



# A Prosperous Future: Wrap up

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November 2023

KPMG and AmCham with consultation from the US Embassy in Australia have recently completed our A Prosperous Future report series. These reports identify and profile six industry sectors that we believe will shape the future economic relationship between Australia and the United States for the next fifty years: artificial intelligence (AI), biotechnology, the digital economy, energy and clean technology, quantum science and space.

We identified these sectors based on insights gathered in business and academic roundtables including AmCham member companies and universities and AmCham Alliance Awards finalists.

## Geopolitical overview

When we began this report series in 2021, much of the Australian business community was just beginning to become aware of geopolitical volatility and what it might mean in terms of both risks and opportunities. Over the past two years, global competition has been intensifying, mistrust among nation-states is growing and the international order as we know it is fragmenting; the World Economic Forum calls it a 'polycrisis'. Developing countries want more say in how the world works, while status quo powers want to maintain things as they are. Populations around the world are increasingly sceptical of elites and are moving away from the centre towards the extreme edges of politics, creating fertile ground for nationalist and protectionist policies to proliferate. Incredible and almost unimaginable technological developments are disrupting the way we live and work, both in positive and negative ways. Climate change is putting pressure on systems and populations in ways that are already creating new tensions and will only continue to do so. We're realising that the world is changing rapidly and dramatically and it isn't going to go back to normal.

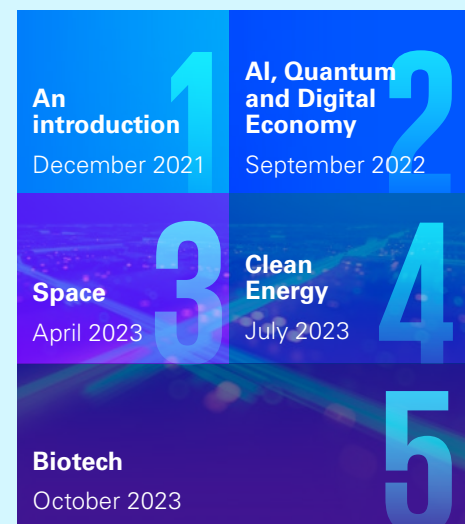
These changes in the external operating environment mean that geopolitical awareness and preparedness is no longer a quaint and interesting 'nice-to-have'. It's increasingly being seen as an essential component of business survival and success – the way to ensure a prosperous future. Respondents to recent KPMG global CEO surveys

ranked geopolitics as the number one issue keeping business leaders up at night. Now, in order to succeed, leading businesses are focusing increasingly on how to navigate what's happening. Reflecting this reality, the A Prosperous Future research series considers how these industries will shape our shared strategic and economic future, by examining opportunities for business in the volatile geopolitical environment. Yes, many exciting things are possible, but there's a 'but' that can no longer be ignored. Shared values, 'friendsourcing' and 'friendshoring', 'just in case' rather than 'just in time' – these concepts matter. Without a geopolitical component, any analysis of what might work – where to invest, what to invest in, where to trade, what to trade, where to source, where supply chains run – is simply unrealistic. As this KPMG–AmCham thought leadership series shows, the future is exciting and incredible opportunities exist. However, building a prosperous future requires geopolitical variables to be an essential part of strategic planning.

## Economic benefits of deeper participation in the US value chain

The six industry sectors present increasing opportunities for Australia and the United States to collaborate and strengthen their ties. Australian businesses could realise billions of dollars in revenue and far greater participation in the US value chain if their efforts are focused on Australia's unique comparative advantages.

Our A Prosperous Future report series is complete and contains five reports which are all publicly available on the KPMG Australia and AmCham Australia websites:



For reports 2–5, KPMG has extrapolated several scenarios examining the potential growth in Australian exports to the United States across these industry sectors, as well as the capital investment and new highly skilled labour force required to enable greater growth.

When we aggregate this research, our combined modelling indicates that by achieving accelerated growth in trade directly with the United States across the six industry sectors, Australia could generate a total of **US\$38 billion** in exports, **US\$39 billion** in incremental capital investment and **127,000** additional jobs in **2030**.





TABLE 1: ACCELERATED GROWTH SCENARIO	INCREASES IN EXPORTS WITH THE UNITED STATES (US\$ BILLION)	INCREMENTAL CAPITAL INVESTMENT* (US\$ BILLION)	INCREASE IN HIGH- SKILLED LABOUR* (FTE)
AI, QC and Digital Economy	\$23.8	\$23.2	79,200
Space Technology	\$0.4	\$0.4	1,300
Clean Energy	\$3.7	\$4.1	12,500
Biotechnology	\$10.1	\$11.2	33,800
Total	\$38	\$39	127,000

\*Incremental capital investment and high-skilled labour associated with the uplift in trade with the United States in the corresponding industry.

## ARTIFICIAL INTELLIGENCE (AI)

Australia is a world leader in AI research and has a recognised specialisation in mining and defence. There is a significant commercial opportunity for Australian companies in the US financial services sector, which spends US\$2 billion on AI goods and services each year. The wide spectrum of 'use cases' for AI in the financial services sector suggests that Australian-developed AI solutions may find a place in this sector, working alongside or independently of US-developed solutions.

## QUANTUM COMPUTING (QC)

The QC industry, which has made significant strides recently, is poised for substantial growth in the United States. Australia is a strong contender in this field, ranking in the global top 10 for QC research and venture capital investment, and 11th in QC patents. QC opportunities in the defence sector are considered a key strength for Australia, with quantum technology already employed in Australia's defence sector, and a variety of dedicated research programs related to defence applications.

## DIGITAL ECONOMY

The digital economy currently accounts for 6.6% of Australia's GDP, generating A\$44 billion in economic value for consumers. The financial sector is a key area of strength and opportunity for Australia as the US indicator for openness in this industry is higher than others. The government and education sectors also present opportunities for amplified trade between Australia and the US with increasing adoption of technologies in these sectors.

## SPACE TECHNOLOGY

The size of the US space industry is expected to grow by 67% over the decade 2020–2030, suggesting a large potential for Australian businesses to participate in the US space sector's supply chains. Australia's unique comparative advantages in certain areas of the space industry – including the resources sector, remote operations and robotics and quantum science – provide the United States with access to innovation, diversified supply chains and reduction in cost of participation.

## CLEAN ENERGY

The size of the US renewables industry is forecast to grow from US\$122 billion in 2022 to US\$373 billion in 2030. Substantial growth in renewables and adoption of electric vehicles will boost demand for battery storage capacity. This presents many opportunities for Australia to increase its presence in the US value chain given its strengths in innovating renewable energy technologies, vast feedstock for biofuel production, natural advantage in raw material exports of critical minerals and potential to move further down the mining value chain.

## BIOTECHNOLOGY

The US biotech industry is anticipated to witness robust growth towards 2030, with revenue expanding at a compounded annual rate of 12.4%. The application of biotech to the health sector is expected to remain the largest revenue-generating segment. Australia is well positioned to grasp the increasing opportunities in the US biotech industry. Australia's biotech industry was ranked fifth in the world in terms of research and translation, and the country was the 15th largest biotech exporter to the United States in 2022.

## Advice for Australian business expanding to the US market

Each report provides practical guidance for businesses wanting to expand to the US market in their relevant industry. Across the report series, there are several recurring pieces of advice.

- **Research the most suitable market for products:** firms need to validate whether a market exists for their products to avoid wasting resources during the development and commercialisation phases. Because the US economy is large and diverse, the cost of a full-scale launch can be prohibitive; instead, Australian businesses should target the specific geographical areas with the highest need for their technologies.
- **Building relationships with US companies requires work and time:** Australian firms should research the strategies and market segments of their target US companies to provide solutions for the right problems. Australian businesses should also identify a complementary service already provided by a US business in the local market that aligns with an Australian product or technology and form a joint offering.
- **Differentiate products to stand out:** the US market is very competitive. Identifying points of differentiation can make Australian businesses more competitive by leveraging Australian specialisations, know-how and talent to provide high quality offerings.
- **Base a portion of operations in the United States:** this enables companies to better access US funding, comply with onshore component requirements and reduce shipping times.

## Final word

Our joint report series reinforces the importance of Australia's comprehensive relationship with the United States for our nation's economic wellbeing and security.

Both countries are emerging from the twin health and economic disruptions caused by COVID-19 and looking towards the future – a future characterised by a range of geostrategic, geopolitical and geoeconomic issues including rapid technological, climate and social equity challenges. These pressures are accelerating and testing our nations' resilience while also creating new opportunities. The United States and Australia are committed to working together to face this uncertain future.

Currently, Australia and the United States share many complementarities. From a business perspective, we're very close partners despite often overlapping and competing sectoral interests.

With the Australia–US Free Trade Agreement (AUSFTA) having been in place for 16 years, our bilateral trade balance has grown strongly. The United States is also the largest country source of foreign direct investment to Australia, with just over A\$1 trillion historically invested by US companies across many sectors, companies and assets.

Facing a dynamic and volatile future, the United States and Australia need to build on existing connections and focus carefully on identifying the complementarities of the future.

Australia is recognised as a leader in the research and development of many key sectors: quantum computing, renewable energy, biotechnology, agtech, medical research and more. Yet despite punching well above our weight in the early stages of research and development within universities and institutes, historically we've seen many of our best and brightest Australians move offshore with this research to

further develop, commercialise and achieve scale through foreign venture capital investment and enabling startup infrastructure. The United States has been and will continue to be the destination of choice and source of investment capital for Australian intellectual property and entrepreneurial activity given the scale and dynamism of their economy.

The US Government and business sector are ambitiously rebuilding its post-Covid economy through the Inflation Reduction Act, a US\$1.2 trillion infrastructure program and a wide range of reforms to reposition for a cleaner, fairer, highly modernised and competitive future. Our research has identified many opportunities for Australian companies and entrepreneurs to participate in such a large and dynamic market while attracting US investment and creating highly skilled Australian jobs.

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### Access previous reports



An introduction



AI, Quantum and Digital Economy



Space



Clean Energy



Biotech

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