

Astana Economic Forum 2014

Blueprint for global progress

WORLD ANTICRISIS PLAN | Sustainable growth

G-Global drafts U.N. anticrisis plan designed by world's citizens for action on an international level

At the Seventh Astana Economic Forum, the 2014 World Anticrisis Conference adopted a World Anticrisis Plan which, say its authors, "includes a framework for action that can be taken at the national and international levels for achieving global sustainable and balanced growth."

The authors sent the plan to the U.N. General Assembly in the hope that it will be accepted and accomplished through appropriate channels. A number of U.N. institutions, including the Development Program, the Economic and Social Council and the Conference on Trade and Development, are joining related financial institutions such as the World Bank and the International Monetary Fund to carry out the plan.

'We need a clear, interactive relationship between international management and the rest of the world'

In their introduction, the authors state: "Obviously, in view of the worsening of the economic indicators in many countries and regions of the world as well as the growing impact of the global financial and economic crisis, we must recognize that the prospects for the global economy have deteriorated significantly."

In a rapidly changing world, say the authors, where economic growth is shifting toward developing countries, it is necessary to revise the established rules and principles of global governance.

"Developing countries often play the role

of passive observers," says the report, "but together they constitute an important group and can play a crucial role in solving global economic problems. We need a clear and interactive relationship between groups of international management and the rest of the world that is exposed to the same effects."

The plan includes a number of measures providing a link "between the achievement of the Millennium Development Goals and overcoming the challenges of long-term stagnation of the global economy, financial globalization and global governance issues."

Under U.N. directives, the plan sets out measures to be taken, such as giving priority to countries with special needs: those that are less developed, indigenous communities, landlocked developing countries and small island states.

According to the report, in these countries the aftermath of the economic crisis has had a decisive impact on the fight against poverty and hunger. The report also stresses the necessity of consolidating major national governments' efforts to reduce global imbalances; increasing the responsibility of multilateral institutions to build a flexible global monetary system; and promoting the establishment of new global reserve currencies. In addition, it emphasizes the need for serious reforms of the Bretton

Woods institutions to provide a greater voice for developing countries.

Other measures include "promoting further structural reforms that encourage innovation and increase productivity through the transfer of knowledge and technology." The plan advises minimizing restrictive measures to stimulate global trade and improving cross-border capital flow management, and ensuring that the measures to overcome the effects of the global crisis conform to the principles of economics, social stability and the promotion of green and innovative development.

It also urges "increasing awareness of the priority of social policy through the support of the post-crisis economic policy aimed at providing employment and recognizing the role of social policy as a driver of transformation, ensuring equal access to professional education, quality education and health care."

Though such proposals have been suggested before, obliging individual states and groups of states to comply, while taking measures at national levels under U.N. supervision, has not happened so far. "The aforementioned principles form the conceptual foundation on which every international organization can develop a package of policy measures that are adapted to the situation and current priorities," says the report. "They should equally complement and support the measures taken by national governments and central banks."

The plan is to compile the input of



Martin Sajdik (left), president of the U.N. Economic and Social Council, and Minister of Finance Bakhyt Sultanov at the World Anticrisis Conference in May.

thousands of ordinary citizens, including experts, students, workers and others, within the G-Global platform. This initiative comes from Kazakhstan, the leaders of which recognize the need for a new framework reflecting a world that has changed, rather than the

existing power structure based on a world that no longer exists.

G-Global, says the organization, is "a multiservice Internet platform that congregates the world's minds focused on global development and international virtual

projects aimed at discussion and development of mechanisms to overcome the global financial crisis." According to the organization, in just a short time, G-Global has brought together more than 25 million users from 149 countries. ■

EXPO 2017 | Energy of the future

Showcasing a center of energy solutions for today and tomorrow

Next to the road from the new city of Astana, built on the left bank of the river Ishim near the Soviet town of Tselinograd, is a large site full of excavations. Three years from now, this space will have been transformed. Here, the shining new complex of Expo 2017 will be built. Astana won the bid to stage the World Exhibition in late 2012 — mainly thanks to the theme it submitted, "Energy of the Future," which explores a pressing issue for today and bright solutions for tomorrow.

"The first-ever energy-positive city will appear in Kazakhstan," said Nurlan Kapparov, minister of environment and water resources, and chairman of the board of the Astana Expo 2017 Company. "On sunny or windy days, Expo City will produce energy, accumulate its surplus and give it to Astana." Construction on the site recently started, following a design by Adrian Smith and Gordon Gill Architecture.

"Hosting the Expo 2017 exhibition in Astana is a strategic and geopolitical project for Kazakhstan," said Vicente Loscertales, secretary general of the International Exhibitions Bureau. "I am sure this will be a good and successful event."

Loscertales told a media briefing in Astana on March 14 that Kazakhstan has been developing successfully for 20 years. "A new capital was built in an even shorter period," he added. As the city is used to managing and implementing large-scale projects, Loscertales says he anticipates no problems in building this one.

In an article published in early 2013, when the choice of Astana was still fresh news, Kapparov summed up the advantages of the choice and the opportunities it offers both Kazakhstan and beyond. The minister said that Expo 2017 was "well suited to the host country and to the region it is leading toward a brighter, cleaner, more prosperous future."

Located in the strategically vital area between Europe and Asia, Kazakhstan has come a long way in the 20 years since independence, said a recent article by the Baku-based news agency Trend: "When the Soviet Union fell apart, many wondered if Kazakhstan had the long-term viability necessary to establish itself as an independent country. In little more than two decades, it has begun the process of democratization and created a booming economy that has

been named one of the world's 20 Most Attractive Investment Destinations by the World Bank." Kazakhstan is now considered one of the world's fastest-growing economies (along with China and Qatar) and has benefited from more than \$160 billion in foreign investment since 1991.

Expo 2017 participants and visitors can expect what could be called an "Astana experience" in getting a glimpse of how life could be in the future. The exhibition is expected to attract five million visitors.

"It will serve to highlight the energy and environmental issues facing Central Asia

and, at the same time, attract the world's best experts on energy-efficiency technologies," said Trend. Reflecting the theme, the site will be energy self-sufficient. Each building will have solar cells, and the site will be powered by its own wind farm. Participants will be able to move around via sustainable transport and dine on organic food.

Such advances in sustainable energy are vital for the future. As the British economist Nicholas Stern pointed out during the Seventh Astana Economic Forum in May, in 10 to 15 years climate change may lead to economic loss amounting to 5 percent of the world's total gross domestic product. The advanced technologies of the green economy might significantly change that forecast.

Also attending the forum, Imangali Tasmagambetov, the mayor of Astana, emphasized Expo 2017's importance and attractiveness for investors in the country's capital. "Many investors have already felt a real effect," he said. "Legislation on new forms of public-private partnerships has recently been adopted, giving investors more perspectives and guarantees. From now on, a huge market of socially significant services is available for them."

For Kazakhstan, Expo 2017 will be more than a one-time event. It is set to mark the beginning of a global development — with Kazakhstan at its heart — in which hydrocarbon energy resources will be gradually phased out in favor of sustainable energy resources.

Although talks concerning this evolution have taken place around the world, it is now set to happen on a larger scale. According to energy experts, Kazakhstan and its surrounding region are uniquely positioned for green energy start-ups, since alternatives to fossil fuels are sufficiently available in the area.

Expo 2017's importance stretches beyond the country's borders, particularly to neighboring China. "Kazakhstan has the world's richest per capita wind resources," wrote Xu Haiyan, a Chinese expert, in the November-December 2013 issue of China International Studies. "Its wind electricity generation potential reaches 1.8 trillion KWH, 20 times its current national electricity consumption. Developing wind energy could be the first choice in all development investment options in Kazakhstan, thanks to its mature investment environment." ■

INVESTMENT | New incentives

Introducing a visa-free system for nationals of Kazakhstan's main investment partners

As of July 15, citizens of five European Union member countries, the United States and several other nations that are Kazakhstan's prime investment partners can remain in the country for a maximum of 15 days without a visa. The new measure forms part of a larger package of incentives introduced to make Kazakhstan more attractive to foreign direct investment, not only in the oil and gas sector but also, and in particular, in midstream activity, agriculture and noncommodity industries.

Kazakhstan has introduced the visa-free system for 10 countries that are "actively

investing in the economy," President Nursultan Nazarbayev announced during the Foreign Investors Council in Borovoe, a popular leisure resort and natural park in the north, not far from the border with Russia. "To expand business contacts with international entrepreneurs, we need to remove visa barriers." The head of state declared, "We hereby announce the unilateral introduction of visa-free regimes for the citizens of 10 countries that are the most active investors in Kazakhstan." The list includes the United States, the United Kingdom, France, Germany, Italy, the Netherlands, Malaysia,

the United Arab Emirates, South Korea and Japan.

Within the framework of industrial diversification and multipolar development, dozens of projects in Kazakhstan under the State Advanced Industrial Innovation Development Program, together worth some \$5 billion, have been put on track, according to Industry and New Technologies Minister Asset Issekeshev, addressing the Foreign Investors Council.

"Fifty-nine projects with the participation of foreign capital were realized within the first five-year plan to create new

productions," said the minister. "Eighty-six projects are under preparation so far. The gross inflow of foreign direct investment into the country's processing industry since the start of the industrial and innovation development program reached \$14 billion."

He added: "One of the main goals of the second five-year plan of the industrial and innovation development program is to export manufacturing production and tap the markets of macro regions — broadly, Russia, Central Asia, China and Iran. The new system will include new tools such as pre-export, financial and insurance support."

As Kazinform reported separately: "Additional measures of state support for investors, which have been voiced by the president, include exemption from corporate income and land taxes for 10 years and from property tax for eight years. In addition, it is planned to input investment subsidies to ensure a stable legislation and predictable tariff and to simplify the import of foreign labor. Furthermore, investors will be compensated 30 percent of their capital costs. Nevertheless, that package will be provided only for new investment projects worth at least \$20 million in the priority sectors of the

economy, in accordance with the program of industrial-innovative development."

Over the first four months of 2014, capital investment in Kazakhstan increased by 2.1 percent compared with the same period last year, according to the Moscow-based Interstate Statistics Committee of the Commonwealth of Independent States, grouping the former Soviet republics excepting the Baltic states and Georgia. In this area, Kazakhstan performed better than its two partners within the Eurasian Economic Union, Belarus and Russia, both of which posted net on-year declines in the same period. ■

ECONOMY | Growth predictions

Developing the economy with pragmatic measures

Since it became independent nearly 15 years ago, Kazakhstan has endeavored to counteract the global economic setbacks that have affected the nation and its development. Under the leadership of President Nursultan Nazarbayev, successive governments put in place provisions to offset the 1998 crisis, when the price of oil, Kazakhstan's main revenue source, dropped below \$10 a barrel. It then countered another economic challenge in 2008, when the country's banking and finance sector suffered from the global financial slump.

Since the financial crisis is still being felt around the world, Kazakhstan remains vigilant. While advocating taking the steps necessary to restructure the global financial model, the country is getting its own house in order by taking adequate measures to confront financial shockwaves. Adhering to this policy has prevented recession on several occasions, while purchasing power has remained intact and the gross national product has been rising.

"Kazakhstan's GDP rose 2.9 percent in January-March this year," Interfax reported

on April 15, quoting the head of the Statistics Agency, Alikhan Smalov. It added that Kazakhstan's gross domestic product grew 6 percent in 2013, compared with 5 percent in 2012.

The Kazakh government forecasts GDP growth of 6 percent in 2014, a figure also predicted by the Asian Development Bank. Interfax says growth predictions vary slightly among other agencies: the International Monetary Fund forecasts 5.2 percent growth, the European Bank for Reconstruction and Development 5.5 percent and the World Bank 5.8 percent.

In terms of GDP, over the first four months of 2014 Kazakhstan's industrial output remained flat compared with the same period last year. Trade and communications showed strong results, with 10 percent and 10.4 percent year-on-year growth, followed by transport, construction and agriculture, with 7 percent, 4 percent and 3.6 percent, respectively.

As external trade remains strong, with a steady increase in export revenue and restraints on imports, investors in Kazakhstan can expect a sound trade and economic

environment. And the government is aiming to maintain such conditions.

"Kazakhstan is firmly committed to boosting its economic power in the coming years," the Baku-based independent news agency Trend wrote on May 20, the day before the opening of the 2014 Astana Economic Forum. According to the country's Ministry of Economy and Budget Planning, real economic growth between 2015 and 2019 is put at 5 percent to 6.6 percent a year, while GDP growth is expected to reach some \$385 billion in 2019. Exports are expected to grow from \$78.1 billion in 2015 to \$92 billion in 2019, while imports are forecast to increase from \$50.5 billion in 2015 to \$56.1 billion in 2019.

In exploiting its natural resources, Kazakhstan is working toward market sustainability. This means avoiding overproduction in response to international demand, which could send sales prices plummeting. At the same time, it is maintaining production capacity in case demand rises. This balanced policy applies to oil and gas, metals and grain.

In the first four months of 2014, oil production totaled 26.9 million tons, down slightly from 27.2 million tons in the same period of 2013 because of market stagnation. For similar reasons, within the same period, copper output decreased from 120,600 tons to 85,900 tons, while that of zinc increased from 106,400 tons to 107,100 tons.

In 2014, Kazakhstan expects to see crude oil and gas condensate production reach 83 million tons as part of a rise in



Bolashak oil and gas processing plant in the Atyrau region of western Kazakhstan.

overall industrial production of 2.7 percent year-on-year, according to government statistics.

To avoid putting domestic and foreign investment at risk, in 2013 the government of Kazakhstan set aside the equivalent of \$1 billion for further subsurface exploration and field preparation. This is to reassure existing and foreign investors that they can achieve productivity without worrying about undercapacity should the market require increased output. ■

INNOVATION | Knowledge as currency

Education and industry oriented toward a common goal

If a country like Kazakhstan wants to see its economy shift from commodities production and sales to high-quality products and services, academic and vocational training should be the top priority. Such was the view expressed by local and international experts in a series of debates at the recent Astana Economic Forum.

An introductory pamphlet to one panel discussion said that addressing challenges to sustainable development in the new millennium is the role of universities: "Their role at the present stage of the development of society consists in the creation of programs for the harmonious development of society in scientific maintenance, accumulation and dissemination of ideas in sustainable development through university networks of interaction, professional communities, mass media and other resources."

According to Jan Sadlak, president of the International Observatory on Economic Ranking and Excellence and director of the United Nations Educational, Scientific and Cultural Organization's European center for higher education (UNESCO-CEPES): "For sustainable development, it is necessary to combine a scientific approach and serious analysis of questions of economic development and ecology. Then it will be possible to organize appropriate management for sustainable development."

Ramu Damodoran, deputy director for Partnerships and Public Engagement for the U.N., added that education "can open doors and opportunities for the solution of many

world problems." Damodoran said that the research and practical work of scientists positively influences world progress, human development and human rights.

Concerning improvements in the industrial sector, Kazakhstan's deputy prime minister and minister of industry and new technologies, Asset Issekeshev, presented the latest figures illustrating steady progress in industrial innovation. "Since 2009, Kazakhstan's expenditures on technological innovations have increased to \$2 billion," said the minister, "while the volume of innovative products went up to \$2.7 billion and the share of GDP increased by 1.3 percent. The volume of exports of petrochemicals and gas-derived chemicals in Kazakhstan will reach \$2.5 billion by 2019, after the second five-year plan of industrial-innovative development."

As for Kazakhstan's main economic engine, oil and gas, the incorporation of processing in the sector, which has mainly concentrated on crude product sales, will soon add substantial value. "Oil and gas chemistry is practically a new industry," said Issekeshev. In 2019, he added, the country will have polypropylene, domestic polyethylene and plastic products. Exports will amount to more than \$2.5 billion and represent a 5 percent share of the manufacturing industry. "In addition," he said, "the second five-year plan includes the task of completing the modernization of all three refineries in Kazakhstan in 2016-17. This will provide oil refining of at least 19 million tons per year." ■

Comparative quarterly trade figures

Period	Q1 '14	Q4 '13	Q1 '13
Trade balance (\$ bn)	+14.1	+10.1	+10.7
Exports (\$ bn)	22.6	15.7	20.3
Imports (\$ bn)	8.5	5.6	9.7

Source: Reuters