

Australian foreign policy

The economic dimensions



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How does Australia compare?

- 13th largest economy in the world (measured by GDP)
- 2nd in the Human Development Index (after Norway)
- Very high standard of living by global measures, extremely high by regional comparison
- Relatively small population requires Australia to be export-orientated and hospitable to foreign investment
- Economic profile: from agriculture & minerals to minerals, services & manufacturing (to a lesser extent) - state capitalism

Vulnerabilities & Variables

- exports & foreign investment are a globally competitive business - no promises or guarantees, need for innovation & staying ahead of the competition, constant quest for new markets
- global economic interdependence (globalisation) has increased Australia's exposure to external shocks (interest rates, stock prices - global financial crises)
- globalisation has led to a loss of national economic sovereignty

Vulnerabilities & Variables ...

- power in the global economy has shifted to unaccountable players (stockbrokers, speculators, funds managers, foreign investors, TNCs - eg mining companies)
- political fallout from economic ties (India - students; China - Stern Hu & Chinese justice; China v US on Taiwan; Japan - whales)
- the global economy has become anarchic - crisis-prone & too complex for rational management

Policy options

- seeking new markets & market access in East Asia (minerals, education, insurance & banking) via regional free trade groupings (APEC) & bilateral FTAs (Singapore, Japan, China, US, etc)
- global crises management via G20
- maintain confidence of & attractive climate for foreign investment
- bipartisan domestic elite consensus for conservative fiscal management (balanced budgets & surpluses, pump-priming during GFC)
- gap between popular & elite attitudes to free trade, corporate globalisation, public spending, government services, privatisation