Australasia’s Davos sets policy agenda

The Crawford Australian Leadership Forum, hosted by the Australian National University and The Australian Financial Review, demonstrated forcefully that as a commodity-exporting country at the foot of Asia, Australia must adapt to the economic and geopolitical forces around us. Events in Greece and China are demonstrating that this will not be as easy as when we rode the China boom in the 2000s. This is a realisation that we are struggling to grasp.

In a bombshell moment that rammed the point home, recently departed Treasury secretary Martin Parkinson warned that the assumptions in the most recent budget, that our economy will bounce back to 3.5 per cent annual growth, in the coming years, might be dashed.

In fact, Australia might be heading for a new normal of less than 3 per cent. This follows last week’s warning from the International Monetary Fund that made much the same point. With key commodity prices such as iron ore falling again, Dr Parkinson says Australia’s prosperity is at risk. This is something the Financial Review has been highlighting consistently.

The underlying conditions that have supercharged Australia’s wealth over the past 15 years have shifted, and a razor-sharp focus on reform and productivity must be adopted to help us adjust to new realities.

As the China boom comes off and resources development slides, Australians are also dealing now with digital disruption that is undermining traditional business models and is reshaping the global business landscape, without what former IBM Australia managing director Andrew Stevens called a “disruptor mindset.”

The wake of these unprecedented changes, Business Council of Australia president Catherine Livingstone called for a decade-long programme to rethink our policy philosophy in an era when more workers will be contractors and in a world where mass connectivity is rapidly re-creating global supply chains.

At home, our schooling system needs to adapt to this wave of change, not just to set up Australian youth with the right skills for the future but to counter our emerging youth unemployment crisis with about 400,000 young Australians are not in work or in study.

The Crawford forum highlighted the urgency with which we must get our budgetary house in order. It requires moving on from what Dr Parkinson calls the “vague narrative of fairness” to acting to buttress the national vulnerability this fiscal deficit leaves us in. As Ms Livingstone said, the bipartisanship of recent weeks is encouraging, but there is risk that complacency could set in because some might see this as job done, not a job about to start.

This new vulnerability must necessarily feature the geopolitical tensions between the north-east Asian economies that have underpinned Australia’s prosperity of the past half century and a wider east Asia region, whose balance of power is in a state of flux, with tension between Japan, Korea and China on the rise, despite increasing trade. At the top of the government’s priority list should be getting Indonesian relations back on track following the end of the Susilo Bambang Yudhoyono presidency and bilateral tensions over issues such as the borders of the adjacent Philippine islands running for office, Tony Abbott said foreign policy would be more Jakarta, less Geneva. Clearly there is work to be done on this score, with former Indonesian foreign minister Marty Natalegawa saying the bilateral was potentially headed for “a very dangerous relationship.”

In his academic career, John Crawford was visionary to push the Menzies government and “black Jack” McEwen to open trade relations with Japan barely a decade after the end of World War II. This week might have marked only the second Crawford forum but with its impressive regional reach and high-level view, it is fast becoming the Davos of Australasia.