

# Postcard from Australia Part 1: Marvellous Melbourne!

***By Alex de Ruyter, Director, Centre for Brexit Studies***

February finds me taking a break of sorts from usual CBS work. I am here in Melbourne, in Australia, at the invite of RMIT University (the old Royal Melbourne Institute of Technology) as a “Visiting Scholar” for this month, in order to undertake joint research with colleagues I know here, and also to “explain” Brexit in various seminars and workshops.

I arrived just before midnight on Monday 4th of Feb, after a long flight from Birmingham that involved a two-hour stopover in Dubai and decided to have a nightcap or two to ease my way into sleep. Conveniently, there was a nice pub next to my city-centre apartment block that had a “lock-in” (which meant the upstairs bar was open until 5am). To my chagrin the pint of “nice beer” (an IPA for those care about such things) came in at a cost of \$14 – this worked out at about £8 at the current exchange rate.

I suppose I shouldn't have been shocked by this as I was in the city centre at a place frequented by students (many from other countries) and city professionals. However, not having been in Aus for nearly 10 years I always retained the thought that the place would still be relatively cheap by UK standards (a rude awakening perhaps for Brits who migrate here expecting their “place in the sun” only to find the reality can be somewhat different).



Brexit, of course, promises to weaken the value of Sterling still further, so I wonder how much my pint will cost me in real terms by the end of the month....

Melbourne, as it happens, is the grip of a building boom, as hot money from the Far East<sup>[1]</sup> and elsewhere continues to fund high-rise development that is steadily turning the city centre into some nascent Manhattan-on-the-Yarra (Melbourne's river). Some of these developments are for students (predominantly from the Asia-Pacific area) but most are for professionals, and a two-bedroom apartment in the city centre can easily come in at a price of \$1 million (about £600,000).

The population of Melbourne (capital of the state of Victoria), which is just over five million, grows in excess of 100,000 people every year, so infrastructure and public transport are big issues, with the Victorian Government promising "more trains more often". At a practical level, this means a constant noise outside my window of drilling, banging and cranes and diggers moving about as Melbourne's latest

underground line is bored out (add this to the image of eucalypt-lined dusty streets on a hot blue summer's day).

Melbourne is also Australia's most multicultural city, with a café culture more redolent of European cities rather than some British outpost in the Antipodes. It once styled itself as the "third largest Greek-speaking city in the world". The largest sources of immigrants now are from India and China, as well as increasing migration from sub-Saharan Africa. All this combines to add to the cosmopolitan nature of the place, building on previous waves of migration from Vietnam, Italy, Greece, Germany and the former Yugoslavia.

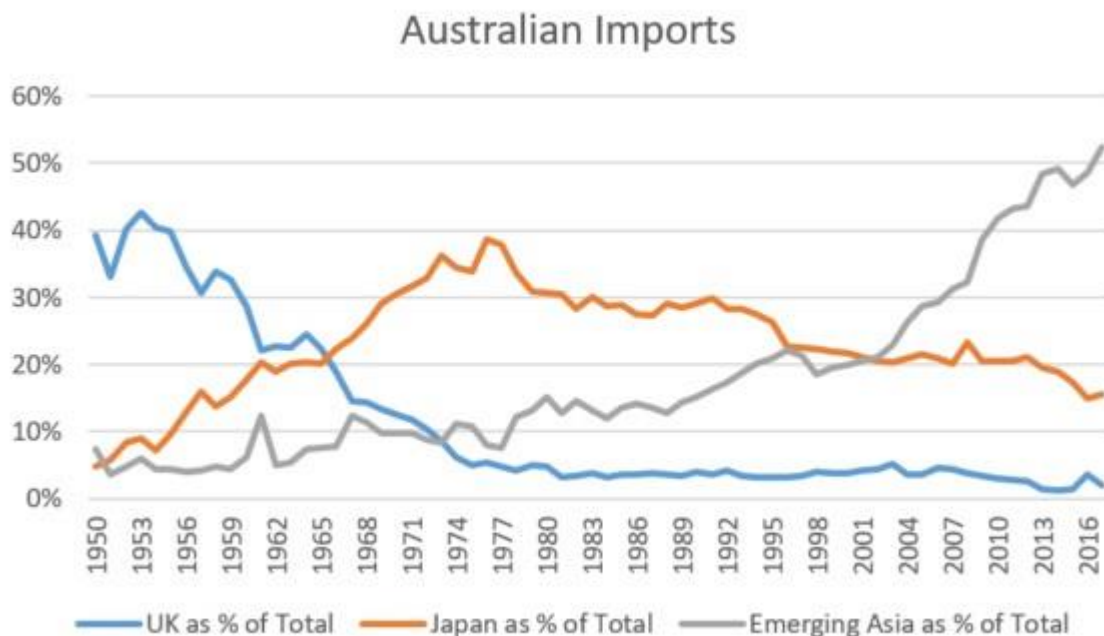


And it is this cosmopolitan nature of the place (and the country in general) that drives home to me that Australia now very much posits itself in the Asia-Pacific region. Perhaps it is this reality that compelled the-then Australian Trade Minister, Mr Steven Ciobo, to say in address to the European Parliament shortly following the Brexit vote in 2016 that "in many respects, the 'special' relationship between Australia and the UK is a relic of yesteryear".

Ciobo also went on to say that Australia was prioritising a trade deal with the EU over that of a post-Brexit Britain[2]. This should make sobering reading for those Brexiteers who continue to insist that the Commonwealth was “stabbed in the back” when the UK joined the Common Market back in 1973, and dream of a putative “CANZUK” (Canada-Australia-New Zealand-UK) trading block federation[3] – aka “Empire 2.0” – after Brexit is realised.

Whatever the merits of sentiments of a shared history and language (excepting of course the French-speaking province of Quebec in Canada), when it comes to economics, geography trumps history every time. The UK’s deepest economic integration is not within “CANZUK”, but with Germany – most evident in our manufacturing supply chains as Jaguar Land Rover and Mini will attest; but also in other sectors, such as academic and scientific collaboration.

In contrast, Australia’s most important trading partner is China, then followed by Japan. Indeed, as can be seen in the chart below, Japan and “emerging Asia” (predominantly China) together accounted for over two-thirds of merchandise imports into Australia in 2016.



Source: Hearne, De Ruyter and Davies (2019)<sup>4</sup>

As we have argued elsewhere[4], the share of UK trade with the Commonwealth was declining long before 1973, so the stab-in-the-



back claim has a rather hollow ring to it. To put it bluntly, Commonwealth countries have got on with their economic lives, rather than lying around in suspended animation waiting for the “Mother Country” to come back. And I don’t expect a post-Brexit UK to reverse the situation, given the importance of proximity in trading and international production relationships nowadays.

This was evident to me in the views of people here whom I have been chatting to so far, about “Brexit”. The subject matter in Australia, it is fair to say, is only greeted with confusion, bemusement, or otherwise indifference. Some feel sorry for us in the UK for “taking leave of our senses”.

That said, some others see opportune pickings – the Australian Government of course is a keen exponent of free trade and regards a “deal” one day with the UK (should it come) as being highly favourable to Australian agricultural interests (it’s priority of a trade agreement with the EU notwithstanding). The upshot of this is that any trade agreement between the UK and Australia would mean in all likelihood the removal of tariffs on the UK side – UK farmers take note. The advantages of this to Australia are obvious; however, it is more difficult to see what the UK would gain, as Australia is already a highly open economy.

Meanwhile, back in “Marvellous Melbourne”, as I write this looking down from my balcony, the sun keeps shining, city workers commence their commute home and students’ mill about the public squares. No clouds on the horizon here yet...

[1] FDI from Hong Kong into Australia has risen by 17% p.a. over the past 5 years, whilst that from mainland China is up by a stunning 21.6% p.a.

Source: Australian Government Department of Foreign Affairs and Trade, 2018 ‘Statistics on who invests in Australia’ [online]. Available at: <https://dfat.gov.au/trade/resources/investment-statistics/Pages/statistics-on-who-invests-in-australia.aspx>

[2] Stone, Jon (2016), ‘Australia’s trade minister says special relationship with UK is in the past’. *Independent* [online]. Available at: <https://www.independent.co.uk/news/uk/politics/australias-trade->

[minister-says-special-relationship-with-uk-is-in-the-past-a7232506.html](#)

[3] Robinson, Gary (2018), 'CANZUK – a new alliance for the 21st Century', *The Bruges Group* [blog]. Available at: <https://www.brugesgroup.com/blog/canzuk-a-new-alliance-for-the-21st-century>

[4] David Hearne, Alex De Ruyter & Haydn Davies (2019), 'The Commonwealth: a panacea for the UK's post-Brexit trade ills?', *Contemporary Social Science*, DOI: 10.1080/21582041.2018.1558277