Australia’s Chairing of G20 Provides Opportunity to Reenergize Economic Reform

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The Brisbane Group of 20 (G20) Leaders Summit in November will provide Australia an opportunity to inject new life into a grouping founded to broaden dialogue on international economic issues. Prime Minister Tony Abbott told the World Economic Forum in Davos on January 23 that Australia would press the organization in 2014 to focus on increasing world trade and taking steps to eliminate protectionism.

Some critics say the G20’s best days are behind it and that it has become little more than a talk shop, but continuing global economic challenges suggest that important tasks remain for the organization that played a critical role in tackling the 2008–2009 global financial crisis. Today the U.S. economy has strengthened, Japan looks like it may be on the mend, and the risks in Europe have eased. But a number of emerging economies, including China, India, and Indonesia, may be facing slowing growth and uncertainty.

Global economic growth remains weak and uneven. Job growth is less stellar than many leaders of developed countries had hoped. The global trade agenda is moving forward only slowly and protectionism is alive and well in many parts of the planet. Emerging economies such as Turkey and...
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The 2013 G20 Finance Ministers and Bank Governors Meeting in St. Petersburg. Australia’s hosting of this year’s G20 gives it an important opportunity on the world stage. [image]

Brazil that rely heavily on short-term investment from foreigners to finance their current account deficits have faced considerable headwinds in recent weeks.

The G20 summit in Australia later this year could play a critical role in tackling these challenges. Mike Callaghan, who heads up the G20 Studies Centre at Australia’s Lowy Institute and earlier served as a senior official in the Australian Treasury, has called on his government to “define a focused agenda” to address ongoing critical international economic issues.

Callaghan argues that the priorities should include the following:

- Developing a strategy to restore stronger, sustainable, and more equitable global growth, including the creation of jobs.

- Injecting new life into the multilateral trading system. The Doha talks in the World Trade Organization are stuck and progress on the 12-nation Trans-Pacific Partnership (TPP) trade talks, which include Australia, Japan, and the United States, are struggling to get across the finish line by a date that keeps getting pushed back. President Barack Obama did little to give the negotiators fresh impetus when he urged Congress only to “work” on trade promotion authority in his January 28 State of the Union address. Partner countries would have been more assured if he had called on Congress to ratify the legislation.

- Tackling financing for climate change to create momentum for negotiations under the United Nations Framework Convention on Climate Change.

- Injecting a development agenda into the G20 by enhancing food security and increasing funding for the multilateral development banks.

For Canberra the stakes are high. The November G20 summit will be the most high-profile international economic meeting ever held in Australia. The meeting provides this middle-income power in the heart of the Asia Pacific a global stage to demonstrate that it can manage and cajole
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the world’s top leaders to pursue initiatives to jumpstart the global economy at a time when the financial system is no longer in crisis.

Australia is a propitious chair for the G20 this year. Over 40 percent of its gross domestic product is fueled by international trade. The country has long been a strong proponent of free trade and liberalization of trade in agricultural products. Australia has free trade agreements (FTAs) with eight partners, is negotiating bilateral FTAs with four critical Asian economies (China, India, Indonesia, and Japan), and is a key driver of the TPP.

To be sure, the G20 faces some credibility problems because it has often been unable to deliver on key commitments. Callaghan says this has been caused by the growing scope of the G20’s agenda, the increasing size of the grouping, and challenges participants have in reaching agreement among nations that have diverse interests and expectations.

To reverse this trend, Callaghan says Australia’s government will have to pick a few strategic areas and practical issues on which to zero in. It must avoid trying to do everything, as has often been the inclination of recent G20 chairs.

Callaghan argues that the ultimate role of the G20, which has no enforcement mechanisms, is to encourage good policies and strengthen international economic governance through peer pressure. In 2014 the grouping has to confront economic challenges at a time when many politicians face domestic political pressure to go slow on cobbled together new trade agreements and introduce new protectionist pressures to ease economic imbalances.

Australia’s chairing of the G20 provides the country with an important opportunity on the global stage. If Canberra focuses world leaders on a few tangible achievements, it will be able to play a critical role in reinvigorating the G20 and achieving more stable global economic growth.
AUSTRALIA

Asylum-seeker arrivals at five-year low. Immigration Minister Scott Morrison on January 24 announced that no asylum seekers had arrived in Australia by boat for 36 days, the longest streak since 2009. Morrison credited the drop in arrivals to the government’s tough policies, which include forcibly turning back asylum-seeker boats from Indonesia. Australia’s efforts to combat asylum-seeker arrivals have sparked criticism at home and abroad, but Morrison said the government will not soften its policies.

Reserve Bank unlikely to reduce interest rate due to high inflation. The Reserve Bank of Australia is expected to hold interest rates steady amid higher-than-anticipated inflation of 0.8 percent in the final quarter of 2013, according to economists cited in a January 22 Sydney Morning Herald article. The central bank’s official interest rate is currently 2.5 percent, but with annual inflation reaching 2.7 percent, economists expect the bank will seek to dampen inflationary pressure to avoid exceeding its 2–3 percent inflation target.

Timor-Leste takes Australia to the International Court of Justice. Timor-Leste brought a case against Australia at the International Court of Justice on January 20–22, alleging that Canberra spied on Timorese officials to gain the upper hand in negotiating a 2006 deal to split revenues from gas fields in the Timor Sea. The Greater Sunrise gas fields are estimated to be worth up to $40 billion, and Timor-Leste is seeking to cancel the agreement, which it considers unfair. Dili previously took Canberra to the Permanent Court of Arbitration in 2013, but that effort fell apart when Australian authorities raided the offices of Timor-Leste’s lawyer on December 3.

Government proposes new restrictions on right of unions to enter workplaces. Employment Minister Eric Abetz on January 22 proposed new regulations, including a clearer definition of who can enter a workplace and for what reasons, to restrict labor unions’ “excess” entry rights at places of business. The proposed reforms are opposed by the Green Party, and the government is expected to have difficulty getting them through the Australian Senate.

Government joins Toyota in legal fight against unions. Employment Minister Eric Abetz on January 29 said government lawyers will help defend a proposal by Toyota to allow individual workers to vote on changes
the company is seeking to its workplace agreement. Toyota wants to change certain clauses, including reducing the Christmas shutdown period, to increase productivity despite union objections. Abetz said the original agreement was negotiated by union bosses and individual workers deserve a say. Toyota will be the only carmaker left in Australia once GM pulls out as planned in 2017.

**Australia, New Zealand institutions rank high on Asia-Pacific think tank rankings.** Australian and New Zealand think tanks ranked high among Asia-Pacific institutions in the University of Pennsylvania’s annual *Global Go To Think Tank Index Report*, released on January 22. The Centre for Strategic Studies in Wellington ranked second out of 40 regional think tanks, followed by the Lowy Institute in third and the Australian Institute for International Affairs in fourth place. The Lowy Institute ranked 45th overall among the top think tanks worldwide, and the Australian Strategic Policy Institute ranked 17th globally on defense and national security issues.

**NEW ZEALAND**

**National Party outlines potential coalition partners.** Prime Minister John Key in mid-January outlined his National Party’s potential coalition partners for elections to be held in late 2014. Key indicated that National would like to keep its current coalition partners—ACT New Zealand, United Future, and the Maori Party—but would consider adding the newly formed Conservative Party, depending on the outcome of the elections. He refused to rule out working with former foreign minister Winston Peters’ New Zealand First party, best known for its populist policies and anti-immigration stance.

**Economy tipped to be “rock star” in 2014.** HSBC Australia in early January identified New Zealand as the “rock star” economy of 2014. Economic growth is expected to be greater than at any time since the beginning of the global financial crisis in 2008, and is predicted to outpace other developed economies. New Zealand is expected to see strong growth in 2014 on the back of a booming housing market, the rebuilding effort in Christchurch following the 2011 earthquakes, and strong global dairy demand.

**Finance minister wants multinationals to pay more taxes.** Finance Minister Bill English said before the January 22-25 World Economic Forum in Davos that he would like large multinational companies operating in New Zealand to pay more taxes. English said he hoped the complex issue of multinational tax avoidance would be addressed at the conference, as...
it requires international coordination. He noted that U.S.-based Apple paid just $1.9 million, or 0.4 percent, in taxes on $472 million in fiscal year 2012 sales in New Zealand, while Facebook and Google paid $12,000 and $90,000, respectively.

**Government tax income up by 5.9 percent.** New Zealand’s government on January 24 announced that revenue collected for the fiscal year to November 2013 was up 5.9 percent compared to the same period in 2012. Government spending over the same period was up 1.9 percent. The increase in revenue was largely driven by a $248 million, or 5.6 percent, increase in the amount collected through the goods and services tax and a $578 million, or 7.5 percent, increase in the amount collected through income taxes. Finance Minister Bill English said the government remains on track to achieve a budget surplus in 2014/2015.

**PACIFIC ISLANDS**

**Court sets aside warrants for Papua New Guinea officials.** A Papua New Guinea court on January 7 issued an injunction on arrest warrants for Prime Minister Peter O’Neill, Treasurer Don Polye, and Finance Minister James Marape, declaring the documents defective. Opposition leader Belden Namah secured the warrants in November from the same court, alleging that the officials were involved in corruption for payments made to Port Moresby lawyers, but did not produce them until January 6. O’Neill has accused police of going rogue in attempting to execute the warrants, and Namah of trying to orchestrate a coup.

**O’Neill says Bougainville will attain autonomy.** Papua New Guinea’s prime minister, Peter O’Neill, said on January 23 that his government remains committed to implementing the Bougainville Peace Agreement, which will see the autonomous island province of Bougainville hold a referendum on full independence sometime between 2015 and 2020. O’Neill made the remarks during a reconciliation ceremony with Bougainville president John Momis. The central government is seeking more cooperative relations with Bougainville and hopes to settle disputes over revenue sharing that strained ties in 2013.

**Bainimarama to step down as head of military to contest election.** Fiji’s interim prime minister, Commodore Voreqe “Frank” Bainimarama, announced on January 21 that he will step down as the country’s military commander on February 28. Bainimarama, who came to power in a 2006 coup, is stepping down to form a political party in order to contest presidential elections slated for September. Australia and New Zealand welcomed the announcement, calling it a positive step toward free and fair elections.
**Nauru deports sole magistrate.** The Nauru government on January 19 fired and deported its only resident magistrate, Peter Law, and canceled the visa of its chief justice, John Eames, preventing his reentry into the country. Both are Australian citizens and said their ousters were politically motivated. The government of Nauru said its actions were in response to internal issues, but their timing has raised suspicions. Nauru had recently declared two residents—one from Australia and one from Fiji—illegal immigrants and ordered them deported, but Law issued an injunction against the decision.

**Tonga hit by powerful cyclone.** A category-four cyclone hit Tonga in early January, killing one person. Cyclone Ian, which boasted winds of up to 155 miles per hour, did the most damage on the Ha’apai Islands, located between the main island of Tongatapu and Vava’u. New Zealand, Australia, China, and others have provided emergency relief supplies. Tonga also received $1.27 million from the Pacific Catastrophe Risk Insurance pilot, a World Bank program to insure Pacific countries against natural disasters.

**Melanesian foreign ministers visit Papua to assess separatist group’s membership bid.** The foreign ministers of Fiji, Papua New Guinea, and the Solomon Islands visited the Indonesian provinces of Papua and West Papua on January 13–14 to observe the human rights situation and assess a Papuan separatist group’s bid for membership in the Melanesian Spearhead Group (MSG). Several Papuan activist groups condemned the visit, noting that it was too short and highly orchestrated by Jakarta. The foreign minister of Vanuatu refused to participate when the Indonesian government said the delegation would not be allowed to meet with pro-independence groups and other members of civil society.
Panel on the Internet as a platform for international trade. The Brookings Institution will host a panel discussion on February 5 on the Internet’s impact on international trade, particularly as it relates to small and medium-sized enterprises from developing states. The Coalition of Services Industries’ Peter Allgeier, the Information Technology for Innovation Foundation’s Robert Atkinson, the U.S. International Trade Commission’s Meredith Broadbent, and the World Bank’s Deepak Mishra will speak. The event will take place from 10:00 a.m. to 11:30 a.m. at the Brookings Institution’s Falk Auditorium, 1775 Massachusetts Ave., NW. Click here to RSVP.

Release of World Press Freedom Index. Reporters Without Borders will release its annual World Press Freedom Index on February 11 at the National Press Club. The report will examine the state of freedom of the press around the world. The event will include a panel discussion with U.S. investigative reporter James Risen, former Syrian radio host Honey Al Sayed, and Huong Nguyen, friend of jailed Vietnamese blogger Nguyen Tien Trung. The event will run from 9:00 a.m. to 10:30 a.m. in the National Press Club’s Lisagor Room, 529 14th St., NW. To RSVP, e-mail Leigh Coventry Blake at leigh@rsf.org.

Panel discussion on managing the global environment through trade agreements. American University’s Washington College of Law will host a panel discussion on February 18 on facilitating international trade and environmental issues through trade agreements such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. Panelists will include scholars and practitioners in the field of international trade and the environment. The event will be held from 9:00 a.m. to 5:00 p.m. at 4801 Massachusetts Ave., NW, Room 603. Click here to RSVP.
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