ANNUAL REPORT 2003
CENTRE FOR STRATEGIC ECONOMIC STUDIES

Centre for Strategic Economic Studies
Victoria University

March 2004
# Table of Contents

1. History and Mission..................................................................................................... 2
2. Research Programs ...................................................................................................... 2
   Growth, trade and development.................................................................................... 2
   Governance and regional economies............................................................................ 3
   Inequality and work...................................................................................................... 3
   Information technologies and the information industries............................................. 3
   Sustainable development and the environment ............................................................ 3
   Technology, innovation and industrial change............................................................. 3
3. CSES Staff and Students 2003 .................................................................................... 4
   CSES staff 2003............................................................................................................ 4
   CSES PHD student completions................................................................................... 5
   CSES PhD students 2003.............................................................................................. 6
   CSES DBA students 2001 ............................................................................................ 6
3. CSES Research Activities 2003 ................................................................................... 7
4. CSES Research Output 2003 ..................................................................................... 10
   Books ..........................................................................................................................10
   Chapters in books ....................................................................................................... 10
   Journal articles............................................................................................................ 11
   External working papers............................................................................................. 12
   Invited conference papers........................................................................................... 12
   Conference presentations............................................................................................ 13
   External seminars......................................................................................................... 14
   Internal seminars........................................................................................................... 14
   Working papers............................................................................................................ 15
   Contract and technical reports .................................................................................... 16
   Consultancy contracts.................................................................................................. 16
   Media mentions ........................................................................................................... 17
   Other outputs .............................................................................................................. 18
   Book reviews .............................................................................................................. 18
5. 2003 Financial Outcomes ......................................................................................... **Error! Bookmark not defined.**
1. History and Mission

The Centre for Strategic Economic Studies (CSES) was established by the Council of Victoria University in May 1993. One of the six Designated University Centres, the CSES is located at the City Campus of Victoria University, 300 Flinders Street, Melbourne.

Professor Peter J. Sheehan is the Founding Director of the Centre. He is supported by a team of professional staff involved in research and business activities and by graduate students enrolled in both PhD and DBA degree programs.

The mission of the Centre is to:
- address long-term, strategic economic and social issues of international concern and significance;
- consider, in doing so, the role of both general ideas and specific institutions, and the relationship between ideas and institutions;
- develop a specific focus on basic issues relevant to Australia’s future, with special reference to the Asian region; and
- develop and train a body of graduate students with the motivation and skills to address these strategic issues in the future.

In fulfilling this mission, the Centre pursues activities in three main areas: research on long-term economic, social and technological issues; commercial activities, including publications, conferences and electronic data services; and postgraduate research training.

2. Research Programs

The Centre’s research programs focus on the massive processes of economic, technological and social change taking place in the contemporary world. They seek to develop an understanding of the causes and consequences of these global processes of change, and of the appropriate policy responses in different situations to the challenges arising. The Centre’s six main research programs are noted below.

Growth, trade and development

This program concerns the nature and causes of the emerging global knowledge economy and the implications of these trends for individual industries regions and countries. Particular attention is given to the effects of the integration of economies through trade, financial markets and knowledge flows, and to the policy implications – at regional, national and international levels – of this integration.
Governance and regional economies

This program addresses the impact of economic and social change on regional economies, both sub-national and supra-national, and the appropriate policy responses at different levels of government to the new trends. Particular attention is given to impacts at or below the state or province level, and to the effect of these changes on existing institutions and structures, such as fiscal arrangements between national and regional governments.

Inequality and work

The global changes noted above are bringing about fundamental changes in the nature of work, in the supply of jobs and the skills required, and in the distribution of the rewards from working. This program addresses these issues, exploring their implications for increasing inequality across individuals, families and regions, as well as potential policy responses.

Information technologies and the information industries

This program focuses on the economic and organisational impacts of Information and Communication Technologies (ICTs), including information industry development and policy; the application of ICTs across the economy; consequent structural changes in the economy; emerging business models for information-based businesses; and statistical indicators of information industries and information infrastructure development.

Sustainable development and the environment

This program focuses on the issues involved in achieving a sustainable development path, both nationally and internationally. Particular emphasis has been given to the development of numerical growth models incorporating environmental effects, including climate change, to the impact of technological change and to optimal policy responses.

Technology, innovation and industrial change

Work in this program investigates processes of innovation and technological change in both developed and developing economies. Emphasis is placed on the impact of the information technology revolution and the growth of knowledge intensive industries, but the role of innovation across all industrial and service sectors is also a focus of concern.
Within the broad areas of research focus, the Centre has developed a special emphasis on a number of technologies and/or industries. These include:

- information and communications technologies;
- biotechnology and pharmaceuticals, and
- environmentally sustainable technologies.

The Centre has over a period of years built a small but highly qualified team capable of producing high quality research outputs in applied economics with a focus on better understanding the forces of globalisation, the development of the knowledge economy and their implications for economic, social and political change.

3. CSES Staff and Students 2003

The Centre has over a period of years built a small but highly qualified team capable of producing high quality research outputs in applied economics with a focus on better understanding the forces of globalisation, the development of the knowledge economy and their implications for economic, social and political change.

**CSES staff 2003**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor Peter J. Sheehan</td>
<td>Director</td>
</tr>
<tr>
<td>Professor Bhajan S. Grewal</td>
<td>Deputy Director</td>
</tr>
<tr>
<td>Mr Bruce Rasmussen</td>
<td>Associate Director</td>
</tr>
<tr>
<td>Prof. John W. Houghton</td>
<td>Professorial Fellow</td>
</tr>
<tr>
<td>Prof. Greg Tegart</td>
<td>Visiting Professor</td>
</tr>
<tr>
<td>Dr Sardar M.N. Islam</td>
<td>Director, Sustainable Development and the Environment Project</td>
</tr>
<tr>
<td>Mr Ainsley Jolley</td>
<td>Director, Emerging Technologies and Asian Growth (ETAG) Project</td>
</tr>
<tr>
<td>Mr Kim Sweeny</td>
<td>Senior Research Fellow</td>
</tr>
<tr>
<td>Dr Enjiang Cheng</td>
<td>Senior Research Fellow</td>
</tr>
<tr>
<td>Dr Fiona Sun</td>
<td>Research Fellow</td>
</tr>
<tr>
<td>Dr George Messinis</td>
<td>Research Fellow</td>
</tr>
<tr>
<td>Dr Matthew Clarke</td>
<td>Research Fellow</td>
</tr>
<tr>
<td>Dr Dana Nicholau</td>
<td>Research Fellow</td>
</tr>
<tr>
<td>Ms Alison Welsh</td>
<td>Data Analyst</td>
</tr>
<tr>
<td>Mrs Margarita Kumnick</td>
<td>Research Information Coordinator</td>
</tr>
<tr>
<td>Mrs Gordana Volkanovska</td>
<td>Administrative Officer</td>
</tr>
</tbody>
</table>
Postgraduate research is an important part of CSES activities. Seven CSES research scholars have received PhD degrees with high praise from the examiners for the quality of their theses. The broad range of the topics of the theses once again testifies that the focus of research in CSES is not narrow but covers a diversity of issues and skills.

**CSES PHD student completions**

<table>
<thead>
<tr>
<th>Student</th>
<th>PhD Thesis Title</th>
<th>Supervisor</th>
<th>Year completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sally Weller</td>
<td>Globalisation, Trade and Power: The Impact of Global Trade Liberalisation on Commodity Chains in the Australian Clothing Industry</td>
<td>Peter Sheehan</td>
<td>2003</td>
</tr>
<tr>
<td>Dexin Yang</td>
<td>Foreign Direct Investment from Developing Countries</td>
<td>Bhajan Grewal</td>
<td>2003</td>
</tr>
<tr>
<td>Jamie Sanderson</td>
<td>A Regional Analysis of Adaptive Response to Global Warming in Asia</td>
<td>Sardar Islam</td>
<td>2003</td>
</tr>
<tr>
<td>Yvonne Dunlop</td>
<td>Low Paid Earners in the Australian Labour Market</td>
<td>Peter Sheehan</td>
<td>2003</td>
</tr>
<tr>
<td>Galina Tikhomirova</td>
<td>Information Technology Industries and National Competitiveness</td>
<td>Peter Sheehan</td>
<td>2001</td>
</tr>
<tr>
<td>Madhubani Ghosh</td>
<td>The Efficiency of the Calcutta-Haldia Port Complex</td>
<td>Bhajan Grewal</td>
<td>1999</td>
</tr>
<tr>
<td>Michelle Fong</td>
<td>IT and Economic Growth in China</td>
<td>Peter Sheehan</td>
<td>1998</td>
</tr>
<tr>
<td>Lucy Firth</td>
<td>Learning and Endogenous Technical Change</td>
<td>Peter Sheehan</td>
<td>1998</td>
</tr>
<tr>
<td>David Ray</td>
<td>Innovation and Growth in the Indonesian Economy</td>
<td>Peter Sheehan</td>
<td>1998</td>
</tr>
<tr>
<td>Joe Camilleri</td>
<td>Understanding the Implications for Australia of Hong Kong’s Reversion to China</td>
<td>Peter Sheehan</td>
<td>1998</td>
</tr>
</tbody>
</table>
## CSES PhD students 2003

<table>
<thead>
<tr>
<th>Student</th>
<th>Thesis Title</th>
<th>Supervisor</th>
<th>Year commenced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sudath Arumapperuma</td>
<td>The Role of Information Technology in Disseminating Agricultural Innovations: A Comparative Study of Australia and Sri Lanka</td>
<td>Peter Sheehan</td>
<td>2003</td>
</tr>
<tr>
<td>Ping Chen</td>
<td>Optimal Control Models in Finance</td>
<td>Sardar Islam</td>
<td>2003</td>
</tr>
<tr>
<td>Alexis Esposto</td>
<td>The Impact of Technology on Earnings Inequality in Australia</td>
<td>Peter Sheehan</td>
<td>1998</td>
</tr>
<tr>
<td>Prabodh Malhotra</td>
<td>Pharmaceutical Industry and Public Health in Developing Countries: A Comparison Study of India and China</td>
<td>Bhajan Grewal</td>
<td>2002</td>
</tr>
<tr>
<td>Valerie McGown</td>
<td>The Effectiveness of Quality Control Systems in Australia and Japan: A Comparative Analysis</td>
<td>Peter Sheehan</td>
<td>1996</td>
</tr>
<tr>
<td>Bruce Rasmussen</td>
<td>Development Paths of Australian Biomedical Companies</td>
<td>Peter Sheehan</td>
<td>2003</td>
</tr>
<tr>
<td>Kim Sweeny</td>
<td>Competition in Australian Pharmaceutical Markets and the Returns to Innovation</td>
<td>Peter Sheehan</td>
<td>2003</td>
</tr>
</tbody>
</table>

## CSES DBA students 2001

<table>
<thead>
<tr>
<th>Student</th>
<th>Title of Thesis</th>
<th>Supervisor</th>
<th>Year started</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arun Anton</td>
<td>Project Appraisal Methods</td>
<td>SardarIslam</td>
<td>1995</td>
</tr>
<tr>
<td>Songpom Hansanti (Beau)</td>
<td>Globalisation and the Prospects for Developing Countries: A Study of Thailand’s Financial Crisis</td>
<td>Peter Sheehan</td>
<td>2001</td>
</tr>
<tr>
<td>Christina Mak</td>
<td>Cost-Benefit Analysis Related to Pharmacoeconomics</td>
<td>Sardar Islam</td>
<td>1996</td>
</tr>
<tr>
<td>Shahram Sajjadi-Emami</td>
<td>Capital Budgeting</td>
<td>Sardar Islam</td>
<td>1998</td>
</tr>
<tr>
<td>Mohammad Rusydi</td>
<td>The Determination of the Efficient Exchange Rate: Mathematical Models and Applications</td>
<td>Sardar Islam</td>
<td>2003</td>
</tr>
</tbody>
</table>
3. CSES Research Activities 2003

This year was one in which the Centre made significant progress in expanding its research programs to achieve its overall objectives. This is evident in the comprehensive list of research activities provided in the table below, and in the Centre’s research outputs for 2003 listed in the next section.

| **Merck Foundation (US) Project** | In 2002, CSES was awarded, against global competition, a grant of US$600,000 over 3 years by the Merck Company Foundation under its Program for Pharmaceutical Policy Issues to conduct a research program called Program on Global Change and Local Regulation in Pharmaceuticals. The grant has been matched by the Department of Innovation, Industry and Regional Development (Victoria) with a grant of up to A$300,000. Some of the first results of the research carried out in 2003 will be presented in Philadelphia in Mach 2004. |
| **Merck, Sharp and Dohme Project** | During 2003, various CSES staff worked on a study of the pharmaceutical industry in Australia titled: Pharmaceutical Industry: Equity, Sustainability and Industry Development. The project is funded and overseen by a steering committee comprising representatives from Merck Sharp and Dohme (Australia), CSL, Eli Lilly, Department of Industry, Tourism and Resources, the Department of Health and Ageing and Medicines Australia. It is supported by each of these organisations in various ways. Financial support has been provided by Merck Sharp and Dohme (Australia), Eli Lilly (Australia) and the Merck Company Foundation. |
| **ARC Linkage Grants** | In 2003, the CSES received 3 ARC Linkage grants. The first for 2003-2004 is titled Climate Change, Industrial Structure and the Knowledge Economy has Peter Sheehan, Sardar Islam, and John Phillimore (WA State Government) as Chief Investigators, and Dr M. Munasinghe (World Bank) as Partner Investigator. The second was granted in late 2003 and runs until mid 2006 is titled General Purpose Technologies, Complementarities and the Convergence of Industries: A Comparative Study of Information Technology, Biotechnology and Nanotechnology and has Peter Sheehan, John Houghton, Greg Tegart and David Charles (Director of The Allen Consulting Group) as their investigators. The third was granted to Sardar Islam and Phillip Lawn (Flinders University of South Australia) for the period 2003-2004 and is titled A Universal Approach to Sustainable Development: Economic, Environmental and Social Indicators in Australia and Southeast Asia. |
| **APEC Forum** | Peter Sheehan was invited panellist in the First Annual APEC Life Sciences Innovation Forum (Phuket, Thailand, 14-15 August 2003). The primary goal of this forum is to bring together representatives of the government, industry and academia to promote life sciences innovation in support of human health in the region in accordance with the APEC mandate. The Forum will also develop recommendations for economic and technical cooperation, including capacity building, and explore avenues to promote public-private sector collaboration in life-sciences innovation. At the forum, Peter Sheehan was elected to the position of Vice Chair (Academic), APEC Life Sciences Innovation Forum. The Group is chaired by the Deputy Prime Minister of Thailand. Eli Lilly's President, Asia Operations is one of the three Vice Chairs. The establishment of the Group is an initiative of President Bush. The US pharmaceutical industry and US State Department have a significant involvement. |
| **CSES book launch** | On 19 March 2003, Professor Stephen Fitzgerald, first Australian Ambassador to the People's Republic of China, launched the CSES's new book at the Victoria University Conference Centre in Melbourne. The book titled China's Future in the Knowledge Economy: Engaging the New World, was jointly published by Victoria University and Tsinghua University Press in Beijing. A Chinese translation of the publication is soon to be published by TUP. |

China – **Bhajan Grewal** was invited by China's State Commission Office of Public Sector Reform
Public Sector Reform

(SCOPSR) to review their draft report on reforming China’s intergovernmental relations and administrative system. After revision, the SCOPSR report was to be submitted to the State Council. The invitation was initially for a visit in April 2003, but had to be postponed until September 2003 because of the spread of SARS. Having been working on these issues with SCOPSR since 2001, Professor Grewal had overseen the work on which the draft report was based.

DIIRD technical reports

Two major reports were finalized by the CSES in 2003. Both were prepared for the Victoria Department of Industry, Innovation and Regional Development. The first was titled Small Scale Technologies: Directions for Victoria and examines the implications of small scale technologies for industries and firms in Victoria.

The second is titled The Australian Synchrotron Project: An Economic Impact Study and examines overseas examples of the creation of technology clusters formed by major technology facilities such as a synchrotron. The report argues that the Australian Synchrotron can be successful in stimulating the development of a vigorous technology cluster in Melbourne.

DEST report released


Australian Computer Society Sponsorship

The Australian Computer Society continued its sponsorship of John Houghton’s ICT Industry and Trade Update Reports for the third year running. Conference events were organised around the launch of this year’s report in Sydney on November 17th.

Advisor to World Bank

Early in 2003, Peter Sheehan was invited to be advisor of the Development Gateway’s Knowledge Economy at the World Bank. The CSES 2002 publication China’s Future in the Knowledge Economy was part of a feature on the Development Gateway’s webpage http://www.developmentgateway.org/node/130667/sdm/docview?docid=423767. Ellen Olafson, editor of the site commented that ‘the feature we did in conjunction with your book on China has been the most popular feature ever on the Knowledge Economy community!’ (personal communication, February 2003). John Houghton served on the Communications, Information Technology and E-commerce (CITEC) board of Standards Australia.

Other advisory activities

John Houghton sits of the Australian Library and Information Association’s Research Committee, which advises on the allocation of ALIA’s Research Fund and research activities. John Houghton is a member of the editorial board of Telecommunications Policy.

Invited research papers

Bhajan Grewal was invited by the editorial board of the Encyclopaedia of Social Measurement, published by Academic Press, to contribute an article on ‘Examples of Social Measurement in International Economics’. A paper (with co-author Peter Sheehan) was submitted in November 2003 and has been accepted for publication in 2004.

Bhajan Grewal was invited by the Editor of Public Finance and Management, (a new peer reviewed electronic journal published in Harrisburg, Pennsylvania), to prepare an article for a Special Issue. Consisting of 5-6 papers by prominent researchers in the area of fiscal federalism, the Special Issue will be published in 2004. The paper has been submitted with co-author Peter Sheehan.

John Houghton was invited to prepare a OECD Working Paper in the Department of Science, Technology and Industry of the OECD titled: Digital/electronic delivery of goods and services (Business services).

John Houghton was once again invited to prepare 3 sections of the widely recognized publication OECD Information Technology Outlook 2004, on the globalisation of the ICT sector, ICT Firms and Trade in ICT Goods and Services. Summaries of this work were presented to the Working Party on Information Economy meeting in Paris, December 3-5.

John Houghton was invited to contribute a chapter on the Economics of Publishing for the 2004 edition of the International Yearbook of Library and Information Management (Facet Publishing, London).
A paper by **Sardar Islam** and **Matthew Clarke** was published as a CESifo Working Paper. CESifo Group is the international platform of the Center for Economic Studies at the Ludwig Maximilians University and the [Ifo Institute for Economic Research](https://www.lmu.de) (at the University of Munich). It builds bridges between theoretical and empirical economic research and between researchers from many countries, with a particular emphasis on Continental Europe. CESifo distributes the research and service products of CES and Ifo and supports an international academic research network of nearly 500 economists from two-dozen countries.

In December 2003, WIDER published a policy brief authored by **Matthew Clarke**. WIDER is the World Institute for Development Economics Research which was established in Helsinki in 1985 by the United Nations University as its first research and training centre. The Institute undertakes applied research and policy analysis on structural changes affecting the developing and transitional economies. Dr Clarke’s paper is titled *E-development? Development and the New Economy* (WIDER Policy Brief No. 7).


| Travel grant | **Sardar Islam** received a travel grant to present a paper (co-authored with **Matthew Clarke** in Munich, at the University of Munich, Centre for Economic Studies, Program CESifo Institute for Economic Research). The conference was titled ‘Health and Economic Policy’ 27-28 June 2003. The paper will be published in the proceedings and will also be published as a working paper and chapter of book (MIT Press). |
| Invited conference papers | **Peter Sheehan** was invited speaker to Emerging Issues in the Asia Pacific Region conference organised by PhRMA, 5-7 November, Singapore where he presented the paper Health Care Financing Session What is pharmacoeconomics and what are the implications for industry? **Peter Sheehan** was asked to prepare a Background paper for the National Medicines Policy Partnerships Workshop in Canberra on 31 October. It was titled *The Quality Use of Medicines: Serving Health and Economic Objectives?*. The Pharmaceutical Research and Manufacturers of America (PhRMA) invited **Peter Sheehan**, to present a paper at a seminar in Japan on Health, Industry Development and the Value of Medicines (Tokyo, 4 December 2003). **Enjiang Cheng** was invited to present two papers at the International Workshop on Rural Financial Reforms in China, Beijing, on August 16-18. **John Houghton** was invited by the Humanities Society of New Zealand to present a keynote address at Collecting, Connecting and Creating Knowledge: Libraries, Archives and Research in the 21st Century, in Wellington, New Zealand, on June 20-22. During the visit to New Zealand John also presented a paper to the New Zealand Academy of Sciences. Senator Kate Lundy invited **John Houghton** to present a keynote address to the ALP National Conference Forum on ICT Policy in Sydney, 28 January. |
| Microfinance projects | **Enjiang Cheng** was involved in the following international projects:  - International expert on UNDP/PBOC Microfinance Policy studies in China, the report will be delivered to the People’s Bank of China (PBOC) and Chinese Government for the policy making on China’s microfinance.  - International Microfinance and Enterprise Development Consultant, preparation for the World Bank/DFID ‘Poor Rural Community Development project’, with trips to Sichuan Province.  - International Microfinance Consultant, for World Bank Qianba Poverty Reduction Project, supervision mission.  - International Microfinance Consultant, AusAID Qinghai Community Development Project, Microfinance program, project consolidation mission. |
4. CSES Research Output 2003

Books


Chapters in books


Journal articles


External working papers


Invited conference papers


Sheehan 2003, ‘What is pharmacoeconomics and what are the implications for industry?’, invited paper presented at the conference Emerging Issues in the Asia Pacific Region, PhRMA and AMACS, Singapore, 5-7 November.


**Conference presentations**


American Symposium on Assessing the Environmental Effects of Trade, Montreal, March.


External seminars


Internal seminars


**Financial Modelling Program Seminar Series, Faculty of Business**


**Working papers and research monographs**


**Pharmaceutical Industry Project Working Papers**


Contract and technical reports


Consultancy contracts


Media mentions

On China’s Future in the Knowledge Economy


Book reviews forthcoming in:

- *ASEAN Economic Bulletin*, ISEAS
- *Australian School Library Association (ASLA) Newsletter*
- *NZ International Review*, Wellington
- *Trade Talk*, Chamber of Commerce and Industry of Western Australia
- *QETA*, Newsletter of the Queensland Economics Teachers' Association

On ICT Industry and Trade Updates


*The Australian*, 5 August 2003, ‘IT imports are breaking our national budget’, by James Riley.


Sydney Morning Herald, 2 December 2003, ‘Howard talks the talk in his own silicon suburb’, Beverley Head.

The Australian, 16 December 2003, ‘ALP forum to tackle ICT trade deficit,’ James Riley.

Other outputs

Clarke, M. 2003, Lecturer, 1st Semester, RMIT, HUSO2080 - Assessing Progress (MA subject in International Development program), Melbourne.

Clarke, M. 2003, Lecturer, 2nd Semester, Victoria University, ASA3022/5002 - Community Development Project Management, (undergraduate and postgraduate subject in BA and MA programs).

Book reviews