

Region's tigers pumped up on education and motivation

Australian business may be enjoying the export opportunities presented by the rise of India and China, but it also faces new competition, writes **Andrew Fraser**

JONATHAN West has just returned from where he expected to see a lot of cheap, unskilled labour producing poor-quality goods. What he saw instead was cheap, skilled labour. China's heavy investment in education in the past few years is beginning to pay off through a vastly more skilled workforce.

"They are producing half a million engineers every year, and want to ramp that up to one million in the next few years," he says. "But their engineers are being paid one 15th what they would get in Australia. So China's real advantage is not unskilled labour — Africa has got a lot more of them these days — but a skilled and motivated workforce."

West argues it is time Australian businesses understood that China is no longer just a market for exports, but a competitor. And the rise of China and India in particular is changing Asia's role in the world, a change that has great implications for Australia's relationship with its northern neighbours.

West, who will speak next week in Brisbane at the third Future Summit, is an example of an achiever returning home as Australia's traditional brain drain is reversed.

He spent his formative years in Tasmania and in the mid-1980s was involved with the green movement as head of the Wilderness Society in Tasmania, a group that defied the narrow implications of its title by having a broad national profile.

But he always saw the environment in a broader context, and after a short stint as a journalist at the *Melbourne Herald*, went to Harvard University in Boston, first as a student, later as associate professor in the university's graduate school of business administration.

Along the way, he changed his academic speciality to innovation and emerging economies, and despite having an international reputation in the area, decided to base himself in Tasmania where he is now director of the Innovation Research Institute at the University of Tasmania.

While West will offer a specialist perspective on China at the conference, the more official line will be put by Rui Chenggang, the director and anchor of *BizChina*, the prime-time daily business show on China's CCTV International. He is also a columnist for the *Beijing Youth Daily*, the city's most widely read newspaper, and sits on the board of the China National Symphony Orchestra.

Other Asian speakers contributing to the conference will include Tan Keng Yam, director of the Asian research Centre at the Nanyang Technological University in Singapore, and Han Sung-joo, director of the International Relations Institute and president of the Korea University in South Korea.

West argues that China's unique circumstances are undermining its economic surge.

In addition to the high level of skills in the workforce, China also has significant domestic savings and is experiencing huge demographic change, involving people moving from the



In the pipeline: With China producing half a million new engineers every year, the oil industry is just one beneficiary of the rapid expansion of its skilled workforce

interior to the coast and from the countryside to the cities.

"Those sort of factors aren't present in other countries, but there are other things happening there — India's development is less broadly based and more focused, and it is also a free market, which is so very effective in world trade," he says.

But the Indian perspective will be put strongly by India's high commissioner to Australia, Prakash Prakash Shukla, and N.K. Singh, chairman of the Indian Institute for Management & Development and a former member of the the powerful Planning Commission of India.

In a paper prepared for the conference, Andrew McIntyre, director of the Asia Pacific School of Economics & Government at the Australian National University in Canberra, argues that the rise of India and China has focused attention back on Asia, which is at the centre of the forces of globalisation.

McIntyre claims globalisation has progressed to the extent that "Asia is now the most economically open region in the world". And in the past 20 years, exports from the region have grown twice as fast as the rate of export growth for the world as a whole.

"China and India dominate the limelight at present, but the story is much wider," he says.

"The aggregate economic picture around Asia today is one of continued strong economic growth."

Asian economies grew by 7.5 per cent in 2005 and are expected to get close to that this year and next, but more importantly, many more people are sharing in this wealth.

"The World Bank estimates that within East Asia, while some 380 million people still live on less than \$US2 a day, over the past five years the number of people in this position has been declining by more than 50 million people annually," he says.

McIntyre argues that as one of the main beneficiaries of globalisation, Asia now has a vested interest in the maintenance of the world trading system and therefore has "the most to lose should the process of globalisation stall or even reverse".

But he also identifies three possible threats to the future of globalisation within Asia: a deterioration in the global or regional trade regime; the outbreak of instability or even war among the great powers in the region; and the outbreak of regional "contagions" of various sorts, be they pandemics or financial panics.