

A force for good

The Age
12 November 2010

John W.H. Denton

**Chair of the Business Council of Australia's Task Force on Global Engagement
Partner and Chief Executive Officer, Corrs Chamber Westgarth**

A major challenge for the Group of Twenty nations (G20) is to make sure that it acts in the economic interests of all nations, not just its members.

Such an objective will be essential if the economic priorities of the G20 are to continue to be relevant and effective in supporting sustained economic growth across the globe. It will also be important in helping the G20 to counter successfully claims that it does not represent the interests of smaller nations or those with the least developed economies.

The American academic Barry Eichengreen, who has provided tremendous insights on the workings of the G20, captured the issue well when he wrote: "No one appointed these 20 countries to run the world."

This challenge can be addressed this week when G20 leaders meet in South Korea – and Australia, through Prime Minister Julia Gillard, can and should play a key role.

The Business Council of Australia is advocating three steps that G20 leaders should take to improve the economic prospects of all nations.

First, the G20 should continue to secure a coordinated approach to tackling the major international economic policy challenges of the day, just as it has done so successfully in recent years. It demonstrated its capability when governments worked to coordinate economic stimulus packages at the time of the global financial crisis. It has also played an instrumental role in achieving much-needed reforms to the governance of the International Monetary Fund.

More recently, the G20 has overseen the development of new proposals to reform the regulation of financial institutions. These changes must strike the right balance between the need for global industries to have capital available at a reasonable cost against the need for prudent safeguards against future risks to national and international financial systems.

Now the G20 is turning its attention to concerns over currency exchange rates policies. Efforts to forge an understanding about the need for all economies to have a market-based arrangement to setting foreign exchange rates is a significant step. This is a critical area of policy that complements trade and investment reform and would set an example for other institutions and governments to follow.

Second, international trade and investment liberalisation should be elevated to become a top priority and one that is permanently on the G20's agenda. Until now, the G20 has issued statements calling for a conclusion to the World Trade Organisation's Doha round of trade negotiations. But it has not engaged directly in policy actions to help achieve greater trade liberalisation.

The most effective way for G20 nations to elevate trade and investment policy would be to take an active leadership role in achieving, before the end of 2011, a meaningful conclusion to the Doha round.

A Doha agreement that achieves new international trade opportunities in goods, agriculture and services would boost world GDP by \$283 billion per year, or about 0.5 per cent. This would demonstrate that the G20 is prepared to act in the interests of nations beyond its membership. It would also help turn back the creeping tide of protectionism across the world.

Third, the structural and organisational arrangements of the G20 can be further improved. This should involve linking the priorities of the G20 more explicitly to the work of regional institutions such as APEC and the East Asia Summit. Ideas could be developed and shared at a regional level and then taken to the G20. Importantly, this process could also work the other way.

It will also be important that the G20 continues to have direct access to perspectives from the business community. Private enterprise takes a global view. We are not linked to the interests of a particular nation. There would be significant benefits in having the newly established business group, which is known as the B20, become a permanent feature of the G20 structure.

The B20 was first convened when the G20 leaders met in Canada this year. Already it has been significant in enabling business leaders to input into the development of policy priorities.

As a global economic policy institution, the G20 has demonstrated that it has the capability to coordinate, develop and execute complex policy initiatives. But it faces a difficult road in convincing non-members that its policies will also benefit them. Therefore government and business leaders need to redouble their efforts to take the wider community with them when advocating important reforms.

If it takes the appropriate steps to prosecute important economic reforms fully, to elevate the priority it gives to trade and investment policy, and to improve its linkages to regional institutions and to business, the G20 can continue to contribute to an improvement in the economies of most nations.

Australia is well placed to lead in these areas, with Prime Minister Gillard attending both the G20 and APEC leaders meetings over the next two weeks. Business leaders are calling on the Prime Minister and all G20 and APEC leaders, to pursue these three steps as the basis for achieving greater openness, co-operation and growth.