National and Sectoral Effects of a Decline in the Desirability of Investing in Australia

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Abstract

Australia has a long-standing dependence on foreign investment to make up the difference between domestic saving and investment opportunities. There is, nevertheless, an ongoing debate about the merits or otherwise of inward foreign investment. There has also been a recent tightening of criteria governing foreign investment. The OECD assesses Australia's foreign direct investment regime to be one of the most restrictive in the OECD area, while broader discussions have considered the potential for a decline in Australia's credit rating. This paper uses a dynamic global general equilibrium model—GDyn-FS—to report on the national and sectoral effects of a decline in the desirability of investing in Australia, relative to other countries.