



## GLOBAL LEADERS MUST THINK SMALL, BIG TIME

Opinion Piece by ACCI Chief Executive Peter Anderson as published in The Age 25 September 2009 - The G20 and Small Business

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The health of small business is critical to global recovery, writes **Peter Anderson**.

AS KEVIN Rudd meets leaders from the G20 nations in Pittsburgh to push the global economy further towards recovery, the voice of small business must not be lost.

After all, our political leaders are talking about the economy and every second business in our cities and towns is a small business. All politics is local, even big global politics.

Small business remains the engine room of entrepreneurship and jobs. Our leaders can't call an economic recovery until small business is back on its feet.

The more Prime Minister Rudd and global leaders think about how the plans they develop in Pittsburgh will help small business, the more likely they will get it right.

In small business, the global recession was felt first by a credit squeeze, then a dip in confidence, trade, sales and employment.

A recovery needs to have the same ingredients — a return of credit flows, a lift in confidence, trade and sales growth, then a return to more standard job levels and hours of work. These are the five steps to small-business recovery.

If global leaders took action to help achieve each of these five steps, then all of the talk and photo opportunities of a big global meeting will be met with applause by small business back home.

A return to credit flows can be achieved by building on the G20 decisions made earlier this year in London, and the recent work of Treasurer Wayne Swan and global finance ministers. Overseas banks and financial institutions need stronger global governance, but at home they need to make credit more accessible and affordable for small business.

The lack of trade finance has been a significant obstacle to global trade since the start of the financial crisis, as lenders faced tighter credit conditions and higher reserve requirements. The cost of trade finance also shot up and specific countries perceived to be risky have been targeted, putting higher costs on even strong Australian companies trading overseas.

The G20's decision in April to support \$US250 billion of trade over a two-year period helped alleviate the trade finance gap.

A special challenge for Rudd is to think about how we can inject more competition back into credit supply. Small business cannot source global lines of credit in the same way as other major commercial enterprises.

Consumer and business confidence can be lifted with strong political leadership from the G20 and good domestic policies back home. The co-ordination of the G20 and central banks has been impressive.

Sales and trade dropped alarmingly in the early days of the crisis, but lower interest rates and domestic stimulus packages have been very helpful for many small businesses, even though some of the spending was not best value for the infrastructure dollar, and the increased debt still has to be paid off.

We must also continue to keep our eyes on the bigger battle. To achieve real progress towards global economic recovery, G20 leaders must make good on pledges to conclude the Doha trade round.

If sales and trade recover, so will employment levels in small business. Businesses that have carried the cost of keeping staff on — with reduced hours rather than getting rid of positions — stand to benefit. They will have a labour force ready to lift productivity, so long as labour costs are not too high.

In Australia, we are adding to labour-market regulation during the global recession, which other G20 nations are not doing. Keeping our unemployment rate lower than other nations when the recovery comes is crucial, since we started with almost full employment just before the downturn hit.

Pittsburgh seems far away to small businesses in Burnie, Broome or Blackburn. But even political leaders in major economies have to be accountable to small business.

Small business is ready to play its part back home. Now is the time for the G20 to deliver.