

**G20 Think20 Seminar: The G20 Leaders Process Five Years On:
An Assessment from an Asian Perspective. 23 May 2013
Views from the Australian Sherpa**

I am delighted to be here and would like to extend my thanks to Lowy, ADBI and KDI.

I'd like to focus on two issues.

First, is how the G20 has made a difference and what it should now be doing.

Second, is how we ensure the G20 operates as effectively as it can to deal with the economic problems of the day and to strengthen the resilience of the global economy.

G20 has made a difference and can continue to do so.

The G20 is an informal and political body that brings together the leaders of the world's biggest economies. Leaders essentially do two things.

First, they address the real economic problems of the day, deciding what their countries can do individually and collectively to deal with those problems. Given the high economic interdependence between countries, so well demonstrated in 2008, G20 is as much about domestic economic policy as it is about international policy.

Second, leaders are sorting out in a rapidly changing world their approach to the international norms, rules, standards, practices and institutions of international economic engagement. The world has changed and will continue to change, not just in terms of technology but also in terms of the economic size and influence of countries, especially the rapid growth, size and importance of emerging market economies – and much of this change is happening in Asia.

How the norms are applied and updated in this changing world, and how credible, inclusive and effective the institutions that write and apply the norms are, both matter. They matter because the choice countries face is whether to work explicitly toward a cohesive and largely global approach to economic problem solving that secures and shares prosperity, or end up with a fractured and largely globally incoherent approach. Precisely because it is a meeting of leaders from key advanced and emerging market economies, G20 has played, and can continue to play, a big part in this underlying transformation.

In both of these dimensions, I think the G20 has achieved a lot.

In terms of dealing with the problems of the day, the G20 has

- set and delivered a major program of financial reform;
- headed off imminent global economic collapse in London in April 2009;
- established a framework for economic growth that has subsequently been structured by action plans, country-led peer review, and transparency;
- boosted the financial resources of the IMF in order to buttress the global monetary system; and
- prevented, so far, a large-scale breakout of protectionism and insularity in domestic economic policy.

In terms of global governance, the G20 has

- strengthened rules on finance and anti-corruption; and
- made key institutions more inclusive, notably the IMF and Financial Stability Board, even though there is still an awful lot more to do.

Looking to the future, this year under Russia's leadership, and in the next few years, G20 also has the potential to achieve much more.

In terms of the economic problems of the day, Russia has framed the problem around jobs and growth. The Australian Government could not agree more that the real problem is that jobs and growth are inadequate. Under Russia's leadership, the G20 is focusing on getting the balance right between short-term flexibility in macro policy and medium term policy credibility, as well as how structural reform can sustain growth. G20 has initiated work on investment, including infrastructure, this year. It is looking at how to strengthen open trading systems. All of these issues are complex and have multi-year dimensions. The G20's achievements will depend on how it uses continuity in the agenda this year, next year and beyond to drive depth of action and materiality of outcomes.

In terms of effective governance, there is still a lot to do and the discussion continues, not just in the finance domain (IMF, World Bank and FSB) but also in trade, energy and other areas.

I would observe here that there is a reported sense of frustration that maybe G20 has slowed down outside of crisis and is less effective. G20 has to be sensitive to this criticism (because people will stop listening to leaders if the forum is not credible) but I do think some of the criticism is misplaced.

Very few summits will rewrite the world as Washington did with its epic 48 point Action Plan in November in 2008 or London did in April 2009 with its \$5 trillion stimulus and \$1.1 trillion package for the IMF and World Bank. Leaders responded quickly and in a significant way to the crisis.

While it does not grab the headlines, countries and leaders are now working through the grind of coming to grips with a changing world, building a shared understanding of what is happening, working through what is in their individual and collective economic and strategic interests (especially as they look to what sort of economies they are going to be in five or ten years' time), working through the role of markets and the state in their economies, understanding the myriad connections between domestic and international economic policy in an interdependent and connected world, building up trust, and working out patterns of interaction and behavior between themselves, not least whether they are tied to old sentiments of a north-south divide. Building up patterns of cooperation between leaders and between their government networks in this sort of world takes time and is hard but, frankly, it is the only basis for successful transformation.

Ensuring the G20 is effective

Much of the discussion over the next few days will also be focused on how to ensure that the G20 is as effective as possible. Mike Callaghan and others have written on ways to achieve this and their contribution is welcome and valuable.

The sorts of things that matter to effectiveness here include:

- *keeping the nature of G20 as a leader-led forum, to ensure that it focuses on the real problems that require using the political power of the leaders of the biggest countries in the world.*

That means retaining focus on the issues that matter; ensuring meetings enable open, frank and strategic dialogue as much as possible; explaining clearly and directly to the public what leaders see as the challenges and what they and their governments are doing (or, in jargon, 'getting the narrative right'); always looking for action, even if it is incremental; retaining ambition and enthusiasm; and delivering on commitments by ensuring the discipline that comes from transparency and accountability.

- *keeping countries' eyes on shaping the future and not reliving the battles of the past.*

We are all creatures of our pasts but we don't want to be prisoners of our pasts. The G20 is more effective as a problem solving tool if countries are engaged flexibly and work to build coalitions for action. We now have two sub-groups in G20: the G7/8 and BRICS. There are elements of commonality within these sub-groups but there are also many, and possibly more, elements of common interest that cut across these groups. They have a flavor of past north-south divides, not current and future

interests. They risk creating brittleness in interaction and domestic political and bureaucratic cultures that look first for cooperation between the north or between the south, and hence limit our sense of the possible and our common purpose at the G20 table.

- *working more closely with non-G20 countries, international organisations and our communities, including business, organised labour and civil society.*

Once G20 leaders said at Pittsburgh on 25 September 2009 that the G20 is the premier forum for their economic cooperation, everyone else's interest in what G20 says and does rose greatly.

The G20 does not claim to speak for the world but only for itself, and it works very carefully to respect the decision-making mechanisms of global economic institutions. But the fact of who is speaking when G20 speaks, and the consequences for everybody when it acts, mean that broad and real engagement beyond G20 and beyond governments is absolutely essential.

Engagement has been progressively strengthened, with other countries, institutions (especially the UN), and our communities through bodies like B20, L20, C20, Y20 and, of course, Think20. This is now an essential feature of G20, and all the more so now because action requires careful thought and support to be articulated and implemented, and that can't be done without broad-based support. Russia has taken this a step forward in officials' meetings and should be congratulated for it.

For Australia, we would ourselves highlight the participation of Asia in G20 – that six members of the G20 are Asian and that this did not occur by chance (the alternative model in 2008 was a G8+5 model, excluding Australia, Indonesia and South Korea, and one of the reasons President Bush called a meeting of G20, rather than G13 or G14, in November 2008 was the participation of these three countries). Australia puts particular importance on the participation of the chair of ASEAN as a guest of G20, which will be Myanmar in 2014, on active engagement with Asia on G20 issues (such as this meeting), on the coherence and resonance with regional forums like APEC and EAS (noting that we have worked closely with Indonesia and Brunei as chairs this year and will do so with China and Myanmar as chairs in 2014), and on strengthening the Asian voice in the outreach groups mentioned earlier.

- *building close working relations between the members of the G20 management team, the troika.*

At Cannes in November 2011, leaders said they would formalise the troika, rather than go down the route of a secretariat which was canvassed in Prime Minister Cameron's report on G20 governance as one way to ensure G20 is effective over time as chairing passes between countries.

My first sight of the internal workings of the troika is this year, when Australia entered the troika under Russia's presidency. It is clear to me that Russia has taken the commitment to strengthen the troika to heart and worked hard with Australia and Mexico to pre-test its tactics and strategy, to build support for its agenda, to ensure that it is long lived and does not end with its presidency, and to strengthen outreach and engagement with non-G20 countries. Russia and Australia both have a strong interest in the continuity, depth and credibility of the G20 agenda, and that common interest is a powerful incentive for cooperation. This is a feature we intend to continue in our presidency, continuing our strong working relationship with Russia and developing one with Turkey.