

**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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**Roundtable: Asia-Pacific perspectives on the G20 agenda**

**Towards the challenges of global economy.  
Astana consensus: recommendations for G20**

by  
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**Towards the challenges of global economy.**

**Astana consensus: recommendations for G20**

**Dear and Right Honorable participants,**

It is an honor to be here with you in this important and actual meeting.

Kazakhstan's goal is to meet the new trends and realities of sustainable economic growth in post-crisis world.

With this objective in Astana the platform of dialogue of a new format is created that will allow to discuss and understand the major issues of the world economy – it is Astana Economic Forum.

The given Forum has no precedents in the entire Central Asian region in both scope and level. Forum is also takes leadership in global level due its topics covered as well as generated recommendations.

Summing up the results of Astana forum, the international experts, Heads of the Club of Madrid, the Reinventing Bretton Woods Committee, the Research institute at G20, and also Astana Nobel laureate club which include 7 prominent Nobel Prize winners and others have developed recommendations on revealing the new way of development and the World economy recovery, presented in the Open letter for state-participants of G20.

According to experts, G 20 should affect a solution of a problem of a global financial imbalance. It should include high volatility and disparities rates of exchange, non-equilibrium structure of system of reserve currencies, a problem condition of public finances of the countries-emitters of world currencies, bias of rating estimations of sovereign emitters and

uncontrollable issue derivatives. Presence of the specified lacks demands realization of radical reforms of the international monetary-financial system. The following should be the basic directions of carrying out of such reforms:

- ***Creation of institutional preconditions for entering subnational world currency.*** It is necessary to form permanently active committee for discussion the issues of entering subnational world currency, including a choice of emission center, determination of state principle of participation, preparation of release of investment financial tools which will be denominated in supranational currency and projects, under which given tools will be emitted.

- ***Increase of responsibility of the emitter states of the basic reserve currencies for a condition of its state finances.*** It is necessary to elaborate standards of maintaining in certain limits of the key indicators of the state finances of the developed states with the purpose of maintaining stability and predictability of the currency rates.

- ***System objectivization of estimations of economy-emitters of world reserve currencies.*** Such objectivization is expedient to carry out by means of transition from sovereign credit ratings of rating agencies, to elaborated on level of the authoritative international organizations such as UN, World Bank and G20 to objective indicators of state of the economy and a financial system.

- ***Returning of processes of issue of currency financial tools under control of the monetary authorities*** by restriction of possibilities of investment in currency derivatives, cutting off of the speculative capital from operations in the currency markets, return to division of bank activity on credit and investment as it used to be before cancellation of Glass-Steagall act.

It is necessary to boost legitimacy and efficiency of the international financial institutions. Moreover, in the short-range plan and with an overall objective of strengthening of legitimacy, efficiency and the accountability of IMF and the World Bank, participants of the Forum offer following recommendations:

- ***Reformation of the voting rights in IMF.*** In order to give more rights in voting to developing countries, G20 must solve two problems: the problem of the US veto that will require decreasing of managing of the majority from 85% to 70-75%; and the problem of Europe domination.

- ***The method of quotas calculations of IMF.*** As currently 80 % of the formula calculations of IMF quotas are based on GNP, Forum participants have assumed that in addition to GNP such elements, as the population and reserves can also be considered.

- ***Equal opportunities for states in choosing of IMF and the World Bank management.*** G20 should refuse from informal tradition that the Managing director of IMF should be the European, and the President of the World Bank – the American. Process of their selection should not depend on a nationality, but only from advantages and professional features of the candidate.

- ***Reform of Council of IMF.*** Active participation of the higher political management of the countries in IMF Council is necessary. Activization of this Council will allow reaching diversifications of staff and rebalancing of quotas.

- ***Financing and re-capitalization of developing banks.*** It is seriously necessary to consider new mechanism of automatic re-capitalization to raise ability of fast reaction of regional development banks in crisis situations.

It is necessary to consider questions of internal financial regulation and supervision. Moreover, it is necessary to strengthen banks to stop growing global financial and economic crisis.

### **Reforming of financial sector:**

- ***Implementation of accepted obligations.*** The requirements are consisted in that all members of G20 have engrafted already existing obligations, in such pace as it has been solved at the Summit.

- It is necessary to have more effective mechanism of the reporting for observance monitoring by all members of G20 obligations on financial regulation and supervision. The reporting mechanism should be transparent, independent and authentic.

- ***Forming complex agenda.*** In the agenda, problems of the developing countries outside the G20 can be added. We anticipate from the Summit in Cannes detail agenda, and also elaboration of principles and processes for promoting financial regulations which would be effective for all.

- ***Reinforcement of Financial Stability Board (FSB) and International Monetary Fund.*** To the FSB work, it is necessary to attract representatives of private sector which possess broad knowledge about how complex markets, tools and institutions work. The questions of financial regulation and supervision should become more high-grade component of IMF consultations under Article 4 with members of Fund, especially in cases when budgetary restrictions do not allow the country to realize the obligation as quickly as it is required.

- ***Work advancement on shadow bank sector.*** The shadow bank sector, instead of traditional banks, substantially became the reason of the last financial crisis. But "Basel-3" does not extend on it. The considerable part of a financial system in general remains out of a sphere of action of "Basel-3"

and does not become covered by its conditions. Therefore the basic problem of financial crisis of the previous years is not solved yet.

- ***Cancellation of bank charges and taxes to the international financial operations.*** Bank charges should be applied only in those member countries and other involved countries, whose banks and other financial institutions urgently needed financial support during financial crisis and crisis of a sovereign debt, since 2007.

- ***Complex stress tests for forecasting of nature cataclysms.*** Stress tests should be conducted for banks, the insurance companies and other corresponding financial institutions to be convinced of their stability to especially powerful shocks which arise even more often. They should be conducted by corresponding groups of the international institutions and the experts, having necessary experience.

- ***Well-founded regulation of the commodity market.*** To establish regulation of the markets of the raw goods, and also to provide corresponding balance between regulation of the commodity markets and increase in manufacture and improvement of distribution of the raw goods.

- ***Consolidation of stock exchanges.*** There is no central global mode and the international organization responsible for merge, absorption and the competitive policy of stock exchanges. Therefore, it is necessary for G20 to establish principles and process for solving this question.

- National supervising bodies should give more attention to regulation and supervision in the market of habitation and commercial real estate on the international basis. Also it is necessary to trace a situation in other segments of economy where there can be signs by analogy to the real estate market.

The Forum participants marking the necessity of a concentration of effort on systematization of measures of a global order for support of the international

investments and trade taking into account challenges of the last crisis, for consideration G20 have allocated following recommendations:

- The purposeful policy of correction of *world trade imbalance* at the expense of adequate exchange rates and stabilization of internal savings is required.

- ***Fiscal measures for support of investments*** by tax stimulus, and also elimination of "a tax dumping» is required from the offshore countries and zones which create a competition to efforts of the states on fiscal stimulation of investments.

- ***It is necessary to keep measures on stimulation of incomes of the population (terms of credit, support of level of a salary) and private business (tax stimulus and liquidity).*** Special attention should be given to developing countries with low incomes of the population.

- ***Increase of responsibility of the states.*** The economy should lean against private business, and the public sector should carry out functions of gathering and distribution of incomes. Thereupon, G20 countries should consider the problem of rebalancing the rights and responsibilities of investors and the state.

- ***Removal of barriers to foreign trade and investments.*** G20 should trace, that the growing trend of a selective industrial policy in the countries with the formed market has not poured out in barriers to foreign trade and investments.

- ***Formation of congenial investment climate.*** It is necessary to improve the investment environment for foreign investors and to create conditions for investment hubs formation.

- *The reduction of investors' ecological risks.* It is recommended to increase responsibility of investors for ecological consequences of investments and manufacture.

**The next recommendations of the experts to G-20 leaders were on other vital and important topics, such as:**

Food security remains the major problem of the third millennium. The basic priorities of long-term economic policy of food safety should become the stimulation of economic growth, preservation and increase of land and water efficiency, support of organic agriculture, investments into researches and developments, social infrastructure. For coordination of the purposes of short-term and long-term policy of food security maintenance the following recommendations are offered:

- *Food aid and the early prevention.* As far as the risks of food crisis constantly increase, it is necessary for governments and international organizations to expand food aid where it is needed by creation of social protection system of the population, the early prevention of crisis situations and the mechanism of fast reaction to possible crises.

- *Negotiations of the Doha Round of the World Trade Organization.* The Doha round of trading negotiations of the World Trade Organization (WTO) should be ended with the restoration of the trust to the international trading system with multilateral rules and agreements by means of the open and responsible policy in trade area.

- *Economic growth stimulation.* Increase of economic growth was the best strategy on poverty reduction, improvement of food security and increase of agriculture productivity.



- ***Investments into social protection and social support measures.*** Social protection is necessary for the softening the most serious consequences of market and financial shocks to limit long-term consequences.

- Support the investments into agricultural infrastructure. It is necessary to the governments of the countries, as well as the international organizations and to donor programs to pay priority attention to investments into agriculture.

- ***Agricultural social infrastructure development.*** These measures of support improve a rural business environment, and also give the chance to countrymen to develop the human capital assets, to expand economic possibilities and to improve the quality of life.

According to the experts' evaluations, even in short-term prospect "the green economy" is capable to provide GDP growth, increase in incomes per capita and employment in same or even higher rates, rather than traditional economy. In medium - and long-term prospect «the green economy» gives much more advantages from the point of preservation of natural potential and reduction of a social inequality view. In summary in green development direction, the experts who have taken participation in the Forum have developed the following suggestions:

- ***Reform of grants.*** Elimination of many kinds of inefficient grants could liberate means of national budgets to solve the important ecological or social purposes.

- ***Elimination of trading barriers for the ecological goods and services.*** Trade liberalization can lead to increase in trading streams of nature protection goods and services that in its turn will accelerate replacement of

old technologies, thereby, promoting reduction of pollution level and the damage to environment caused by waste.

- The important condition for transition to «green economy» is the increase in financing of innovations in **pure** technologies.

- It is necessary for governments to *use stimulus for investments* to give an impulse to «green economy».

- ***"Green" state purchases.*** The governmental purchases represent the huge market. While realization of such purchases the government can establish certain rules for the goods bought within the frameworks of the state purchases. It will promote transition to «green economy».

- ***Cost estimation of an ecological loss taking into account economic consequences.*** It is necessary for state structures to conduct an economic estimation of a biodiversity and ecosystem services that will allow providing additional financing and population employment.

- ***Energy.*** Nowadays there are all possibilities to provide with net energy those for whom today the basic energy source is fossil fuel and their realization will lead to sharp decrease in greenhouse gas emissions.

- ***Discussion of the "Global energy ecological strategy of a sustainable development for the 21st century" on "RIO+20".*** Participants of the Forum recommend to include in the agenda of the Conference of the United Nations on sustainable development «RIO+20» in 2012 the report of the President of the Republic of Kazakhstan Nazarbayev N.A. "Global power ecological strategy of a sustainable development in 21st century".

- Taking into account the sharpness of the energy ecological problem, participants of the IV Astana economic forum recommend for realization of “the Global energy ecological strategy of a sustainable development for the XXI century” to create the World Energy ecological Bank on an image of the World Bank.

### **(Conclusion)**

- Thus, the last Forum has demonstrated that the similar format of the international work plays large role in the world economic relations development and all who are not indifferent can bring the contribution to discussion of vital topics and development of specific decisions towards the challenges and prospects of the global economy.

The next Anniversary V Astana economic forum from May, 22 till May, 24th, 2012 organizers are planning to conduct on a greater scale, having invited not only leaders of the various countries, bright representatives of science, business, but also people of art and culture. The heavy business program of the forthcoming forum also will be directed for discussion of investment policy questions, attraction of investments into the country, and also added by a meeting of heads of the large companies on the eve of the Forum within the frameworks of the Council of Foreign Investors.

**Thank you for your attention!**