

Seizing our chance at the big G20 dance

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In late 2008, the worsening global financial crisis prompted the upgrade of the Group of Twenty to leaders' level. The Washington Summit that followed marked a critical moment in the history of global governance. With the international economy sent reeling by the fall of Lehman Brothers, the world's leaders were forced to accept that the existing economic and financial architecture was no longer fit for purpose.

Luckily, there was an alternative on offer. By bringing together the emerging and re-emerging economic powerhouses of the developing world with the traditional economic powers of the developed world, the G20 provided a grouping that embodied the proposition that there had been a fundamental shift in the distribution of economic power.

So when leaders subsequently announced, at the conclusion of the Pittsburgh Summit in September 2009, that they had designated the G20 as the world's 'premier forum' for international economic governance, they had started to build an approach fit for the 21st century.

With its diverse membership of established and rising economic powers, the G20 is well positioned to speak with authority on the global economy.

Together, its members account for roughly 90 per cent of world output, 80 per cent of world trade and two-thirds of the world's population. The grouping has already played an important role in crisis management, with the April 2009 London Summit in particular helping to restore global confidence in the midst of the global financial crisis; in reforming and resourcing the IMF; and in pushing for stronger international financial governance through the establishment of the Financial Stability Board and by support for the Basel III regulatory framework.

Economics is at the core of the G20, and the group's credibility depends on how well it accomplishes its role as the world economy's peak body. In this context, there is no denying that the G20 faces an extremely tough job. It has to deal with a world economy that not only is still suffering from the fallout of one major crisis but which remains at risk from another in the shape of the ongoing eurozone mess.

The tightly woven web of trade and financial connections means that each country is always exposed to things going wrong – or right – in their trading and investment partners. The world's vulnerability to economic shocks is particularly high now, however. As the International Monetary Fund emphasised last month, a "world of highly correlated asset prices, ubiquitous financial shocks, and limited policy space is a world ripe for spillovers." And of course, all of this is taking place against the backdrop of major shifts in the balance of economic power which themselves represent some major adjustment challenges.

All of which makes for a challenging agenda for the G20. This is especially the case since, after a strong start, the group has shown signs of losing some momentum in recent years. In part, this is a reflection of the intractable nature of the problems confronting some members, not least the eurozone contingent. But it also reflects the inevitable and unavoidable transition pains involved in bedding down a new economic order.

While economic governance is critical to the G20, however, the group's significance goes beyond this. The G20 also has enormous geopolitical heft. Members include the global superpower and its chief rival, all five permanent members of the UN Security Council, six nuclear weapons states, several regional metropolises and most of Australia's key regional partners.

Membership enables us to further our national interests while also contributing to global welfare. It allows us to contribute to the design of the rules of the international economic game and enables us to advocate the kind of open, transparent, rules-based international economic order that safeguards our economy. It provides us with a source of prestige, signalling Australia's relative economic success. And it brings our leaders into regular contact with their counterparts in the world's most powerful countries.

As such, Australian membership of the G20 sits comfortably within the foreign policy theme which has united our otherwise diverse post-war governments – the desire to join (and if necessary, build and strengthen) institutions through which we can influence global decisions, from the US alliance to the UN Security Council to APEC.

The G20, then, is currently one of the most important clubs in the world – and Australia is a member. This is a big opportunity to once again shape our global environment. We need to seize it.

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