

ADDRESS TO THE DECO CITY PROBUS CLUB

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“OPPORTUNITIES FOR HAWKE’S BAY IN A GLOBALISED WORLD”

I’m grateful to my friend Murray Mills for the invitation to speak to you today.

It’s good to be here and good to be living in Hawke’s Bay !

This is a magnificent part of New Zealand.

I can see a lot of opportunities ahead for this region which is blessed with world class tourism, agriculture, horticulture, forestry and fishing industries.

Curiously though it is a region which seems to rate less highly when it comes to health and crime indicators.

Too many of our fellow citizens seem not to be able to share in this region’s wealth and dynamism.

Part of the answer to this lies in greater economic development and this is the context in which I want to talk to you today.

If we can harness the positive impacts of globalisation, and minimise the downsides, we have the opportunity to build a stronger local economy.

Hawke’s Bay, as much, perhaps more, than other regions in this country is well placed to benefit from a globalised world.

The globalised world

If I stand before you as an optimist about globalisation I have to say that it’s been hard to be an optimist over the last couple of weeks.

First, along with the rest of the world, we are witness to an appalling humanitarian and political tragedy unfolding in Lebanon and Gaza.

The daily loss of innocent lives is bad - very bad - but what’s worse is that a resolution to these long term conflicts seems as distant as ever.

The international community through the United Nations struggles to broker a cease fire and put in place the conditions for a lasting peace.

And second, we have seen the “suspension” - not the complete collapse, at least not yet – of the negotiations under World Trade Organisation’s Doha Development Agenda.

In the WTO it’s not so much lives as livelihoods that risk being lost if the global trade system falls prey to increased trade disputes and the proliferation of shonky trade agreements which exclude some countries at the expense of others.

Both these events run counter to the promises of the globalised world: one in which all the world’s citizens should be able to benefit from the benefits of diminishing borders, faster and easier communications and increasing trade and investment.

Some of you will already have heard the rumour that the world is flat.

That’s the title of a fascinating book by the highly regarded New York Times columnist, Thomas Friedman - “The World Is Flat”.

Friedman’s main point is that there are forces underway in the world that are leveling out the old differences that used to exist between countries.

By way of example he points to the growing number of international call centres in India.

How many of you have called to enquire about a bill and had an Indian accent on the other end of the phone ?

Friedman explains that today in India there are currently 245,000 Indians answering these enquiries from all over the world or calling people to offer a range of services from credit cards to insurance to home renovation.

These people are located in international call centres which work around the clock and employ smart, perfect English-speaking Indian graduates.

What’s more, Friedman tells us, in 2005, some 400,000 US tax returns are expected to have been completed in India.

And, get this, an increasingly large number of medical tests are analysed and diagnosed in India – the samples are tested in the US and the raw results sent by email to Bangalore or somewhere for closer examination, often over night.

It’s not only cheaper to do this work in India where medical staff cost less than in the United States but it can be faster!

This phenomenon is called “outsourcing”, when firms decide to engage another company to perform part of their business for them.

They usually do this because a company specialized in managing customer accounts for instance can perform this more cheaply and efficiently.

Sometimes outsourcing can extend to parts of the manufacturing process – a company may build kit set homes but it “outsources” the bathrooms to another company.

Outsourcing has been going on for years but what is different today is that more of this work is flowing to developing countries where wages are lower.

Outsourcing is not the same as transferring a whole manufacturing operation overseas as is happening with New Zealand clothing manufacturers who are transferring their operations to Fiji or China.

That’s called “off-shoring” and, guess what, that’s on the increase too as competition drives down the costs customers are prepared to pay for products in the shops.

Low wage, low cost countries like India, China, or Viet Nam, are set to gain enormous benefits from these trends, to the detriment it is often claimed to high wage, high cost countries like the US, UK or even New Zealand.

Outsourcing and offshoring are simply facets of the even broader phenomenon we know as globalisation.

Globalisation is not only hard to define but is subject to what has been described as unending controversy.

In recent times globalisation has been a term which has applied mostly to governments and business – to the removal of trade barriers, the rise of huge multinational business with turnovers bigger than the size of New Zealand’s GDP and the gradual diminution of the power of the nation state as countries organize themselves into regional entities like the European Union.

What Thomas Friedman outlines in his book is that globalisation itself is changing.

No longer just about governments and business, today globalisation is about individuals connecting with each other across national boundaries, helped largely by the Internet.

The Indian call centre worker is a symbol of this new globalised world.

This new reality is with us now, although not everyone shares equally as we see today in Lebanon and Gaza.

Here in New Zealand we may not have reached the same stage as the United States but trying to stop these forces in New Zealand would be akin to King Canute trying to stop the tide.

Friedman says that the world is becoming flatter all the time.

This is empowering people in countries like India who have not shared in the world's wealth up to now.

This is positive not just for the human family but also for us here in New Zealand.

A globalised world means that we are not penalised because of our size or distance from international markets.

Let me give you a New Zealand example.

Recently I've had a little to do with a company called Trends Publishing.

They produce the glossy books on home decoration you often see in DIY stores.

Did you know that these books are distributed all over the world?

They are researched, prepared and written in New Zealand – in Ellerslie to be precise – printed in Singapore and sold in New Zealand, Australia, the United States, Europe and the Middle East.

It matters little to those buying the books that the creative input into the book's production comes from New Zealand or that it can be printed most cheaply in Singapore.

And managing all this from New Zealand is no disadvantage for Trends Publishing.

Actually there are advantages in terms of the creative talent that is available here and the time differences that can work in our favour – while others sleep, Trends' creative people are hard at work!

This is a good example both of outsourcing and the benefits of a globalised world in action.

Opportunities for Hawke's Bay

For Hawke's Bay that should be particularly good news because in this region we have industries which are poised to grow even faster in a globalised world.

Hawke's Bay's growth is linked to the world economy through the region's exports of meat, dairy products, wine, apples, timber, fish and the inflow of tourists.

In fact we stand to gain more than other regions because these export-oriented industries have a greater share of our local economy.

And as I have discovered myself Hawke's Bay is a great place to develop business which is not linked to physical location.

Each week as I travel in and out of Napier airport I meet people who are working here sometimes for global companies in consulting, marketing or distance education!

Hawke's Bay, with its great climate and life style, could be a good place for companies to outsource parts of the production chain that require a well-educated workforce.

How can Hawke's Bay, its businesses and people benefit from this globalised world ?

I think there are at least three ways, and I'll talk very briefly about each of them.

First, business and community leaders in Hawke's Bay need to encourage the Government to continue to participate actively in the reduction of trade barriers worldwide.

The suspension of the WTO negotiations is a major setback for the producers and exporters of this region.

Without a conclusion to the Doha negotiations the region's exports will continue to be penalized by high tariffs and non tariff barriers and by distorting production and export subsidies in rich countries.

Some see the WTO as propping up unjust economic and political structures and denying people the ability to determine their own development.

In fact the opposite is the case: the WTO seeks above all to bring some order to the international trading system through improved trade rules.

The WTO is far from perfect but it is the only way we have of preventing the law of jungle in international trade.

The risk of the suspension is that countries will turn their backs on this system and use their economic power to get what they want.

That inevitably will make life even harsher for developing countries and for small players like New Zealand.

For us there are few alternatives to the WTO.

We can negotiate bilateral trade deals with other countries as we are doing presently with China and Malaysia.

We can try to interest other countries, such as the United States, although there we have a difficult road ahead of us as the US concentrates on negotiating with other larger trading partners.

New Zealand with a small, open market has limited bargaining power and in any event these deals cannot deal effectively with problems like export subsidies.

New Zealand has some influence on account of its long history of participation in the WTO and should try to use this to good effect to get these critical negotiations restarted.

My pick is that they will be restarted – the unknown element is when.

If this were to take several years, as the most pessimistic scenarios suggest, our ability to benefit fully from the globalised world will be constrained.

That is clearly not in our interest.

The second way in which Hawke's Bay can benefit from globalised world will be for local and regional government, working closely with business, to position this region more aggressively to capture new investment and promote business growth.

Local authorities can assist business growth by identifying the barriers to business development – whether as a result of infrastructure, skills or regulation – and acting to address these.

Sometimes this is best done at the sectoral level – there are plenty of examples of regions working to develop particular sectoral strengths and we have no shortage of potential growth sectors here in Hawke's Bay.

Local authorities can also partner with central Government to take advantage of funding and expertise available at the national level for economic development.

We have a good example of this already in Food Hawke's Bay, a major regional initiative which brings together all the parties involved in this critical sector to share information and expertise and map a way forward.

The ideal vehicle for this sort of approach is Hawke's Bay Incorporated, a joint venture of the local councils, which has made a disappointingly slow start to its job.

Hopefully a new CEO will give a shot in the arm to this organisation which has a big and important job ahead of it.

Lastly – and this is a message for all of us - the citizens of Hawke's Bay need to continue to support the Government of the day as it participates in international efforts to promote security, peace and development.

Organisations like the United Nations are often criticised for their poor responses to global problems.

The slowness of the UN Security Council to condemn the Israeli shelling of UN peacekeepers in Lebanon last week is a case in point.

The UN, like the WTO, is a creation of governments and it is the failure of governments to show leadership which is most evident at times like these.

Turning our back on these key institutions would do no good at all.

Rather it would deprive us of key means of managing the process of globalisation so that it delivers on its promise and potential.

Conclusion

From Hawke's Bay to Lebanon is a long way to travel.

But what Thomas Friedman in his book "The World is Flat" reminds us is that the human family is interconnected as never before.

That brings both opportunities and risk.

The key issue is how we manage this process, particularly through sometimes imperfect international organisations.

The process of globalisation is uneven and in many parts of the world times are as tough if not tougher than ever.

Even so I remain an optimist.

I am particularly optimistic about this region and about the potential for Hawke's Bay and its people to benefit from a globalised world.

