

# Astana Economic Forum 2014

## Blueprint for global progress

### Address of the participants of the World Anticrisis Conference

We, the participants of the second World Anticrisis Conference, held in Astana on May 23-24, 2014, appreciate the support of United Nations member states, international organizations and financial institutions.

We also support the international project G-Global, initiated by the president of the republic of Kazakhstan, Nursultan Nazarbayev, to unite the international community in order to develop recommendations on global challenges.

G-Global principles are evolution and reform; justice, equality and consensus between countries; global confidence in international relations; international transparency and removal of double standards; and constructive multipolarity.

The World Anticrisis Conference continues the U.N. debates on financial and economic crises as well as the development of recommendations to deal with long-term consequences of the crisis and future recessions.

The first WAC was positively noted by the U.N. General Assembly (resolution A/RES/67/197 of Dec. 21, 2012) and took place on May 23-24, 2013, during the sixth Astana Economic Forum. The main result of the first conference was the adoption of the Astana Declaration and suggestions on the basic directions of the World Anticrisis Plan.

The second WAC, conducted with the support of the U.N. General Assembly (resolution A/RES/68/201 on the international financial system and development, of Dec. 20, 2013) was the final part of the World Anticrisis Project, held on the eve of the 70th anniversary of the Bretton Woods agreements.

The second WAC was carried out on the platform of the seventh Astana Economic Forum, which was attended by over 10,000 delegates from 147 countries, including 215 ministers, heads of central banks and their deputies, and nine Nobel Prize winners, as well as senior management of the United Nations, international organizations and financial

institutions, transnational corporations, research institutes and the global media.

The main outcome of the second WAC was the approval of the concept of the World Anticrisis Plan for U.N. member states.

Development of the concept of the World Anticrisis Plan took two years of fruitful collaboration between leading experts, international organizations and think tanks, aimed at creating efficient and globally harmonized policies as well as reforming the global financial and economic architecture.

The development of the concept of the World Anticrisis Plan was made possible by conducting 35 outreach events around the world with the participation of international organizations and scientific research centers, as well as recommendations and suggestions of the expert community gathered on the G-Global virtual platform, including 15,000 research papers, 50,000 expert reviews and 400 videoconferences.

A great contribution to the development and approval of the concept of the World

Anticrisis Plan was made during the first plenary session of the second WAC, conducted within the 47th meeting of the Asian Development Bank in Astana.

According to international experts, the concept of the World Anticrisis Plan is a systemic document that incorporates a map of the pressing challenges of our time with the most important fundamental recommendations.

Given that the concept of the World Anticrisis Plan is dedicated to the macroeconomic challenges of the global economy, including international social, financial and economic problems, we believe that the concept of the World Anticrisis Plan in the short term can contribute to the formation of the agenda of U.N. development goals after 2015, as well as outcome documents of the Australian and Turkish chairmanship of the G-20.

Today, global economic governance is dominated by the major economies, which are unable to take into account all factors of

global economic development. In these circumstances, developing countries and least-developed countries are vulnerable because their views are not fully taken into consideration. We recognize that global challenges require not individual action but global participation and cooperation, within which each country, organization and expert can enrich this important dialogue.

Participants of the second WAC support the concept of the World Anticrisis Plan, which includes guidelines for action at national, regional and international levels in order to mitigate the effects of financial and economic crises in both developed and developing countries.

In this regard, in order to ensure further effective development of the World Anticrisis Plan, conference participants are turning to U.N. member states, the secretary of the United Nations, U.N. international and regional offices, the International Monetary Fund, the World Bank, international organizations and financial institutions, NGOs,

research institutes and think tanks, as well as the global expert community, to take an active part in the discussion and the formation of the World Anticrisis Plan.

At the same time, conference participants are encouraged to identify the Economic and Social Council of the United Nations as the main body coordinating the activities of 14 specialized agencies, nine functional and five regional U.N. commissions and as the central body in the development of the Concept of the World Anticrisis Plan.

Participants of the WAC also suggested using the G-Global communication platform as a virtual platform for the development of the World Anticrisis Plan, while the annual Astana Economic Forum, which since 2009 has developed recommendations for the G-20, international organizations and governments, should act as a permanent bridge.

We deeply hope to assist in the development of the World Anticrisis Plan for sustainable growth and building a harmonious world in which we want to live. ■

### Concept of the World Anticrisis Plan

#### Analysis of the current situation: Risks of secular stagnation in the global economy

Since our last World Anticrisis Conference, the global economy and financial markets have continued to present mixed results. The economic outlook for advanced market economies has improved somewhat, led by stronger growth in the United States in the second half of 2013 and a nascent recovery in the euro zone, along with the initially positive effects of "Abenomics" in Japan.

Meanwhile, the short-term outlook for the more heterogeneous emerging markets and developing economies is fairly mixed. This was caused by tighter financial conditions and policy developments since mid-2013, and by policy or political uncertainty and bottlenecks, which affect investments and other business decisions globally. It is important to note that despite these challenges, the IMF estimated that in 2013 emerging markets' and developing economies' share of total global output adjusted for purchasing power parity surpassed that of advanced market economies.

According to the report "Global Employment Trends in 2014," the employment growth rate is still poor and unemployment keeps increasing (especially among youth), while a large number of frustrated employees keep away from the market. Labor-market problems are the catalyst for increasing inequality.

Potentially one of the most pernicious repercussions of the global financial crisis has been the negative impact on long-term investments, which are crucially important in financing economic and social development, despite unprecedented levels of global liquidity.

#### Financial globalization and global governance challenges

##### Capital flows

Cross-border capital flows are becoming an ever more important aspect of the global economy. Over the last decades, deepening integration processes bring not only more trade links, but also wider borders for global capital flows. International capital mobility became strongly associated with the financial and banking crises. Even when it is stable in the long term, it may lead to considerable losses, bubbles and price shocks.

#### Regulation and supervision over the "shadow" banking sector

Despite great progress in the international arena such as the advent of the G-20, the institution of the Financial Stability Board, the creation of Basel III and the evolution of macroprudential policies, many important issues remain unresolved. In the context of financial market globalization and its ever-changing conditions, the problem of shadow-banking regulation may not remain unsolved. In 2012, shadow-banking sector assets amounted up to \$67 trillion, which is 86 percent of the global GDP, 25-30 percent of the entire financial system and about 50 percent of the official banking system, according to the FSB's Global Shadow Banking Monitoring Report, 2012.

##### Further reforms of the Bretton Woods institutions

There was some progress in the reformation of the IMF. Nevertheless, IMF reform was suspended due to the U.S. Congress's refusal to ratify the latest package of reforms on quotas and governance. The message is detrimental to multilateral cooperative and collaborative efforts.

The reform, proposed in 2010, had already drawn criticism in some circles for being insufficient to reflect current global economic realities, which would require even greater representation for emerging markets and developing economies. A great deal of uncertainty remains surrounding the current and future relevance of Bretton Woods institutions, namely the IMF and World Bank Group.

#### The Millennium Development Goals: Facing the crisis challenges

The world is faced with unprecedented crisis that has caused stagnation of the global economic system. Countries in crisis have been forced to focus all efforts on restoring economic growth, while achievement of the global Millennium Development Goals has become constrained, and in some cases postponed indefinitely. For the successful

SERGEY BONDARENKO AND BOLESLAW OTARBEV / PRESS SERVICE OF THE PRESIDENT OF KAZAKHSTAN



President Nursultan Nazarbayev (middle) with the delegates of the seventh Astana Economic Forum and the second World Anticrisis Conference on May 23, 2014 in Astana.

implementation of global development goals, we need to first remove the harmful effects of the financial crisis.

In this context, in our view, the initiative for the development of the World Anticrisis Plan is a timely and relevant measure aimed not only at overcoming the consequences of the global crisis, but also at ensuring the implementation of the Global Millennium Development Goals.

### Principles of the World Anticrisis Plan

We present a conceptual framework and long-term measures to overcome the effects of the global financial and economic crisis, as well as practical measures for governments and international organizations. They follow several principles:

a. giving priority to countries with special needs: less-developed countries, groups and indigenous communities, landlocked developing countries, small island states;

b. consolidating the efforts of major national governments to reduce global imbalances;

c. increasing the responsibility of multilateral institutions for building a flexible global monetary system as well as promoting the establishment of new global reserve currencies;

d. promoting serious reforms of the Bretton Woods institutions to provide greater voice to developing countries;

e. promoting further structural reforms that encourage innovation and increase productivity through the transfer of knowledge and technology;

f. minimizing restrictive measures to stimulate global trade and improving cross-border capital-flow management;

g. increasing awareness of the priority of social policy through the support of post-crisis economic policy aimed at providing employment and social security;

h. ensuring equal access to professional education, quality education and health care.

#### Fundamental measures to overcome long-term consequences of the global economic and financial crisis

The aforementioned principles form the conceptual foundation on which every government or international organization can develop a package of policy measures that are adapted to the situation and current priorities.

##### Sustainable development of the global economy

#### Encouraging the rebalancing of the global economy

a. Applying various regulatory tools, such as: capital-flow control, plans to increase savings in countries with a negative current-account balance, restructuring for increasing demand in countries with a positive current-account balance and reforming management of international financial organizations.

b. Consolidating efforts of strategically important countries' governments to reduce global imbalances.

c. In the long term, it is necessary to stick to the plan of globally coordinated fiscal policy for achieving sustainable and balanced growth, in particular:

- The United States stimulating savings rates while gradually reducing import of goods to improve the trade balance and the current-account balance;
- China smoothly shifting from supporting

export-oriented industries to stimulating domestic demand;

• Peripheral countries of the euro zone completing the restructuring process to regain competitiveness. At the same time, Germany and other countries that have a current-account surplus should use their fiscal space to facilitate rebalancing and create conditions for economic growth. The euro zone would need to learn again how to "live with diversity" and share one currency.

#### Growth, job creation and productivity

a. Emphatically commit to increasing infrastructure investments consistent with strong and sustainable development in water, renewable energy, education, health care, transportation and communication.

b. Promote public-private partnerships with participation of multilateral development banks and increased use of equity financing as a way of "crowding in" investments in infrastructure, increasing catalytic roles and policy effectiveness, and maintaining medium- and long-term fiscal sustainability.

c. Significantly improve the business environment for small and medium enterprises and microenterprises, in particular:

- ensuring deeper and broader access to financing, particularly of long-term capital;
- providing an effective institutional framework for advisory and other support for operations and management for more effective policymaking;
- reducing the overall regulatory burden for these enterprises;
- focusing all efforts on eradicating corruption and increasing transparency to ensure effective allocation of resources and sustainable growth;
- stimulate further structural reforms encouraging innovation and productivity through greater knowledge and technology transfers, with greater labor-market flexibility and stronger safety nets.

#### Strengthening global trade

a. Accelerate efforts to put the Doha trade round back on track and increase the pace of global trade liberalization and membership status of observer countries.

b. Unequivocally abolish all import tariffs on countries having completed the Heavily Indebted Poor Countries Initiative and/or Multilateral Debt Relief Initiative.

c. Commit to greater cooperation, collaboration and coordination for policy implementation among multilateral development banks as well as the United Nations Development Group, domestic authorities and private-sector initiatives.

d. Greater efforts toward effective progress on regional trade blocs, including a formal assessment of viability, feasibility and desirability of regional currency unions.

e. Providing an effective multilateral framework for legal protection of intellectual property rights globally.

f. Standardizing best practices, measurements and measures for environmental protection while effectively taking into account the greater relative financial burden on emerging markets and developing economies.

g. All countries should refrain from limiting trade to promote sustainable development worldwide.

Reforming the system of government borrowing and debt management

a. In government debt management, for some countries, the indicator reflecting the budget revenues and debt — the debt load limit — is important.

b. Governments must elaborate a balanced approach to support sustainability. Budget consolidation must be combined

with gradual tightening of financial regulation of the government sector, while carrying out clear structural reforms (bank restructuring and recapitalizing), ensuring employment and market competitiveness, as well as reforming pension systems.

c. Introducing additional reserve requirements for banks dealing with subnational governments in case of a potential default.

d. Introducing the legislative regulation and raising responsibility of government officials to reduce risks and increase transparency of subnational governments.

#### Developing a green growth strategy

a. Contributing to green and innovative economic development for further sustainable growth, including regulating economic sectors with due regard to the potential costs of recovery of natural resources.

b. Spreading best practices of privileged taxation, funding and financing for developing and emerging countries in health care, agriculture, energy, environmental protection and rational use of natural resources.

c. Contributing to cross-border cooperation and complex water-resource management, increasing benefit from multilateral agreements.

d. Developing cooperation with international organizations regarding climate change, localizing energy and water issues, and managing water, wind and sun power projects in compliance with international standards.

e. Researching the reasons for arising environmentally critical territories with regard to risks and extent of their losing their natural resource potential.

#### Reforming the global financial system and global governance

##### Reforming global governance

a. Formally assess the feasibility and desirability of building a resilient global monetary system, under the aegis of a multilateral framework such as the IMF. The goal is to strive toward a more multipolar world and provide a framework for the emergence of new international currencies.

b. Redouble efforts for major governance reform of Bretton Woods institutions, with greater representation for emerging markets and developing economies, as well as increased accountability toward implementation of Bretton Woods recommendations.

c. Greater inclusion and input from other U.N. Development Group organizations and multilateral development banks as well as local stakeholders to formulate binding Bretton Woods recommendations with more effective results.

d. Strongly consider reforms to strengthen and broaden the U.N. Economic and Social Council's mandate and scope of operations.

##### Reforming the global financial system

a. Intensify collaborative efforts among national central banks, regulators and supervisors in the following:

- developing homogeneous early-warning systems of financial instability;
- developing standardized guidelines and procedures for financial-crisis prevention and resolution, including macroprudential and capital-account management;
- adoption of universally binding standards and principles of supervision and regulation of leverage and liquidity for the shadow banking sector, and limiting systemic risk generated by shadow banking institutions (similar to the adoption of the Basel III standards);
- developing an effective multilateral mechanism or framework for resolution of cross-border investment conflicts;
- advanced countries might bring in

measures to prevent carry trade from penetrating into the rest of the world, especially into emerging countries.

• in the context of management of speculative capital flows, measures directed toward capital-flow restriction (currency restrictions and currency control) are very limited and may be considered only as "ultimate" measures;

• develop measures preventing capital outflow and tax evasion through offshore financial centers;

• it might be warranted at the end to give a mandate to an international financial institution (the IMF, for example) to overhaul capital-account management.

b. Regulating credit-rating agencies:

• making financial institutions less dependent on CRAs when making investment decisions;

• improving rating quality and consistency by creating a special quality-assurance system;

• developing universal international CRA regulation is considered necessary to reduce the bias in assessment of market risks;

• making CRAs liable for the ratings given;

• making CRAs more independent and resolving the conflict of interest caused by issuers' ordering CRA services, as well as increasing the transparency of the rating process;

• publishing all ratings available, which will give an opportunity to compare the ratings given to issuers and financial instruments;

• resolving the issue of regulating CRAs providing cross-border services in emerging markets where they have no physical representation.

c. Creating early-warning systems to detect financial crises:

• along with the traditional external economic indicators, indicators of the banking sector must be equally analyzed;

• the early-detection system must also take into account vulnerability indicators;

• it is necessary to take into account market-confidence indicators;

• to create an effective early-prevention system, key crisis-related indicators must be comparable in time and among the countries;

d. increasing requirements for issuers of global reserve currencies

• specifying basic macroeconomic-stability parameters for reserve-currency issuers;

• regular stress-testing of the countries issuing reserve currencies to detect key volatility risks and develop recommendations to prevent crises;

• innovative anticrisis measures, such as quantitative-easing programs that have heavily influenced the global commodity and financial markets; it is necessary to elaborate the strategy for concluding these programs with minimal adverse effects;

• in the medium term, countries should shift from traditional reserve currencies to alternative ones to achieve macroeconomic stability; recent political problems have shown that traditional reserves and policy measures can not provide stability in the modern-day global economy.

#### Promoting human development and fighting poverty

##### Promoting investment to create jobs

a. The International Labor Organization, other international financial institutions and advanced countries should take part in coordinating policy and increasing support for developing and emerging countries.

b. Improving the business environment, including physical infrastructure and business culture and ethics.

c. Increasing investment into infrastructure, research and development, civil

services and green companies as valuable tools for creating job opportunities and encouraging sustainable economic activity.

d. Developing and improving social standards systems to increase social expenditure is required for ensuring economic growth and creating an inclusive market and inclusive society.

e. Encouraging interaction among governments, industry and universities to ensure that scientific development is applied to the real economy.

f. Developing countries seeking to attract investment and technology from developed countries must take a series of measures to improve attractiveness, including increasing transparency of the economy, fighting against corruption, and strengthening guarantees related to the protection of foreign investment and foreign ownership.

#### Improving quality of the health care system

a. Enhancing health care systems, including infrastructure and medical equipment, medical and social protection systems for effective compliance with health care needs.

b. Encouraging long-term financing for scientific research, developing new vaccines, drugs and treatment methods.

c. Decreasing the need for health care personnel by switching to preventing diseases and overcoming health care problems through international cooperation in the areas of healthy-lifestyle promotion, legislation, regulating and enhancing health care systems and creating required medical infrastructure.

d. Resolving health care staff problems by:

- creating significant opportunities for working, living and professional growth for health care employees;
- accepting international principles and coordinating national policy measures regarding international employment of health care personnel.

#### Improving the quality of professional and vocational education

a. In the context of developing human capital, targeted education and training may help resolve the unemployment issue and improve employees' flexibility.

b. In the emerging countries, we suggest contributing to national qualification systems that would link the educational system and the labor market.

#### Increasing access to quality education in emerging countries

a. Increasing funds spent on education to 6-7 percent of GDP, which is common in advanced countries.

b. Lowering interest rates and ensuring attractive terms for educational loans.

c. Training businesspeople and business leaders to respond to modern globalization-related challenges and to manage the development of a new innovative economy.

#### Combating poverty and starvation

a. Forming economic growth centers through active development of competitive agglomerations, balanced regional development and regulation of internal migration.

b. Supporting national and international programs for increasing investment in rural territories and agriculture.

c. Encouraging the transfer of technology and knowledge through incentives and subsidies in order to increase productivity and reduce production costs in agriculture and the food industry in the least-developed countries.

d. Paying attention to the countries with special requirements: less-developed countries, indigenous groups and communities, landlocked developing countries, small island developing countries. Combating crisis issues in these areas has a crucial effect on struggling against poverty and starvation.

e. Improving the system of social assistance must be directed at establishing an efficient link between employment and social assistance.

f. Governments and the society have to create conditions for self-fulfillment of the disabled and their full and active involvement in social and economic life through creating a barrier-free environment, increasing accessibility, contributing to employment and providing quality health care services.

These recommendations were composed based on the opinions and suggestions of the participants and speakers of the seventh Astana Economic Forum.