

# **An international economic relations role for Municipal Government: a career path for Young Professionals**

**Speech by Michael C.H. Jones, President – ACCCI**

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Good evening ladies and gentlemen.

It was a pleasure to accept the Invitation from the St George Bank to participate in this 'FutureNet Events' organised Business Networking Forum for Young Professionals entitled "Made In China: The Yin and the Yang of Working Overseas"

The proceeding two speakers, Professor Lawrence Nield – Principal of Bligh Voller Nield and Mr Chris Styan – Civil Engineer at Lindsay & Dynan and ACSE Student Scholarship Winner, have dealt excellently with the micro of working in China.

I therefore am going to take a different tack, far out to sea with a macro view rather than hugging the coast with its joys and pains of navigating the rocky shoals.

As you have read in the Forum publicity material, I am the President of ACCCI and have been re-elected since November 1989 and have travelled widely in China making formal speeches like this one in over 50 cities.

To emphasise my introduction:

The Chamber was founded in 1976 and has adhered to three basic objectives which are to:

- Promote Australian business, in general, within the context of two-way trade and investment with China;
- Promote the Chamber and the business of its member companies with businesses and organisations in China;
- Promote Chamber projects of a cultural or sporting nature that have the principal purpose of bringing the business communities together.

If you think about this statement you will understand that the Chamber has always been directed to Economic Relations between Australia and China, which put another way is the 'Politics of Trade and Investment and competing national/regional Economies'.

In this context this evening I intend to briefly raise and comment upon three fundamental issues for Australia China Relations and your own potential career paths.

Firstly, the nature and role of the Communist Party of China – this is the organisation that has most of the power and decision making authorities in China.

Secondly, the direction and implications of Australia's trade with China – and which country is most likely to become dependent.

Thirdly, the opportunities at the Municipal/Local Government level for People's Diplomacy – that is a new career path opening up.

## Introduction

However let me begin as an introduction by making some comments to you as Young Professionals in the Banking Industry.

I do not know what disciplines you cover, nor your familiarity with 'Working Overseas' and particularly 'In China'. Indeed I do not know whether you have visited China, where and how many times. So it is hard to direct these remarks.

China obviously is a very big country with an extremely large population. Never forget the geographic diversity of China – it is akin to Europe from Gibraltar at the southern tip of Spain to the Russian Ural Mountains. The population of China at 1.3 billion and growing is over 50% more than the approximate 800 million in Greater Europe. Most are located on the Eastern Seaboard or in Central China with the Far West, North and South sparsely populated.

Apart from the cultural diversity of its approximate 55 ethnic minorities, whether Manchus and Mongols to the North, Muslim Uygurs in the West, Tibetans in the Southwest or Li on Hainan Island, the Han spoken language is not just Mandarin in Beijing or Cantonese in Guangzhou – rather the dialects are extremely numerous and even Chinese can not always understand each other. English is of course the international language of business and most senior Chinese at least understand even though they may be unwilling to speak.

Urbanisation has accelerated dramatically with the Open Door Reform Policy launched in December 1978 when less than 100 million people lived in cities. By China's admission to the World Trade Organisation (WTO) in 2002 this had risen to over 500 million and it will not be long before China is more urban than rural. This has brought massive pollution to China, and the environment has deteriorated extensively even in the rural areas. The Chinese Government at all levels is aware of this trend and is trying to deal with the problem without overly slowing economic growth, which is currently in excess of 10% per year.

I might now try to introduce a little humour – that is what my speaker's manual tells me to do!

When you either visit China in a delegation or work in China, you will enjoy the social 'singing' occasions in restaurants and/or at the karaoke bars. That is if you can sing. Personally I am neither 'Yin' nor 'Yang' when it comes to singing, just plain awful or 'stone-deaf'.

For example as a guest of the Macquarie Bank in Tianjin a number of years ago, finally in the early hours of the morning I was pressured to sing. The Madam Host was so appalled that she rushed from one end of the Night Club to grab the microphone from my hands with the exclamation "you are definitely bad for business".

Again in Wuhan City, Central China, at an ACCCI/CCPIT Forum on Rural Industries, after the General Secretary had given some heart-stirring renditions of revolutionary songs like 'The East is Red' and 'The International', I was 'forced' to participate as President of ACCCI. My Vice President and I gave a brilliant 'tour de force' of "How Much is that Doggie in the Window" – I did the bark, lots of barks. The Chinese of course were 'some-what confused' but the Aussies had tears in their eyes!!

My point is that you have to participate, and to participate well you have to have 'people skills' if not language skills, and from these you develop the experience and capabilities for

what historically in other countries is labelled as 'People's Diplomacy' or the furtherance of relations between essentially non-government organisations including Corporations and Small to Medium Sized Enterprises (SME).

With respect to China to do this you must have an understanding of the Society – its social, political, economic and cultural realities.

### **The Communist Party of China (CPC)**

In China the Communist Party is 'All Powerful' – never forget that elementary fact despite what some people inside and outside the country may try to tell you. Read carefully the reports in the China Daily or People's Daily electronic papers – they are free – leading up to the Five-Year Party Congress in October or November of 2007. With 70 million members and Party Schools, Colleges and Universities all over the country, this is the most educated and well-trained segment of the community. Many have also graduated from prestigious overseas universities in the USA, EU and even Australia.

The 'Socialist Market' is definitely not a euphemism for 'Capitalism' or the 'Free Market'. In terms of competition between Chinese cities it is fiercer than anything you will find in the USA or EU or Australia, but all roads lead to Party Control from the top – the CPC sets the guidelines and judges the competitors. At every level there is still a Party Group and that is even more pronounced over recent years in the business community and companies. That is neither bad nor good; it is simply a different system of governance, which you need to understand if you are working in China.

As with the USA under President Bush and Australia under Prime Minister Howard, China under President Hu Jintao faces the challenge of Constitutional Control over Executive Power.

For example in China a promotion is from Mayor of a City to General Secretary of the Communist Party of that City. That is akin to former Premier of New South Wales Bob Carr being 'promoted' to General Secretary of the ALP in NSW – just unthinkable in our system of government.

So, should you be academically inclined, you would be doing Australia a great service in studying the Communist Party of China, as it is presently constituted in 2007, and its future policies - internal and external to China.

For example the question of Taiwan Province is not just an issue of so-called Independence verses Re-unification, but also a question mark about post unification that I believe is inevitable with the return to government power by the KMT (Nationalist Party). It is an issue of the projection of Chinese 'influence' beyond the East China Sea to the far-reaches of the Pacific Ocean.

### **Australia's Trade with China**

You may well have read recently the widely reported news that for the 12 months ending 31<sup>st</sup> March 2007 Australia China two-way trade had increased to over AU\$52 billion and in excess of two-way trade with Japan, Australia's previous largest trade partner. The figures for end of June 2007 I do not think are published as yet.

Now considering that Australia China Trade in 1995 was about AU\$5 billion, it has been a ten-fold increase to AU\$52 billion over the last 12 years. Therefore can we expect a further ten-fold increase over the next 12/15 years – what will be the figure in 2020? I would suggest that between AU\$250 to \$500 billion is possible.

At the end of 2006 Australia's total trade was about AU\$210 billion – what will it be in 2020 and what percentage of that trade volume will be with China? Could it be as high as 50%, or put another way, Australia China two-way trade may be almost equal to total Australian trade with the rest of the world by 2020. In this situation which country might be dependent on the other?

Trade directions and patterns are important for your future. The control or capacity to 'influence' another country's 'economic relations' – or the use of 'soft power' is critical in the new global society that you will inhabit. Are our traditional values and alliances important, and if so what is likely to be the impact of China as that country begins to take a more 'purposeful' international role.

I suggest experience working in China and trying to understand the Chinese people, not just in Beijing, Shanghai and Guangzhou, but also throughout all of China may help you come to some conclusions. But you have to mix with the Chinese, take the bad with the good, and not just "bunker-down" with the foreign community.

Thinking regionally, for Australia it is essential that we continue to go beyond just reliance on the US umbrella with purposeful involvement in the regional organisations of Asia and the Pacific, of which in my view the most critical is APEC with India admitted as a new member country during the meeting in Sydney this September 2007.

APEC is a Forum where global leadership outside the WTO is still reasonably 'balanced' even though the EU is missing. Australia has allies at the negotiating table in a way, which I suggest does not exist at the various ASEAN forums.

Again a career in the International Department of your bank and a posting overseas would be beneficial for your careers. Perhaps you might even consider joining the Australian Foreign Service whether DFAT, or Austrade, or any other of Australia's international organisations, as a very worthwhile ambition.

## **Municipal Government**

The structure and powers/responsibilities of Local Government in China and Australia are very different. Without going into detail, Chinese cities usually have one Mayor and many Vice Mayors, and a similarity to our State Governments. My Chinese friends for example find it hard to understand how Sydney, or Greater Sydney, is managed when we have over 50 mayors between Newcastle/Hunter Region, Penrith/Blue Mountains and Wollongong/Illawarra Region.

All Municipal Governments in China have Foreign Affairs Offices responsible for international relations and particularly the 'economic relations' of the city. This means responsibilities for trade, investment, transport and communications and education etc. In Australia similar responsibilities only exist at State and Federal levels.

Yet the mayors and vice mayors of the 665 official cities of China are literally 'trawling' the world looking for expertise and assistance in their opening up programmes, whether urban services, rural industries, infrastructure or commercial culture. They want to meet their opposites in Australian Local Government, not the State/Provincial Governments.

For example just over the last few days Chamber has been assisting the Wuhan Municipal Government Foreign Affairs Office – Wuhan is probably the 6<sup>th</sup> or 7<sup>th</sup> biggest City Economy' in China after Shanghai, Beijing, Tianjin, Guangzhou, Chongqing and perhaps Shenyang (excluding Hong Kong and Taipei). For many years they have expressed a wish to enter a Sister City Economic Relations Agreement with Sydney, Greater Sydney or a periphery city to Sydney such as Newcastle. These ideas were initially floated in about 1982. However it

has proved very difficult to bring an agreement to fruition for reasons both in China and Australia.

So the Wuhan Foreign Affairs Office decided to organise one of their Vice Mayors (responsible for city management and environment), who was visiting Christchurch in New Zealand for their Sister City Annual Meeting, to visit Newcastle.

Now this is a very tricky exercise because unfortunately domestic politics in Australia takes precedence over trade benefits – I think you understand what I am saying in a Federal Election year. To persuade the Newcastle City Council, Hunter Region Economic Groups and various other government and non-government bodies to work for the common good is not easy – it requires a lot of patience. Nevertheless the possibility sometime in the future of an Economic Alliance between the cities of Wuhan and Newcastle is very exciting.

The potential for economic, commercial and cultural projects in trade, investment, education, tourism, management consulting services, etc is the challenge to be realised by the respective Committees. That a Vice Mayor of Wuhan would journey all the way to Newcastle when they have thousands of city candidates around the world is a story in itself. With the restructuring of Newcastle from its mining steel and coal past, a new city is emerging that is friendly, entrepreneurial and internationally minded.

Thus the correct and courteous procedures have been adopted. Invitations have been issued for the appropriate officials in the Newcastle City Council to meet the visiting Wuhan Vice Mayor – even if they think their powers/authorities are not equal – and discussion concentrated on those issues such as city management and the environment where they do have the relevant powers/authorities.

With respect to signing a Memorandum of Understanding – something that Chinese officials at all levels of government like to do – the Newcastle organisations, public and private, have worded the proposed MoU to say simply that they agree to establish a Joint Committee to investigate the possibility of a Sister City Economic and Cultural Relationship sometime in the future, and incorporate the words “commercially beneficial to both sides” and “including the Hunter Economic Region”, and so forth, to protect the Australian interest.

The very interesting and new development in this sort of municipal diplomatic agreement negotiations between cities is the proposal to;

“Publish an Annual Report on Newcastle and Wuhan contacts and achievements with the view to assisting the momentum towards establishing a formal Sister City Relationship between the two cities over time and on the basis of full knowledge and mutual benefit”

Each word is significant.

By this procedure the Wuhan Vice Mayor feels he has been properly received with courtesy (he maintains “face”), the offer of a potential powerful economic alliance for Newcastle acknowledged, and a forum established at the highest level in the two cities for trade and investment exchange of information. It is relatively speaking as “easy as pie” and the rest of the world has been doing it for decades.

In this respect there needs to be a thorough overhaul of Local Government in terms of how Australian trade and investment relations are pursued at this level with other countries and particularly with China.

Either, councils establish specific economic and trade committees, or bilateral business chambers are incorporated into the activities of the larger councils.

The point is that most current councillors, often elected annually, have little experience of or interest in ‘economic relations’ which is a lot more than simply exporting or importing. Young professionals with trade related backgrounds in law, finance, logistics and so on, need to be recruited with experience/skills suitable for the city structures of China where municipal government usually controls both urban and rural areas.

I think it is inevitable that this will happen and the sooner the better. I have no doubt that a new career path for young professionals is opening up.

### **Ethical Behaviour**

The final issue I wish to raise and comment upon – the ‘sleeper’ in my speech - is that of corruption. It comes in many forms from the grotesque to the very subtle? Moreover what was legal or acceptable yesterday is no longer so tomorrow.

Australians and Chinese are subject to the trade and financial regulations of their respective countries whether acting locally or overseas. This is especially so with regard to gifts, entertainment and incentives. It is always wise to take a strong and conservative position in this area – never give the excuse that “this is the way business is done here” or “they are all doing it”. Corruption – even a little – is corroding for your company and your person.

Now in China we are witnessing possible the greatest event in the history of mankind – the bringing of over 20% of humanity back into the Global Society in less than 30 years since the Open Door Policy was launched in December 1978. No social movement of this size and speed has ever happened.

However as the former Chinese leader Deng Xiaoping is alleged to have said “when you open the windows you not only get the fresh air but also the flies”. When you are travelling in China you will be continuously confronted with issues of ‘little courtesies’ verses ‘blatant bribery’ – you can only learn the difference from experience.

Well I hope you have been somewhat enlightened by my remarks. No one has all the answers and we all make mistakes – sometimes very big ones. But you just have to pick yourself up and get on with life.