Australia in a Globalised World
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The debate about globalisation can easily get bogged down in semantics. It is very hard to define exactly how much the role of the state has been eroded or to measure how far the global economy is integrated compared with the past, and what such comparisons mean.

I want to move beyond those questions to the issue of how we respond to globalisation.

Because for the first quarter of the next century at least, which is as far ahead as any of us can realistically pretend to look, I can't see anything short of nuclear war which will make the world any less globalised. That is, any less integrated economically, any less culturally open, or any less competitive.

This is because:

- The information and communications technologies that made globalisation possible and drove it forward will develop no less rapidly

- The developing countries, whose entry into the global economy was one of the driving forces of globalisation, will not abandon their role. We used to talk about the good old days – but good old days for whom? Not for Chinese peasants or Brazilian day labourers. The developing countries have enjoyed the experience of growth and they want more of it. In particular, our neighbours in Asia will come out of the current crisis with stronger economic and political institutions and will be more competitive as a result.

- And finally, of direct relevance to Australia, the global terms of trade will not suddenly flow back in the direction of commodity producers. So even if we wanted to, we can never again rely on export wealth generated by our farmers and miners to pay for the preservation of tariff walls to protect our manufacturing and services sectors from competition.

I am not saying Australia can do nothing to resist globalising forces. Any country can resist. It can opt out, in whole or in part, by erecting barriers to openness. But it can only do this at the expense of a more impoverished and restricted future for its people.

The Labor Government in the '80s and '90s was not forced to prise open the protectionist carapace around the Australian economy. But if we hadn't done it, Australians would have become steadily worse off. Instead of the nine per cent increase in average household income that Australia experienced during the period 1981/82 and

1993/94 we would have seen a sharp decline. Without deregulation and openness, the country certainly would not have come out of the Asian economic crisis so strongly.

So globalisation and openness - which was our policy response - is not something we need to be defensive about or fear. It has given Australians far more than it has taken from us.

And I think the story will get better. I believe the world is on a long economic upswing generated by the information revolution. Economic cycles haven't been abolished, but we are in a different sort of economic environment in which the amplitude of the cycles will be less and the growth trend will be upwards. The result is that more people in the world will be better off than ever before.

But which people will be better off, and how they compare with others, will still be determined by governments and by good public policy.

Even within our own society, globalisation has clearly left some people worse off. Understandably its victims resent what has happened and blame globalisation for the loss of jobs or the loss of ways of life.

Let me quote something I said in a lecture at the University of New South Wales back in November 1996 when I was talking about the malaise that fed the One Nation phenomenon.

> 'At its core is the loss of identity and spiritual frameworks wrought by the rolling tide of forces we wrap up in convenient catch-alls like "globalisation": the feeling many of us have that our lives are increasingly beyond our individual control, that our cultural signposts are changing without our consent; that old definitions and boundaries are blurring; that the world is becoming an alarmingly small place, but also, paradoxically, moving beyond a human scale.
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> Essentially, the old certainties are passing. There is a feeling that community and nation-building are not co-operative efforts; that goals are not shared; that there is no guiding light; that modern life is leading to a greater sense of isolation; that, for all their promise, our technologies are often asocial; that modern economies spin wealth to the peripheries and away from the middle; that employment is insecure; that structural change leaves uncompensated losers in its wake; that the absence of widely shared and binding social and national values leaves people feeling disconnected and searching for some greater meaning in their lives.'

The loss of those certainties is the price we pay for globalisation. But, if we manage it well, the process has much to give us as a nation and, in any case, the changes it is generating are not going to diminish. How can governments resolve these conflicting pressures?

The great unanswered question of our age is whether globalisation and the information revolution will result in a fundamental diffusion of power within individual societies and between countries. Or whether, instead, they will deliver the sort of concentration of

power that accompanied the last phase of the industrial revolution a century ago, in the form of robber baron capitalism.

Will global branding and the vertical integration of businesses diminish our choice at the precise moment that choice has never been more possible for more people in the world? Will the small and the unique be smothered by the large? Or, on the contrary, have we been given an unprecedented opportunity to promote and preserve the distinct and the special?

The answer to those questions is not pre-ordained. It all depends on what we do now.

The 20th century has taught us many important lessons, but none has been more important than that of ecology. However slowly and incompletely, an understanding of the profound interdependence of complex systems has become part of the framework of our thinking over the past fifty years. And it may be the single most important idea we take with us into the 21st century.

It leads me to this belief: in a globalised world, the central responsibility of government will be the preservation of diversity in all its forms.

This task will be the essential response to the centralising and homogenising pressures of globalisation. Whether governments are dealing with environmental, economic, social or cultural issues, they will increasingly have to see themselves as custodians of the system's diversity, tending the interconnections between its elements and preserving its variety.

Certainly the preservation of diversity in its familiar environmental sense will become more important. Globalisation can be an asset for environmental management, not least by ensuring that products are produced in places environmentally appropriate for them. But it will also provide us with huge new challenges as the developing world grows.

Economically, governments will have an important role in ensuring that globalisation's centralising tendencies don't drive out the small. We can't afford to achieve that goal any longer through tariffs and quotas, and in any case that approach doesn't benefit the nation most effectively. The answer here lies in the much-maligned, but deeply egalitarian, idea of effective competition policy. Perhaps in a globalised world there are arguments for Australian enterprises to get bigger to compete globally, but these have to be balanced against the natural tendency to oligopoly into which Australian business sinks so comfortably if left to its own devices.

In a globalised world, however, government has to do more economically than simply appoint a regulator and sit back to watch the creative destruction at work. Globalisation and the information economy require governments to pay much greater attention to nurturing our human capital. That means, particularly, our education system. Education remains one of Australia's most important competitive advantages in a globalised world, but, it has to be said, only just. The way we are going with funding, we can no longer

take this national advantage for granted. If we lose it, we will pay a serious and long-term national penalty.

Beyond this, I think the pressures of globalisation and the changing nature of work impose a new economic role on government. This involves the maintenance of networks and connections throughout the economy and the broader community, and with the outside world.

In an economy in which the old certainties – at least certainties for the nation's men - of one single job for life has gone forever, and services form an increasingly important part of our domestic economy and our exports, connections, both formal and informal, are vital. Governments have a facilitating role here that can range from ensuring equality of access to information to more active efforts to draw together coalitions of different individuals. You can see this happening in an embryonic way in the work Australian governments have been doing for a decade or more with Australian exporters and in the Labor Government's productive diversity policies, which drew on the value of our migrant communities' links with their former homes. But I believe the job of facilitating inter-connections will become a more important function of government and will take on quite new forms.

This should also be an important goal of government well beyond the economy. In social policy it is an important part of the answer to the anomie and atomisation that many people feel as a result of globalisation.

In a world in which the pressure of the dominant American culture can be overwhelming, governments have an important role in preserving cultural diversity. This was about the only matter on which I sided with the French during the last round of multilateral trade negotiations. In this connection I have to say that I am worried by the government's decision to refer to the Productivity Commission, of all bodies, the question of whether Australian content rules for television should be preserved. This isn't a productivity matter. It's a matter of cultural preservation, and it's a matter in which the Australian people rather than micro-economists and media proprietors need to have a say.

The need to assert our identity in the face of globalisation, is also, by the way, one of the reasons we should become a republic.

The same fundamental goals I have been talking about in a domestic context - the preservation of diversity and the nurturing of inter-connections – should guide the approach of governments to the international system. That's a particularly important goal to remember at present given the stunning economic, strategic and political dominance of the United States during this 'unipolar moment'.

If it is to reflect international realities, a globalised world requires more comprehensive institutions than the G7 and a United Nations Security Council which comprises the victors of a war now more than half a century behind us. It requires active engagement with the two most populous countries in the world, China and India, rather than attempts to side-line or marginalise them. And it obliges us to develop international trade and financial organisations that reflect more fully the role of the developing world in the

international economy and that take its interests into account. There has been talk about opening up the IMF and the World Bank, but it hasn't gone far enough.

Let me make a final point. The familiar dichotomy in our thinking between age and experience is no longer very relevant, because the people who have most experience of the world we are moving into are the young. They not only understand the technology which drives it, but they are culturally at home in it. They have internalised the social changes it is bringing.

I'm not making an argument against age and wisdom. With each passing year I find myself more attracted to Confucian principles of respect for the elderly. And history's lessons have to be understood and remembered if we are not to repeat our errors. But the first place to look for ways of dealing with the globalised world has to be among the young.