



A Prosperous Future: Wrap up

November 2024

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 three years, global competition has intensified, mistrust among nation-states has grown and the international order as we know it is fragmenting; the World Economic Forum calls it a 'polycrisis'. Countries from 'the global south' 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. Trade is being weaponised. 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.

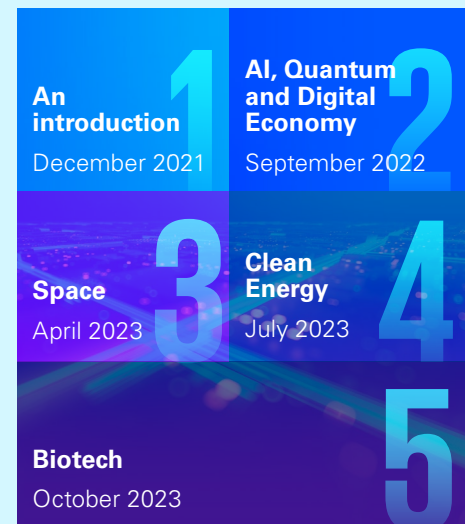
These changes in the external operating environment mean that geopolitical awareness and preparedness is no longer a quaint and interesting 'nice-to-have'. It's increasingly being seen as an essential component of business survival and success – the way to ensure a prosperous future. Respondents to KPMG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

rank geopolitical threats as among the biggest challenges 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, this *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 not be ignored. Shared values, 'onshoring', 'friendshoring' and 'friendsourcing', 'just in case' rather than 'just in time' – these concepts matter more and more. Without a geopolitical lens, 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 by **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

These six sectors were recognised for their potential to shape the future of the economic relationship between Australia and the United States. This potential is already being realised.

Over the course of this report series, the two nations have grown closer than ever.

The passage of AUKUS legislation has broken down barriers for technology transfer, creating a faster, more efficient environment to support this ambitious initiative. AUKUS is also catalysing advances in Pillar II capabilities, including AI and quantum.

The Technology Safeguards Agreement now allows United States rockets and satellites to launch from Australia, boosting our status as a global launch hub and supporting the broader space supply chain.

Australia and the United States are also collaborating on biotechnology

and life sciences, including the Cancer Moonshot initiative to eliminate cervical cancer in the Indo-Pacific.

The Innovation Alliance established in 2023 ushers in a new era of strategic cooperation, focusing on innovation, an inclusive digital economy, and clean energy and climate as the third pillar of the alliance.

These meaningful steps taken in bi-, mini-, and multilateral forums are key indicators for businesses on both sides of the Pacific that the relationship is moving in the right direction. As the largest foreign investor in Australia, the United States is committed to our prosperity, with over \$1 trillion invested.

While the US-Australia relationship has strengthened, the geopolitical environment is marked by growing competition and mistrust, driven by four interconnected megatrends: structural shifts, social unrest, the digital revolution, and the climate crisis. Economic security has become inseparable from national security.

Although the United States and Australia may not always agree on how to navigate these challenges, they share a broadly compatible vision for the future of the international system and a foundation of shared interests.

This series demonstrates how world-leading Australian research in quantum computing, renewable energy, bio and agtech, medical research, and more can be commercialised and scaled through closer collaboration with the United States. Success in these fields will drive investment and job creation. By leveraging strengths in these critical sectors, the United States and Australia are embarking on a new era of cooperation and a prosperous future.

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An introduction



AI, Quantum and Digital Economy



Space



Clean Energy



Biotech

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