
Looking inward is not the solution

16 July 2017

In brief

At a time when the global economy is being buffeted by a number of transformational factors, it's interesting to note many countries have turned more inward-looking. Restive populations have looked to political leaders or causes they hope will offer an immediate solution. The problem with immediate short-term solutions is they rarely offer any solution at all.

In detail

Unfortunately, as witnessed with last year's Brexit vote and the result of the US Presidential election, a lot of political leaders find it eminently simpler to promise immediate solutions as they offer what most politicians want in the short-term – power.

The problem with embracing populist rhetoric is governments then find it even more difficult to change the narrative and really address the problems besetting a nation going forward. Australia is no outlier in this instance as successive governments keep being drawn into the populist mire rather than being able to have a serious discussion about the nation's future.

Our most successful era of reform under the successive Hawke, Keating and Howard governments was led by each leader's ability to create a narrative around the need for change. Far-reaching reforms to whole sectors and workplaces were made possible because successive governments worked hard to tell voters why change would open up the economy and allow us to compete on a more even playing field globally.

Now more than ever Australia needs to re-embrace the spirit of reform, especially when it comes to our international competitiveness and our ability to attract global business. At present, the nation's regulatory environment including our taxation system is a barrier to growth. It's imperative we make our regulatory environment competitive in today's world so we can harness some of our natural advantages.

For example, as the nation's economy transitions out of the mining boom, one of our largest opportunities lies with the services sector. Our finance, health, education, engineering and agriculture service sectors lead the world and our economy is already heavily skewed towards those industries.

Prospects huge

The prospects for each one of these are huge. When you add our other natural attributes such as our quality of life, Australia is a natural choice for business but we need to address our collective regulatory

environment in regard to labour law and environmental law as well as our energy sector and taxation system.

We don't have to be the best in every single category or have the lowest rate of taxation, we just have to be on the field. It's not a question of being the best at everything but more about minimising our weaknesses because at the moment tax and regulation are two hindrances to growth.

Ask most international executives where they would like to live and Australia would win every time, so the easing of the regulatory burden would translate into an easy win for the country.

The takeaway

As it stands, global capital isn't flowing to nations going down the populist path. There's a real incongruence between nationalistic governments and the objectives of business. Multinationals aren't beholden to a hole in the ground in any particular country, they're attracted to where it's easiest to do business.

Conversely, local businesses aren't about to get up and leave in the current environment. The power of incumbency is strong. Easing regulation will assist local industry just as much as it will attract global players. Moreover, it will make Australian industry more competitive in the region and beyond.

Importantly, the opportunities in our immediate region are only going to increase. The huge advantage China and the region's emerging economies enjoy in regard to labour arbitrage is diminishing as a new middle class rises in those nations.

For multinationals investigating where they might locate regional operations they would more often than not choose Australia if all things were equal considering our way of life and stable century-old democracy. The challenge for our business and political leaders is to address the regulatory issues that are holding us back so we can capitalise on Australia's unlimited potential.

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Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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