

Australian business should hold fire in reacting to Trump election

Written by The Conversation

Australian businesses with links to the United States will be slowly digesting the recent Trump victory and how it might play out. It's extremely difficult to predict, but in the meantime there are strategies businesses can pursue.

Alongside an obviously divisive and dangerous style of identity politics, Trump's agenda is a direct assault on the status quo – on the US political establishment, on the received wisdom of global economic policy, on the institutional arrangements under which business has operated in recent decades. Trump's policies are marked by an aggressive economic nationalism which favours business-specific interests (e.g. through corporate tax reform), promises to stimulate the economy (by financing infrastructure and expanding defence spending), and is seemingly willing to shake the foundations of the US's geopolitical relations.

Detail is sparse in [Mr Trump's election policy](#) platform. It's not clear [how much of it will be pursued](#). Nor is it certain how compliant (even if Republican-controlled) [Congress will be](#) in respect of at least parts of that agenda. Despite all this, the new world under Trump needs to be navigated. What should Australian business do?

Prepare for volatility

While there's much we don't know about Mr Trump's policy stance, we do know that he tends to be volatile. He has been controversial, counterintuitive – indeed erratic – throughout the election campaign and it's probably reasonable to expect this to continue.

Public policy creates the environment in which business operates and the economic effect of Trump's agenda is not clear. His [tax plan](#) – while perhaps stimulatory at one level – could have significant revenue reduction and deficit implications, not to mention marked distributive issues. National debt looks set to [escalate](#). Commentators are talking about [recession](#). The [markets don't yet know how to act](#).

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But the volatility is not just policy-based. America is divided - and social volatility can be equally unsettling for business. Reports of [hate crimes](#) referencing the Trump win are sprayed across social and conventional media. Thousands of Americans have taken to the streets in protest. None of this is particularly conducive to a peaceful and predictable environment for business.

Of course, how specific Australian businesses will respond to this volatility will depend upon their current market positions, exposures to US and other markets, and existing commercial directions and priorities. There is not a single strategy that will work across all Australian businesses.

But amid such uncertainty, being over-leveraged, dependent on too narrow a revenue base, or rigid in strategy, become significant risks. For Australian business contemplating US exposure, competition or access - agility, the ability to change direction as opportunities are revealed, and the willingness to ignore sunk costs and define new strategies in light of new information, will be critical.

Wait! And get ready

And what is the wise course of action in the light of frenetic speculation and uncertainty? Wait.

Formulating strategy when volatility is high is no fun. Australian business cannot chart specific courses of action through the current US situation until the dust has settled, just a little.

Decisions to exit markets or flee investments, or indeed to throw resources after particular opportunities, should be treated with caution in the very short-term. Leaping on each market movement or throw-away line from a Trump “confidante” is unlikely to improve longer-term business strategy.

Waiting does not mean paralysis, however. Preparing for both opportunity and risk makes good sense: every policy agenda has its winners and losers.

For example, Mr Trump promises to “rebuild America,” implying [potential infrastructure](#)

[investment and stimulus effects](#)

for the US economy. Australian businesses should see opportunity in this.

Indeed, Australian mining and commodities stocks [have lifted in recent days](#) . Others might also benefit from a buoyant [global infrastructure market](#)

Finding ways to do so should be the work of strategy in the near-term. Recognising the pervasiveness of uncertainty, more traditional models of strategic planning that focus on predicting the “most likely” future environment for operation are likely to be less helpful. Instead, business should focus on approaches that prepare for multiple scenarios, with tight and regular review loops to take account of new and changing circumstances.

Beware the geopolitical fall out

There seem to be ([no unequivocal](#)) reasons to suspect Australia’s relationship with a Trump-led US would remain relatively [firm](#) . While the implications of his anti free trade views for existing Australian-US trade arrangements are unclear, the broader consequences of Trump’s [seeming willingness to pull apart current global economic and security arrangements](#) may have far more profound consequences for Australia and our business community - especially regionally.

Trump has made aggressive statements about trade wars with China, threatening retaliatory use of tariffs, and a generally more muscular military posture. Simultaneously he has signalled a retreat from the US’s existing security commitments, demanding greater contributions from allies in the region (e.g. Japan, South Korea).

The fallout of a US-China trade war would be [far from comfortable for Australian interests](#) . And a more isolationist stance from Washington in Asia would have profound effects on the balance of power and stability in the region.

These risks, while hard to quantify, have huge implications for Australian businesses, which rely

in part on both underpinning US security alliances and successful engagement with China and other regional neighbours.

Market access, stability of investment and operating environments, threats to future growth in the Asian region and the economic vibrancy of our regional trading partners all hang in the balance. Managing these risks may become key for Australian businesses.

Scoop up fleeing talent

On the bright side, [if government immigration websites](#) in Australia, New Zealand, the UK and Canada are any indication, there could be a wave of “Trump refugees” seeking to leave the US. Australian business could find itself in a field of riches as potentially skilled US citizens and expats seek a new home, reversing the supposed “brain drain” and bringing skills and talent to Australian firms.

From the perspective of Australian business – this could be a once-in-a-generation talent bonanza, if played right. Proactive scouting of talent, leveraging industry relationships and connections into the US market and clearly broadcasting recruitment pathways into Australian firms (in partnership with existing government programs and initiatives) can and should be on the table.

The heavier burden

And amid all of the strategising about specific business opportunities, we shouldn't forget that this election signalled something very wrong at the heart of the US social, political and economic system. Social insecurity and inequality, combined with distant leaders and a rampantly business-penetrated political system have led to the installation of a divisive populist in the nation's highest office. And now – at least for the moment – our friend's house is on fire.

The big question implied by this concerns exactly how business and economic growth relate to other aspects of society to achieve secure, ongoing prosperity.

At the end, what Trump means for Australian business is a heavier burden – one shared with government and with each of us individually. We all need to ask: how do we contribute to a fair, inclusive, open and harmonious economy, politics and society?

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Lest what caught fire over there does so here too.

Vishaal Kishore does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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