

**High-level Regional Policy Dialogue on
"Asia-Pacific economies after the global financial crisis: Lessons learnt,
challenges for building resilience, and issues for global reform"**

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Country Experiences 3: Net Energy Exporters

Kazakhstan's Experience after the Global Financial Crisis

by
Mr. Murat Karimsakov
Chairman
Association of Eurasian Economic Club of Scientists, Astana
Kazakhstan

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Ladies and Gentlemen,

Let me greet you at this important and relevant conference not only for Asia and the Pacific, but also for the whole world.

Today, it is stable future of socio-economic order that has brought us all together, causing to review all the measures we have taken to combat the global financial crisis, which storm into our economies and which is our reality to this day.

The global crisis which began in 2007, to varying degrees shook the economic and financial system of all countries. Countries faced a number of serious problems: unemployment, slow economic growth, decline in production, crash of financial markets, foreign capital outflow and growth of state debt.

Western countries still can't return to pre-crisis development indicators, also the situation is further exacerbated by the critical situation in the Eurozone.

The thriving countries of Asia and the Pacific smooth over the current position in the world. These countries show industrial production growth comparable to pre-crisis index-numbers and in some cases even outrun the pre-crisis growth rates of output and financial markets.

"Asian tigers", as well as India and China today are the core and the locomotives of world economy, which due to the experience of overcoming the Asian crisis of 1997-1998, emerged the least affected from the global financial and economic crisis.

Initially, the Asian financial crisis has affected mainly Thailand and Malaysia, but then has passed to Hong Kong, Singapore, Indonesia, South Korea and partly Japan. Thereby, the Western media talk about "contagion from the East", which threatens to spread over the all developed world.

The situation in South-East Asia was unpredictable. Not long before the crisis, the Asian model of development is held up as an example to other countries, in particular to the former socialist. Actually, in 1990-1996, in South Korea the average annual GDP growth amounted to 7.2%, Malaysia and Singapore - 8.7% Thailand - 8.4% Indonesia - 7.6%, more than half of the world investment was invested into this region, it seemed to prosperity of "tigers" will have no end.

But universal panic is started in the fall of 1997 rising in the stock and currency market. Currencies of these countries began to fall tragically, local banks one by one began to "burst", enterprises to close, production began to decline, many large concerns have declared bankruptcy and tens of thousands of people lost their jobs.

And one of the main causes of the Asian crisis were bloated and speculative real estate prices, low risk premiums, unsecured loans, and also West's request to liberalize financial markets, which led to the "hot money" that are dangerous for the developing countries.

If we consider the countries which protect their markets from full liberalization as China and India it is obvious that they were least influenced by the crisis than the "Asian tigers" such as Singapore, South Korea, Thailand, Indonesia, etc.

Most economists have forgotten what was happening in that time, but in fact it is almost the same thing that has happened later on a global scale.

To some extent, that the West and the countries of other regions began to restructure the banking and financial system during the crisis period 2007-2009, had already been done in Asian financial institutions thanks to the experience of overcoming the Asian crisis, which largely temper the impact, also countries of Asia and Pacific have built up the financial reserves which helped them to emerge the least affected from the global financial and crisis.

As well as in the period 1997-1998, when the Asian financial crisis became a global financial crisis, with the crash of Russia's ruble and Brazil's real, in the period from 2007 to 2009 the processes which took place in the U.S. banking system turned into a global economic crisis. Of course, the impacts of crises were different. The last global downturn has affected all the largest world economies, and taking into account the globalization processes and the countries' dependence on world market conjuncture, the crisis also has spread to all developing countries.

The economy of Kazakhstan depends strongly on the situation on foreign markets. When the crisis affects not only individual economic sectors of some countries but also global financial system as a whole, the only real solution should have been an urgent intervention of the state. When in the fall of 2008 sources of external borrowing were closed for the republic banking sector and at the same time - from USD 140 to USD 40-50 per barrel - hydrocarbons prices fell dramatically, which are one of the dynamically developing industries in the economy of Kazakhstan. In this regard, the State could only to change the economy to "manual control". In order to overcome the global crisis the government of Kazakhstan additionally appropriated a vast amount of money that went to supporting the financial sector, construction, small and medium-sized businesses, agro-industrial complex, infrastructural development of the country.

In 2009, a set of anti-crisis measures was implemented to prevent the recession of Kazakhstan economy, to maintain the macroeconomic stability, to reduce the negative consequences of external developments.

Timely changeover of Kazakhstan to the manual way of economy and the allocation of rescue package amounting to 14% GDP, that equal to USD 20 billion, allowed to take special steps to support the financial sector, small and medium-sized businesses, increase aggregate demand in the economy. Also employment strategy and re-education of population provided the creation of 400,000 jobs, which was of great significance for the crisis.

Employment Strategy became an emergency and stabilizing measure of the government to curb growth of unemployment and to support the welfare of citizens.

New projects and the introduction of an innovative economy, which Kazakhstan passed, not only will save the jobs created, but also will provide advanced training of citizens of the Republic.

The result of taken anti-recessionary measures was not slow to arrive, economic growth in 2009 was 1.2%, the unemployment rate has dropped to 6.3% during the global crisis, that even less than before the crisis. The present level of GDP in Kazakhstan is from 4.5 to 5%, while unemployment is only 5.5%.

Of course, these facts suggest that the way chosen by the Government of Kazakhstan is the better, which actively creates preconditions and a favorable investment climate for both foreign and domestic investors.

The priority of our state in the new reality is the national health, development of human capital, availability and improvement of new technologies, the personal safety of every citizen. Therefore country's resources at the highest level will be oriented to economic modernization and production.

In order to implement such ambitious plans, our country already moved onto the path of industrial innovative development that means the modernization of production, the use of clean and renewable energy, and many other things that will fundamentally change the structure of products and market cooperation.

But the plans of our country, as well as plans of other economies, are extremely susceptible to the integration processes, and oscillatory movements in financial markets affect the development of economies.

It serves to remind that the lessons learnt of the Asian crisis were not taken into account, global crisis easily demonstrated this. Countries have taken the same steps to inject exchange reserves into the banking system.

Both crises clearly demonstrate the discrepancy of regulatory institutions and the methods of maintaining financial and economic stability with the new realities of the modern economy.

To date, it is clear that further stable development needs the improvement of world's financial architecture.

It is necessary to introduce the financial institution alternative to IMF, which creates the rules necessary to strengthen the financial discipline, which will accommodate economic growth of developing countries. It is necessary to stress that the IMF is dominated by the USA (this is the only country with veto right) and Europe, the Fund was considered as representing the interests of international creditors. Its mistakes during the crisis in 1997 had more undermined its credibility, and its inability to do something with the vast global financial fluctuation which constitute the main threat to current global financial stability, has emphasized its limitations.

Analysis of the Asian crisis of 1997-1998, and analysis of the current global crisis shows that the world's reserve currencies dollar and euro are subject to exchange fluctuations and thereby increase manifold the exchange risks at international trade operations. This raises the question of the alternative currencies or currency introduction.

These questions of the global economy and monetary system are widely discussed in Kazakhstan at the annual central and most ambitious dialogue platform in Central Asia - Astana Economic Forum.

Astana Economic Forum is recognized as a theoretical and practical dialogue platform, where the latest discoveries in the field of economics and the issues of their implementation are widely discussed. The program of the forum is a reflection of the modern world, including more than 30 panel sessions and bringing together more than 200 speakers and 5,000 participants, including Nobel Prize winners, leaders, leading politicians, businessmen and representatives of international media.

The final and main outcome of the Forum is an annual and traditional Open Letter to the leaders of the G-20 countries, providing the recommendations on improvement of the global economy.

Dear participants,

On behalf of the main organizer of the Forum "Eurasian economic club of scientists," initiated by Head of the State of the Republic of Kazakhstan allow me to invite you to take part in the work of the anniversary V Astana Economic Forum, which will take place on May 22-24, 2012, where important and pressing issues are planned to be discussed.

Thank you for your attention!