



## **Address to the Second African G20 Conference: The G20 and Africa's Economic Growth and Transformation**

**Monday 11 November 2013, Crowne Plaza, Rosebank – Johannesburg**

It is a pleasure to be here today and to have the opportunity to contribute to this important and timely conference. I am particularly pleased to be involved in a conference organised by the South African Institute of International Affairs and the University of Pretoria, two institutions for which I have the highest regard and with which the High Commission has a close and supportive relationship.

I think the excellent keynote address by the Minister of Finance has set the stage for today's panel presentations and the broader discussions on the G20 and Africa's Economic Growth and Transformation.

I intend to focus on three key areas in my presentation. First, I will talk briefly about the importance of the G20 for Australia and the international community. Second, I will say what I can about the priorities for Australia's Presidency of the G20 bearing in mind that we don't actually take over that role from Russia until December at which time a formal launch of our G20 year will take place. Third, I will speak about the interface between the G20 and African interests, including the priority Australia attaches to its cooperation with South Africa, the only African G20 member.

### **The importance of the G20 for Australia and the international community**

Australia has a proud record of international engagement, both globally and regionally, from the establishment of the UN in 1945 to the creation of the Cairns Group of agricultural exporting countries, from the Colombo Plan to regional peacekeeping leadership roles in Cambodia, Timor Leste, Bougainville, and Solomon Islands (the RAMSI mission I headed for over two years from 2009-2011); and from the creation of APEC to a prominent role in the development of the G20. Australia is committed to active participation and policy leadership within the G20. Membership of the G20 gives Australia the opportunity to influence decision-making related to the global economy and to strengthen our engagement with the world's major economies and many of the key emerging economies.

As an open economy and middle sized power, Australia has a strong interest in a rules-based international order broadly supportive of the free flow of ideas, goods and services. However, Australia is not part of a natural, weighty grouping such as the EU, the AU or ASEAN. Hence, our bilateral, regional and global diplomacy needs to be active, creative and focused. Australia has taken on heavy international responsibilities over recent times with our election

as a non-permanent member of the UN Security Council for 2013-14, our assumption at the start of this month of the role of Chair of the newly named Indian Ocean Rim Association (IORA) and now our imminent Presidency of the G20.

We have seen at first-hand the nexus between security, development and growth. We are convinced that economic growth, development and trade are the key drivers of national and international prosperity, and help underpin global security. Indeed, the future of peace will be built on economic prosperity. That is why the Australian Government considers that economic diplomacy is a crucial component of foreign policy. Strong, open economies foster sustainable growth. In our own region, as economies have opened, standards of living have improved. And Australia's economic success is very much anchored in economic reform efforts over many years.

Australia believes the G20 has an important part to play in promoting economic reform, in strengthening the global economy, in revitalising international financial institutions and in improving financial regulation. The G20 played a crucial role in responding to the global financial crisis of 2008-09. It could be argued that the G20 prevented a recession, induced by a financial crisis, from becoming a full blown depression. There is no doubt that its decisive and coordinated actions boosted consumer and business confidence, and supported the first stages of the economic recovery, including by increasing the financial resources of the IMF in order to buttress the global monetary system. The G20 has set and delivered a major program of financial reform. It has established a framework for economic growth with real action plans, country-led peer review, and transparency. It has also served as a buttress to the outbreak of widespread protectionism and has embraced the global economic significance of the developing world. The G20 continues to focus on measures to support global economic growth, with a strong emphasis on promoting job creation and open trade.

That said, we know that the G20 faces significant challenges. The world has entered another transition and global growth is in low gear. In October, the IMF downgraded its global growth forecast for the seventh time since October 2011. The outlook is clouded with risks, old and new.

That is why Australia is approaching our G20 Presidency in a very pragmatic and purposeful way, confident in the capacity of the G20 to live up to its standing as the premier global forum for international economic decision-making, cooperation and reform but mindful of the many challenges to be addressed and of the need to ensure the G20 sticks to its core business.

### **Australia's G20 Presidency**

Australia sees its role as G20 host as one of stewardship for managing global economic transformation. Our approach will be marked by the following principles. First, the G20's most important asset is its leaders. So the G20 agenda needs to be a top-down, leader-driven forum with strong ownership of the agenda by leaders, while acknowledging that much effort is still required on G20 issues that lie below leader level. Second, the G20 is at its best when it focuses on global priorities on which it can add value. Third, a relevant and inclusive agenda is one that involves all members making collective decisions that focus on issues that matter to all G20 members and the world. Fourth, circumstances call for pragmatism. We will ask leaders to aim high but urge them to focus on practical and achievable actions for which all members share equal responsibility.

G20 leaders have agreed that strengthening growth and creating jobs must be our top priority. To deliver on this goal, we plan to organise the year around three themes, namely:

empowering the private sector to boost growth; building resilience in the global economy; and making the G20 work better.

The broad agenda for 2014 starts with the G20 Framework objective of delivering strong, sustainable and balanced growth. Given the limits of macroeconomic policy in many countries, we think G20 economies need to focus on mechanisms to boost growth and empower the private sector. Comprehensive growth strategies will have to deal with the central problem of lifting global growth. Those growth strategies will need to be member-led and reflect individual reform priorities. Early thematic discussions about priority reforms will be a key part of this across the Sherpa and finance tracks, as will robust empirical evidence quantifying the growth benefits of reforms. Areas for focus could be investment and infrastructure, employment, trade, and reforms that make it easier to do business, underpinned by sustainable macroeconomic policies.

At the same time, we need to keep building the resilience of the global economy to make sure we are better placed to handle future shocks. Priority should be given to implementing existing commitments on financial regulation, tax and other issues. We can also strengthen resilience through global governance reform. The G20 can work to bring about reform where global institutions have not sufficiently adapted to the changes that have been taking place in world markets (eg. IMF reforms and energy governance in the IEA).

Turning briefly to some of the specific priority G20 issues, we see investment, particularly in infrastructure, as a central component of growth strategies in the G20. This should include country specific actions to improve domestic investment environments. We need both to tap more fully the potential of global savings to fund quality projects and to ensure better project planning and mechanisms for project prioritisation in order to facilitate greater investment. Better use could be made of the Multilateral Development Banks in support of these priorities.

Given the strong links between growth and trade, it is appropriate that this issue be a priority in 2014. The weak global recovery means that trade, despite a temporary recovery, has not bounced back the way it has in previous downturns. This is detrimental for economic growth and development in all countries, which in turn is bad for jobs. The G20 is not a trade negotiating forum but it can be used to identify the major gains that can be made through domestic reforms that remove obstacles to trade and boost economic activity.

G20 leaders are united in their resolve to deliver more and better quality jobs. According to the World Bank, we will need to create 600 million new jobs between 2005 and 2020 to absorb young people entering the work force, spur development, empower women and prevent unrest. To achieve this, we will need strong and stable growth for a sustained jobs recovery. The key to this will be creating an environment in which the private sector is encouraged to invest and grow, so that it employs more people. We also need to address structural unemployment, underemployment, youth employment and job informality through broad-based structural reforms. Australia is pleased that St Petersburg laid out a solid agenda for the Employment Task Force in 2014 and we look forward to countries developing strategies to address these issues.

Work will also continue in 2014 on financial regulation reform and on implementing the work program on tax base erosion and profit shifting (BEPS), including automatic exchange of information.

We might also explore how to improve the resilience of energy markets by continuing work to enhance the transparency of those markets and by beginning a broader discussion on international energy governance and collaboration on energy, including a possible information exchange mechanism to help manage major gas market supply disruptions.

In terms of making the G20 work better, we sense a strong feeling among members that the G20's processes need streamlining. The G20 is about using leaders' political capital to drive outcomes so we need a free-flowing exchange between leaders on two or three issues that really matter. Communiqués should be short, sharp and tailored to a broader audience, so that the public can make sense of what we are doing and why. A more disciplined approach is needed to agenda setting and Sherpas' discussions should be directed at leaders' outcomes. There is also scope to improve coherence across the G20's work streams, including between Sherpa and finance tracks, and with the working groups.

Following Russia's example, Australia is committed to engaging with the international community throughout our G20 year. We have appointed a G20 Special Representative, Mr Daniel Sloper, from the Department of Foreign Affairs, to help with international engagement.

Engagement groups (including the B20, C20, L20, Y20 and T20) will continue to play an important role in 2014. We are seeking a partnership approach. Australian organising committees for business, civil society, labour, think tanks and youth have been established to work with their G20 counterparts.

The question of engagement and outreach leads me to the final section of my presentation on the interface between the G20 and Africa.

## **G20 and Africa**

Australia recognises that meaningful engagement with countries outside the G20 is important to achieving results that are relevant and have a lasting impact for the global economy. For that reason, Australia strongly supports G20 outreach to non-G20 member states.

Australia will undertake a broad and active outreach program throughout our host year, including with the African Union and the New Partnership for African Development. Australia will work closely with the Chairs of the AU Assembly and NEPAD during our Presidency. Invitations have been extended to our first Sherpas' meeting on 12-13 December in Sydney; to the Development Working Group meeting on 16-17 December in Sydney; and to the Finance Deputies meeting on 15-16 December in Canberra. We are exploring the option of conducting outreach at the AU Summit in January.

We will also be listening closely to the ideas and perspectives of Commonwealth members, many of whom are African countries, as we move into our G20 host year. Having a continued close working relationship between the Commonwealth and the G20 is beneficial to both parties, including through the Australian-funded Annual G20-Commonwealth Dialogue and Annual G20-Commonwealth-La Francophonie Development Dialogue held since 2012. Australia will be briefing the Commonwealth on the 2014 G20 agenda during this week's CHOGM in Sri Lanka.

A major area of interest for African countries is the G20 development agenda which remains central to our goal of strong, sustainable and balanced growth. Stronger growth in G20 economies will benefit developing countries. In turn, growth in developing countries will

strengthen the global economy. Australia is committed to working closely with Africa on that agenda, especially with South Africa as Development Working Group (DWG) co-chairs.

We welcome the St Petersburg Development Outlook, delivered under Russia's presidency. During our G20 presidency, Australia will ask G20 partners to support solutions that help the private sector to drive growth and job creation in developing countries.

We believe the Development Working Group needs to concentrate on fewer key areas where actions and reform are most critical to ensuring inclusive and sustainable growth in developing countries. We will therefore draw on the Outlook to focus on three development initiatives that will have a high impact on development outcomes, notably tax (ie. domestic resource mobilisation), infrastructure and access to banking and financial services (ie. financial inclusion).

We are mindful that the G20 leaders' target to reduce the global average cost of transferring remittances to five per cent falls due in Australia's host year (the current global average is 8.93 per cent). We will seek support for Australia's proposal in the Development Working Group that each member commit to one domestic or international action to help reduce costs.

We also note the critically important work of the UN in defining a new post-2015 development framework. While recognising the UN as the proper forum for these discussions, we think there may be value in seeking G20 leaders' political support, with a focus on ways to catalyse private sector investment to create jobs and drive growth.

Australia recognises the need to work across G20 tracks to achieve progress on food security in the G20, to provide enough food now for the 870 million people in chronic hunger, and to meet longer-term demand. We acknowledge that the G20 has a role in fostering conducive market conditions and a supportive enabling environment to increase agricultural productivity. The potential dividend in economic growth, employment and human welfare could be significant if we can pursue food security through growth strategies.

In essence, therefore, across the whole G20 development agenda, Australia will be mindful of African interests and we look forward to working closely with Africa to refine our thinking on the development agenda.

We particularly look forward to continuing our close cooperation with South Africa as co-chair of the Development Working Group and as a key partner in the G20.