

HOW IT HAPPENED!

FOLLOW UP
OF ASTANA ECONOMIC FORUM

2017

АСТАНА ЭКОНОМИКАЛЫҚ ФОРУМЫ
АСТАНИНСКИЙ ЭКОНОМИЧЕСКИЙ ФОРУМ
ASTANA ECONOMIC FORUM

10 YEARS
WORLD
ECONOMIC OUTLOOK:
2017 AND BEYOND

СЛЕДУЮЩАЯ ГЛАВА
ГЛОБАЛИЗАЦИИ: ВРЕМЯ
НЕОПРЕДЕЛЕННОСТЕЙ

EIFK

ERI
ECONOMIC
RESEARCH
INSTITUTE

10 YEARS
WORLD
ECONOMIC OUTLOOK:
2017 AND BEYOND



WORLD
ECONOMIC OUTLOOK:
2017 AND BEYOND

THE NEXT CHAPTER
FOR GLOBALIZATION:
AN UNCERTAIN FUTURE

E



Dear friends of the Astana Economic Forum!

On behalf of the entire team of the organizing committee, let me thank you for taking an interest in our event. It was a great honor for us to welcome each of you during two intensive days full of ideas, views and information.

Many forum speakers have repeatedly spoken about the importance of communication between countries, cultures and economies. It is active communication – open, friendly and intensive – that helps us to better understand each other, better make right decisions and cooperate better.

For our part, we have tried to create all necessary conditions and we hope that you have picked up a lot of new impressions, useful contacts and professional expertise.

In this issue, we have prepared a selection of information on how the forum was held, what speeches will be remembered the most and what different experts thought about economic issues.

Enjoy reading! And see you next year!

NOTA BENE

We collected 20 most interesting findings and facts from global experts and key individuals of Kazakhstan which can readily be added to the forum quote book.





Nursultan Nazarbayev

President of the Republic of Kazakhstan

— The 10th Astana Economic Forum is held at a historically critical moment. The Shanghai Cooperation Organization summit was held in Astana. With the accession of India and Pakistan, a new global player with a market capacity of **3 billion people** has been created. Coverage of the SCO countries by the Great Silk Road revival program creates a new economic sub-region. UN Secretary-General Antonio Guterres noted that the SCO "is an important foundation of today's world order" and inclusive development is the most powerful tool for preserving the peace. It is this inclusive and sustainable development that is the focus of this forum. The world needs a gradual transition to a new economic model. It should be based on clean energy, joint efforts and collective responsibility taking into account the interests of the whole world.

Bakytzhan Sagintayev

Prime Minister of the Republic of Kazakhstan

— We have to gradually reach a growth rate of 5.5% by 2021. It's not an easy situation, but we can say that we have adapted to the current prices for the raw materials. Other sectors of the economy are already resuming to work and grow. The economy is changing, there are new sectors and jobs, new challenges and opportunities. Therefore, today Kazakhstan faces an ambitious task to consolidate the success achieved and develop in a new global reality. The goal of the third modernization of the country announced by the President Nursultan Nazarbayev is **to be at the forefront of new points of growth.**





Nassim Taleb

*Professor of New York University,
Author of "Black Swan" and "Antifragile"*

— I could not predict the global economic crisis, this "black swan". But if the "black swan" appears, you need to benefit from it. For example, Google, entrepreneurship, Astana are all unpredictable events. If someone 40 years ago described today's Astana, he would probably be sent to a mental hospital. Look around – **unpredictable Astana is developing and it is also a "black swan"**. We need to develop science, but at the same time study the world empirically. Become an entrepreneur to learn what failure is, what mistake is. Why is the US such a powerful country? Because it has the highest level of business bankruptcy and that is why America is home to such big projects. We should deal with "black swans" as positive phenomena and not be afraid of them.

John Perkins

*Economic Adviser,
Author of "Confessions of an Economic Hit Man"*

— I travel the world extensively and at Astana forum I see an opportunity to look beyond the present time. Humankind has created many tools that kill and destroy our fragile world. We must stop this self-destruction and there are all prerequisites and tools to turn to the salvation of our planet. Today it is not enough to understand the situation, we need to change it for the better. We live on a very fragile planet, it is time to wake up and consider economic, social and environmental issues together, so that we don't lose what we have. I thank the President of Kazakhstan Nursultan Nazarbayev and organizers of the Astana Economic Forum for this opportunity to discuss such important issues. We must remember the great role of humankind on this planet.



Timur Suleimenov

Minister of National Economy of Kazakhstan

— We invite everyone to attend the Astana Economic Forum. This is what the forum is for, so that **everyone does not sing the same song** and says: "WTO is so wonderful" or vice versa "Buy American products" or "Let's make America great again". We want to have a clash of opinions, so that there are some competing economic theories. This all benefits us because it is important for our economic science, for our economic practice, for students, for all participants.





Jacob Frenkel

Chairman of JPMorgan Chase International

— We all live in a big ocean with a lot of storms. And each of us lives in his own country, in a small boat. The leader of each country must strengthen it. But today this is not enough because some storms affect everyone. And that is what global leadership is all about. President of Kazakhstan Nursultan Nazarbayev is making enormous efforts not only to strengthen his own country, but also makes great contribution to the global political decision making.

Stjepan Mesic

Former President of Croatia (2000-2010)

— The venue of the Forum is more than symbolic. Today green economy increasingly becomes a political factor as the level of development of any country is determined by the amount of investment made in green energy sector. Peaceful development cannot be achieved by means of an arms race, fabrication of enemies and mobilization to fight against them. At first glance, terrorism has nothing to do with the economy, but if you seriously look at the situation, it turns out that the reason has economic roots. First, it is the policy of developed countries in relation to developing countries, which some experts call neocolonial. This policy makes the poor even poorer. Secondly, it is the policy of seizing energy resources. Terrorism is a product of both policies. Politicians should be far-sighted, for history demonstrates that when the world turns to education, science, history, there is a remarkable progress in all areas. The Astana Economic Forum is intended to serve these lofty causes.



Sergei Glazyev

Member of the Russian Academy of Sciences, Adviser to the President of the Russian Federation

The Astana forum has already become the major Asian platform for exchanging economic opinions and discussing various current affairs. Behind the visible chaos that we see in the world, we can actually trace very clear patterns. New technological order is being created right before our eyes, we witness a change of order for the fifth time already. Those who live in this order are prosperous, they have rising incomes. **The largest sectors of the new technological order are healthcare, education and science.** This pattern allows us to accurately predict the technological future and the future of industries and businesses associated with this technological revolution. The world is changing predictably. The main question, for which there is still no answer, is how peaceful will be the transition to a new technological order? Because similar transitions were previously accompanied by escalation of tension. We need a coalition of countries that understands their prospects. We do not need wars.





David Pan

Executive Dean of Shwartzman Scholars at Tsinghua University

— With regard to high technology, it is important to consider three points:

1. Modern technology offers us not only opportunities, but risks as well. Risks are to properly manage technology and not direct them against yourself.
2. Technology changes very quickly and young generation master it very quickly because young people are more technological and clever in this respect.
3. There are no boundaries for high technology, so we must share our achievements.

Bolat Zhamishev

*Chairman of the Management Board, Development Bank of Kazakhstan,
Minister of Finance of the Republic of Kazakhstan (2007-2013)*

— Kazakhstan is successfully improving its positions in the Doing Business ranking. A lot of work has been done, but now a deeper approach is needed. With the development of high technology, the economic transparency will increase. For example, today 30% of non-cash payments are made by way of online payments. This is not enough to make the economy fully transparent but three-four years ago the amount of such payments was two times smaller. Investors always assess to what extent Kazakhstan is integrated into the world economy? In order for our country to move forward, we need a more in-depth look at addressing those problems that Kazakhstan has been solving quite successfully in recent times.



Joomart Otorbaev

Prime Minister of Kyrgyzstan (2014-2015)

— For Central Asia it is important to become a point, the center of interrelations. Everyone remembers the golden age of the Silk Road, when there was a connection with different countries, but we lost this connection. The region has no access to the sea and therefore faces many challenges. Today Kazakhstan is leader in terms of a progress, but it is impossible to win the Olympic Games on one leg – two legs are needed and the region has a great potential. I'm not Kazakh, but can we be proud of Central Asia without Kazakhstan, EXPO and other achievements? No. The region has massive potential. We could hold such conferences on a regular basis to address pressing issues and in the future we will be proud of Central Asia.





John Panzer

Director of the Global Practice for Macroeconomics and Fiscal Management, the World Bank

— Growth of income is a marathon, not a sprint. It takes time and a huge amount of work. There are no quick recipes. Therefore, it is very well known that policy adaptation is required at different stages. Every country must find its own way. In the end, there are some basic concepts and guidelines, without which it is very difficult to succeed.

Roland Nash

*Senior Partner and Chief Investment Strategist,
Verno Capital*

If you look at the use of raw materials in the world and investment in the global trade infrastructure, Kazakhstan is at the center of all these trends. This creates a huge opportunity for economic change and growth. The main thing is how to use it. If this is done properly, Kazakhstan should grow at 5% level.



Harinder Kohli

Founder of the Emerging Markets Forum

— We should remember that about eight billion people live in the world and only 65 million people reside in Central Asia. Central Asia and Kazakhstan in particular, should consider themselves as part of an interconnected big world. Kazakhstan is located close to the most developing countries of Asia and China in particular, which is the largest economy in the world.

By 2050, in our opinion, three of the four largest global economies will be very close located in Asia. I do not know in what order, but this is China, India and Japan and, perhaps, the United States. **50 percent of the world economy will be based in Asia - this is a big market for Kazakhstan.** This is something that Kazakhstan needs to work on. Also it is worth mentioning Indonesia and Vietnam.





Dr. Ariel Cohen

*Director of the Center for Energy, Natural Resources and Geopolitics (CENRG),
Senior Researcher at the Institute for Analysis of Global Security (IAGS),
Nonresident Senior Fellow at the Atlantic Council*

— We think that the experience of the Dubai Financial Center and Kuala Lumpur will be taken into account to allow Astana to become not just the capital of oil and gas, but also to become a capital that provides vital and important services to the financial sector. Kazakhstan has resources to move to a new stage of development - this is a great vision. This is what Kazakhstan citizens should work for.

Aidan Karibzhanov

Chairman of the Board of Directors, Visor Holding

— We see that Kazakhstan is becoming more competitive in comparison with the China. Their salaries are growing and perhaps this is a chance to diversify our economy. The prices have become more realistic. The banking sector is going through cleaning. We need to improve the blood flow in the business organism. In recent years it has become customary to critically assess what is happening. But I am slightly surprised by this year's economic growth rates I hesitate to guess, but I have a good feeling that the cycle is about to end, which, maybe, for a long time.



Ato Brown

World Bank Country Manager for Kazakhstan

— The SCO is one of the platforms for the future. It is important to understand the developments happening around Kazakhstan and use the opportunities to maximize the benefits of cooperation. It is vital that Kazakhstan does not become merely a transit corridor, but can optimize its trade and exports to other regions of the world.





Cyril Muller

The World Bank Vice-President

— Public sector and public investment cannot be major driving forces of growth. Substantial investment in infrastructure over the past 15 years have put Kazakhstan in a position when it is possible to integrate the country into international markets and it gives the opportunity to take advantage of its strategic geographical position. The challenge for the Kazakh economy is to effectively use these assets as a foundation for future growth. Thus, Kazakhstan's success will not be associated with using the infrastructure only for transit purposes, but as an integration with rapidly growing dynamic regions.

Patrick Ho

Deputy Chairman and Secretary General of the China Energy Fund Committee

— Kazakhstan has all the necessary components - stock exchange, independent court, arbitration, financial regulation, that is all prerequisites to become regional financial hub. Kazakhstan is 11th in terms of crude oil, 18th in gas and 8th in coal reserves. If Kazakhstan, reinvests the capital received through the sale of resources, it can generate revenues in the future growth. This is the path to income and prosperity.



Agris Preimanis

European Bank for Reconstruction and Development (EBRD) Director for Kazakhstan

— Based on our latest forecast, Kazakhstan economy will grow by 2.4% in 2017 and by 3.5% in 2018.



ONLINE BROADCASTING: HOW IT HAPPENED?

Founder of vlast.kz
Vyacheslav Abramov
conducted an on-line
interview with the leading
stars of the economic
forum Nassim Taleb and
John Perkins. The former is
the author of the "The
Black Swan" book, the
latter is the author of "The
Confessions of the
Economic Hit Man"
bestseller.





JOHN PERKINS WILL INCLUDE KAZAKHSTAN IN HIS NEXT BOOK

John Perkins is definitely one of the most unexpected guests of the Astana Economic Forum 2017. The fact that he was invited as a speaker shows how open the forum is for expressing various ideas about certain economic development institutions. At the beginning of his meeting with the Prime Minister of Kazakhstan, which all the Kazakhstan people could watch live, he immediately started by warning him about the dangers associated with excessive lending from organizations like the World Bank.

"I give this advice and warning to governments of all countries rich in natural resources," he said. "The thing is that the modern economic system is based on debt and fear. For example, if you look at student debts in the US and how this is organized, you will understand why young people are scared. And yet they are afraid of terrorism, Russia and many other things. But such policy of debts and fears leads to poverty and inequality. I understood this and people like me began to turn public attention to the fact that big business, the capitalism is ready to kill and spoil the nature to maximize profits. We started the "Life Economy" movement and its main goal is to make companies pay more attention to the environment.

The thing is that there are two realities: the objective reality and the one that man invented. In nature, there have been no corporations, no business, no economy – all these are only human perceptions. The objective reality is the one which actually exists in the environment. It is important that human ephemeral perceptions (corporation, business, etc.) about reality do not destroy the objective reality. This is what the Life Economy is about.

Each of you can contact any company or corporation in the world directly or through social networks: "Listen, I really like your products, but I will not buy them until you find it necessary to pay your workers decent salary, cause less air pollution, purify water, etc. It's just important to do it."

John Perkins also said that in his next book he wants to include the case of Kazakhstan.

NASIM TALEB: TOO MANY PEOPLE WHO THINK AND TOO LITTLE WHO DO



"When countries attempt to shield their economies from global risks and protect their business, they create too comfortable conditions and this makes companies, markets and economies fragile. The evolution is only based on mistakes. For example, errors occur in a person's DNA. The body and genes need them to develop in the future. Everyone understands that 10 generations that have been selected a priori will be stronger than 10 generations without selection. The same happens in economy, it must develop on mistakes.

If you remember, the technological revolution was not done by theorists, but by practitioners. Of course, I do not deny the importance of science,

but I think it's necessary to stop focusing on universities and education as a development factor. It is best to develop entrepreneurship. Universities are theorists, and innovations are always invented and implemented by entrepreneurs. For example, Silicon Valley has a very high tolerance for errors and failures. There is a low price for risk - you can always make mistakes. And it is right. We have a lot of people who think and very few people who do. We need to understand that innovation is not about universities. People actually learn from each other. It's like learning to ride a bike – to learn, you need to start riding. It is easy."

At the end, Mr. Taleb responded what the success

means to him.

- Success is not about managing a large company or having a lot of power. Success is about living without suffering as much as possible, so that you are not hated, so that you are not ashamed of yourself when you look in the mirror or when others see you. That's what I think what success is.

CHINA BUILDS UP DEBT, BUT THEIR STRUCTURE DIFFERS FROM THE US

2 GLOBAL ECONOMIC POWERHOUSES - CHINA AND USA WORK IN THE OPPOSITE SIDES





On the first day of the Astana Economic Forum, the first session called "Economic Globalization" attracted audience's attention due to the composition of speakers and the obvious relevance of the topic - China's growth.

Sergei Glazyev, an Adviser to the Russian President, drew attention to an interesting model of increasing investment in the Celestial Empire. The thing is that most of public money and investment are now spent in the real sector - roads, hospitals, warehouses, traffic junctions and etc. This is clearly different structure of debt which differs from the debt formed in the US, where three quarters of the debt market are in financial bubbles, rather than in the real economy.

David Li, Director of the Center for China in the World Economy, expanded the distinction between China and the US, the two largest markets to date. In his opinion, they represent two engines of world economic growth that unfortunately work in different directions at the moment. In particular, in China, despite the slowdown, consumption of all types of services is growing. There is a real consumption due to the objective factor - a large population. The demand

and consumption move China. Another major economy located across the Atlantic, believes that it has recovered from the crisis, but at the same time is pursuing a monetary policy that says the opposite. Dr. Li refers to the FRS recent announcement to increase the base rate. Thus, by tightening its monetary policy, the US compresses its economic growth.

This is an interesting situation, the Chinese economist believes, which can lead to both positive and negative consequences. "The important thing is to understand that the level of personal savings in China is currently very high and debts are turning into assets, Mr. Li said. - And this is not the case in the US.

Jacob Frenkel, Chairman of JP Morgan Chase International, Governor of Bank of Israel (1991-2000) is frankly very optimistic about the growth in China and the opportunities arising in the economy. Despite his considerable age, Mr. Frenkel was able to spread his virtually youthful enthusiasm into the audience.

"Many people say that China's growth is dangerous, but I believe that this growth offers great opportunities for other countries," he said. –

Just compare, in the past China did not produce even 5% of all goods in the world, but now it is major trading partner for many countries. China is starting to build its own alternative financial infrastructure. I support it and I am very sorry that the US is not a part of it.

As for the US monetary policy, according to Mr. Frenkel, who worked in one of the strongest investment banks, the FRS actions are now predictable.

"In the past, FRS monetary policy style was different", he explains. - Previously, the FRS was supposed to try to surprise the market in order to make it move. And now, on the contrary, they are trying to be clear in statements and actions because the links between countries and markets have become too deep.

Kazakh economist and financial expert Oraz Zhandosov was brief and practical: "China is growing and will continue to grow for objective reasons. Moreover, it pursues a policy of investing in the development of the Silk Road program, so we all need to gain maximum economic benefit from these developments."

NEW ECONOMY NEEDS NEW THERMOMETER

IS IT POSSIBLE TO
MEASURE THE WELFARE
AND GROWTH BY
THERMOMETER OTHER
THAN GDP?

**KAZAKHSTAN
PRESIDENT THINKS YES**





Speaking at the AEF plenary meeting, Nursultan Nazarbayev made 2 proposals that can change the ordinary landscape of economic relations. He made a case for his proposals with 5 factors:

First, the fundamental causes of the severe financial crisis, which happened 9 years ago, have not yet been eliminated. They add to the growth of global debt, which is 2-3 times higher than the world's domestic product.

Second, the world economy is recovering slowly.

Third, reverse processes are seen in the global trade. Some countries consistently increase risks and measures against the trends of globalization. Last year, global trade growth rates were the lowest for the last 8 years.

Fourth, environmental pollution reaches critical limits. According to UN estimates, if the problem of greenhouse gases is not addressed, the world economy will lose about \$ 12 trillion or 16% of world GDP.

Fifth, the global energy consumption imbalance is growing and it is causing negative processes at the global and regional scale. For example, a significant increase in immigration flows. The world needs a gradual transition to a new

economic model.

In light of these factors, Nursultan Nazarbayev presented his vision on the development of the global economy. The head of state proposed to develop new methods for calculating indicators measuring the wealth of countries and the welfare of the population.

- GDP does not reflect the long-term nature of economic activity, does not take into account the environmental damage, including depletion of natural resources, he said. In addition, it does not reflect the quality of life in a particular country. GDP per capita does not show the real well-being of citizens, does not take into account income disparities. Traditional GDP creates false perceptions about economic prosperity. I think that "green" GDP, Human Development Index and OECD's Better Life Index can be used by the global community to adopt an updated methodology for calculating GDP. It should adequately reflect the needs of the countries' balanced development.

Nursultan Nazarbayev's second proposal relates to the technological development of the financial sector.

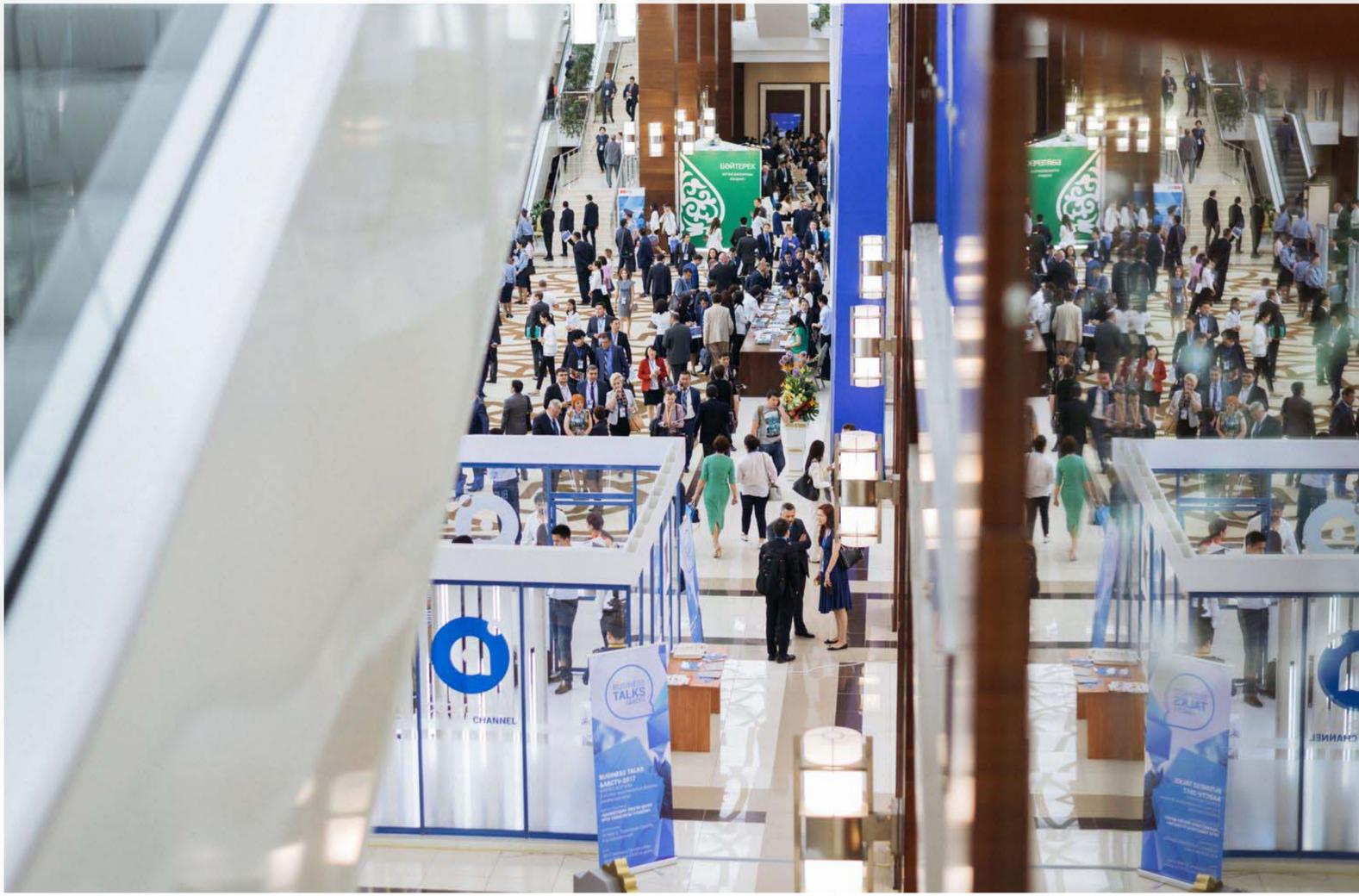
The President thinks it is time to introduce an

international payment unit or a crypto currency. This will save the world from currency wars, speculation, help to avoid distortion in trade relations and reduce market volatility.

- Taking into account digitalization and development of new technology, such payment unit can be created in the form of a crypto currency. It is important that it is not based on abstract trust and backed by concrete assets. This currency needs to be democratic, that is, it should be accepted by consumers from all over the world. Therefore, we proposed that G-Global, not only G-20, but other states participated in this important matter as well. The introduction of this currency is possible by creating a pool of central banks. For example, under the designated UN committee. There should be a fair representation of all countries and missions. At the same time, the economic growth should occur based on clean green energy. According to international agencies, by following this goal, we can slow down global warming. This will increase the world economy by 20 trillion dollars. Furthermore, millions of new jobs will be created.

GALLERY









“...at Astana forum I see an opportunity to look beyond the present time”

John Perkins

