

Insights from the Global Leadership Program, Shanghai 2018.

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Overall reflections

I travelled to Shanghai, in September 2018, through the Yellow Edge, Global Leadership Program (GLP), with the broad goal of building greater cultural awareness and literacy of China. The intensive 5-day program at the China Executive Leadership Academy in Pudong (CELAP) helped to build this understanding, as well as providing unique insights across the key dimensions of Chinese Government, economy and society. As a beef producer, I also made sure there was time to visit Shanghai supermarkets and meet with importers of Australian beef to further my experience and provide invaluable context in which to apply my CELAP learnings.

Ultimately my Shanghai experience left me with many more questions than answers. This is in no way a weakness of the program, but rather an insight into the complexity that is China. I quickly learnt there is no single narrative on China; course pre readings, speakers during the program and casual conversations with locals challenged me to apply true critical thinking in making sense of China both as a trading partner, a tourist destination and global superpower.

China is a true hybrid system at work – it is market driven but with socialist characteristics (its system is officially referred to as a socialist one, with Chinese characteristics) – essentially a market economy with Chinese cultural, political and historical context. As the world gets more complicated, we are seeing both pure capitalist and communist systems put under more pressure, lending itself to hybrid systems that can adapt to different needs and cultural requirements.

The GLP provided unique insight into the Chinese Communist Party (CCP) its features, approach and how it interacts with its people and the Government. One of best descriptions of the Party's role is that of a large bucket – "the population is the water in the bucket and the CPC is the fixture, whose role is to stabilise the environment so that the population remains stable". The role of the CPC leadership as a key stabiliser of China, was continually reinforced, with the vertical structure of the Party carried clearly through to all tiers of government, enabling a clear line from strategy setting and decision making, to implementation at the most local level. There is no doubt, that this approach, while authoritarian, had enabled China to accelerate significant leaps in productivity and economic advancement over the past 40 years.

Australia's fortune is intertwined with China, but despite this many approach China with a wavering between the extremes of absolute paranoia to mass market opportunity. While China's 1.4 billion population provides a ready consumer base, there are enormous challenges and variabilities that come with this market. I learnt that we need to unpack these paradoxes, rather than judge them. Travel anywhere, but particularly China, helped me to see the smallness of my own world and the need to reposition my radar to better understand the cultural dimensions of other societies and what they can offer my own.

I am indebted to Andrew and Victoria from YellowEdge and the Churchill Trust for providing me with the opportunity to participate in this unique program. I would also like to acknowledge my fellow participants

and thank them for their openness in sharing their thoughts and perspectives on their CELAP experience and the application of their learnings.

Background to CELAP

The Chinese Executive Leadership Academy (CELAP) at Pudong – our base for the GLP - is a sophisticated French designed, 40-hectare campus with the feel and look of a modern University. 10 000 bureaucrats are trained at CELAP a year, with the capacity to accommodate up to 800 at any one time. The programs offered through CELAP, aim to ensure mid to high level bureaucrats are ideologically compliant, understand Party policies and have advanced capabilities for leadership. Training also includes field visits and lab simulations focused on training for the response to natural disasters or other significant events that require crisis management.

Our time at CELAP was spent attending lectures by a range of eminent academics, across varied topics including health, education, agriculture and technology. A highlight was the strategic overview of China provided by Vice President of CELAP, Professor Wang where he shared a detailed interpretation of the USA/China trade conflict. Another invaluable aspect of the program was the numerous field trips, particularly the visit the Suzhou industrial Park. A modern technology park formed through collaboration between the Chinese and Singaporean Countries, representing over 25 000 technology companies and a population of over 1 million people that live in what is essentially a high tech, gated community.

I left CELAP with a clear view of the essential role it, and other Chinese leadership academies play in the alignment of ideology, policies and action from the Party through to the ground reform and the progressive opening up of China.

CELAP, Pudong. Shanghai.



Personal insights

The following points are a collection of the key insights and messages that I've taken from GLP journey.

A different perspective on timeframes and boundaries, rhetoric and reality

Academic, Dr Bai challenged us not to know China simply by the past 50 years, but rather to seek to understand China through its 2000 years of history. This context forces a different insight, that relates to our perceptions of borders and how China sees itself in the world.

Historically, Chinese maps have been less about territory and more about people and culture. They mapped the lines between civilisation and barbarism based on the culture of the population at the time. This meant that cartographically speaking, it was not always clear where China started and ended. In Imperial maps, China appears as the world itself.

Current President Xi Ping talks about the great rejuvenation of the Chinese Nation. Many can interpret this as China invading to expand, but Chinese culture suggests – China is the middle flower, there were no borders in Asian times - “under heaven” everyone is brother and sister....” under heaven we are all family”.

So, China’s approach to the South China Sea is that historically the South China Sea belongs to China – “but everybody is welcome to use it”. In reality though we know a much harder line has been enforced.

At a range of levels (from University lecturers, to Prime Ministers) China has sought to bring into question maps not recognising Chinese borders. Why? One opinion is that if enough people see enough maps representing China the way China wants to be seen – then it will become real. Companies are choosing self-censorship because of concern they will be reprimanded about the repercussions. For example, the Marriott Hotel has been reprimanded for listing Taiwan, Tibet, Hong Kong and Macau as countries and not part of China.

A Shared historical burden

A number of the speakers referred to China’s “century of humiliation “– the invasion of China by the United Kingdom in the Opium War and later the invasion by Japan. The suffering and turmoil of these events has shaped Chinese culture and driven its population forward in learning from its past failures to become the global powerhouse it is today.

Both invasions gave rise to significant introspection around China’s lack of modern technology infrastructure and the failure of its political system. The Chinese response has been a quest to build knowledge, to learn from the World’s best and adapt for China. “China takes the best that is out there and makes sense of it for China”. This collective memory must in some way underpin the quintessential drive of the Chinese people to forge a path to greater economic prosperity and achievement. A sentiment reinforced by Professor Wang, who, when asked the question what China has learnt from it’s past? Responded “stick to where we come from, learn from other countries and face the future”.



A mural at depicting the participants of the First National Congress of the Communist Party of China, marking the birth of the part on the 23rd of July, 1921.

A Period of profound change

The growth statistics relating are staggering and were an ever-present theme of our CELAP discussions. By 2030 China will overtake the United States as the world's biggest economy, with its economy currently contributing 20% of world GDP. Much of this reform and expansion has taken place in less than 40 years with rapid advances in urbanisation, productivity and technology. China has achieved an annual GDP growth of 9.5 % from 1978 through to 2008. To put this expansion in perspective more cement was produced in China in 2012 – 2013, than in the US in the entire 20th century. China's rate of urbanisation has shifted from 18% in 1978, to 56% in 2014, with a target of 70% urbanised and 100 cities with more than 1 million people.

Within this advancement, we heard about the genuine strategies to bring an end to poverty, by 2020, through huge investments into social welfare, education and health. China has reached significant targets like 80% of the Chinese population being within 15 minutes from a health service, China's universal health insurance which covers 1.35 billion people and many education indicators achieved well in advance of their timeframe.

While there is no doubt in the Chinese quest to be number one economically, it was reinforced that China did not necessarily want the responsibility to lead. My own interpretation of this is that there is so much to do domestically, in managing the internal demographics of China, there is a risk to domestic instability if too much focus is placed outwards.

The USA/China conflict

During our time in China, the China/USA trade dispute was in full flight, consuming daily news media and general conversations. The key areas of disagreement are captured below:

USA position

1. The USA objects to the status of China as a developing country (relating to countries with a per capita income \$8,800 US). This provision currently affords China provisions which the USA believes are unfair.
2. The USA objects to the status of Chinese market-based companies. The USA suggests China is not a market-based economy – with 1/3rd of the economy being State Owned.
3. Accusations of theft of intellectual property rights – China deems this as a commercial act – but USA sees this as the influence of the Chinese Government with forced technology transfer from US companies to Chinese entities.

China position

1. China is disadvantaged through a USA/China trade imbalance – China is selling best products to the USA, but USA is not selling the best products to China.
2. Trade imbalance to the US dollar – USA reliance on imports to service community.
3. Redistribution of labour from the West to the East – USA make vast profits from Chinese labour – for example iPhones are made in China, however 55% of the profit is retained in the USA and only 3.7% in China. China suggests that the USA needs to better tax company profits and redistribute profits to those less economically able.

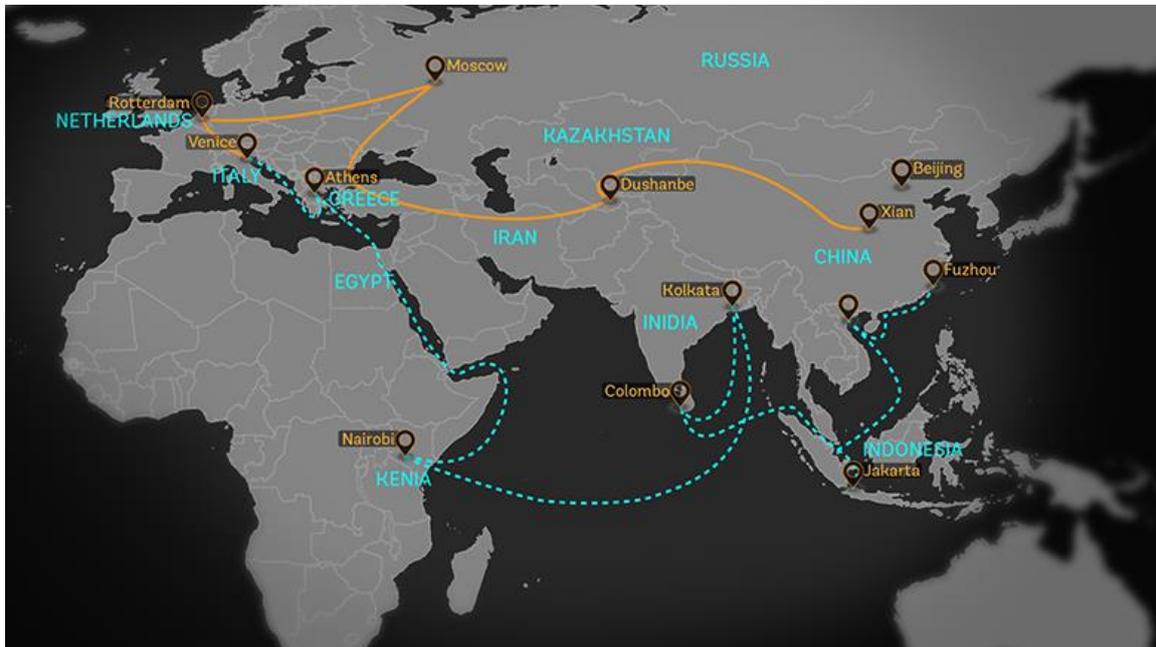
It was my observation, from media commentary during my visit, that Chinese businesses seemed to be immediately looking for alternate import sources or alternative products to replace the products that could no longer be imported from the US. In contrast, US businesses seemed to be looking to ride out the tension, hoping tensions would ease and trade would return to normal.

The Belt and Road initiative

“If you want to get rich, you have to build the road first” Old Chinese Expression.

The Belt and Road Initiative (BRI) is a both a powerful vision and systematic project to link China via land and maritime infrastructure through Asia to Africa and Europe. Underpinning this vision is a narrative that China has missed many opportunities from 1820 to 1978 and won't make this mistake again.

To date 65 countries have joined the initiative, with many other countries signing on as supportive observers. This captures 60% of the world's population and 1/3rd of the world's gross domestic product.



The Belt and Road. Source: WorldBank.org

According to the official outline, BRI aims to “establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multi-tiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries.” The unofficial perspective is that China gets to open up more markets for Chinese goods, technology and infrastructure at a time when their economy is slowing, with partner countries getting greater industrialised capacity, lifts their economic prospects. China is well aware that a GDP less than 8% results in significant unemployment, hence the added pressure to find markets for the excess capacity. The connection of the Chinese economy globally, means we all benefit in some form from a Chinese economy that is performing well.

Some countries however, like Malaysia are having second thoughts. With concerns that China may have greater geopolitical leverage over many of its neighbours, some see it as a strategic re shaping of the Indo-Pacific region to reduce US influence in the region and promote the rise of China.

There are also practical realities around the inequalities in the ability of other countries to deal with the flow of trade and people from China. There are also concerns that China is simply shifting its lower value manufacturing base and exploiting potentially cheaper labour sources.

Despite the concerns, there is no doubting China's capacity to roll out this vision. What is less clear, is Australia's position and our ability to manage the influence of China with some of our closest neighbours and trading partners.

A Planned Economy

The capacity of China to develop a vision and implement it from the highest to the most operational level is significant. Its ability to see the future and create the layers of detailed strategy and integrated planning necessary for implementation is a key part of its success. China is thinking about the long game, it is looking for opportunities to move faster, to automate, to systemise and to move to higher levels of value in every aspect of its approach.

This approach is reflected in their Five-Year Plans (now into their 13th 5-year plan) whereby the specific goals for each area of the economy are articulated and reported on. Of course, it is difficult to ascertain actual performance in a short visit, regardless, the level of planning in itself is impressive and has to be a key driver in China's ability to achieve the transformational change it has. It is hard to imagine that just fifty years ago, ninety percent of the population was illiterate, most lived in rural areas and the average life expectancy was just 35.

A visit to the Shanghai Urban Planning Museum reinforced my view of the Chinese capacity for planning. The Museum outlines the stage by stage approach being taken to develop the infrastructure to support the positioning of Shanghai as one of the most distinguished global mega cities.

Sustainability is an omni present theme. With key targets around the promotion of low carbon industry, management of water resources and forest protection. While China is the world's highest emitter of Co2 there are obvious signs of steps being taken to reduce emissions, but also an increasing tension between global targets and the need for continued growth. Poverty reduction is also a reoccurring theme, with the end goal to end poverty (\$1.90/US/day or 2800 RMB/year) by 2020.

The Chinese Market Place

As a market place it is clear there is not simply one China. China represents fifty-six ethnic groups, different cultural dimensions often means there are literally markets, within markets. This dimension is layered by the philosophies that underpin the Chinese approach to life. We learnt the origin of this approach rests in the philosophy of Taoism which incorporates Taoist religion, Confucianism and Chinese Traditional medicine.

So much of the "Chinese way" seems to be paradoxical. While we are repeatedly told business in China, is about "Guanxi" or relationships, often the reality is simply about the ability to drive price. The importance of Chinese traditional culture, trust and values, is something again reinforced yet we so often hear about Chinese abuse of intellectual property when dealing with foreign businesses. As one speaker suggested "business in China is always about making money, sometimes it is about good relationships".

Up to 30% of the Chinese economy remains as State-Owned Enterprises that benefit from favourable government policies, ranging from access to natural resources to cheaper credit. At the same time this approach has given China the ability to progress key areas of national interest such as launching in 2008 COMAC a state-owned aerospace manufacturer as well closing down inefficient or polluting industries that are no longer deemed efficient.

While Shanghai represents the very latest in consumer technology and logistics, the contrast in provincial and rural areas is often great. When looking at the supply chain for chilled beef, for example, it was clear that while consumer demand is high, supply is often limited by the ability to provide a reliable cold chain.

Perhaps the greatest insights relating to business in China was relayed to me on the flight home, by a Chinese Australian businessman who suggested “Doing business in China is like doing business in muddy water, nothing is really clear. But while the challenges are many the possibilities make it worthwhile”.

As a beef producer

From a geographical perspective the landscape of China is not dissimilar to Australia. It is an extensive land mass with huge variability in land type and rainfall, as well an increasingly urbanised population. Water transfer systems are being discussed to transfer water from the wet South into the drier Northern area. A major challenge for China is a significant urban and rural divide. Income levels in urban areas are three times greater on average than their rural counterparts. This challenge is being met through dedicated strategies to alleviate rural poverty. It was interesting to note that the Chinese Government fully funds boarding school for rural students. Additionally, agricultural policy is being refocused to include rural issues like education, health care and social security. Much of the focus at present is on developing right institutional frameworks and policy settings, to make more rapid progress in modernising agriculture.

Much of China is in transition, shifting from labour intensive industries to technology intensive ones. I have no doubt their agricultural industries will learn from the many challenges Australia has faced, to find sophisticated technological solutions that progress their agricultural products and production.

Concluding thoughts

The Communist Party of China has over 3000 Leadership scholars, many of whom would have studied at CELAP. The experience of sharing this "learned" space with them for a week, has provided me with a unique insight into Chinese culture, its Government, industry and political processes. This is my second time to Shanghai, with my first trip being some 15 years prior. I am staggered by the development that has occurred over this timeframe and can only wonder about the continued transformation that will occur over the next 15 years.
