

18<sup>th</sup> September 2013

[www.murdoch.edu.au](http://www.murdoch.edu.au)

Mr Lyndon Rowe,  
Chair, Economic Regulation Authority  
PO Box 8469  
PERTH BC WA 6849

Dear Mr Rowe

### **Inquiry into Microeconomic Reform in Western Australia**

Thank you for the opportunity to respond to the issues paper on microeconomic reform in WA.

While the Murdoch University does not wish to make a formal submission to the inquiry, you may be aware that the University is undertaking a special commission entitled *Western Australia and the Evolving Regional Order: the next 25 years, challenges and opportunities*. This first Murdoch Commission will examine WA's broad development potential through a set of specific themes pertinent to WA and other regional partners. It will also evaluate the importance of regional engagement in advancing growth and development. The Commission is co-chaired by Ms Kerry Sanderson AO along with Professor Chung Min Lee, Professor of International Relations at Yonsei University and Ambassador for National Security Affairs in the Republic of Korea.

The outcomes from this Commission of Inquiry may well be of interest to the deliberations of your committee, although I am unsure if the timing may be problematic. The Commission will complete its final report, which includes the finding and recommendations, in late November. A launch of the final report will occur shortly after.

I have attached a brief overview of the Commission's work. The Director of Studies for the Commission, A/Professor Michael Crozier, would be happy to provide further information, should you require it.

Yours sincerely

Professor Richard Higgott  
Vice Chancellor

Attach  
<http://www.murdoch.edu.au/Murdoch-Commission/>

An abstract graphic consisting of flowing, wavy lines in various shades of red and orange, creating a sense of movement and depth. It occupies the upper left and middle portions of the page.

# The First Murdoch Commission

## **Western Australia and the evolving regional order**

Challenges and opportunities

---

## **Prospectus**

## INTRODUCTION

Over the last decade the state of Western Australia has become a significant regional economic player, attracting unprecedented interest in East Asia. Before travelling to Sydney for the 2007 APEC summit, Chinese President Hu Jintao first visited WA. Australia is the top destination for China's foreign direct investment, highly focused in the resources sector. The Australian American Leadership Dialogue met in Perth in 2010, as did the 2011 Commonwealth Heads of Government. In 2010-2011 WA contributed 46% of the nation's merchandise exports with just 10% share of Australia's population. WA provides more than half China's iron ore, is the dominant supplier of gas to Japan, and by 2020 Australia will produce more natural gas than any country except Qatar.

The WA economy is closely interlinked with the dynamic economies of East Asia and it is critical to consider the regional context in which WA will operate over the coming quarter-century. There is a pressing need to assess the challenges and prospects that the region will present to WA, and to provide guidance to business, academia, and government regarding policy initiatives to maximize the positive role that WA can play in the region and the positive role that the region can play in WA. Significant opportunities are on offer and smart well-informed leveraging will consolidate the potential benefits and propel them into additional long-term sustainable gains for WA along with its partners.

## WA AND THE REGIONAL CHALLENGE

In recent decades, a range of Western models of regional economic engagement and cooperation have been pursued in the region and found wanting. This prompts the need to explore new types of models that are both distinctly Asian and Western, non-polarised, synergistic and collaborative. Thinking on this issue however remains underdeveloped. The contemporary situation of WA in the region provides a fertile case through which to rethink the challenge of regionalism beyond existing models. In this sense, WA can have a role to play in developing common solutions within the region, and the Commission will seek to identify and analyse the various possibilities at hand.

The Commission is particularly interested in working through the practical ramifications of development as a regional project. In this regard, it has a methodological ambition to push how we see economic engagement beyond local and national preconceptions. While alert to the cogency of cultural literacy, the Commission is interested in developing recognition of the common problem sets confronting the region and how they may be addressed.

The Commission will thus identify and examine some of the major challenges facing both WA and the region in coming decades. The investigation will examine WA's broad development potential through a set of specific themes pertinent to WA and other players in the region. A core task of the Commission will be to evaluate the importance of regional engagement in advancing growth and development. This task will be driven by four key questions:

- What can WA do for the benefit of Asia?
- What can the rest of Asia do for WA?
- What can WA do for the benefit of Australia?
- What can Asia and WA do for the rest of the world?

The overall aim of the Commission is to produce evidence-based analysis of the prospects of WA in the Asian Region and to generate practical insight for policy development.

## **THEMES**

The Commission will pursue the issue of Western Australia's future trajectory in the region over the next twenty-five years through the lens of four interrelated themes:

- Economic prospects
- Facilitation: Diplomacy and entrepreneurship
- Services: Expertise and innovation
- Resources: Security and sustainability

The first theme focuses on economic trends, the opportunities on offer as well as the various risks and pitfalls involved. The three subsequent themes zero in on particular aspects of the current situation, identifying the specific parameters and challenges involved, and evaluating potential strategic responses.

## I. Economic prospects

WA has been an integral part of the economic ascendancy of China both through mineral and energy exports, and the inflow of foreign direct investment from China. Along with the mainstay of trade relations with Japan, there are also significant and developing trade links with Indonesia, South Korea and, further afield, with India. The WA economy has flourished in these circumstances, becoming the leading net overseas exporter in the Australian economy. More recently, however, global and regional trends have tempered economic activity, and growth in demand in the resources sector has moderated. While this has dampened certain expectations, WA is nonetheless well situated to be a part of future growth in the region. But this may not happen automatically and maximising this opportunity will require serious consideration of how it can best continue to develop as an active and prosperous regional economic force. The increasing role of knowledge-based capital as a source of growth is an important element in this challenge. In this regard, WA has a strong record in scientific and technological innovation, and in the delivery of advanced services, all with the potential for considerable growth. These capacities dovetail directly into emerging regional demand, especially given the rising standards of living in the Asian region. The development of these capacities among others requires agile policy frameworks and smart strategic investment on the part of government, industry, and the state's research and training institutions. How well this is done will be critical to WA's ongoing role in the region in the 21<sup>st</sup> century.

### *Questions*

- What are the emerging contours of economic growth and trade in the Asia Pacific region and in what ways is WA implicated in these patterns? Include connectivity in this question (trade agreements).
- What are the existing strengths of the WA economy and what are its vulnerabilities, especially in relation to external forces?
- How can the strengths of the WA economy be leveraged to ensure it develops as a dynamic regional player into the coming decades?
- To what degree can WA act as a relatively independent economic actor (given the Australian Federal system) in processes of regional economic engagement and development?
- What are the protective mechanisms that regional players can engage to safeguard against growing financialism and high-speed technological trade?

## II. Facilitation: Diplomacy and entrepreneurship

The Asia-Pacific region is home to a range of polities with differing approaches to state involvement in economic development. There is the China case in which the state is the biggest shareholder in the country's biggest companies and steers many others. Singapore has used the government-owned Temasek Holdings over many years as an arm's length vehicle to guide the island state's economic development. In WA, the state endeavours to nurture and promote economic activity with a far less direct set of tools. A key challenge for governments and corporations is how business can be successfully facilitated and brokered amidst this regional variety of government-business operating models. For WA there are also the complications of a provincial state government operating at an international level, yet subject to Federal powers over foreign affairs and trade. Nonetheless WA as a significant economic player has the opportunity to contribute to the development and refinement of new modes of economic diplomacy and political entrepreneurship to facilitate the growth of economic integration in the region.

### *Questions*

- What difficulties can arise for private corporations and for state-owned enterprises when they enter markedly different business operating environments?
- How and to what degree can individual political leaders and government agencies facilitate and advance economic brokerage, and what are the risks?
- Are there upper limits to what state governments can achieve in regional economic diplomacy, and to what degree is this restricted by central government sovereign authority?
- In what ways can WA contribute to efforts to build effective modes of brokerage in the region and so assist the development of new levels of regional engagement?

### III. Services: Expertise and innovation

Rising living standards and the emergence of new middle classes in the Asian region are generating a growing demand for services in finance, telecommunications, education, health, transportation and tourism. The development and enhancement of skills and expertise in the knowledge industries are crucial to meeting demand in these sectors. Cutting edge research and training requires strong institutional bases but it also thrives in dynamic networks that are well connected beyond provincial and national borders. Working on common problem sets across differing contexts generates new forms of knowledge and incubates innovation. WA's regional synergies of time zone, proximity and economic ties place it in a prime position to become an integral part of the expansion in services in the region. Over the past decade, the resources sector has provided a certain stimulus for the development of the services sector in WA. The opening for WA now is to build on its sound higher education base, industry expertise and strong record of technological innovation to ramp-up its efforts to turn it into a major regional player in the field.

#### *Questions*

- What challenges are emerging in the delivery of goods and services in the region?
- How are governments and industry responding to these trends, and where are there opportunities of unmet need?
- What are WA's current strengths in the services sector and how well is the sector furnished by research and training in the knowledge industries?
- To what extent is the WA service sector already a regional player and what are the merits of greater regional engagement in the field?

#### IV. Resources: Security and sustainability

The 21<sup>st</sup> century is witnessing the rise of an unprecedented resources revolution. Dramatic increases in the world's population are generating enormous demands on the essentials of water and agricultural resources. Worldwide stress on these resources looms large and is particularly the case in emergent Asia. Food and water security, and their long-term sustainability are a key challenge facing the region and the world in the 21<sup>st</sup> century. WA has well-established credentials to confront this challenge, underpinned by its substantial commercial and scientific capacity in the development and management of agriculture and water resources. It is well placed to make a significant contribution in regional responses to these impending resources challenges both as a significant agricultural producer, and as a source of considerable resources expertise in the areas of agricultural science and water management.

#### *Questions*

- What are the major dimensions and challenges emerging around food security and water management issues in the Asian region?
- Do these resource security challenges require a regional response, and if so how could this be undertaken?
- In what ways could the governmental, business and scientific capacities of WA be harnessed for a regional response to resource security and sustainability?
- In what ways could WA take a leadership role in addressing the resources challenges in the region?



## **MODUS OPERANDI**

### **Commissioners**

The Commission will be co-chaired by two eminent figures, one with strong associations with WA and one with a high profile in the region.

There will be ten to twelve commissioners appointed from government, business, academia and the media. Membership of the Commission will reflect a range of expertise and experience in the key issues and challenges confronting WA and the region.

The composition of the Commission will be determined by the Vice Chancellor in consultation with the Director of Studies and Secretary to the Commission (DSSC).

### **Small-team drafting**

The Director of Studies and Secretary to the Commission will draft a conceptual agenda for the project, secure draft contributions, and meld them into a draft and final report for the Commission. The *modus operandi* will be the identification of small teams within the Commission, varying by expertise and specialty, to prepare sections of the report to be integrated by the DSSC into an overall draft.

### **Meetings & launches (provisional)**

The Commission will have four full meetings:

1. The first full meeting will be convened to consider the general agenda and to initiate the program of study for each of the small teams dealing with the four themes. This meeting will be held in Perth.
2. The second meeting will be held in a major city in the region to review the progress of the small teams and to monitor the coherency of the enquiry as a whole. Each team will supply an interim working paper to be circulated for discussion at this meeting.
3. At the third meeting, each of the small teams will speak to their findings (which will have been circulated prior as final discussion papers). This will be an extended meeting given the workload of the agenda. In full session, the Commission will provide feedback on the four discussion papers with an eye to the overall integrity of the enquiry. This meeting will be held in a major city in the region.
4. The final meeting will consider a full draft of the final report (which will have been prepared by the Commission secretariat). The proceedings of this meeting will inform the finalization of the Commission's findings and recommendations. This meeting will be held in Perth.

There will be two launches of the Murdoch Commission final report, one in Perth and one in a major city in the region.