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## **GOVERNMENT MUST DITCH NEW TAXES TO STOP RESOURCE BOOM COLLAPSE**

Free market think tank, the Institute of Public Affairs, today called on the Gillard Government to scrap its mining and carbon taxes in light of the looming economic downturn in Australia's biggest export market, China.

'The recent stock market roller-coaster and the European and US debt crises have shed light on the risks associated with Australia's reliance on China's thirst for our resources,' Hugh Tobin, Director of the North Australia Project at the IPA said today.

'China's inflation is now at a three year high. They have nowhere to move on interest rates at the moment. And they can't afford another massive stimulus package like the one that kept them growing strongly during the GFC.'

'China is an export driven economy. As the global economy slows we will see demand for Chinese goods slow as well. This will have a flow on effect to Australia as China will need less iron ore and other raw-materials to produce their exports.'

'China will continue to grow, but even a modest decline in Chinese growth will have disastrous consequences for the Australian economy.'

'Once global demand drops in the resource sector we will see commodity prices fall from the current high levels. The combination of falling commodity prices mixed with the introduction of mining and carbon taxes will make many Australian projects unprofitable,' Mr Tobin said.

'China is deliberately moving to reduce its reliance on Australian minerals in favour of increasingly cheaper markets in parts of West Africa and South America. Why would we want to add on new taxes and make ourselves uncompetitive at a time like this?'

'Australia should be cutting taxes. We need to simplify regulation and we need to increase the supply of skilled workers. These are problems that should be the major priorities for the government,' Mr Tobin said.

The Institute of Public Affairs, in conjunction with Australians for Northern Development and Economic Vision (ANDEV), is calling for the establishment of a Northern Special Economic Zone (SEZ) to combat tax and regulatory burdens and skills shortages.

'The government must think through the long term consequences of its policies for Australian jobs and the economy. We need a low tax, low regulation Special Economic Zone throughout Northern Australia so that we can remain competitive and prosperous even with a slowing Chinese economy,' Mr Tobin said.

**Media Comment: Hugh Tobin, Director - North Australia Project, 0432 098 171, [htobin@ipa.org.au](mailto:htobin@ipa.org.au)**