

# Australian Participation in the G20

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Australia is committed to active participation and policy leadership within the G20. Indeed, Prime Minister of Australia in 2007-09, Kevin Rudd, is often credited with bringing the leaders of the G20 together for their first summit in September 2008. Four years later, the public, media and the international community have taken the G20 as a given and they expect that the old powers under the umbrella of the G8 would sit down at the table to discuss urgent international issues with the emerging economies as equals. In retrospect, this may be the case. History, however, could have gone in a different direction. In 2008, many multilateral and regional venues had existed for countries to manage their common problems: on macroeconomic issues, there were the remnants of the Bretton Woods system, the International Monetary Fund (IMF) and the World Bank; the old power club, the Financial Stability Forum of G7, G8; the World Economic Forum (WEF); the Bank of International Settlement (BIS) of central banks, and the list goes on. With many multilateral institutions available, there were still concerns about the relevance of these institutions. *The Economist* commented on the G8 summit in July 2008 as all the signs showed a coming recession in many developed countries:

What is the point of their discussing the oil price without Saudi Arabia, the world's biggest producer? Or waffling about the dollar without China, which holds so many American Treasury bills? Or slapping sanctions on Robert Mugabe, with no African present? Or talking about global warming, AIDS or inflation without anybody from the emerging world? Cigar smoke and ignorance are in the air.<sup>1</sup>

It became clear that, even though emerging economies, especially BRICs, drew increasing worldwide attention, many still held that the “decoupling theory” was more of a dream than a reality, as evidenced in 2008 when emerging economies were affected by the economic down-turns in developed countries as they started reducing their imports. Dismissing emerging economies as major players, some people insisted that the above-mentioned multilateral venues remained the preferred options of policy makers and had no desire to see new groupings being formed to compete or even replace the old ones. For Australia and South Korea, especially their leaders, the then Prime Minister Kevin Rudd and President Lee Myung-bak, the G20 was the choice of their venue shopping

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<sup>1</sup> Anonymous, ‘International Government: what a way to run the world’, *The Economist*, 3 July 2008.

for dealing with the shared problems in the world. While emphasising that this grouping should not be “confined to just 14 countries,”<sup>2</sup> Kevin Rudd lobbied hard to upgrade the G20 from a gathering of finance ministers to a summit where heads of governments would meet and discuss their shared problems and steer the economic governance.

Australia is more a developed than an emerging economy even though its economy has been booming in the tail-wind of the Chinese and other Asian economies. It has a stable democratic political system, a mature economy, a healthy financial system, a disciplined fiscal policy, and a relatively harmonious society. Its governance indicators are all in the top 5 percentile in the world. The size of its economy ranks No. 19 while its GDP per capita ranks No. 17 in the world (one of the only two countries whose GDP per capita ranks top 20 among the G20; the other one is the United States, No. 10). While it is one of the rich established democracies, Australia faced some unique challenges: its political and cultural traditions are vastly different from those of its neighbouring countries where twenty-two of its twenty-four closest neighbours are developing countries and many are emerging democracies; the relatively small size of its economy and its heavy dependence on resource exports make it vulnerable to global, and especially regional, economic forces; and its traditional alliance system is changing rapidly. It is natural for many Australians to feel “nervous” about these changes:

The first is the growing economic power of China, followed closely by its growing political and military power. The second is that America’s role as a single pole of a unipolar world is inevitably coming to an end. And third, Australia’s new pattern of trade means that for the first time its main commercial partner, China, is not a strategic ally.<sup>3</sup>

These changes do not mean an imminent threat; they are altering the world in which Australia has to find its position and they do present challenges to its foreign policy—how to maintain its close alliance with its traditional like-minded countries, Britain and the United States in particular, while expanding its commercial interests with other Asian economies, China and India in particular. Moreover, Australia was affected by the crisis not because of its own doing. While its own banking system was quite healthy, capital supplies dried out the very day after Lehman Brothers collapsed. Its heavy reliance on exports makes its economy sensitive and vulnerable to international changes. Finally, with a relatively small population of 22.6 million, it is a challenge for Australia to maintain its relevance in the international arena.

These are the challenges; but they could become opportunities too. All countries want to be “relevant countries”. Large countries often take their

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<sup>2</sup> Anonymous, “No Worries”, Special Report: Australia, *The Economist*, 28 May 2011, p. 16.

<sup>3</sup> Anonymous, “No Worries”, Special Report: Australia, *The Economist*, 28 May 2011, p. 15

membership of multilateral institutions for granted. As a relatively small country, Australia had to make special efforts to gain a seat at the table for rule-making and in so doing, it must pursue more than its naked national interests. Rudd later quoted Robert Zoellick to explain his own position: “All nations conduct diplomacy to promote their national interests. Responsible stakeholders go further: They recognize that the international system sustains their peaceful prosperity, so they work to sustain that system.”<sup>4</sup> With this belief, Rudd turned the challenges into opportunities:

First, being a close ally of the traditional powers and a close neighbour of emerging powers, Australia was in a good position to bridge the gap between very different groups of countries. The close ties with the United States have given “Australia a military and diplomatic heft it could not afford otherwise ... and aligned Australia’s preferences and fortunes so perfectly.”<sup>5</sup> Rudd’s knowledge about China and his ability to address Chinese leaders in fluent Mandarin were two powerful reasons for him to decide some time before he even became the prime minister that “much of his energy would be devoted to the management of regional power politics—notably relations between China and the United States.”<sup>6</sup> Despite the ignorance of George W. Bush of the G20 and his reluctance to upgrade the G20 to a summit of world leaders, Rudd managed to convince other American diplomats to support the cause. He also believed that solutions to many of the world’s problems nowadays would require the involvement of the Chinese and was able to convey the message to the Chinese leaders. When the Chinese President Hu Jintao acknowledged China’s global responsibilities just before the first G20 summit in Pittsburgh, it was a relief for Rudd and many world leaders.

Second, Australia’s democratic political system, its established market economy, its diplomatic history and even its geographical location give it credibility as a go-between. Any potential grouping with broad representation will have to include one or several countries in the Asia Pacific region and Australia is a major country in the region. Being known as a “middle power”, Australia has always shared some common objectives with other “middle powers” such as Canada and Northern European countries in dealing with global issues, such as foreign aid, human right and global health.

Third, its economy may be vulnerable to international changes, but its economic fundamentals in 2008 were sound. The government was able to put together a stimulus package quickly as the financial crisis started. This quick action gave it a legitimate role in convincing others to take similar actions.

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<sup>4</sup> Kevin Rudd, “The Future of the G20”, Speech at the European American Press Club, Paris, 27 April 2011.

<sup>5</sup> Michael Wesley, *There Goes the Neighbourhood*, Sydney: University of New South Wales Press, 2001, p. 165.

<sup>6</sup> Robert Macklin, *Kevin Rudd*, Camberwell, Victoria: Penguin Group Australia, 2007, p. 206.

Yet, there was a consensus in the country that the government could not go on propping up domestic demand by injecting financial resources. The world economy had to get back on a growth path, which could not happen until its financial system recovered. This would require collective actions among states, especially major economies, and restoration of confidence in the global financial system. Rudd was labelled by Australian newspapers as a “Man with a Plan” because he believed in restoring confidence, coordinating actions and restructuring the Bretton Woods institutions to make them more representative and more inclusive in decision making. Australia wanted not only to make this happen but also to be at the table.

None of these challenges, however, would have been turned into opportunities without effective leadership.

Kevin Rudd provided this leadership from late 2007 to 2009. The battlefield promotion of the G20 summit was not his doing, but he was one of the most persuasive voices arguing for it. In so doing, Rudd not only worked for the national interest (placing Australia at the table of a small club and exerting Australian influence in international affairs), but also for the broader interests (trying to create a peaceful and stable international environment where all countries could benefit). In many ways, the G20 summit of 2008 could be compared with the creation of NATO in 1949. Two individuals who played the key role in making these arrangements possible share some common visions and qualities: Lester Pearson, a Canadian diplomat and later Nobel Peace Prize winner in 1957, and Kevin Rudd, a diplomat turned politician. Their early career as diplomats stationed in Britain and later Washington for Pearson and Sweden and China for Rudd exposed them to a much broader world than their relatively small countries, provided them with a vision of internationalism, and also a realisation that the best way to protect the national interest of a small country is to pursue international cooperation actively by volunteering its ideas and services. One of the major differences is that Pearson moved up the ladder rapidly but step by step, from a diplomat to an ambassador, assistant under-secretary, assistant secretary and minister of external affairs while Rudd from a diplomat to the shadow minister of foreign affairs and then the prime minister right away. After winning the election in 2007, one of his first foreign policy decisions was to sign on the Kyoto Accord at the Bali Climate Change conference in December 2007. There he had emphasised that no agreement on climate change could have been reached without bringing on board the old and new powers—the United States, China and India. As he admitted later, Rudd had “mulled over” the idea of bridging the old and new for some time. The global financial crisis provided a catalyst for this selection of venue shopping.

The political debate held almost exclusively behind closed doors in 2008, was whether to continue to rely upon the G8; to broaden that grouping marginally, to include the major emerging economies of China and India, or whether to take the existing framework of the

G20 Finance Ministers meeting and elevate it to Summit-level. The inherent problem of the G8 was one of legitimacy; it virtually ignored the fact that the greatest engine of global economic growth for the decade ahead would be the dynamic economies of the Asia Pacific region. The problem with just having China and India in an expanded G8 was that it would deny a voice for Africa, for South East Asia, for the South Pacific, for Latin America and for the entire Muslim world. The advantage of the G20 was that it contained within its ranks five states from Europe, six from Asia, five from the Americas and four from elsewhere.<sup>7</sup>

In addition to his personal view on international diplomacy, and his understanding of the role a small country can play, Rudd also was able to take advantage of the networks Australian diplomats (including himself) and politicians had built over the years. He was volunteering to the leaders of other countries the services he and his government could provide—writing background papers, making suggestions, and liaising between the G8 and emerging economies. This was acknowledged by the President of the World Bank, Robert Zoellick: Rudd “established himself as a catalyst for better multilateral policy-making. Much of this work was behind the scenes, a combination of smarts, humour and attention to personalities.”<sup>8</sup>

Rudd’s diplomacy to promote the G20 summit was done in close cooperation with South Korea which had similar interests as Australia—being a relatively small country, South Korea is sensitive and vulnerable to international events. Fully aware of the active “forum shopping” by many countries at the height of the global financial crisis, South Korea was determined to be at the table for rule-making rather than being left outside the tent as a rule-taker. It saw itself in a group along with Australia, Brazil, Indonesia and South Africa. Its view on the G7 and BRICs was similar to that of Australia—G7 would not be able to bring to the table any global agreement anymore because of the rising importance of China and India in particular, while BRICs might have its legitimacy issues. Countries such as Australia and South Korea were able to bring together the traditional powers and emerging economies; they were also in a position to mobilise international constituencies to support major initiatives. If South Korea wanted to be at the table, it needed to play an active role, as Australia did.

To pursue the objective, the prime minister was supported by “the Australian G20 Sherpa” (the prime minister’s special representative for the G20); so was the president of South Korea. In both countries, the first G20

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<sup>7</sup> Kevin Rudd, “The Future of the G20”, Speech at the European American Press Club, Paris, 27 April 2011.

<sup>8</sup> Michael Fullilove, “Looking Good in New York, Sounding Good in Pittsburgh”, *The Australian*, 29 September 2009.

Sherpa was a diplomat who was quickly replaced by a well-trained economist. These individuals had the trust of the prime minister or the president and could negotiate with their peers. Their understanding of the global financial crisis in 2008 and 2009 clearly shaped the proposals put forward at the first G20 summit in Washington in September 2008 and London summit in 2009, where in particular, emerging economies committed to “restore confidence, growth, and jobs; repair the financial system to restore lending; [and] strengthen financial regulation to rebuild trust” along with the G7 which were responsible for the crisis in the first place. In return, they were promised that there would be reforms of international financial institutions, promotion of global trade and investment, and rejection of protectionism.

“As prime minister, Kevin Rudd’s big foreign policy initiatives and not unusually hectic international travel schedule soon earned him the sardonic nickname ‘Kevin 747’.”<sup>9</sup> His expertise in international diplomacy, his comfort with international leaders and his hard work undoubtedly allowed Australia to be at the table of this new grouping. They served national interests, as Zoellick explained: “by bringing together three networks of leaders in the US, Europe and the developing world, Rudd increased Australia’s influence.”<sup>10</sup>

Isolationism has never been a foreign policy tradition in Australia and withdrawing from the world has never been seen as serving the national interests. It is the belief of most of the leaders of Australia. Yet, from time to time, the country has swung between an emphasis on bilateral relationships and a weight on multilateral cooperation through multilateral channels.<sup>11</sup> Rudd’s pursuit of the G20 summit and the current Australian foreign policy of continuing participation at the G20 are based on the belief that the national interests of a relatively small country can only be protected and promoted through active leadership in multilateral actions. “Independence is not the expression of sentimental idealism,” Rudd said at the United National General Assembly meeting in 2008. “Interdependence is the new realism of this 21<sup>st</sup> century”. The world where Australia is making its way now is rapidly changing: it is squeezed between its traditional allies and rising China, India and Indonesia; its wellbeing is shaped by global rules and decisions, and by what is often beyond its control; and its relevance in international arena increasingly depends on its active role.

This is the world where Canada found itself after World War II. Canada had twice been dragged into wars in the previous 30 years and in the post-WWII era, it had even less control of its two powerful neighbours—the United

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<sup>9</sup> Michael Wesley, *There Goes the Neighbourhood*, Sydney: University of New South Wales Press, 2011, p. 128.

<sup>10</sup> Michael Fullilove, “Looking Good in New York, Sounding Good in Pittsburgh”, *The Australian*, 29 September 2009.

<sup>11</sup> Allan Gyngell and Michael Wesley, *Making Australian Foreign Policy*, Melbourne: Cambridge University Press, 2007.

Sates and the Soviet Union. Pearson worked tirelessly to bring together the two sides of the Atlantic for the national interest.<sup>12</sup> To protect and promote this national interest, a small country needed to inject more than its share of ideas, energy and efforts. This was what Rudd did in making the G20 summit a reality.

Any multilateral grouping has its critiques and downsides. Before the dust even settled, the relevance of the G20 was questioned by some G7 leaders; as British Prime Minister David Cameron later argued, “the G20 had finished its ‘heroic phase’ by the time of the Seoul summit,”<sup>13</sup> and the legitimacy question was raised by those who were not included in the grouping. While the London summit was underway in September 2009, Singapore led like-minded countries to form the global governance group (3Gs) with 28 countries (Bahamas, Bahrain, Barbados, Botswana, Brunei, Chile, Costa Rica, Guatemala, Jamaica, Kuwait, Liechtenstein, Malaysia, Monaco, Montenegro, New Zealand, Panama, Peru, Philippines, Qatar, Rwanda, San Marino, Senegal, Slovenia, Switzerland, UAR, Uruguay and Vietnam). They demanded that the G20 not take any actions that would undermine the UN. Singapore led the initiative by and large for national interests – not being included in the initial G20 was seen as a confirmation of its economic woes as its trade-dependent economy was one of the worst hit in Asia during the global financial crisis. Singapore’s claim, with the support of some of the ASEAN countries, that G20 lacked legitimacy presented a unique challenge to Australia, whose economy is becoming increasingly intertwined with Asian economies and whose national security is tied with many multi-faceted regional issues, such as natural disasters, infectious diseases, traditional and non-traditional security threats.

For Australia, the G20 does not preclude any bilateral, regional and multilateral cooperation. Its foreign minister Kevin Rudd in 2011 announced his initiative of Australia-China 2.0, a new phase of mutual economic engagement that “recognises, anticipates and prepares for the effect of China’s changing economic growth model;”<sup>14</sup> it continues its close alliance with the United States; and it actively participates in various ASEAN forums. The G20, nonetheless, is a preferred venue for international cooperation—it is large enough to include traditional and new powers; it includes countries from all continents; and it is small enough to be effective and efficient to bring some concrete agreements to the table. The G20 is a preferred forum for Australia to pursue its national interests also because of two incongruent relationships:

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<sup>12</sup> Thomas F. Keating, *Canada and World Order: The Multilateral Tradition in Canadian Foreign Policy*, 2<sup>nd</sup> edition, New York: Oxford University Press, 2001.

<sup>13</sup> Quoted from Bruce D. Jones, Richard Gowan and Emily O’Brien, “The G8 and the Threat of Bloc Politics in the International System”, Brookings Institute, 24 May 2011.

<sup>14</sup> Kevin Rudd, “Moving Business Beyond Beijing”, *The Australian*, 23 May 2011.

it is protected and sheltered by the US military and security protection while its largest trading partner is China with its rapid expansion of military muscle.

It has become even more important for Australia since 2008 that the G20 will continue to be the forum for promoting international cooperation on a variety of issues: global financial situations and economic stability, climate change, democratisation movement in the Middle East and North Africa, rising global food prices, famine in the Horn of Africa, and global nuclear safety after the Fukushima accident; the list is long. BRICs came out of the global financial crisis with few scratches and they also felt that they had fulfilled their part of the bargain during the global financial crisis. As sovereign debt issues reached critical levels not only in some European countries, but in Britain and the United States as well, BRICs increasingly resorted to their gathering to show their relevance and importance. One example was that as finance ministers met in Washington for the IMF-World Bank spring meeting in April 2011, China hosted a BRICs summit with its invitation of South Africa, too. There was little sign that the G8 would give up its grouping while the BRICs promoted “themselves as the ‘key emerging nations’ to challenge the long-time dominance of the West.”<sup>15</sup> It is critical for Australia to bridge the difference between the two camps while insisting on its seat at the table of global economic governance. “We can therefore ill afford losing any momentum for the institution we worked so hard to craft,” claimed the foreign minister Kevin Rudd in June 2011. “It is, therefore, in Australia’s direct international security interests to be in a position to directly shape the content of any future global governance rules.”<sup>16</sup>

One of the country’s foreign policy priorities is to fashion “coalitions of the policy-willing” to drive the G20 policy agenda. The G8 and BRICs can remain as two caucuses but the G20 can drive the agenda for the interests of both developed and developing countries. For Australia, it is not a matter of over-loading the system; rather it is a necessity to include issues such as food security and development into the G20 agenda to reflect the new global economic realities of both developed and developing countries and to maintain its legitimacy and credibility among developing countries.

## Conclusion

1. For large countries, being in a grouping is an option: Brazil, China, India would expect to be part of any similar grouping; smaller countries that do not want only to be *rule-takers*, would have to actively involve themselves in the creation of groupings and to convince the world that their choice

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<sup>15</sup> Philip Bowring, “A Gathering of BRICs”, *The New York Times*, 20 April 2011.

<sup>16</sup> Kevin Rudd, “Australia’s Foreign Policy Priorities and Our Candidature for the UN Security Council”, Speech to the National Press Club, Canberra, 1 June 2011.

of grouping is globally beneficial. All countries want to be at the table when rules are negotiated, yet only those who participate actively get their voices heard and ideas integrated in rule making. For small countries, this would mean pursuing collective interests without sacrificing self-interest, and a voluntary contribution of services and resources in this pursuit.

2. Any grouping would have oppositions from others who are not included. Its legitimacy can always be challenged for not being representative or democratic, or marginalising the majority, the poor or the powerless. For this reason, international groups tend to grow in size with a 'me-plus' mentality: G5 evolved into G7 as Europe decided to bring Italy on board while the United States had to balance it by bringing Canada into the grouping. The expansion of the G7 to the G8 and the G20 was all along accompanied with the criticisms of it being un-democratic and un-representative while it maintained the benefit of being efficient and effective in reaching any agreements on cooperation.
3. The legitimacy and effectiveness of the G20 will depend on how the two caucuses within the grouping (G8 and BRICS) can work together and balance their interests. Countries like Australia and South Korea are in a good position to bring the two sides.

Multilateral cooperation needs leadership. Crises often trigger changes. Institutional structures for cooperation that emerge from the crises, however, are not 'automatic' or 'natural'. They are the products of a combination of political leadership and vision. In other words, we cannot take any institutions, even informal ones, as given. Their creation reflects the vision and efforts of those who have worked on it.

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