

# The Relevance of Democracy, Human Rights and Social Justice for the G20 Process: An Australian Perspective

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At the Konrad Adenauer Stiftung's International Symposium, *The G20 Process—Perceptions and Perspectives for Global Governance*, one session was set aside to consider the question “Do or should concepts such as democracy, human rights and social justice have any relevance within the G20 process?”.

From an Australian perspective, the answer is an unqualified “no”. That is, while democracy, human rights and social justice are related to the topics on the G20's agenda, they are not and should not be the focus for this emerging and still fragile grouping. Instead they are best seen as by-products of a well-functioning G20 that fulfils its primary purpose of coordinating global economic action.

## Never Waste a Crisis

As the global financial crisis (GFC) gained momentum in 2008, it became clear that its effects would not be limited by transnational boundaries. Initially there was discussion of tackling the crisis through institutions such as the Group of Seven (G7), Group of Eight (G8) and others to which Australia was not a party.<sup>1</sup> The issue was finding a grouping which brought together the countries that needed to be at the table. For example, French President Nicolas Sarkozy proposed the possibility of a “G14”, a group that would not include states such as Australia.<sup>2</sup>

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\* The views expressed are those of the authors. The authors thank Australian government officials interviewed anonymously for this chapter.

<sup>1</sup> Thom Woodroffe, “Rudd Helped World Find its G-Spot,” *Brisbane Times*, 2 July 2010: <<http://www.brisbanetimes.com.au/opinion/politics/rudd-helped-world-find-its-gspot-20100702-ztnz.html>>.

<sup>2</sup> Andrew Cooper, “The G20 as an Improvised Crisis Committee and/or a Contested ‘Steering Committee’” (2010) 86 *International Affairs*, 741, p 746.

In light of the magnitude of the GFC many of the “other 12”, including Australia, campaigned hard to elevate the Group of Twenty (G20) which previously met at finance ministers’ level to a leaders’ level summit. Australian Prime Minister Kevin Rudd engaged a number of the G7 nations to advocate the need for a global response to a global economic downturn.<sup>3</sup> Factors included the global reach of the G20 and the imminence of economic danger which did not allow for the formation of new bodies.

Partly due to this pressure, the “other 12” ultimately saw victory when George Bush convened the first G20 leaders’ summit in 2008.

## **G20 and the “Other 12”**

When the G20 was established at ministers’ level in 1999 membership was a critical question for the G7/8 to assess. The financial crises of the 1990s had indicated that a larger and more diverse group was necessary to address financial instability, including among emerging economies.<sup>4</sup> The group needed to “capture the shifting geographic distribution of economic weight in the world economy”<sup>5</sup> while remaining regionally balanced. Another important factor was size: the group needed to be small enough to facilitate open and efficient discussion.<sup>6</sup>

While the G20 does not directly represent the top 20 richest countries in the world, membership is strongly economically based with a desire to be regionally inclusive. Currently the G20 economies capture 87% of global GDP and 78% of world trade.<sup>7</sup> The G20 also represents two-thirds of the world’s population,<sup>8</sup> giving it a clear advantage over less-representative groups such as the G7.<sup>9</sup>

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<sup>3</sup> Matthew Franklin, “PM Kevin Rudd’s Role in International Crisis Summit”, *The Australian*, 25 October 2008: <<http://www.theaustralian.com.au/news/pms-role-in-crisis-summit/story-e6frg6no-1111117850306>>.

<sup>4</sup> Group of Twenty, “Group of Twenty: A History – Executive Summary”, 2007: <[http://www.g20.org/pub\\_index.aspx](http://www.g20.org/pub_index.aspx)>, p 5.

<sup>5</sup> Mark Thirlwell, “Towards the London Summit: Next Steps for the G-20”, 2009, Lowy Institute for International Policy: <<http://www.lowyinstitute.org/Publications.asp>>, p 9.

<sup>6</sup> Group of Twenty, “Group of Twenty: A History – Executive Summary”, 2007: <[http://www.g20.org/pub\\_index.aspx](http://www.g20.org/pub_index.aspx)>, p 19.

<sup>7</sup> Department of Foreign Affairs and Trade, “Trade at a Glance 2010”, 2010: <<http://www.dfat.gov.au/publications/trade/>>, p 38.

<sup>8</sup> *Ibid.*

<sup>9</sup> Mark Thirlwell and Malcolm Cook, “Geeing up the G20”, 2006, Lowy Institute for International Policy: <<http://www.lowyinstitute.org/Publication.asp?pid=719>>, p 9.

Unsurprisingly many of the “other 12” consider themselves fortunate to be part of what some are now calling the world’s “premier economic forum”. Middle powers and strategic economies alike were promoted to a position of greater influence in the global economy. The reason for their selection over other states was varied; however it did not depend on democracy, human rights or social justice.

For the states involved, G20 is seen as an effective grouping in the sense of utility. It has the practicality and convenience of a relatively small group, but sufficient breadth of representation to include the key players needed. It is demonstrably more representative than the G8, but this is less a calculation based on legitimacy than it is on effectiveness: because it is representative of the major economies of the 21st century it works better than the alternatives. At a time when global multilateralism is criticised, it represents a functional approach to coordinating national action on global economic issues.

### **Australia’s Motivations**

From interviews with Australian policymakers, it is clear that Australia’s promotion of the G20 was not directly motivated by factors such as democracy, human rights and social justice. Australia strongly supports these values—both at a domestic level and through its democracy promotion and international development assistance programs. However this was not a factor in Australia’s advocacy of the G20 as a crisis response. Rather, Australia was focused on two immediate goals: a strong response to the GFC and maintaining open trade. Its longer-term goal was to secure a “seat at the table” in major global forums.

#### *Crisis Response and Maintaining Open Trade*

In 2008, the world’s leaders were staring at the possibility of an economic catastrophe: a catastrophe whose devastation was etched on “the faces of working Australians” according to Former Prime Minister Rudd.<sup>10</sup> There was strong continuity between the domestic and foreign agendas and the ambit of the G20.

Australia is a country which is highly exposed to fluctuations in world trade. In 2009 Australia ranked as the 22nd largest exporter and the 18th largest importer of international goods and services.<sup>11</sup> Trade accounts for one in five

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<sup>10</sup> “Rudd Urges World Leaders to Learn from GFC in UN Address”, *The West Australian*, 24 September 2009: <http://au.news.yahoo.com/thewest/a/-/newshome/6096562/rudd-urges-world-leaders-to-learn-from-gfc-in-un-address/>

<sup>11</sup> Department of Foreign Affairs and Trade, “Trade at a Glance 2010”, 2010: <<http://www.dfat.gov.au/publications/trade/>>, p 13.

Australian jobs, equivalent to over 2 million jobs.<sup>12</sup> Australia is an advocate for increased and less restricted global trade.

A typical reaction to domestic economic recession is the implementation of protectionist measures to protect trade and trade-reliant domestic industries. This would have significantly hindered Australia's economy and ability to recover from the global economic downturn.

Australia has been pleased with the G20's response on these issues. The 2008 official communiqué underscored "the critical importance of rejecting protectionism and not turning inward [at a time] of financial uncertainty".<sup>13</sup> Prime Minister Julia Gillard noted that results like the G20 leaders' statement promoting successful conclusion of the WTO Doha Development Round act as a strong motivator for Australian involvement.<sup>14</sup>

### *A "Seat at the Table"*

The longer-term aim for Australia is to be part of discussions on global economic issues. Australia has a key interest in having a voice in outcomes, not just leaving this to key players. Prime Minister Gillard has said that Australia's voice needs to be heard in the councils of the world directly—not through an agency or regional ally.<sup>15</sup> Being "at the table" means that Australia has the capacity to influence the decisions that affect it.

Australia is a "middle power" in a descriptive sense. It has some power—for example it is the world's 14th largest economy<sup>16</sup>—but for a country like Australia, power and influence don't come just because of its size. This has led to a focus on Australia as an "activist middle power" which seeks to promote niche issues and a favourable international system. The deep fear is of being left out and having to accept the decisions of others.

For Australia to avoid the effects of the GFC and increase its economic influence it needed a forum with a suitable membership base and mandate. The elevation of the G20 to a leaders' level was a clear way to achieve this. Australia recognised the need to advocate for a voice in the body tasked to respond to the GFC, and it did so strongly.

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<sup>12</sup> Ibid 34.

<sup>13</sup> Group of Twenty, "Declaration Summit on Financial Markets and the World Economy", 15 November 2008: <<http://www.g20-g8.com/g8-g20/g20/english/what-is-the-g20-/past-summits/previous-summits.72.html>>, p 4.

<sup>14</sup> Julia Gillard, "APEC Summit Concluding Statement", Yokohama, Japan, 14 November 2010: <<http://www.pm.gov.au/press-office/transcript-press-conference-4>>.

<sup>15</sup> Julia Gillard, "Closing Statement from Pittsburgh Summit", 25 September 2009: <<http://pmrudd.archive.dpvc.gov.au/node/6224>>.

<sup>16</sup> Australian Stock Exchange, "The Australian Market", 2011: <http://www.asxgroup.com.au/the-australian-market.htm>

There is evidence that Australia was also motivated to increase the influence of the Asian region and emerging economies more broadly, in the same way that G7 members were focused on achieving a more global and regionally balanced mandate.<sup>17</sup> However this is a long way from being motivated by democracy, social justice or human rights.

## **Australia's Contributions**

In line with these motivations, Australia's contributions to the G20 to date have focused first on contributing to the G20's crisis response and then on improvements to international economic governance. Democracy, human rights and social justice have not been the primary focus; however there have been positive effects on these areas through Australia's constructive role.

In a recent speech Prime Minister Gillard paid homage to the contribution of Australia to the reconstitution and agenda of the G20, indicating that it was not in Australia's nature to "stand on the sidelines when [it has] something to contribute".<sup>18</sup> The influence and impact of Australian membership has taken a number of forms.

### *Contribution to the G20's Crisis Response*

Australia made a large fiscal contribution in pursuit of G20 goals. In accordance with G20 leaders' decisions in London in 2009, Australia introduced a stimulus strategy to combat the global economic recession. This contribution cost Australia \$42 billion; cumulatively adding to the largest and most coordinated fiscal and monetary stimulus ever undertaken<sup>19</sup> with a total value of approximately \$5 trillion.<sup>20</sup>

The overarching aim of the coordinated action was to support the global economy. This brought social justice and human rights benefits like keeping people in jobs, particularly the most vulnerable who are worst hit in times of economic crisis.

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<sup>17</sup> Gordon Brown, "G20 Summit Speech", London, 3 April 2009.

<sup>18</sup> Julia Gillard, "Speech to the G20 Heads of Mission Dinner", Canberra, 20 March 2011: <http://www.pm.gov.au/press-office/speech-g20-heads-mission-dinner>

<sup>19</sup> Group of Twenty, "Leaders' Statement, Pittsburgh Summit", 24-26 September 2009: <<http://www.g20-g8.com/g8-g20/g20/english/what-is-the-g20-/pastsummits/previous-summits.72.html>>, p 1.

<sup>20</sup> Julia Gillard, "Speech to the G20 Heads of Mission Dinner", Canberra, 20 March 2011: <http://www.pm.gov.au/press-office/speech-g20-heads-mission-dinner>

### *IMF Reform*

Another example of Australia's successful contribution to G20 initiatives is its commitment to increase the accountability and representative nature of the Bretton Woods institutions to give major emerging markets a greater voice. At the leaders' level the ambit of this topic was narrowed to IMF reform.

The IMF supported this cause stating that "adequate voice and participation by all members should be assured, and the distribution of quotas should reflect developments in the world economy".<sup>21</sup> A working group was developed by the G20 to pursue and facilitate discussions and Australia and South Africa were selected as co-chairs.

Progress on this matter was achieved in 2008, when the G20 Declaration included IMF reform. Praise has been given to both Australia and South Africa for their commitment and selfless diplomacy skills in their ability to achieve an outcome. This was seen as a difficult task, requiring skill and persuasion. It shows Australia's potential to play a pragmatic role. Importantly, Australia was not part of any "bloc" in discussions and did not itself gain directly from reform. Australia received much kudos for its efforts.

### *Outreach to Non-G20 Members*

Finally, Australia has taken on some responsibility to represent the interests of regional non-members; a commitment very similar to that which South Africa made when gaining entry to the G20 in 1999.

Australia has participated in outreach on G20 policies to New Zealand and the South Pacific. The Prime Minister has indicated that Australia intends to address global economic challenges within the G20 in a manner complementary to other international forums to which New Zealand is a party.<sup>22</sup>

As a further outreach mechanism, Australia has suggested that other regional forums link with the agenda of the G20.<sup>23</sup> Creating a synergy between regional and G20 agendas allows further states and regional forums representation at the G20 decision-making level. In this sense, it is not an either-or proposition with much potential for the G20 to work with other bodies. The G20 Seoul Summit committed to extending outreach arrangements for fi-

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<sup>21</sup> The Treasury, "Quota Reform and the G-20", 26 April 2006: <<http://www.treasury.gov.au/contentitem.asp?NavId=017&ContentID=1102>>, p 1.

<sup>22</sup> Julia Gillard, "Tribute to Australia-New Zealand Friendship", Trans-Tasman Business Circle Luncheon, Auckland, 15 February 2011: <<http://www.pm.gov.au/press-office/trans-tasman-business-circle-luncheon-auckland>>.

<sup>23</sup> Julia Gillard, "Speech to the G20 Heads of Mission Dinner", Canberra, 20 March 2011: <http://www.pm.gov.au/press-office/speech-g20-heads-mission-dinner>

nancial security issues that are of particular interest to emerging markets and developing economies.<sup>24</sup>

## **The Future of the G20**

Looking to the future, it is hard to see Australia viewing the G20 as a forum directly to promote democracy, human rights and social justice. Australia's current focus for the G20 is to help it consolidate its position as the premier body for co-ordination on core economic issues.

The G20 leaders' summit proved itself as a "crisis response" institution during the GFC; now it is being asked to deliver as a "steering committee" for the world's economy bridging the gap of governance between states and markets.<sup>25</sup>

### *Core Economic Issues*

A symptom of the G20's relative success is the desire to expand and diversify the group's original mandate. Since its inception the G20 has focused on promoting "cooperation to achieve stable and sustainable world growth".<sup>26</sup> In approaching the sixth G20 leaders' summit in France the scope of the agenda has broadened much further.

The responsibility of expanding the G20's agenda should not be taken lightly. Numerous international organisations have a history of over-promising and under-delivering: a symptom of attempting to cover too much. The G20 must do its best to deliver more than empty platitudes.<sup>27</sup>

To avoid this, Australia would suggest that the G20 concentrated on proving itself in its core business of economic issues. In Australian parlance this would be termed "putting runs on the board" to prove its ability to address international finance and economics with pragmatism and authority. As a new grouping in a world where there are a number of other potential forums, the G20 needs to embed itself and show its legitimacy by delivering on its current agenda.

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<sup>24</sup> Mike Callaghan, "Where are we in terms of heightened regulation and why are we here", 9 March 2011, Australian Government Treasury: <[http://www.treasury.gov.au/documents/1988/HTML/docshell.asp?URL=Mike\\_Callaghan\\_Regional\\_Symposium.htm](http://www.treasury.gov.au/documents/1988/HTML/docshell.asp?URL=Mike_Callaghan_Regional_Symposium.htm)>.

<sup>25</sup> Andrew Cooper, "The G20 as an Improvised Crisis Committee and/or a Contested 'Steering Committee'" (2010) 86 *International Affairs* 741, p 750.

<sup>26</sup> Group of 8, "Final Communiqué Cologne, Germany", 20 June 1999: <<http://www.g8.utoronto.ca/>>.

<sup>27</sup> Mark Thirlwell, "Towards the London Summit: Next Steps for the G-20", 2009, Lowy Institute for International Policy: <http://www.lowyinstitute.org/Publication.asp?pid=993>, p 5.

A focus on the economy is not inconsistent with social justice. Efforts to promote economic stability, increased fiscal standards, growth and job creation will result in greater consumer and social protection, as well as safeguard the G20's longevity and legitimacy.

## **Resources and Food Security**

A focus on economic issues is also not inconsistent with a focus on development. Development was introduced to the agenda in Seoul 2010. President Sarkozy indicated that 2011 will focus on aid and transparency in markets of primary products, particularly agriculture.<sup>28</sup> Prime Minister Gillard has welcomed the expansion of the G20 agenda to include issues such as job creation, food security, energy markets and climate change.<sup>29</sup>

In its development agenda, the G20 may be wise to focus on critical constraints to achieving rapid, equitable and sustainable growth in developing economies.<sup>30</sup> If it took a wider approach, the G20 would risk becoming another layer in the hierarchy of agencies and organisations that oversee global efforts for promoting development.<sup>31</sup>

Agriculture and food security are issues President Sarkozy is determined to address during 2011's G20 process.<sup>32</sup> Presently, G20 nations represent 65% of the world's farmland and 77% of world production of cereals, accentuating the G20's suitability for these issues.<sup>33</sup> Prime Minister Gillard has indicated that food security is a topic that Australia welcomes to the 2011 agenda, as it is instrumental in tackling extreme poverty. Australia is also well equipped to engage in agricultural discussions given its historic and advanced involvement in the agricultural sector—"a unique set of tools" that Australia can share at the G20 agricultural ministerial meetings.<sup>34</sup>

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<sup>28</sup> Caroline Brancht, "2011 G20 Plans and Preparations", 2011: <<http://www.g20.utoronto.ca/g20plans/g20plans110502.pdf>>.

<sup>29</sup> Julia Gillard, "Speech to the G20 Heads of Mission Dinner", Canberra, 20 March 2011: <http://www.pm.gov.au/press-office/speech-g20-heads-mission-dinner>

<sup>30</sup> Republic of Korea, *The G20's Role in the Post-Crisis World* (Club de Madrid, 1st ed, 2010) 9, p 57.

<sup>31</sup> Ibid.

<sup>32</sup> "Priorities of the French Presidency", 2011: <<http://www.g20-g8.com/g8-g20/g20/english/priorities-for-france/the-priorities-of-the-french-presidency/the-priorities-of-the-french-presidency.75.html>>.

<sup>33</sup> Ibid.

<sup>34</sup> Julia Gillard, "Speech to the G20 Heads of Mission Dinner", Canberra, 20 March 2011: <http://www.pm.gov.au/press-office/speech-g20-heads-mission-dinner>



The G20 is well placed to address food security, for example through improving the reporting of food reserves, better cooperation to avoid a crisis, market oversight and regulating export restrictions.<sup>35</sup> Discussion and research on these issues are intended to limit price volatility, which has the effect of protecting farmers and consumers. This highlights the tendency of the G20 to attack political problems with economic solutions.

Similarly, issues of energy security and price volatility are well-suited to the G20 as the G20 constituents are consistently among the largest producing, consuming and trading nations.<sup>36</sup> Energy and resource markets can materially affect macroeconomic stability and growth, as well as create implications for fiscal and monetary policy.

The French agenda for 2011 is reminiscent of the agenda during Australia's G20 host year in 2006 where issues of energy and material security, resource supply/demand and rising commodity prices were at the forefront of concern at the ministerial level.<sup>37</sup> Prime Minister Gillard has indicated Australia's responsibility, as a reliable global resource provider, to contribute to discussion.<sup>38</sup>

### *Other Specific Issues*

Australia can be expected to look for other niche issues where it is well placed to make a contribution. This could include the issue of remittances from migrant workers, an issue that Australia and Indonesia have expressed interest in tackling. This is an area where cooperation to improve the system by reducing transaction costs would have a huge impact, particularly on the poor.

Following from the food security agenda, FAO reform has been mentioned as another area of focus.<sup>39</sup> Climate change is also a potential area for coordination, for example regarding international taxes and trade barriers for products or services that emit high levels of carbon dioxide. These are areas which have a real potential to benefit social justice and human rights, although this is not the direct focus.

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<sup>35</sup> Caroline Brancht, "2011 G20 Plans and Preparations", 2011: <<http://www.g20.utoronto.ca/g20plans/g20plans110502.pdf>>.

<sup>36</sup> The Treasury, "Explanatory Note: Background Papers for G-20 Workshop on Global Energy and Mineral Markets", 2006: <[http://www.treasury.gov.au/documents/1150/HTML/docshell.asp?URL=01\\_Explanatory\\_Note.asp](http://www.treasury.gov.au/documents/1150/HTML/docshell.asp?URL=01_Explanatory_Note.asp)>.

<sup>37</sup> Gordon de Brouwer and Luke Yeaman, "Australia's G-20 Host Year: a Treasury Perspective", 2007: <<http://www.g20.utoronto.ca/biblio/index.html>> 29, 33.

<sup>38</sup> Julia Gillard, "Speech to the G20 Heads of Mission Dinner", Canberra, 20 March 2011: <http://www.pm.gov.au/press-office/speech-g20-heads-mission-dinner>

<sup>39</sup> Ibid.

## Conclusion

From Australia's perspective, the G20 is at a critical time in its development. G20 leaders should thus be cautious not to take on too much for fear of overloading an already growing agenda. The G20 needs to manage expectations and prove itself during its transition from a crisis response institution to a "steering committee" for the world economy.

This means that G20 leaders must be conscious of limiting its ambit of responsibility to international issues from an economic standpoint. To prevent the agenda from expanding to an unmanageable size, issues such as human rights, democracy and social justice are only capable of effective G20 action from an economic perspective. However, a well-functioning G20 is compatible with real improvements in human rights, including poverty alleviation. Without this the volatility of the free market is the world's only governance mechanism.<sup>40</sup>

Australia's overarching aim is to keep the G20 vibrant and working well. Australia wishes to ensure that the G20 remains relevant, workable and successful—not least because if the G20 proves unwieldy and discussion moves to a different forum, Australia is likely to be excluded.

Australia has played a vital role in the G20 which is likely to expand as other topics and outreach mechanisms are explored. Despite its uncertain future, the G20 has dramatically changed the composition of discussions on the global economy, giving Australia an opportunity to assume a role in the management of the global economic order.

With the expansion of the agenda concepts such as democracy, human rights and social justice have been pushed as suitable for G20 discussion; however these issues should be properly seen as a result or by-product of a well-functioning G20, not as core topics for the G20.

The G20 should focus on the areas where it can contribute and build its legitimacy rather than try to duplicate the work of existing organizations. If it does its job well, it provides a global public good. In the words of Australia's Prime Minister: "A strong and successful G20 means growth and growth means jobs and jobs mean an opportunity at a good life."<sup>41</sup>

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<sup>40</sup> Andrew Cooper, "The G20 as an Improvised Crisis Committee and/or a Contested 'Steering Committee'" (2010) 86 *International Affairs* 741, p 750.

<sup>41</sup> Julia Gillard, "Speech to the G20 Heads of Mission Dinner", Canberra, 20 March 2011: <http://www.pm.gov.au/press-office/speech-g20-heads-mission-dinner>