

## Educating for the Asian Century

Michael Wesley

There are changes happening in the world around us that will make the world that New Zealanders live in very different from the world we're looking at today.

The changes I'm talking about have been labeled by my colleague at the Lowy Institute, Mark Thirlwell, as "the great convergence".

What Mark is referring to is the world's return to a state in which societies' contribution to global economic activity was approximately the same as their proportion of the world's population.

So for example, 300 years ago, the societies of Europe and their offshoots in the Americas and eventually Australasia together made up about 20% of the world's population and produced about 20% of the world's economic activity.

At that time, China had about 25% of the world's population and was responsible for about 24% of all economic activity in the world.

Then, starting at the end of the 18<sup>th</sup> century came the great divergence, as economic historian Kenneth Pomeranz has called it.

Thanks to the industrial revolution, the economies of Europe and their offshoots in the Americas and Australasia began producing a segment of world economic activity that was out of all proportion to their share of the global population.

And, thanks to colonialism, trade, slavery, and the fall of indigenous empires, the share of global production of societies outside of Europe and its offshoots in the Americas and Australasia, began to fall well short of their proportion of the global population.

By the 1950s, Europe and its offshoots in the Americas and Australasia comprised about 23% of the world's population, but produced over 70% of the world's economic activity.

China and India, on the other hand, each had just under one fifth of the world's people – but each accounted for less than a twentieth of all global production.

But the last 30 years have seen a rapid end to the great divergence.

Instead, a great convergence is occurring around us.

The west's share of global population is falling – but not as fast as its contribution to global economic activity.

Just 30 years ago, advanced economies were responsible for nearly 70% of global production; now it's less than 50%.

What we used to call the third world now produces over half of all global economic activity.

These are trends that are accelerating.

Globalisation, technology, and education are wiping out a productivity gap that produced the great divergence between the West and the rest.

As productivity levels in Asia close in on those of the West, population size matters.

Asia has two monster economies – China and India – of a billion plus people each, plus several potentially very large economies in the hundreds of million range – Indonesia, Thailand, the Philippines, Bangladesh, Pakistan, Vietnam.

What have caused China and India to rise so fast is the abject poverty and very low productivity they started from.

What will keep them rising is that still, as their economies move into the top five in the world in aggregate size, their per capita wealth is still very modest.

China has the second biggest economy in the world, but the average Chinese is currently about as wealthy as the average Egyptian or El Salvadoran.

All of this means that there is a huge shift of economic weight occurring right now.

Asia is rising fast.

But I have an inkling that here in New Zealand, like in Australia, this epochal shift is still seen in very one-dimensional terms.

With some justification, the vast majority of Australians see the rise of Asia simply in terms of having hit the jackpot.

Since 2003, China's demand for Australian minerals have seen a 70% rise in our terms of trade and a 13% increase in our real GDP.

The governor of our Reserve Bank put it in very clear terms.

Five years ago, a shipload of Australian iron ore would earn enough to buy 2,200 flat screen TVs.

Now that same shipload of iron ore makes enough money to buy 22,000 flat screen TVs.

Australians, and I suspect New Zealanders, see the rise of Asia differently from any other Western countries.

China, India and the other rising Asian economies don't threaten our manufacturing sectors because we don't have significant manufacturing sectors.

And they don't threaten our economic leadership role in the world because we never had an economic leadership role in the world.

But there's another reason why we see the rise of Asia in such benign two-dimensional terms.

It's because New Zealand and Australia are what I would call stand-off economies.

Distance isn't really a tyranny for us, as Geoffrey Blainey argued – it's always been one of our great comforts.

Our distance has meant we've always been a long way away from where great powers clashed and industrialization and urbanization created huge dirty pulsing conurbations.

We could always choose to engage, or not engage, with these centres of power, production and rivalry, when we wanted to – and on our own terms.

The great industrial revolutions, whose beginnings coincided with the European colonization of the antipodes, provided two great gifts that have made New Zealand and Australia the societies they are today.

First, industrialization provided a huge demand for the natural assets both countries had in abundance – wood, agriculture, minerals, energy – and the means to ship those products vast distances at low cost.

Second, industrialization turned the societies that New Zealand and Australia sprang from into global great powers, able to patrol the oceans around their offshoots and keep these vital sources of raw materials safe from predators.

And so the Antipodes became the richest and safest countries on earth.

Some tyranny of distance.

But while New Zealand and Australia were stand-off economies they were anything but stand-off societies.

Despite being far from Europe and North America their imaginations remained focused on these dynamic centers of gravity.

Generations of young New Zealanders and Australians travelled to London and New York, Paris and Los Angeles to soak up the excitement, marvel at the diversity and build skills and connections they could never have at home.

They returned home with knowledge, experience and connections that enriched their homelands and created the vital webs of linkages between their societies and the rest of the world.

What hasn't quite sunk in yet is that the rise of Asia will also mean the fading of the West's position as the holder of dynamism and creativity in the world.

Whether or not Europe and America will rebound throwing off demographic decline, crippling debt dysfunctional politics and rising social conflict is not the point here.

Even before the GFC, when Europe and America were robust and growing, Asia was outpacing them.

This is a story not of Western decline, but of Asia's rise.

And here's my main point – Asia's rise is not going to be just a story of growing wealth, more sophisticated tastes, and endless infrastructure building.

Asia's economies are well on the way to becoming the centre of gravity globally, not just in economic terms, but in cultural production, innovation, governance, research and science, finance, and military power.

Think of a world, not so far away, in which the Shanghai Stock Exchange plays the role in global finance that the New York Stock Exchange plays today; and that the Mumbai Stock Exchange plays the role of London or Frankfurt today.

Think of a world, not so far away, in which Beijing University, Jawaharlal Nehru Universities, Fudan, Gadjadara, Thammasat, Madras Universities will be the top research and learning institutions in the world, attracting the best and the brightest to teach and research and learn, while Oxford, Harvard, the Sorbonne, Cambridge and Princeton struggle to stay in the top 50.

Think of a world, not so far away, in which the most vibrant creative centres of popular culture are Mumbai, Seoul, Shanghai, Saigon – and that these centers produce music, movies, TV and video games for a range of markets in a range of languages, drawing on the creativity and skills of the people who are drawn to their dynamism from all over the world.

Think of a world, not so far away, in which Singapore, Bangkok, Guangzhou and Kolkata host the most important fashion shows, technology expos and trade fairs on the planet.

Think of a world, not so far away, in which the cutting edge of cool is not the sounds and the threads of the American ghetto but the trends and sounds and idiom of global, cosmopolitan Asia.

In the years ahead, much sooner than we expect, the countries of Asia will be so much more than a factory, infrastructure building site, source of students, and consumer of meat and dairy products.

They will be the most exciting, dynamic, creative centers of gravity setting and satisfying global tastes and trends.

Just as London, Paris, New York, Rome, Los Angeles and Berlin have been great magnets for generations of young New Zealanders and Australians, so in the

not too distant future will Shanghai, Mumbai, Saigon, Seoul, Singapore and Jakarta beckon in the years ahead.

As the great pulsing cities of Asia become more alluring, the great cities of Europe and America will seem more and more bucolic and old school.

Two possible scenarios confront the young New Zealanders you are educating in this future.

One is that the great majority of these future young Kiwi globetrotters will spend several years in Mumbai or Shanghai or Saigon or Jakarta,

- working,
- socializing,
- travelling,
- playing sport,
- joining rock bands,
- and studying,

before returning, enriched by experiences and networks they could never have developed here or in Australia to further enrich New Zealand society and further embed it in global networks.

The other scenario is that these future young Kiwi globetrotters just pass through Mumbai or Shanghai or Saigon or Jakarta, spending just a few days or weeks watching the dynamism of these cities as if behind a candy store window, unable to properly take part, while young expats from other countries

- work,
- socialize,
- travel,
- play sport,
- join rock bands,
- and study

shoulder to shoulder with the locals.

They return home to New Zealand with little more than funny anecdotes and curios.

New Zealand drifts further and further from the centers of innovation, culture and creativity and relies more and more on its commodity exports.

Winston Peters become Prime Minister.

The difference between these two scenarios is in your hands.

It depends on how you choose to skill the kids in your schools.

What New Zealand kids are learning now – languages, culture, history, literature, music, societies – of the emerging centers of gravity in the world, will vitally affect their capacity to really engage with, rather than pass through, those centers in the future.

If I may be provocative, if you teach young New Zealanders the overwhelming diet of European languages, history and literature that our schools teach Australian kids is like continuing to teach blacksmith skills while Henry Ford sets up his Model T factory down the road.

Don't put this in the too-hard-basket.

If you do, you will consign the kids in your charge to a future where they slip further and further from the centers of creativity and excitement, condemned to watch from behind a window of monolingualism and monoculturalism.

I say this because across the Tasman that's precisely what we are doing.

We have allowed levels of Asian languages study and the study of Asian history and society to decline when we should have been ramping them up.

We have allowed our capacity to teach these skills and fire the imaginations of our kids to erode in our schools and universities.

The real question for New Zealand is whether it is going to accept the fate of Europe and America and slip further and further into the margins of global life.

Or whether it is going to invest now in its human capital and intellectual infrastructure to allow itself to be connected to the centers of global vibrancy in the ways it always has been.

You have the capacity to do this, and in doing so, show us across the Tasman that it is achievable, it is possible, without the sky falling in.