

# **AUSTRALIA'S G20 PRESIDENCY – KICKING GOALS AT THE BRISBANE SUMMIT**

## **SPEECH TO G20 FINANCE AND CENTRAL BANK DEPUTIES**

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### **Introduction**

Thank you very much for the opportunity to be with you here tonight. I hope you've enjoyed your time in Canberra so far and that the discussions today were fruitful.

Your presence here, and the Sherpa's meeting in Sydney on Thursday and Friday, highlights an exciting time for Australia – especially for those of us with a strong connection to the G20.

It feels like we're starting a new season having been “elected” as “captain” of a promising sports team for the coming year. The team already has a proven track record and Russia has passed on a solid agenda for us to take forward. My sense is that there is a lot of goodwill to deliver strong outcomes in 2014.

As ‘captain’, Australia can provide guidance and help keep our team focused, but success will, of course, ultimately depend on the whole G20 team. Even though the FIFA World Cup finishes in July, we want to make sure the world is still ‘kicking goals’ when we get to the Brisbane summit in November.

Tonight, I want to give you more insight into Australia's views on what the G20 can and should achieve, and some of the factors that drive us – as a small, open and strong economy – to take such a keen interest in the global economy.

## **The G20 today**

As Barry noted, I was the Finance Deputy back in 2006 when Australia last hosted the G20. It's good to see familiar faces from that time here tonight – Sergey, Sulaiman, Ibrahim, Mark, Amar, Norberto, Luis and Tom.

The theme in 2006 was 'Building and Sustaining Prosperity', but those were the halcyon days before the term 'global financial crisis' became part of the everyday vernacular.

The G20 of those days had a very different feel. It had the good fortune to be more forward-looking and concerned with spreading the benefits of growth, rather than dealing with the pressures of crisis.

Then, of course, the world changed — and the G20 quickly stepped into the role of crisis manager and embedded itself as a leaders' forum – something that we Finance Deputies had contemplated in 2004 but felt the circumstances were not then right. The GFC created those circumstances.

As a leaders' forum, the G20 has more policy levers available to it and greater potential to act decisively than ever before. But, while the G20's role in averting a global recession in the midst of the financial crisis should not be disputed, global growth today continues to lag below potential.

As members of the G20, we must ask ourselves why this low growth persists, and what we, as government officials, can do to help our leaders deliver on the G20's core objective of strong, sustainable and balanced growth.

## **An Australian perspective**

From an Australian perspective, domestic growth remains relatively strong when compared to other advanced economies, but we are facing our own structural adjustment challenges and our economy is not immune from global events.

This week marks 30 years since Australia floated its dollar. The task of opening up the Australia economy has been a deliberate exercise undertaken by successive Australian governments. Not every reform along the way has been easy, but it's clear that our citizens are better off with our open economy than they would have been without the structural reforms of the last 30 years.

As you know, mining has been — and will continue to be — a big part of the Australian economy. But the investment phase of Australia's mining boom is nearing its peak, and we are now transitioning to a period where the mining sector will make a lower ongoing contribution to Australia's GDP growth. As a result, we must rebalance Australian economic growth towards non-resource sectors if we are to fill the gap left by falling investment in the mining sector.

And we are not immune from spillovers. While the Australian dollar has depreciated somewhat over recent months, it remains at historically high levels. The high dollar partly reflects robust demand for our commodity exports and strong inflows of foreign capital to finance the investment phase of our resources boom. More generally, it reflects the relative strength of the Australian economy, the relatively high returns offered by Australian dollar assets, and the stability of our investment climate, all of which have combined to make \$A assets attractive to new types of investors, including of course many Central Banks.

While our high dollar is a symptom of some of the strengths in Australia's economy, it has put intense competitive pressure on some of our trade-exposed sectors and has accelerated some longer-run trend changes in our economy's industrial structure. Just this week, for instance, General Motors announced that it would cease its manufacturing operations in Australia in 2017, and this follows Ford's earlier decision to cease manufacturing in 2016.

None of you would be strangers to the calls for government support that come during difficult economic transitions and it is important that we, as policy makers, maintain focus on our longer-term economic objectives while managing these transitions. One thing we have learnt throughout our history is that structural adjustment can either be managed or opposed — but it cannot be avoided. And how you manage it, or oppose it, will impact on citizens' long term living standards.

The final challenge facing Australia that I wanted to touch on tonight relates to maintaining Australia's standard of living. As you can see from the chart on your tables, around half of our growth in national income over the past decade or so is attributed to our terms of trade. Australia's terms of trade are projected to continue to decline from current levels. The hard reality is that, in the absence of a substantial improvement in our productivity growth, national income in Australia will grow at a slower pace over the next decade over each of the past five decades — and may even decline in some years.

We all have our challenges. In Australia's case, we know our future lies in a strong, integrated global economy with more trade, more interlinked capital markets, greater technological transfers and stronger global competition. That is why we value the G20 so highly.

As the biggest economies in the world, we all rely on a strong and stable global economy for domestic success. Our efforts in 2014 must strive for nothing less than shifting the global growth outlook to one that is more positive and which helps all of us manage the various transitions we face.

### **Objectives for Australia's presidency**

G20's tight and focused agenda for 2014 provides a set of building blocks that can deliver tangible actions that support jobs and growth, and strengthen the resilience of the global economic system.

Our reforms in the financial regulation space are critical for providing a safe and secure financial system that supports investor confidence.

The emerging tax agenda presents an opportunity to shore up revenue bases to help deal with our respective medium term fiscal challenges and to ensure the integrity of our tax systems.

The investment agenda, a key focus for Australia's presidency, is relevant to us all as we strive to lift investment in much needed infrastructure.

And the commitment to develop comprehensive growth strategies by the Brisbane summit presents a huge opportunity for us to identify the key impediments to growth in our own economies and to share experience with how best to tackle these.

Through growth strategies we can harness the full set of policy levers we have available to us as the G20 to drive stronger and more sustainable global growth.

We can better integrate our macroeconomic policy settings and, perhaps, commence the journey towards less reliance on monetary policy to support global growth.

We can find common ground in tackling structural reform challenges while recognising that individual policy responses will, of course, be tailored to each of our own domestic circumstances.

Country commitments that respond directly to the economic challenges we face in our own economies must be a key part of growth strategies — and these commitments must be packed with collective actions to ensure the level of ambition across the G20 is sufficient to tangibly lift growth.

We must also ensure our growth strategies are connected with, and representative of, the overall story of the G20. We can do this by working with sherpas to deliver strong actions on trade and employment.

Working closely with sherpas may add a layer of complexity, but it is critical to maximising benefits for our citizens. To be blunt, if the finance and sherpa tracks operate disparately, we defeat the purpose of having a G20 leaders process and forego optimal outcomes.

## **Conclusion**

Ultimately, our growth strategies — taken together — need to be bigger than the sum of their parts. As I mentioned earlier, as a leaders forum made up of the biggest economies in the world, we arguably have more potential to make a difference than any other global forum. We cover a large part of the global economy but, at the end of the day, we are still small enough to get things done.

Political will is important when it comes to taking strong action. But it is equally important that the officials progressing G20 work throughout the year maintain their focus on delivering outcomes worthy of our leaders' attention.

We need bold actions in Brisbane that increase infrastructure investment and shift the growth outlook to focus and harness the collective power of our leaders.

This means working together to build ambition and to understand what is happening in our respective economies. It means having robust discussions and translating these discussions into actions. In short, it means a lot of hard work from the people sitting here tonight!

I know from talking to Barry that you are up to the challenge. We look forward to working with you all throughout 2014 to ensure we're all kicking goals in Brisbane.

Thank you, good luck, and enjoy the rest of your time in Canberra.