

Australia's Future in the Asian–Pacific Economy: A Japanese View

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Abstract

Australia's economic future depends on policies to achieve economic allies and prosperity within the Asia–Pacific region. To do this more than expanding primary exports is needed, because the growth rate of primary industry is relatively low. There are already countries in the Asia–Pacific region who have specialised in secondary industry, but Australia is well placed to specialise in leisure and tourism and also in the information industry, meaning not computing but consulting work and research.

1. The Problem

Australia has one of the world's highest per capita incomes supported by rich agricultural and mineral resources. Moreover, it is adjacent to one of the fastest growing areas in the world.

After World War 2, in the Asian–Pacific region, Japan, Korea, Taiwan, Hong Kong and Singapore developed rapidly and now the other ASEAN countries are also growing rapidly. Surrounded by these rapid growth countries, Australia has been a "lucky country". But it is doubtful whether in future Australia will still be a "lucky

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country" unless it can implement policies to achieve economic allies, sustainable success and prosperity within the Asia–Pacific region.

This article considers what should be the leading industries of the Australian economy in future. This will be considered not just from the point of view of the bilateral Australia–Japan relationship, but in the broad framework of multilateral relations among the countries of Asia and Pacific Basin.

Encel (1976, p.318) has summarised Australia's situation under the following seven headings.

- A plantation or colonial economy;
- A high level of dependence on government, through public enterprise, regulation, protection and incentives;
- A high level of overseas investment and ownership;
- The dependence of prosperity on export income from primary products, i.e. farm products and minerals;
- A high standard of living, protected by a wide variety of politico – legal devices;
- Industrial activity characterised by small and medium–sized enterprises;
- A high level of concentration of ownership and control of industry and finance;

Beside these, we can add three further points:

- Shortage of labour at various stages of economic development; One of the largest Australian economic restrictions can be described as the following inequality. There are a lot of natural resources, some capital and only limited labour.
- Predominantly a service–oriented economy; From the beginning of the 20th century, industrialisation has not developed as much as might be expected. Australia's share of manufacturing in GDP is among the lowest of all industrial countries. Australia has the largest share of employment in services among the industrial countries with the exception of Canada and the US.

- Australia may be characterised as being physically located in Asia, but still European in spirit.

Under this environment, the Australian government needs to manage the economy. This article is not concerned with short run economic management, but with strategies to improve Australia's economic competitiveness in the medium to long run so that continued growth and prosperity is ensured. Australian primary industry (the mining and farm sector) is a leading exporting industry with international competitive force. However, in the long time horizon, resource exporting countries can not maintain an advantageous position vis a vis manufactured goods exporting countries. For example while Australia was able to expand rapidly its food and ore exports to Japan, Japan became a leading supplier of manufactures to Australia. The expansion of trade was managed by the Japanese and it was backed by the Japanese investment in Australia. In Australia the manufacturing sector has not grown autonomously, because of the small operating scale that manufacturers can attain in the country's small and isolated markets. The growth that did occur was largely due to various incentives to foreign real investment.

As is well known, until the first half of the 20th century, Australia (together with Argentina, Canada, New Zealand and South Africa) were linked with the international economy as a result of growing European demand for food and raw materials. In the latter half of the 20th century, Australia still continues to be a highly efficient producer of commodities such as wool, coal, grain, iron ore and base metals, but exports now more to the Asia-Pacific region. Australia's trading partners have changed but Australia is still not able to supply the manufactured goods and services that the Asian-Pacific countries want to buy. While the Asian-Pacific trade with the rest of the world is growing very rapidly, Australia's manufactures and services exported to Asia are lagging behind those of other industrial countries. Australia is still an efficient raw material supplier to Asian-Pacific countries.

Australia does invest abroad, although it is a large net capital importer. The Australian direct foreign investment is mainly to New Zealand, North America and Europe, which are areas similar to Australia in language, culture and social systems. However, Australian firms find it difficult to operate in Asian markets. In spite of

these facts, Australian firms should do much more of their business in the Asian–Pacific markets in future. The Australian economy should be developed so that it is able to live within the Asian–Pacific region spiritually, as well as physically.

2. Strategies for Future Success

In brief, Australia should spread its direct investment in neighbouring Asian countries; produce efficient labour–intensive manufactures; and import them back. Australia also should plan to play an important role in diffusing and elevating education, advanced culture and other social infrastructure for economic development in neighbouring countries. Australia is well placed to do this.

The "White Australia Policy" was abandoned 20 years ago and immigrants from Asia are gradually increasing. The tendency towards heavy protectionism for the sake of maintaining employment in manufacturing has been reversed. Australia has already taken initiatives to establish links with neighbouring Asian countries.

A major choice must be made concerning the basic direction of the economy: should Australia remain an inward–looking economy or should it become substantially more outward looking? Obviously both external and internal factors are important to the Australian economy. Australia will have to make a dynamic structural adjustment to its economy if it wants to be a major trading partner with the Asian countries. That is, Australia should have another leading industry outside the primary sector to ensure sustained and successful growth. Which industries are likely to become such a leading industry with major export potential for Australia? I believe that is not desirable to specialise further in primary industry or in heavy engineering and chemical industries. The growth rate of primary industry is relatively low compared with that of secondary or tertiary industries and the terms of trade will continue to move against primary exports. Countries which import raw materials and export manufactures always seem to have an advantage in international trade. It is probably too late for Australia to specialise in heavy engineering and chemical industries. In the Asian–Pacific Basin there are already countries which have specialised in those industries. New entry might be very difficult.

I believe that the best way for Australia is to specialise in two types of industries: in the near future the "high touch" (leisure, conferencing, tourism, etc.) and in the middle and long term, the "high tech" (information industry, life sciences, new materials) industries.

The reasons why for specialising in "high touch" industries are as follows.

- There are a lot of resources, including good environment and "safety" for leisure and tourism. ("Safety" is one of the most important characteristics in Australia, and it should be maintained if Australian government want to develop tourism industry.)
- There are only a few large cities for sight-seeing. (It is very easy to move between those cities by suitable transport, and also very convenient for tourists).
- There are nice weather and climate. (There are no cold winters, no excessively hot and humid summers and seasons are inverse to those in the countries located in the Northern Hemisphere.)
- There is a comfortable environment for the people who can not speak English very well. (Since Australia has been open to overseas' people, non-native English tourists are comfortably accepted.)

The reasons for specialising in "high tech" industries are a little bit more complex and strategic for Australia's future. In the 21st century, the "high tech" industries, like life science and new materials will be very important in the long term. However, "high tech" industries include all industries based on a high level of knowledge. In the medium term the information industry will be more important. The information industry does not mean information manufacturing and processing as is done by firms such as IBM, NEC, PHILIPS, etc., but consulting work or research of socio-economic frames, as is done by the Brookings Institution, the Rand Corporation, Stanford Research Institution in the US, and IIASA in Europe, etc. The researchers in those institutions are, for example, writing a scenario for the world after the cold war, drawing a sketch of Asian-Pacific region in the 21st century, studying the technology transfer from developed countries to under-developed countries, etc. These industries are

city-typed and high value added industries. I believe that the information industry for the Asian-Pacific Basin provides a great opportunity for Australian industry.

The latest research of Committee for Economic Development of Australia (CEDA) shows that in Australia, more than 75 "think tanks" operated in the university sector, the public sector and the private sector. This information industry has been one of the most rapidly growing sectors in the Australian economy. Ten years ago, it was already an issue whether or not an information industry aids the overarching formal political and policy making structure. However, it seems that there has been no such effective and global results from such "think tanks", so far. The opportunity to establish a reputation in this area still remains.

The reasons why it is advantageous to specialise in information industry for the Asian-Pacific Basin are as follows.

High degree of urbanisation in Australia is second only to that of the United Kingdom among the industrial countries. Since Australia's urban areas are concentrated in only five state capitals, the inter-city conferences can be often seen in Australian TV news. They show that a well-organised inter-city information network system has been built.

There is a lot of information coming from the Asian-Pacific Basin to Australia. Publicised, official information is not so important. Unpublicised, individual information is especially important for politicians, businessmen, specialists. Recently there have been a lot of highly-educated ethnic immigrants from the Asian-Pacific Basin to Australia rather than to North America and valuable information will follow them. (Note that in recent years it has been easier to immigrate from Hong Kong to Australia than to Canada and the US.)

There are many socio-economic research institutions in the US as mentioned above. But almost all of them are connected with the US national interests. Moreover, their power to gather overseas's intelligence and information for Europe is huge and deep, but for the Asian-Pacific Basin it is unlikely to be so deep because of language barriers. For example, there are some famous Japanese specialists in the US universities and research institutions who cannot speak, write or read Japanese. It's a very curious fact. (Note that English is the international language. But if this condition continues, native English countries cannot become information acceptors but only donors

to non-English speaking countries.) On the contrary, over the last ten years enrolments in Asian languages in universities and colleges are proportionately very much higher in Australia than in North America. (See "JAPANESE Studies in Australia" (1989)) Australia has an advantage over the US because of its countrywide successful Asian language education.

Japanese and Korean and other ASEAN economies have had rapid economic growth in the latter half of the 20th century. But in the 21st century, 20th century typed industries like manufacturing industry will not be so important. Information industry will be more important especially in value-added terms. Unfortunately, there are not many well-organised and powerful worldwide socio-economic research institutions for the Asian Pacific Basin apart from those concentrating on the US. Moreover, it seems that two countries, Japan and Korea that one might expect to have these institutions will not have such research institutions because they are concentrating on consolidating their 20th century typed industries. At the same time, non-native English speaking countries cannot become a regional organiser or leader in the region, because English is the international language. Hence, it is very important that Australia is already a native English speaking country and has extensive Asian languages education.

Several institutions have already provided an organisational base on Pacific-Basin issues. For example, the most notable research institution in the field of the Asian-Pacific Basin is perhaps the Australia-Japan Research Centre based at the Australian National University. The vision of its founder was for high quality work on frontier issues affecting the Japan - Australia relationship. Impact has been obtained through research work on the Asian-Pacific states. The Centre has pioneered concepts of Pacific region co-operation. Other bodies have been established to facilitate interaction between Australia and other important regional countries, such as China, Indonesia and New Zealand. Their discussion and forecasts have shown a rare linkage between policy makers, company businessmen and economic specialists.

It would not be difficult to develop an information industry for the Asian Pacific Basin in Australia. There are many Asian language units or Asian study units in Universities which, where necessary, can be extended to include economics, sociology and political sci-

ence. The first step may be to connect them to established research institutions. In the second step, it might be more important for them to develop economic oriented sociological and international research, and policy oriented economic research. It is especially important that they be linked to policy makers, professionals, scholars and officials, and to international network of counterpart organisations in the Asian–Pacific Basin. In conclusion, Australia should and can become the leading information centre in the Asian–Pacific area. It will be the way to ensure economic prosperity of Australia in the middle term future.

Notes

1. See Cochrane (1980) ch. 1, Caves *et al.* (1984) ch. 2 and Findlay *et al.* (1988)
2. See Foster *et al.* (1988).
3. See Marsh (1980), (1991).
4. I have heard this fact from one of the officers of the Bureau of Immigration of Local Government and Ethnic Affairs in Sydney branch, and my friend, Professor Kar–Yiu Wong, the University of Washington in the US.
5. There are some research institutions in Japan and Korea. But they are only looking at the business and investment chances in oversea's countries for firms in their own countries. They have still inward-looking policies. (Some part of these discussions are in debt to the members of the Nomura Research Institute which is the most famous research institute in Japan.)

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