lives; employment; and the environment. The issue of youth employment presented both a challenge, as well as a catalyst, to Chinese growth. Whilst China is transforming into a technological and capital-intensive economy, due to the size of the working age population, labour intensive industries remain essential to ensuring high employment among Chinese youth.
- Another challenge that is threatening Chinese growth (and its social fabric) is the increasing disparity between rich and poor, urban and rural, and east and west China. Recognising these challenges, the central government has initiated programs to undertake greater investment in western and rural regions of China, including the “Great Development for Western China” strategy. The objective of this infrastructure strategy is to build transportation and hydraulic projects to facilitate greater economic development in the region. Whilst the initiatives have resulted in stronger economic growth in the region, western China remains outpaced by the intensity of growth in the eastern provinces.

Meeting with Madam Zheng Quan, Deputy Director-General, Ministry of Finance

The delegation met with Madam Zheng Quan, one of China's negotiators on the Asian Infrastructure Investment Bank (AIIB). The delegation was keen to understand the proposed role of the AIIB, its current status and the challenges that the bank face.

The following is a summary of key points covered:

- The AIIB was first proposed as a multilateral development bank by China in 2013 and was formally launched in October 2014. As of the date of this meeting, the bank has 57 Prospective Founding Members, including Australia.

- The AIIB is not designed to undermine the activities of other multinational development institutions, including the World Bank and Asian Development Bank (ADB), but was established to complement them. For example, unlike the World Bank and ADB, the AIIB does not have as its core goal, the elimination of poverty in its mandate. Instead, the AIIB will focus on *“the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistic”* as a way of reducing poverty.
- A multilateral interim Secretariat has been established and is staffed by highly experienced experts from around the globe. One of the functions of the interim Secretariat is to prepare a governance structure for the bank and to propose operating rules and procedures. The governance structure of the bank will likely reflect other multilateral development banks with a board of governors, board of directors, a president and senior management. Many specifics of the governance structure are still to be finalised and agreed upon.
- There have already been three rounds of negotiations to establish the bank. These negotiations have been challenging because of competing national interests and concerns surrounding transparency and governance issues. Notwithstanding these issues, the interim Secretariat is hopeful that the articles for the Memorandum of Understanding (MOU) will be finalised by June 2015.
- Other matters of discussions by member countries include:
 - appointment of AIIB President - the Chinese Government believes that the appointment of the Bank President should be “merit based”
 - project funding - projects will be funded based on its economic benefit and merits and will not be used as a political tool.



Discussions with Madam Zheng on the challenges of establishing the AIIB

Meeting with Mr Ma Hui, Director-General, Bureau for North America, Oceania and Nordic Countries, International Department of the CPC

The delegation met with Mr Ma Hui to understand the structure of the Communist Party of China (CPC) and the role that the party plays in society and government. In addition, the delegation engaged with Mr Ma on a range of topics including: China's approach to foreign relations, the future of the CPC and China, status of women and representation, challenges surrounding youth engagement in politics, and China's population control policies with the relaxation of the one child policy.

The following is a summary of key points covered:

- Understanding the CPC is key to understanding the future of China. This can be achieved through five key dimensions:
 1. "Historical dimension". This focuses on China's suffering through the 19th and 20th centuries through to the establishment of a 'New China' in 1949, which refocused efforts on China being a united nation.
 2. "Populous dimension". Understanding that the CPC's key focus is working for the people. The strengthening of this dimension was led by Chairman Deng Xiaoping, who refocused attention on improving people's income and welfare, as well as placing highest value on the judgement of the people.
 3. "Cultural dimension". This means that action taken is based on the cultural and traditional background of China.
 4. "Practical dimension". This refers to the economic gains that have been achieved by the CPC, through rapid improvement in GDP per capita (from around US\$300 in 1978 to roughly US\$7,500 today), strong growth in investment and improvement of livelihood.
 5. "World dimension". This refers to how China is perceived globally, how it plays in the international field, and how it adapts to an increasingly globalised world.
- China's foreign policy is based on four key principles – independence, complete equality, mutual respect and non-interference. Translating this to practice, China believes that global diplomacy should be based on cooperation among nations and "win-win" interactions are the norm and not the exception. This means that international affairs are best managed by all countries moving together to create situations where all parties can benefit.
- Today the CPC is focused on "comprehensively building a moderately prosperous society", which means that China is a nation which is environmentally aware, with moral standards and integrity, increased political participation of the people and good wealth. The government plans to achieve this goal by 2020 through three interdependent goals: to comprehensively deepen reforms, comprehensively strictly govern the party, and comprehensively implement the rule of law.
- Over time, the CPC has come to realise that previous attempts at achieving an ideal society had resulted in people being equally poor rather than equally rich. A key advance to ensuring that people are protected has been the development of a social safety net and social welfare, including paid parental leave and pensions. Going forward, the focus of the CPC is to allow people to have a comfortable and decent life, continue with equality and justice as key values and focus on reducing the income gap.

Welcome Dinner hosted by Madam Dong Xia, Deputy Secretary General, ACYF

The delegation was welcomed to China at a dinner hosted by Madam Dong. The delegation was given the opportunity to discuss a broad range of issues including China's foreign policy, diversity and gender equality in China, roles and expectations of Chinese women, tourism and the role of sport and sporting competition in China.

Tuesday, 21 April 2015 - Beijing

Meeting with Mr Ji Yuhua, Director, China Insurance Regulatory Commission (CIRC)

The delegation met with Mr Ji Yuhua to understand the current state of China's insurance sector and the challenges for both regulators and market participants. The delegation was given the opportunity to ask a number of questions ranging from the size and composition (i.e. local versus foreign players) of the insurance market, regulations and rules of law governing insurance participants, China's appetite for insurance products and the future of pension reforms.

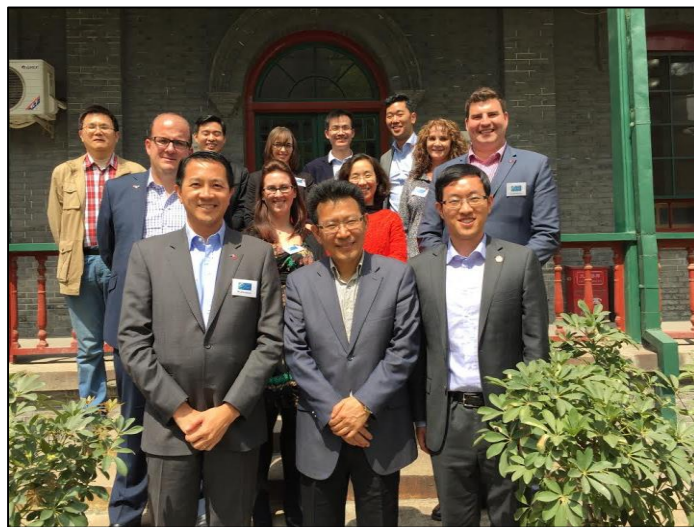
The following is a summary of key points covered:

- China's insurance industry has grown considerably over the past decade and its growth continues to be strong. The sector recorded a 17% increase in premium income in the past year and the growth in insurance volume is matched by the growth in product variety being offered to market. The government estimates that China's insurance market will be the second largest in the world by 2020.
- A key challenge to the growth of China's insurance sector is the regulatory environment and the rules of law. China's regulatory regime is modelled very closely on the regulatory framework in Europe and the United States and is adapted to reflect local nuances.
- The issue of rules of law is particularly relevant to insurance companies who may wish to pursue recoveries through Chinese courts. Although the government is making good progress in ensuring transparency and application of the law, there is recognition that the level of progress will not fully meet the expectations from the West.
- Another challenge facing the Chinese insurance sector is the aging population. The government projects that by 2020, China's elderly population will reach 19.3% and by 2050, this figure will reach 34.2%. Sadly, China's National Bureau of Statistics cited that in 2000, nearly 8 million elderly Chinese lived alone. By 2010, this number has doubled. This was an unwelcomed bi-product of China's one child policy. In China, the family unit plays a vital role in fulfilling China's welfare requirements. However, the one child policy has resulted in a gender imbalance with many Chinese increasingly living their lives alone. One way of addressing the aging population issue is not through the expansion of the pension but by encouraging Chinese families to have both boys and girls, noting that China has relaxed its one child policy.
- Recognising the changing demographics, the government has instituted pension reforms by building a three pillar pension system through: (1) providing a basic pension from the government; (2) strengthening worker's pension contributions; and (3) providing seniors with pensions from private institutions. Additionally, China would ultimately have to raise the retirement age, which is currently 60 for men and 55 for women.

Forum with Professor Wang Linggui, National Institute of International Strategy, and colleagues at the Chinese Academy of Social Sciences

The delegation met with Professor Wang Linggui and other academics from the National Institute of International Strategy and had an open and broad discussion on emerging issues in the China-Australia relationship. Additionally, the delegation was given the opportunity to discuss a broad range of topics including:

- China's relationship with its neighbours, particularly Japan, Korea and India
- The status of sovereignty over disputed islands in the South China Sea
- China's relationship with the US
- China's foreign policy given its status as a rising Super Power
- The current situation in Afghanistan and the Middle East and the secondary effects of radicalised Islamic fundamentalists.



Meeting scholars from the Chinese Academy of Social Sciences

Wednesday, 22 April 2015 - Xiamen

Visit to the Xiamena Fangcheng Group and Septwolves Industries

The delegation was hosted by Mr Fang Cheng, from the Xiamena Fangcheng Group, and Mr Ryan Zhou, from Septwolves Industries. Xiamena Fangcheng is a diversified business which includes, amongst other businesses, commercial and retail property development and an expanding clothing business, with a focus on high end men's fashion.

Septwolves Industry was started as a family company in 1990 and employs over 4,500 people across China. Its principal activities are the design, production and sale of clothing under the brand name of Septwolves. The company currently operates in China and plans to seek international brands as partners for offshore expansion.

The delegation was given a personal tour of one of the company's property developments on the banks of the Xiamen foreshore, consisting of detached luxury villas and high-rise apartments. It highlighted the huge wealth expansion and opportunities in cities such as Xiamen. Of particular surprise, the delegation noted that an exceptionally appointed four level villa is currently on the market for approximately US\$45 million and a penthouse in one of the high rise developments nearby had recently sold for US\$30 million. The majority of the multi-million dollar apartments and villas on offer had sold before completion and were sold to local Chinese.

The delegation was also given a tour of the clothing showroom for Septwolves Industry.

Roundtable with Madam Huang Ying, Vice Chairman, Xiamen Youth Federation, and young professionals from the city

The delegation participated in a forum hosted by Madam Huang and attended by representatives from various professions including banking, accounting, media, research, wealth management and construction.

Madam Huang provided a briefing on the work of the Xiamen Youth Federation and how this is important to achieving the vision of the “Chinese Dream”. Madam Huang also led discussions on topical issues ranging from:

- developments of the Chinese capital market
- efforts by the Chinese government to invest in housing for low-income earners
- education programs to increase financial literacy, particularly in relation to the stock market
- China’s desire to learn about the environment particularly water and coral protection
- roles of women in modern Chinese society.

The following is a summary of key points covered:

- The Xiamen Youth Federation has four main objectives: (1) uniting the people by pursuing the “Chinese Dream” and community governance; (2) helping young people find work and a good career; (3) fostering good relations with Taiwan; and (4) undertaking exchanges with other countries.
- The “Chinese Dream” was first proposed by President Xi Jangling in 2013 to describe a set of personal and national ideals for both China and the CPC. The dream is seen as “national rejuvenation, improvement of people’s livelihoods, prosperity, construction of a better society and a strengthened military.” As part of the “Chinese Dream”, President Xi suggested that young people should “dare to dream, work assiduously to fulfil the dreams and contribute to the revitalization of the nation”.
- The “Chinese Dream” is seen as both personal and collective, and is dependent on the continued growth of society and the strength of young people. However, there is a concern that young people are losing touch with spiritual wealth and instead focusing on material wealth. The ACYF and Xiamen Youth Federation have engaged actively in the community to overcome this issue through working with various NGOs and taking advantage of new online media channels.
- Issues affecting youth were quite similar across Australia and China and include: housing affordability, education, opportunity and fulfilling employment, social justice and environmental protection. In particular, the youth of China are concerned not only for themselves but also the broader development of their country.

Meeting with Mr Zhong Hing Guo, Deputy Secretary of Xiamen Communist Party of China Committee

The delegation was welcomed to Xiamen by Mr Zhong Hing Guo who spoke of his fondness for Australia, having attended the Australian National University as part of his studies. Mr Zhong spoke about the importance of cultivating relationships between our two nations and noted the significance of the China-Australia relationship.

Mr Zhong also outlined the Chinese government's agenda to build a moderately prosperous country by investing in infrastructure, education and health and the role that Xiamen will play in China's economic growth. The delegation was given an opportunity to discuss a number of issues with Mr Zhong, including China's "One Belt, One Road" initiative, the new Xiamen Free-Trade Zone and eco-tourism in Xiamen.

The following is a summary of key points covered:

- The "One Belt, One Road" initiative was first proposed by President Xi Jinping in 2013. The initiative focuses on connectivity and cooperation between countries primarily in Asia and parts of Europe, Africa and Australia. The initiative calls for the integration of the region into a cohesive economic area through building infrastructure, increasing cultural exchanges, and broadening trade.
- "One Belt, One Road" consists of two main components: the land-based "Silk Road Economic Belt" and the ocean based "Maritime Silk Road". As part of the Silk Road Economic Belt, President Xi Jinping has just announced that China will invest US\$46 billion in Pakistan's fragile infrastructure. Much of that money will go toward the China-Pakistan Economic Corridor and includes a mix of roads, rails, and pipelines that will connect China's infrastructure at Gwadar Port in Balochistan, just off the southern tip of the Persian Gulf, with Xinjiang province on China's western frontier.
- The Xiamen Free Trade Zone (FTZ) came into existence on the date of the delegation's visit and is the seventh FTZ in China. Amongst other industries, the Xiamen FTZ will focus on shipping (taking advantage of its status as a port city).



The delegation was welcomed to Xiamen by Mr Zhong, Deputy Secretary of Xiamen's CPC Committee

Thursday, 23 April 2015 - Xiamen

Meeting with Professor Xiding Jiang, Institute of International Relations, Xiamen University

The delegation met with Professor Xiding Jiang, a leading academic on Chinese foreign relations. Professor Xiding provided a history on Chinese foreign policy and offered his views on a number of issues including the Taiwan-China relationship, China-US relationship, China-Australia relationship, China's economic challenges and the "One Belt, One Road" initiative.

The following is a summary of key points covered:

- Since the early 1980s, China has pursued a highly independent foreign policy which is based on Five Principles of Peaceful Coexistence: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence.
- As part of what the government called an "independent foreign policy of peace", China has joined numerous international organisations, and has maintained diplomatic relations with more nations than at any time since 1949. China has diplomatic relations with over 170 countries.
- China has placed particular emphasis on the development of "good-neighbourly" relations and "partnership" with border countries in order to prevent external threats from exacerbating internal frictions.
- China has emphasised non-military aspects of its comprehensive national power, adopting a three- pronged approach of:
 1. Setting aside areas of disagreement with neighbouring state
 2. Focusing on confidence-building measures to promote ties
 3. Engaging in economic integration and multilateral cooperation to address shared concerns.

Campus Tour, Xiamen University

The delegation was taken on a tour of Xiamen University by some of the university's first year students. The university is one of the many comprehensive universities directly administered by the Chinese Ministry of Education and the main campus is considered one of China's most picturesque. The visit provided the delegation with an opportunity to informally engage with some of China's youth and for the students to converse in English.

Visit to South Putuo Temple

The delegation visited South Putuo Temple, one of the main tourist attractions in Xiamen. The temple was originally built during the Tang Dynasty (618-907) but was destroyed by war during the Ming Dynasty (1368-1644). During the reign of the Qing Emperor Kangxi (1662-1722), the temple was restored and is now a sacred place for locals.

Friday, 24 April 2015 - Shanghai

City tour of Shanghai

The delegation was given the opportunity to visit Shanghai and experience parts of both the old and new city. Shanghai is the largest city by population in China and is considered as its financial and commercial heart. Due to its size and significance, Shanghai is treated as a “province” for political and administrative purposes.

CONCLUSION

The delegation would like to thank the Australian Political Exchange Council for organising the exchange and acknowledge the professionalism, guidance and support of Mrs Sharon Forester who accompanied us to China. The delegation would also like to thank our gracious, friendly and knowledgeable friend from the ACYF, Mr Zhou Ji, for hosting us during our time in China.