

# ‘Global Restructuring’ Two Decades On: Australia’s Relational Economy in the 21<sup>st</sup> Century

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## Abstract:

The Australian economy has changed dramatically over the past quarter of a century. The combination of neoliberal reform, increasing dependence on natural resources, the rise of the services economy and the restructuring of the nation’s manufacturing sector has collectively transformed the national spatial economy. The publication of *Global Restructuring: The Australian Experience* in 1994 provided an overview of the shifting geographies of the nation’s economy as the country transitioned from relative stability during the ‘long boom’ post World War Two into a period of rapid economic and policy change during the 1980s and 1990s. Yet despite the changes, Antipodean economic geography has, arguably, yet to gain new methodological or theoretical footing. The collection of papers in this Special Issue attempts to meet the challenge of a new direction to economic geography, reflecting on how this transition played out across different spatial and sectoral contexts, primarily in Australia. Papers documenting structural changes in the agricultural, automotive, creative industries, and energy sectors provide an understanding of how the convergence of political discourses, structural forces, and macroeconomic trends interfaced with broad global shifts. Tying these together in the collection is a sustained focus on financialisation, particularly through globalised capital flows mediated through Australia’s major cities. Thus the collection of papers in this Special Issue moves beyond *Global Restructuring*’s roots in structural political economy to a more globally nuanced perspective on industrial transformation. This paper concludes by making the case for a direction in economic geography that emerges beyond a methodological Antipodean focus toward a more relational and practice-driven approach.

**Keywords:** Economic Geography; Industrial Geography; Australia; Neoliberalism

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## **Introduction**

In 1994, *Global Restructuring: The Australian Experience* was published. Ostensibly a textbook for students of economic geography, Fagan and Webber's book quickly became established as a 'go to' reference for those interested in understanding the complex transition the Australian economy was experiencing at that time. Moreover, the book situated this transition firmly within a spatial context, noting the uneven nature of development and the intersection of political, economic and social processes operating at multiple spatial scales. The book's context was the economic and policy turmoil of the 1980s and 1990s, and it drew attention to the implications of rising international competition, the impact of deindustrialisation, the rise of the services economy, and the nation's ongoing dependence on natural resources. All of this, of course, was set against a background of pervasive neoliberal economic reform that responded to and, at the same time, contributed to the restructuring of Australia's space economy. Critically, the book noted that Australia's experience of restructuring was different to that occurring in other 'core' industrial countries. Fagan and Webber argued that Australia represented a peculiar 'semi-peripheral paradox' that while being an 'outpost' of the core economies with similar rapid urbanisation and industry growth, it had a 'trade profile, technological dependence, and high level of foreign control common to the world's peripheral economies' (p.4). To document Australia's experiences as well as its shifting position within the global economy, Fagan and Weber drew on numerous industry case studies to highlight changes in the Australian space economy with implications for policy measures arising from global integration such as through free trade.

This Special Issue provides an opportunity to revisit some of the central themes of *Global Restructuring* 25 years on from its original publication. Since 1994, the opening of Australia's economy through tariff reductions is nearly complete, bilateral free trade agreements have proliferated, the privatisation of government enterprises has proceeded at a rapid pace, the country has experienced the largest resources boom in its history, the services economy has continued inexorable expansion, and Australia's last car manufacturing plants have closed at the very time this editorial is being written. The economy has also seen a shift from industries that

Fagan and Webber noted represent 'Fordist' models of economic development (i.e., mass production/consumption) to those describable as flexible specialisation. Across Australia, innovative, niche economies have emerged in digital technologies, advanced and craft manufacturing, food processing, services and agriculture. A central thesis of *Global Restructuring* is that these economic, policy and social transitions do not occur in a spatial vacuum, but are embedded within geographical contexts. As the papers in this Special Issue highlight, cities and regions across Australia have been deeply affected by the on-going restructuring of Australia's economy. Indeed, questions of uneven development, economic opportunity, employment and well-being have remained at the forefront of both scholarly research and policy debate over the past two decades.

The ways in which local and regional economies engage with the global economy are more complex and fluid than ever before. Under a neoliberal model of national/global governance, no longer does the nation state offer the protective mantle that was the case for much of the post World War Two period. Firms, and the regions in which they are embedded, are now more directly exposed to the global economy. Indeed, recent research on global production networks has drawn attention to the diversity of actors now shaping development across multiple geographical scales. For the Australian economy, the ways in which localities are linked into globalised networks is rapidly changing. The change in national trade relationships since *Global Restructuring* was published are insightful. In 1994, Australia's key Asian trading partners were Japan, Korea and the emerging South East Asian 'tiger economies'. By 2017, China became the dominant trading partner, with many a trade diplomat looking towards India as a part of Australia's economic future. Yet, these simple geographical descriptions do not tell the full picture. Different localities are tied to different places in terms of trade, labour mobilities, flows of capital, and power relations, with—as we contend in this editorial—a relational approach offering the most promising way forward for Antipodean economic geography.

### **Global Shifts and Sectoral Changes**

This collection of papers seeks to outline the important changes that have occurred in the global economy since the 1990s drawing from a broader project within Antipodean geography aimed at better understandings of actually existing economic geography practice amidst global industrial shifts and financial circuits. While Fagan and Weber acknowledged the significance of the global geographies in the economic restructuring process, there is little detail of the looming structural changes affecting this, or of neoliberalism as a political and ideological driver (Lewis, this issue). This Special Issue seeks to address these complexities by adopting a largely relational

perspective, interested in understanding Australia's uneven development as it unfolds within globally-, nationally- and regionally-framed parameters. Central to this approach is an understanding that spatial relations are primary variables in the determination of economic processes and outcomes, a perspective that is absent from mainstream economics. In Harvey's terms (1985), the spatial and spatio-temporal fixes that underpin the life cycles of capital investment and the processes of production, distribution and consumption are central to the evolving state of the economy, with enormous variation in capitalism's spatial fixes from place to place and dramatic differences in labour markets, firms and institutional and regulatory arrangements. We are interested in exploring these fixes.

### *Global Shifts*

The 'long boom' of the post-war period lasted for approximately 30 years from the late 1940s to the mid-1970s. This was a period of industrial expansion, supported strongly by the state. Some of the economic pathways proved uncompetitive, though they expanded national industrial capacity through spillovers. As import-substitution policies yielded to neoliberalist export-led models, overseas imports in many cases supplanted domestic production, notably in machinery and consumer non-durables, such as automobiles (Beer, this issue) and textiles, clothing and footwear (Buxey, 2005). By the same token, other industries found new markets, primarily in Asia, such as Australian wine (Anderson, 2003) and New Zealand dairy products (Stringer et al., 2008).

At the same time, a major dimension of the restructuring was a crude substitution of capital for labour across many sectors which did not take into account the complexities of manufacturing value chains (Weller, 2014). In an Antipodean context, this capital/labour substitution had different implications than elsewhere as regional development is articulated differently than many of the northern analogues (e.g., Europe and North America) that inform the literature (Beer et al., 2005; Maude, 2004). Perhaps more importantly, Australia is far more reliant on primary industries than many other OECD economies, with iron ore and coal as its two leading exports. While the decline of manufacturing experienced in Australia was similar to that experienced elsewhere in the OECD (O'Neill et al, this issue), advancements in mining tied to new labour practices (e.g., fly-in/fly-out labour), reliance on global demand (spikes in the prices of iron ore, oil and gas) for the country's vast mineral reserves led to speculation of potential 'Dutch Disease' crowding out other productive sectors (Corden, 2012) and a 'cancer of the bush' across non-metropolitan Australia (Storey, 2010). This has been tied to the opening of particular resource 'sinks' (Tonts et al., 2013), as well as policy where the export sector has widened and

intensified. Demand from East Asia has been the primary catalyst for the surge in the tradeable economy of Australia's largest commodity and service exports. This has been a mixed blessing for Australia's regions, as Ellem and Tonts (this issue) explain. Cities, in contrast, have fared differently, playing a more significant role over the past two decades than in those leading up to *Global Restructuring*. As Sigler et al. (this issue) demonstrate, while there has been relative uniformity in the distribution of lower-order economic activities between major cities, emerging industries like information technology and finance are increasingly salient in CBDs and adjacent precincts, particularly in Sydney and Melbourne. O'Neill et al. (this issue) confirm this focus in the case of these cities' emergence as 'global' financial centres paralleling Asian counterparts especially Hong Kong, Seoul, and Singapore.

### **Sectoral Changes**

Although resource extraction has been a major factor in structural change, the papers in this Special Issue span a range of other important sectors. The poster-child of the story of Australia's restructuring is the car manufacturing industry, Beer (this issue) reviews the processes and consequences associated with the trajectory of motor vehicle manufacturing in Australia. He notes that 'at the time *Global Restructuring*... was written the Australian car industry was seen to be exempt from the winds of change affecting other parts of manufacturing' (page number, this issue). The subsequent decline of car manufacturing in Australia exemplifies the productivity and policy challenges faced by a small-scale manufacturing nation on the periphery of the global economy. The losses experienced in car manufacturing were felt across most industry sectors with the survival of large and small firms along the value chain predicated on economic efficiency and global competitiveness. In a parallel demonstration of the cross-sectoral nature of economic change, Argent (this issue) evidences the growing role of finance in agriculture, mirroring a focus on financialisation across economic geography (Bassens et al., 2010; Coe et al., 2014; Engelen and Faulconbridge, 2009). As he argues:

the retreat by the state, rising debt levels and tightened lending criteria for farmers are resulting in a financialisation of farm households on three levels: farmers have become enmeshed with global financial circuits via increasing amounts of debt from private lenders; new farmer-investor relations are emerging that are being promoted as alternative ways to access equity capital; and new farmer subjectivities are being constructed where farmers not only need financial literacy to run their business but are required to conceive of themselves as investors in relation to their farm (page number, this issue).

Thus, new relational geographies emerge, connecting physical space in intensely-scaled relationships with both national and global circuits of financial capital. This connectedness is true across industries. Extending beyond a focus on commodities, Gibson and Warren (this issue) document the evisceration of iconic Australian surf brands as globalised and financialised production networks encroach on 'local' creative industries. As the authors argue, although production had long been offshored to non-OECD producers, the extension of new capital logics to the creative production process is the final stage in a multi-decadal process.

However, despite an obvious presence in Australia of the underlying narratives of deregulation and marketisation vis-à-vis neoliberalisation, we also argue that the story of industrial change has not unfolded as neatly as these narratives might suggest. As Weller (this issue) explains with regard to energy, the incentives driving industry are quite complex and tied to policy as much as global commodity markets. As she argues, deregulation has not been an intrinsic feature of neoliberalising policy in Australia, and as research on the Australian energy market reveals, the market-policy interface is muddled with politics. Again we can observe a relational approach that situates market logics alongside an intrinsic methodological nationalism, at least on a political level.

### **The next 20 years?**

If the 20<sup>th</sup> century economic geography was framed by industrialisation (including modernisation and de-industrialisation), perhaps research in the first two decades of the 21<sup>st</sup> century has a focus on financialisation. The Global Financial Crisis (GFC) that exploded in 2008 exposed the complex interrelationships that underpinned (and undermined) global capitalism by the first decade of the new millenium. The world's economies became vulnerable not so much to the restructuring decisions of large multinational production houses eager to maximise rates of exploitation through intricate divisions of labour but to extraordinary linkages in the flows of finance between borrowers and lenders across the globe. In play were racialised mortgage lending practices in particular US cities, Wall Street wizardry in the assembly of investible sets of credit contracts, Iceland and parts of the UK, and new ways for household and business credit to be financed from diverse savings pools in distant shores including from pension schemes, sovereign wealth funds and east Asian trade surpluses. A new geography of finance had arisen, been found wanting in so many ways, and then a new world of economic relations forged in its place.

Given the networked nature of questions relating to financialisation, we stress the importance of understanding relationality across spatial economies. Differently composed transactional economies now displace the anticipated hierarchical structures ruled by oligopolistic TNCs, as anticipated by Fagan and Webber, consistent with the networked approach of numerous Global Production Networks (GPN) scholars (Coe et al., 2004). A relational, networked approach also allows for the incorporation of more diverse actors into economic geographies (Gibson and Warren, 2016).

### **A shifting spatial economy of the 21<sup>st</sup> Century**

We conclude this editorial with a discussion on how the Australian economy will unfold over the next twenty years while continuing its adaption to global changes in the face of new-old paradigms including where nations reject globalisation and embrace nationalism – as signalled by Brexit and Trumponomics. How will moves by Australia’s most significant trading partners impact the Antipodean economy and in turn global integration policies and globalisation itself? And, as discussed at length by Lewis (this issue), how should economic geography respond as an analytical and policy making project?

On 15<sup>th</sup> December 2015, Prime Minister Turnbull announced moves to shift policy focus from resource extraction to innovation and ideas, particularly in industry sectors linked to emerging technologies and servicing traditional areas of competency such as agriculture and mining. His claim that Australia had entered the ‘Century of Ideas’ marks a turning point in the 50 years of processes restructuring the Australian economy. The Federal Government Innovation Statement coupled with COAG (Council of Australian Governments) strives to raise productivity forcing national and state conversations to coalesce around the national innovation system and related industry policy mechanisms. This policy is a milestone in Australia’s shift away from being primarily a resource trading economy, placing higher value on national entrepreneurship, innovation, creativity and capacity building in areas such as resource engineering, exploration technologies, logistics, software development, and advanced processing. The move acknowledges that Australia’s continued global competitive advantage is integrally linked to an urban socio-economic operational environment different from the linear hierarchical structures of the post-Fordist Industrial era. That is, competitive advantage is seen to be increasingly attached to innovation, quality, time-to-market, niche markets and access to services rather than just the lowering of economic costs through economies of scale and scope within the firm.

As a turning point, then, it signals that economic restructuring for global competitiveness is no longer only about adjustments in trade agreements and industry practices. Instead, it concerns the actual organisation of Australia's spatial economy with attention to the competitive advantages of dynamic and adaptive relational social and economic global networks. Yet, notably absent from the document – and Australia's current policy discourse more generally – is consideration of how firms and labour are spatially organised and embedded within the urban milieu given Australia's large fly-in/fly-out workforce has uncoupled work and living locations.

As a discipline, the diverse theoretical perspectives of economic geography provide a rich framework for unpacking the spatial patterns associated with corporate activity, government policy and labour movement, and in turn insight into how policy might understand and address these changes. It is therefore the objective of this set of papers in this Australian Geographer Special Issue collection to encourage the conversation within economic geography that is relational, looks beyond the firm and the state methodologically, and is prepared to grapple with complexity of the post-Fordist, post-neoliberal Antipodean landscape in a global context.

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**Note to Editor: Add the articles from this Special Issue that we reference throughout. These are indicated with 'this issue' replacing the date in each citation.**

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