

# **IPA MEDIA RELEASE**

Institute of Public Affairs | Australia's leading free market think tank

Wednesday 24 August 2011

## **DOUBLE BLOW TO AUS ECONOMY AS PRODUCTIVITY FALTERS AND INVESTMENT MOVES OFFSHORE**

Free market think tank, the Institute of Public Affairs, has today said that high taxes and overregulation are choking the Australian economy. This follows reports that China's sixth largest steel maker has invested US\$1.5 billion in Sierra Leone and ongoing data which shows Australia's productivity growth remains flat.

'Chinese resources companies are frustrated by delays and cost blowouts in their projects due to Australia's increasing regulatory and tax burdens and West Africa is more than happy to fill the gap we're creating for ourselves,' Hugh Tobin, Director of the IPA's North Australia Project said today.

'China is looking more and more towards West African resources for investment because it's cheaper and easier to do so. Australia's geographical freight advantage is becoming irrelevant as global shipping costs continue to fall.'

An Ernst & Young report released in March 2011 stated that China has 'shifted its strategic direction' towards Brazil and Africa, and away from Australia, for its iron ore requirements.

'China has no reason to continue to invest in Australia if the costs just continue to rise.'

The growing unease of Chinese investors in Australia comes at a time when Australia can least afford it. This week the Reserve Bank of Australia released a report highlighting the significant decline in Australia's productivity growth and expressed concern that this would negatively impact on Australia's economy.

'Australia's living standards are dependent on our productivity. The mining sector has so far successfully shielded us from economic downturn – but the alarming trend seen in global resources investment forecasts a very different future,' said Mr Tobin

'With Chinese inflation at a three year high and the expectation that their economy will slow, Australia should be ensuring that we are the most attractive investment destination possible so that any growth the Chinese experience is fuelled by Australian resources.'

'We need to help foster economic development, foreign investment and economic stability. Northern Australia is the backbone of Australia's economy and we should make sure that the region is business friendly. A low tax, low regulation Special Economic Zone across North Australia is the vision for Australia's future that we need,' Mr Tobin stated.

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 which are harming Australia's productivity.

**Media Comment: Hugh Tobin, Director - North Australia Project, 0417 303 701, htobin@ipa.org.au**