

AUSTRALIAN POLITICAL EXCHANGE COUNCIL

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

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DELEGATION

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Executive Summary

The 21st Australian Political Exchange Council delegation to the People's Republic of China travelled to Beijing, Chengdu, and Shanghai. The program included meetings with national, regional and local Communist Party officials, bureaucrats and business people.

The delegation was warmly welcomed by all Chinese counterparts with traditional Chinese hospitality offered at every available opportunity. With all but one of the delegation having never visited China before, the trip enabled all members to gain a greater understanding of the country, political system, economy and way of life.

All of the meetings touched on a wide range of topics and time was allowed for delegation questions. Topics discussed included demographic issues facing China and the one-child policy, communist party recruitment and promotion, the current state of the Chinese domestic economy, the bilateral relationship with Australia and foreign policy more generally.

The Chinese were also very keen to highlight the reconstruction effort following the Sichuan Province earthquake, their efforts to preserve their cultural heritage and their environmental credentials in the area of animal conservation.

As it was the 40th anniversary of diplomatic relations between Australia and China, the Chinese participants went out of their way to stress the importance they attached to relations with Australia and their hope that the partnership would continue to grow.

The delegation's official host for the trip was the All-China Youth Federation (ACYF). The Vice President of ACYF, Mr Lu Yongzheng, met with and hosted the official welcoming banquet for the delegation. He was an impressive, young interlocutor, having formerly worked for the *People's Daily*. He was very keen to see the relationship between the Australian Political Exchange Council and the ACYF continue to grow.

The delegation would like to thank the Australian Political Exchange Council for its professionalism in organising the visit and also thank Suzy Domitrovic for the outstanding support she offered the delegation throughout the trip.

The trip was extremely informative and gave all members of the delegation a greater insight into the way China is governed, particularly the growing dichotomy between enhanced economic liberalism and restricted political pluralism.

Meeting with Ms Hong Guimei, Deputy Director of China Youth Center for International Exchange (CYCIE)

In her introduction Ms Hong, explained that she had been a member of the ACYF for 20 years and currently holds the position of Deputy Director of the CYCIE.

The work of the CYCIE was explained including public welfare programs and the very important Environmental Protection Program. The program has been very successful over a 20-year period and has involved over 500 million young people. It is now run in not only China, but in Japan and in South Korea as well.

The environmental programs of the CYCIE were also explained. Its work has seen 200,000 trees planted and has helped improve over 13,000ha of land. Hundreds of thousands of young people have volunteered to assist with this program over many years and it is hoped that this involvement will continue to grow.

More funding is required to extend this program into the future notwithstanding the Government funding that the program already receives. To this end, the CYCIE now has 19 corporate partners, including Toyota and Hyundai, contributing to the ongoing work.

The current project that the CYCIE is working on is located in Inner Mongolia where an area of desert is being revegetated through the planting of a specifically developed variety of tree which is able to deal with harsh conditions. The survival rate of the trees in this area is around 80 per cent which is a substantial improvement.

Ms Hong acknowledged that, in the past, Chinese people had not focused on the environment as they should. Over the last 20 years the Government, and particularly the youth of China, have become more aware and have, through these and other programs, started to do practical things about it.

Ms Hong's enthusiasm and commitment to the environmental protection programs that she runs was obvious, and they are clearly a major inspiration for her. She proudly displays a sign above her desk emblazoned with '*married to the desert*' beside an image of her. She further described to the delegation that she felt that the trees she had been involved with planting were like her children.

Meeting at the Organisation Department of the Communist Party of China Central Committee

The Central Committee of the Communist Party of China (CPC) is the executive body and decision maker within the Communist Party. Essentially the committee operates as the Human Resources Department. We were informed that the CPC has 82 million members and aims to recruit the best and brightest for the good of the country.

The structure of the CPC can be described as one of 'democratic centralism', which operates on three levels: central, local and grassroots. Central level includes the People's Congress and the Politburo. The Standing Committee of the Politburo is the most powerful body within the CPC.

The CPC has a Party Committee that controls all 31 Provinces. At the grassroots level, local Party Committees have been established in 591,000 villages. These committees are also being established in private companies and social groups. Inspections committees work to fight corruption within the provinces. The CPC is actively recruiting younger members. The demographic statistics of CPC membership (approximate) are as follows: 23 per cent of members are female, 7.6 per cent are from ethnic minorities, 38.6 per cent are university educated and 25 per cent are under 38 years of age.

Recruitment focuses on quality and expertise particularly amongst talented young men. One only becomes a full member once one is considered to have met all expectations of the CPC. In the 2009 Training Plan of the CPC, it was aiming to train all Party members within five years. A telephone hotline was established in 2009 to increase communication and information within the CPC and a website and television channel established with the same objectives.

The CPC also recently held an online poll for members to select the best Party members, with 43 million people voting. According to the CPC, there is a merit-based system to become a Cadre. You must show loyalty to the Party. Displaying integrity and competency are important and, increasingly, educational qualifications are highly regarded.

The Cadres are encouraged to use their knowledge to modernise China. Most Cadres are directly appointed. Cadre selection is becoming more open, some 287,000 Cadres have been chosen in the last three years, with a focus on ensuring prominent women are selected. There is no leniency when it comes to corruption at the Cadre level.

There are six principles of Cadres:

- Management
- Merit
- Peoples endorse
- Performance
- Openness/integrity
- Democratic centralism/rule of law

There are various methods of selection:

- Election carried out every five years
- Direct appointment is the most common way
- Examination based appointment
- Contract base election – five years – technical jobs
- Eight non-communist parties in China are consulted

The Cadre selection seems to be an important process within the structure of the CPC. There is no doubt that the CPC is an important body within China.

Meeting with Mr Michael Guo, CEO of Australia International Trade Association and Associates

The delegation met with Mr Michael Guo and a number of colleagues at the Beijing offices of the Australia International Trade Association and Associates, which was established over 16 years ago. Mr Guo explained that the Association had a particular focus on forming a trade bridge between China and Australia. To achieve this focus, he is working with many departments of the Australian Government exploring different opportunities.

He also outlined some significant challenges in encouraging Chinese business in Australia. He was clear that these barriers are in stark contrast to the situation in New Zealand which has signed a Free Trade Agreement with China and whose Government works very hard to encourage small to medium-sized Chinese enterprises to set up in New Zealand.

Mr Guo explained he has a very strong focus on youth and that he has spent four years promoting and running an internship program between China and New Zealand, but that it was only now possible to start such a program between China and Australia. He expressed frustration at the mindset and regulations which had held back such an initiative.

He also outlined that he had personally assisted over 60 small businesses to establish operations in New Zealand, including farms and restaurants, however he was unable to encourage the same trade to Australia because of the high investment fence that has to be cleared as part of the very restrictive immigration barriers which have been erected.

The delegation was keen to ask questions of Mr Guo about the trade relationship between Australia and China and the general trade environment. He outlined his view that although there continues to be a strong focus on coal exports, especially from Queensland, there are also a number of excellent trade opportunities bringing Australian farming technology and techniques to rural China, especially the Agricultural North East.

He also emphasised the exponential growth in Chinese people's appetite for wine. His view is that there is a massive opportunity for Australian wine producers which will only be enhanced by the signing of a Free Trade Agreement between Australia and China. He strongly emphasised this urgent need for this agreement. In the meantime, he was clear that French wine has a great head start as a market leader through 30 years of hard work promoting their brands.

Mr Guo explained in detail the strong growth in banking and financial services trade between Australia and China. Informed by his extensive experience in business, he believes that it is highly beneficial if businesses are able to use the same bank when they open operations in a new country. Consequently, he expressed a great need for Australian banks to operate in China and more Chinese banks to open branches in Australia.

He also detailed his role in helping Chinese businesses list on Australian Exchanges, including the ASX. There are only 300 companies listed on the Chinese stock exchange, with over 2,000 on the waiting list. He is very keen to assist the ASX set up in China.

Finally, he emphasised that the key to continued economic prosperity in China, and through the Asia-Pacific Region, is ongoing peace and stability and he encouraged everyone in the room to work hard to achieve it.

Meeting with Mr Zha Peixin, Vice Chairman of Foreign Affairs Committee, the National People's Congress of China

On Monday, 30 July, during the 40th anniversary of diplomatic relations between Australia and China, the delegation met with the Chairman of the Foreign Affairs Committee of the National People's Congress of China.

A former diplomat, Mr Zha welcomed the delegation to the National People's Congress with a briefing on the work of his committee. China is the largest trade partner of Australia, and as a country with a population almost 60 times smaller than that of China's, Australia rates as China's 8th largest trade partner.

It can be said that Australia's relationship with China has been developed to a high level. Cultural and educational activities are also becoming more popular and common, as the youth in both countries increasingly learn each other's languages and study in each other's countries.

Mr Zha was proud to talk to the delegation about the large potential for further development of the relationship between Australia and China and discussed the benefits for the peace and stability in the Asia-Pacific region.

Whilst Mr Zha touched on a number of issues like education, cooperation on climate change and anti-terrorism, the economy was the most outstanding issue in our region.

Mr Zha kindly gave his time to answer questions from the delegation on topics such as the Free Trade Agreement, non-economic priorities in Asia, tensions with North Korea, overseas students, employment opportunities between the two nations, skilled migration in the mining sector and food security.

Meeting with Mr Lu Yongzheng, Vice President of All-China Youth Federation

The delegation was generously hosted by the ACYF. ACYF is the peak body of youth organisations in China, with the Communist Youth League as its major member. It has 52 organisational members that reach nearly 300 million young people across China.

China does not have a ministry for youth or a department that deals with youth affairs, so the ACYF fulfils this function. The head of the ACYF is also senior in the Chinese Communist Party, and often goes on to hold a major role in the party. For example, the former Chinese President Hu Jintao was previously a president of the ACYF. Interestingly, the definition of youth in China is quite different to what we might expect in Australia - the ACYF defines youth as aged 35 and under.

The delegation met with ACYF Vice-President Lu Yong Zheng and had a candid and wide-ranging discussion on issues such as Chinese development, human rights, foreign investment, democracy, social media, North Korea and challenges facing young people.

Meeting with Senior officials of Sichuan Province

The Senior Leaders explained that the Sichuan Province was one of the largest provinces in China with a population of over 19 million people. The GDP of the Sichuan Province is currently 2.1 billion RMB.

The history of the area is a long and prosperous one with many cultural relics still intact today. One major example is the Dujiangyan Irrigation Scheme which was built by Governor Li Bing, it is the oldest in the world and still functions.

The Sichuan Province is responsible for 23 per cent of all economic activity in China and is a true power house of the economy in the Asian region. Major industries include tourism, manufacturing and forestry. Resource extraction is also an industry which is important to the area with the high-value minerals titanium and radium existing within Sichuan.

Economic development has been a focus for the government in this province and the major driver in this has been the aim to improve the quality of life for local residents. Currently the average income of Sichuan residents is 17,000 RMB.

The Sichuan province was hit by a massive earthquake on 12 May 2008 which affected an area of over 1,000km². The task of reconstruction was a huge one and fortunately was able to be completed in just two years. Over one million households, and over 2,000 schools and hospitals needed to be rebuilt in the aftermath of the quake.

As well as rebuilding, the earthquake recovery effort involved over 300,000 people being hospitalised. Australia assisted with these efforts by sending many doctors and nurses to the region, as well as medical supplies. The Senior Leaders of the Sichuan Province extended a sincere thank you to all Australians for that assistance.

Our hosts went on to explain that the friendship between the Australian community and the people of the Sichuan Province is a long and fruitful one which includes a number of sister city relationships. Last year, the trade volume between Sichuan and Australia was over AU\$200m and investment is continuing to grow. Sichuan people are becoming increasingly interested in travel and Australia is one of the favoured destinations for locals.

The senior officials of Sichuan explained the balance between the Provincial Government and the National Government. In the years since 1993, the balance has moved toward more power in the central Government. This has had the advantage of allowing reconstruction in Sichuan to be undertaken far more quickly because of the large tax base of the Central Government.

Chengdu Panda Breeding Research Base

The Chengdu Research Base of Giant Panda Breeding, located in Chengdu in the Sichuan Province, is dedicated to giant panda conservation. Established in 1987, with six giant pandas rescued from the wild, the base has increased its captive population to over 83 individuals. The base covers 106 hectares, expanding to 200 hectares in the years to come.

The delegation was privileged to tour the grounds, watching both grown and baby pandas in a natural habitat and view a newborn panda only five days old. The base has won a number of outstanding achievement awards, including the Global 500 award by the United Nations Environment Programme in 1995, and the Golden Medal of Chinese Green Science and Technology, the highest award in conservation in China.

Dujiangyan Dam and Irrigation System

Sichuan is the province in China most famous for its food production. This is in no small part due to the successful construction and operation of the Dujiangyan Irrigation System more than 2,000 years ago.

Over 2,000 years ago, it was regular massive flooding of the Mingjiang River which caused enormous trouble for the people of Sichuan (at the time named the 'Shu State'). The river mostly flooded in spring. With snow melting on a number of local mountains, water would burst the banks and wipe out communities and structures across swathes of land.

One solution would have been to build a traditional dam, but a number of factors needed to be considered. Firstly the waterway was an important passage for military vessels. Secondly the Chengdu Plain was a relatively arid environment which could be utilised for agriculture.

This led to the construction, under the supervision of visionary local Governor Li Bing, of an artificial levee. The operation of this levee relied on massive bamboo baskets, filled with rocks, which could be moved into place by workers during the appropriate seasons. The design is a construction of engineering ingenuity which is still marvelled at today.

One of the most impressive aspects of the construction is the channel through Mount Yulei which discharges water upon the Chengdu Plain. In more recent times, such a channel could be easily cut with the use of gunpowder. However, as it had not yet been invented, Li Bing and his engineers used a combination of fire and water to crack the rock, which could then be moved by some of the tens of thousands of workers who contributed to the project.

This aspect of the levee took eight years to complete and is the key component in the subsequent prosperity of the region as it has continued to provide reliable irrigation to thousands of farmers for thousands of years.

There are also a number of other clever solutions to potential problems which prove the foresight of Governor Li Bing and his teams of workers, including:

- the continued easy passage of migrating fish up and down the river;
- the use of whirlpools to trap and extract silt as it travelled down the river;
- a construction sympathetic with the natural environment; and
- in fact, the massive earthquake in 2008 which destroyed most other artificial structures in the vicinity caused almost no damage to the levee.

The delegation was given a detailed insight into this UNESCO World Heritage site by a number of knowledgeable local guides who were clearly proud of the ancient levee and their prosperous Province.

Southwest Airport, Economic Development Zone, Shuangliu County, Sichuan

Set up in 1992, the Southwest Airport Economic Development Zone is a key provincial level development zone in Shuangliu County, southwest of Chengdu. Shuangliu County, covering over 1,000km² and incorporating 19 towns with a total population of 930,000, was once one of the three capitals of China. At the time, the county was known as Guangdu, but changed its name, giving respect to the two rivers that flow through the county; the Jinjiang River and Jiang'an River.

In recent times, Shuangliu County has gone to great lengths to speed up growth of its scientific and economic development. Shuangliu ranks number one in the best of China Top-100 New Energy Counties for three years running and had ranked number one among Sichuan Top-10 Counties consistently for the past 16 years. It is clear that Shuangliu and the Southwest Airport Economic Development Zone is a leader in development of new industries throughout China.

The Zone itself covers an area of 75.8km² which is dedicated to supporting research and education, industrial new energy, electronic information, biological medicine, high-end equipment manufacturing and the head office of the park. When visiting the Zone, its support of new technologies like solar energy is very prominent, with companies such as Tianwei Group, Sichuan Apollo Solar Science and Technology Company, Xinguang Silicon Group, Chengdu Institute of Optics and Electronics and Chengdu Going Power Company all basing themselves in the Zone.

This Zone aims to be the 'National Base of the Solar Energy Industry', with the projected annual revenue of over 30 billion yuan in 2012. This revenue is expected to continue to grow, with some reports projecting the country's revenue to reach 70 billion yuan by 2017 from solar power, 20 billion yuan from nuclear power and 10 billion yuan from wind power as the country continues to increase its support and investment in these new technologies.

The delegation would like to thank Suzy Domitrovic, Program Officer of the Australian Political Exchange Council, and ACYF employees Ms Zhang Ying (Annie) and Mr Shang Duyan who accompanied us on the visit.