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Globalisation's contribution to a better world

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AUSTRALIAN UNIVERSITIES INTERNATIONAL ALUMNI CONFERENCE
13th September 2006

“GLOBALISATION’S CONTRIBUTION TO A BETTER WORLD”

by
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- GLOBALISATION HAS AND IS CONTRIBUTING ENORMOUSLY TO THE ECONOMIC WELLBEING OF THE WORLD ECONOMIES. AUSTRALIA HAS WELL POSITIONED ITSELF DURING THE PAST DECADE IN THE GLOBALISED ENVIRONMENT
- SEVERAL STUDIES HAVE CONCLUDED THAT NATIONS WITH OPEN, MARKET ORIENTATED ECONOMIES, HAVE RECENTLY GROWN TWICE AS FAST AS THOSE WITH CLOSED ECONOMIES.
- THE TERRORIST ACT OF SEPTEMBER 11 HAS SET IN TRAIN EVENTS THAT WILL CONTINUE TO IMPACT ON THE SHAPE OF THE GLOBAL ECONOMY. HOWEVER, WHILST SEPTEMBER 11 MAY NOT HAVE CHANGED, IN MY VIEW, THE GLOBAL COMPLEXITY AND UNCERTAINTY IN WHICH WE LIVE, SEPTEMBER 11 DID INCREASE PUBLIC AWARENESS, IN VARYING DEGREES, ABOUT THE THREAT OF TERRORISM, THE SPREAD AND SIMPLIFICATION OF WEAPONS OF MASS DESTRUCTION, GLOBAL POVERTY, FAILED STATES AND MUCH ELSE, INCLUDING, A LEAST BY IMPLICATION AND FUNDAMENTALLY, TODAY’S VASTLY TIGHTER INTERCONNECTION OF OUR ENTIRE GLOBE.
- AUSTRALIA ENJOYED A MUCH IMPROVED ECONOMIC PERFORMANCE IN THE NINETIES. THE NINETIES WAS THE FIRST DECADE THAT AUSTRALIA’S AVERAGE GDP PER CAPITA EXCEEDED THAT OF THE OECD’S. THIS PERFORMANCE OWES MUCH TO AUSTRALIAN GOVERNMENT’S MICRO ECONOMIC REFORMS, INCLUDING LABOUR MARKET REFORM, FINANCIAL MARKET REFORM AND A SIGNIFICANT PICK UP IN PRODUCTIVITY GROWTH. THIS, TOGETHER WITH AN EMPHASIS ON MARKET LIBERALISATION, TRANSPARENCY AND DISINTERESTED REGULATORY

STRUCTURES, HAS LEAD TO A MORE INTERNATIONALLY COMPETITIVE, DYNAMIC AND FLEXIBLE MARKET ECONOMY.

- THE EXPLOSION, OVER THE PAST THREE DECADES, IN WORLD TRADE, ONE OF THE DRIVING AND MOST DRAMATIC FORCES OF GLOBALISATION, INITIALLY LARGELY PASSED AUSTRALIA BY. HOWEVER, AUSTRALIA AT THE END OF THE NINETIES HAD INCREASED ITS EXPORT/IMPORTS, WHICH DURING THE SIXTIES MADE UP 28% OF GDP AS AGAINST 42% AT THE END OF THE NINETIES.

- THE WORLD IS DIVIDED BROADLY BETWEEN COUNTRIES THAT ARE WELL INTEGRATED INTO, AND COMMITTED TO, THE EVOLVING NORMS OF THE GLOBAL ECONOMY, AND COUNTRIES THAT ARE EITHER BEING LEFT BEHIND BY, OR MAY SEEK TO CHALLENGE THE NORMS OF THE EMERGING GLOBAL ORDER.

- THE FIRST GROUP IS COMPOSED OF ABOUT 80-100 COUNTRIES THAT SHARE A COMMITMENT TO SOME FORM OF DEMOCRACY, OPEN TRADE AND COLLABORATIVE SECURITY TIES. LED BY THE UNITED STATES, WHICH ECONOMY HAS LONG BEEN THE MOST OPEN IN THE WORLD AND THE MOST DYNAMIC AND INNOVATIVE DURING THE 1990'S.

- THREATS TO INTERNATIONAL TRADE JEOPARDISES THE TREND TO EVEN GREATER GLOBALISATION – REGARDED AS ONE OF THE FOUNDATIONS OF THE ECONOMIC MIRACLE OVER THE PAST HALF-CENTURY. THE US NEEDS TO AND MUST CONTINUE TO KEEP ITS MARKETS OPEN. THE U.S. MUST DEMONSTRATE, BY EXAMPLE, THAT IT IS PREPARED TO TAKE POLITICALLY AWKWARD STEPS TO UPHOLD FREE TRADE; FAILURE OF THE RECENT DOHA ROUND WAS DISAPPOINTING AND MULTI-LATERAL TRADE NEGOTIATIONS AT THE WTO ARE FALTERING BADLY. BOTH EUROPEANS AND THE UNITED STATES ARE BESET BY ISSUES RELATING TO AGRICULTURAL SUBSIDIES THAT IN THEIR RESPECTIVE COUNTRIES ARE EXTREMELY POLITICAL AND ARE INHIBITORS TO THE MULTI-LATERAL TRADE SYSTEM. THE OECD ESTIMATES THAT AGRICULTURAL SUBSIDIES HAVE A COST OF US\$1 BILLION PER DAY ¹

¹ Mike Moore, Director General, World Trade Organisation – 29th April 2002

- IN THE CURRENT POLITICAL CLIMATE, AUSTRALIA AND OTHER GOVERNMENTS ARE INCLINED TO GIVE PRIORITY TO BI-LATERAL AND REGIONAL TRADE AGREEMENTS. THE UNITED STATES AND THE EU HAVE BEEN ACTIVE IN PURSUING BI-LATERAL TRADE AGREEMENTS AND CHINA, AMONGST OTHER NATIONS, ARE CONCLUDING A NUMBER OF KEY BI-LATERAL TRADE AGREEMENTS..
- SUCH BI-LATERAL AND REGIONAL TRADE ARRANGEMENTS COULD WELL SERVE AS BUILDING BLOCKS FOR THE MULTI LATERAL SYSTEM, HOWEVER, ONLY IF THEY ARE CONSISTENT WITH BOARD WTO PRINCIPLES.
- SOME 5 YEARS OF DISAPPOINTING PROGRESS ON MULTI-LATERAL TRADE NEGOTIATIONS DOES NOT APPEAR TO HAVE SLOWED THE INCREASINGLY POWERFUL WORLD TRADE DYNAMIC. PERHAPS, GIVEN TRADE BARRIERS MAY ALREADY BE LOW ENOUGH. THE HYPER SPEED OF INFORMATION TECHNOLOGY ENABLED CONNECTIVITY, IS A MAIN CATALYST TO PROVIDE MULTI NATIONAL CORPORATIONS WITH NEW OPTIONS TO COPE WITH INCREASINGLY INTENSE COMPETITIVE PRESSURES.
- AN OECD STUDY ² ON THE ECONOMIC CONSEQUENCES OF TERRORISM CONCLUDED THAT TIGHTER SECURITY REQUIREMENTS HAD RAISED THE COST OF TRANSPORTING GOODS AND CAUSED DELAYS. ALSO, THAT STUDY STATED THAT VOLUMES OF INTERNATIONAL TRADE WERE ACUTELY SENSITIVE TO EVEN SMALL RISES IN COST.
- THE NEW GLOBAL OBSESSION WITH SECURITY, IN THE WAKE OF THE SEPTEMBER 11 IN THE UNITED STATES, THE SPANISH, BALI AND LONDON ATTACKS, COULD DAMAGE LONG TERM ECONOMIC GROWTH, IF CARRIED TOO FAR.
- VINCENT KOEN, SENIOR ECONOMIST AT THE OECD, WAS RECENTLY QUOTED AS SAYING: “IF YOU WANT A FORTRESS, IF YOU THINK YOU CAN INSULATE YOURSELF FROM TERRORISM, IT WILL BE VERY COSTLY FOR THE ECONOMY AND PROBABLY NOT VERY SUCCESSFUL IN THE END.”

² Organisation for Economic Co-operation and Development (OECD) Report “Securing Opposition May Hurt Growth”

- ALSO, OF COURSE, THE INCREASES IN PUBLIC AND PRIVATE SPENDING ON SECURITY, RISKS DIVERTING FUNDS FROM INVESTMENT IN PRODUCTIVE CAPABILITY, RAISING THE COST OF CAPITAL AND WAGES AND DIVERTING FUNDS AND RESEARCH TOWARDS MILITARY PROJECTS. THIS TREND COULD ERODE, OR HAS ALREADY, THE “PEACE DIVIDEND” WHICH FOLLOWED THE END OF THE COLD WAR.

- AUSTRALIA AND THE UNITED STATES TREND PRODUCTIVITY SURGE ³ OVER THE PAST DECADE HAS NOT BEEN DUPLICATED IN OTHER MAJOR INDUSTRIAL COUNTRIES. BARRIERS TO REFORM SUGGEST THE PRODUCTIVITY GAP WILL PERSIST FOR THE FORESEEABLE FUTURE, IMPACTING ASSET MARKETS AND INCOME GROWTH.

- PERHAPS EVEN MORE STRIKING IS THE DISPARITY BETWEEN THE AUSTRALIAN AND UNITED STATES PERFORMANCE AND THE REST OF THE INDUSTRIAL WORLD, WHERE TREND PRODUCTIVITY HAS NOT ACCELERATED. THIS GAP LIKELY REFLECTS ENTRENCHED DIFFERENCE IN REGULATORY PRACTICES AND INSTITUTIONS THAT INFLUENCE LABOUR, GOODS AND CAPITAL MARKET FLEXIBILITY. AS SUCH, IT PROBABLY WILL PERSIST, RESULTING IN LASTING DISPARITIES IN INCOME GROWTH, WEALTH ACCUMULATION AND ASSET MARKET PERFORMANCE.

- ROBERT RUBIN (FORMER SECRETARY OF THE US TREASURY) RECENTLY POINTED OUT THAT WHILST GLOBALISATION HAS, ON BALANCE, CONTRIBUTED GREATLY TO ECONOMIC WORLD WELL-BEING, IT HAS ALSO CREATED SOCIAL, ECONOMIC AND CULTURAL DISLOCATIONS FOR MANY MILLIONS OF PEOPLE. THOUGH THE ABSOLUTE NUMBER OF THOSE LIVING IN POVERTY WORLDWIDE HAS FALLEN, HE SAID, IT IS STILL VASTLY TOO HIGH, AND THE IMBALANCE OFTEN FOMENTS RESENTMENT, ANGER, HOPELESSNESS, AND DESPAIR, WHICH MAY CREATE ENVIRONMENTS THAT ARE HOSPITABLE TO TERRORISM. IT IS WELL KNOWN THAT GLOBALISATION, POVERTY, TERRORISM AND GEOPOLITICAL INSTABILITY ARE “INEXTRICABLY INTERTWINED,” HE ADDED, BUT THE SIGNIFICANCE OF THEIR

³ “International Comparisons of Productivity Growth: The Role of Information Technology and Regulatory Practices” Federal Reserve Board, May 2 2002 (1996-00 vis. 1981-95)

CORRELATION HAS "NOT REALLY TAKEN HOLD" AND "BECOME TRULY INTEGRAL TO OUR THINKING."

- IN A CONTEXT OF CREATING A BETTER WORLD THROUGH WORLD ECONOMIES, IT MAY BE APPROPRIATE FOR THE DEVELOPED COUNTRIES, TOGETHER WITH, FOR EXAMPLE, OIL EXPORTERS, TO CREATE A SIMILAR PLAN AS TO THE UNITED STATES' MARSHAL PLAN' WHICH WAS IMPLEMENTED POST WORLD WAR II, TO REBUILD WAR TORN EUROPE. IF THE WELL DEVELOPED INDUSTRIAL NATIONS, OIL EXPORTERS, ETC., CONTRIBUTED A MODEST PERCENTAGE OF THEIR GDP FOR FOREIGN ASSISTANCE, THIS COULD GO A LONG WAY TO HAVING A POSITIVE IMPACT ON THE WORLD'S POPULATION, WHERE ROUGHLY HALF THE WORLD'S POPULATION LIVES ON UNDER TWO DOLLARS A DAY, YOU COULD PROVIDE THEM WITH SHELTER, MEDICAL ASSISTANCE, EDUCATION, JOBS AND CONSEQUENTLY HAPPY!
- PHILANTHROPY, FOR EXAMPLE, THE BILL AND MELINDA GATES FOUNDATION, AMONGST OTHERS, IS PLAYING A GLOBAL ROLE IN ADDRESSING SOCIO-ECONOMIC ISSUES, HOWEVER, GOVERNMENTS NEED TO DO MORE AND INCREASE FOREIGN ASSISTANCE TO ENSURE WE CREATE A BETTER WORLD THROUGH GLOBALISATION AND THAT THE BENEFITS THEREOF ARE EQUITABLY SHARED.

THANK YOU