

What the G-20 Wants Back

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AUSTRALIA

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Australia has significant short and long-term interests bound up in the G-20, reflected in successive Australian governments' strong commitment to establishing the G-20 as a new peak global forum.

In the short term, Prime Minister Rudd is looking to the G-20 to mount a robust coordinated response to the global economic crisis, in order to minimise the length and severity of the global economic downturn and its impact on Australia's highly globalised economy.

Top of Rudd's agenda will be to broaden international support for coordinated fiscal expansion to help cushion the downturn. Australia has expressed concern that some governments are not prepared to do their bit. But this reflects at least in part their weaker fiscal and public debt position, and Australia acknowledges that individual circumstances will need to be taken into account.

Rudd is also emphasising the need to repair national financial systems by dealing with toxic or legacy assets as a priority for G-20 leaders. He urges international coordination and cooperation in order to share technical expertise and avoid a destructive 'race for capital', although the reality is that national preferences and circumstances will be the overwhelming drivers of this process.

Other Australian aims for the London meeting include:

- *A renewed G-20 commitment to open markets.* As a major trading economy Australia worries not only about a resurgence in trade protectionism but also so-called financial protectionism – an important issue for Australia given the significant role of foreign banks in the local economy.
- *International support for a strengthened global regulatory system along the lines of the Washington Action Plan.* Although his purpose may have been more political than economic, Rudd recently wrote a prominent essay proclaiming the end of 'neo-liberalism' and calling for a greater government role to rein in 'out of control' capitalism.
- *Buttressing domestic political support for the government's economic management.* Rudd has been reluctant to acknowledge that one of the reasons Australia is in a relatively strong position to weather the global economic crisis is the strong fiscal position and regulatory framework he inherited, but in London he will emphasise that Australia is one of best-performing OECD economies in terms of growth, unemployment, fiscal position, public debt and financial sector health (all of which also bolsters Australia's claim to a seat at the table).

Over the longer term, Rudd will seek to use the London meeting to advance Australia's longstanding argument that the G7/8 no longer reflects global power realities and needs to be replaced by a body that reflects the rise of China and India in particular and the shift of global economic power towards Asia in general. As well as promoting the primacy of the G-20 he will want to lock in the G-20's existing membership – both on grounds of national interest (the G-20 gives Australia a seat at the top table; no government will want to surrender that) but also on substantive grounds: opening up membership discussions would serve only to distract attention from the urgent business at hand.

Like the Howard government, the Rudd government is a strong advocate of IMF and World Bank reform. Australia is co-chair with South Africa of the G-20 working group on Reform of the IMF and would like to see a range of measures, including increased resources, changes to lending processes and instruments, and improved governance (reform of the Executive Board and increased representation of emerging markets/developing countries).

Australia will look to work closely with the other Asia-Pacific members of the G-20, which are its major economic, and in most cases strategic, partners. It will be interesting to observe whether we start to see the emergence of G-20 regional caucuses based on shared regional interests and perspectives.