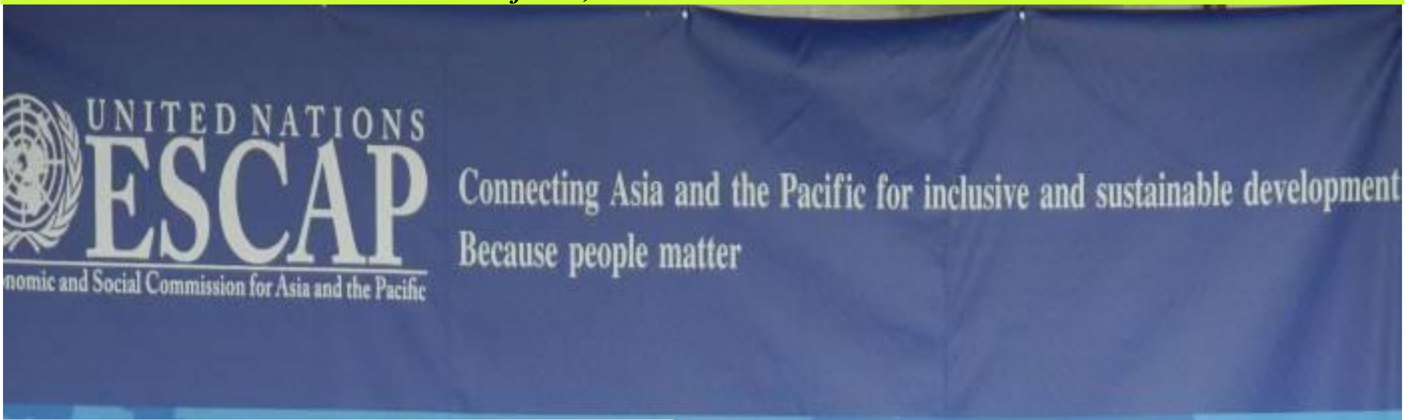
REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE
MINISTÉRIO DAS FINANÇAS
Gabinete do Vice-Ministro

" Adeus Conflito, Bem-vindo Desenvolvimento "



"High-Level Consultation on The G20 Cannes Summit: Perspectives from Asia-Pacific"

Banguecoque, Tailândia

11 e 12 de Outubro

Relatório

Redigido por:

Sua Excelência o Sr. Vice-Ministro das Finanças, Rui Manuel Hanjam,

Dirigido a:

Sua Excelência o Sr. Primeiro-Ministro, Kay Rala Xanana Gusmão,
Excelentíssimos Senhores Membros do IV Governo Constitucional da R.D.T.L.

Índice

1. *Introdução*

O presente relatório é alusivo à minha participação na "High-Level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific", enquanto representante de Timor-Leste e agraciado pelo convite da UNESCAP para desempenhar um papel de orador chave e moderador de uma das sessões.

Primordialmente, este relatório remete-se à explanação das minhas observações e considerações relativamente aos tópicos abordados e debatidos no encontro, bem como elucidar Sua Excelência o Sr. Primeiro-Ministro, Kay Rala Xanana Gusmão, do conteúdo das minhas intervenções, em que medida estas reflectem as prioridades e inquietações de Timor-Leste, e ao consenso granjeado pelos participantes no que concerne às informações a transmitir ao G20.

Em termos estruturais, iniciarei o relatório com uma referência às informações organizacionais da reunião de alto nível, da constituição da delegação de Timor-Leste e objectivos da mesma. Segue-se uma contextualização do historial do G20 e suas actividades de relevo; o relato dos pontos centrais respeitantes às observações efectuadas, as minhas intervenções enquanto orador chave e moderador e um sumário das inferências realizadas nas sessões. Por fim, rematarei o relatório com a exposição das considerações finais acerca dos temas debatidos e principais conclusões alcançadas pelo grupo de trabalho. Em anexo, será possível consultar o portefólio dos documentos do encontro.

2. *Informações Gerais*



Nos dias 11 e 12 de Outubro, a Comissão Económica e Social para a Região da Ásia e do Pacífico das Nações Unidas (United Nations Economic and Social Comission for Asia and the Pacific - UNESCAP) convocou e organizou uma reunião de consultoria de alto nível vocacionada a membros do G20 da Ásia e Pacifico e não membros, a fim de debater questões actuais e mediáticas da economia mundial, em particular dar voz aos representantes dos países no sentido destes manifestarem as suas preocupações e perspectivas, enriquecendo e estipulando quais os aspectos a integrar na agenda da 6ª Cimeira do G20 a realizar nos dias 3 e 4 de Novembro de 2011, em Cannes, França.

O encontro, empreendido no Centro de Convenções das Nações Unidas em Banguecoque, Tailândia, contou com a presença de representantes de 29 países da Região da Ásia e do Pacifico, incluído da China, Austrália, Japão, Estados Unidos da América, Índia, Indonésia, Cazaquistão, Filipinas, República da Coreia, Singapura, Sri Lanka, Timor-Leste, bem como representantes da Conferência das Nações Unidas sobre Desenvolvimento e Comércio (United Nations Conference on Trade and Development - UNCTAD) e do Secretariado do G24 (consultar em anexo a Lista dos Intervenientes).

A nível da estrutura do encontro, a reunião iniciou-se com os discursos de abertura, remetendo-se para a análise geral do programa e explanação de expectativas, seguindo-se as sessões de debate e exposição dos tópicos de relevância na economia actual da Região da Ásia e do Pacifico.

O encontro comportou as seguintes sessões:

- *Sessão 1:* Crescimento e Desenvolvimento Sustentável no Seio das Incertezas Globais
- *Sessão 2:* Combater a Volatilidade dos Preços dos Produtos Alimentares e Aumentar a Segurança Alimentar

- *Sessão 3:* Desenvolvimento do Financiamento e Reciclagem das Poupanças Regionais para Responder às Necessidades Regionais ao Nível das Infra-Estruturas
- *Sessão 4:* Fortalecimento dos Regulamentos Financeiros
- *Sessão 5:* Reforma do Sistema Monetário Internacional

No segundo dia, 12 de Outubro, redigiu-se o documento que reflecte o debate entre os países intervenientes, focando os principais pontos e as ideias primordiais, tendo sido analisado e aprovado em reunião e que será, posteriormente, remetido ao G20 para sua consideração e integração na agenda da 6ª Cimeira a realizar em Cannes.

Timor-Leste foi representado por uma delegação liderada por mim, Vice-Ministro das Finanças, (consultar tabela 1) pelo que perspectivei os seguintes objectivos:

- Dinamizar o debate como observador, orador chave e moderador;
- Interagir com os demais participantes, inteirando-me acerca das suas perspectivas relativamente ao panorama económico global e suas especificidades regionais;
- Expor a posição e prioridades de Timor-Leste enquanto economia em desenvolvimento e afirmar a nossa disponibilidade para o diálogo e cooperação.

Tabela 1: Elementos da Comitiva Presentes na Visita

Cargo	Nome
Vice-Ministro das Finanças	Rui Manuel Hanjam
Chefe do Gabinete do Vice-Ministro das Finanças	Mateus Cabral
Assessora do Vice-Ministro das Finanças	Sandra Marques
Jornalista da Televisão de Timor-Leste	Júlio Lopes

3. *Enquadramento*

Fundado em 1999, o Grupo dos Vinte ou G20 tem como máxima a promoção da colaboração e coordenação entre os países industrializados e economias emergentes com vista à facilitação de oportunidades de diálogo sobre questões chave da economia global, destacando-se as políticas nacionais, cooperação internacional e as instituições financeiras internacionais. Neste sentido, o G20 actua como uma plataforma essencial para impulsionar e suportar o crescimento económico e o desenvolvimento a nível mundial.

Constituído por Ministros das Finanças e Governadores do Banco Mundial, o G20 engloba os seguintes países: Indonésia, Brasil, Argentina, Austrália, Canada, China, França, Alemanha, Índia, Itália, Japão, México, Rússia, Arábia Saudita, África do Sul, República da Coreia, Turquia, Reino Unido, EUA e a União Europeia.

4. *Discursos de Abertura*

Nos discursos de abertura, o painel de oradores foi unânime relativamente às suas expectativas para o encontro: este deveria ser um espaço de comunicação e diálogo, com uma forte componente crítica e analítica das economias globais e regionais, e especial ênfase em auxiliar os países menos desenvolvidos a suportar as repercussões da crise através de uma estreita cooperação entre os países membros do G20 e não membros.



Oradores Chave:

- ✓ **Timur Muratovich Suleimenov, Vice-Ministro da Economia, Desenvolvimento e Comércio, Cazaquistão**

- ✓ **Ahmed Mujthaba, Ministro do Desenvolvimento Económico Estatal, Ministério da Economia e Desenvolvimento, Maldivas**
- Sublinhou a importância de articular uma voz comum na região da Ásia e do Pacífico relativamente às questões económicas globais e a relevância de envolver a sociedade civil neste processo.

- ✓ **Ajith Cabraal, Governador do Banco Central, Sri Lanka**
- Afirmou que esta é uma excelente oportunidade para comunicar as preocupações dos países ao G20 e se compreender o panorama económico actual. Considera que o aspecto fundamental a ter em conta numa situação de recessão financeira é a confiança. É crucial que o G20 actue e o faça com celeridade, restituindo a confiança aos Governos dos países e aos consumidores, assegurando-lhes que somos capazes de ultrapassar a crise e liderar este processo ("Growth will return if you have confidence").

- ✓ **Noeleen Heyzer, Sub-Secretária Geral das Nações Unidas e Secretária Executiva da ESCAP**
- Salientou que é essencial assegurar que os rendimentos beneficiam todos os países e proporcionam um ambiente que possibilita aos países progredir e alcançar os seus objectivos de desenvolvimento;
- É necessário identificar as áreas onde é requerido um maior grau de coordenação e suporte entre o G20 e países não membros;
- A inclusão de 8 países da área do ESCAP no G20 representa o crescente desenvolvimento da economia da Ásia e do Pacifico e enfatiza a importância desta área;
- Volatilidade dos preços dos produtos alimentares: devido aos elevados preços dos alimentos e também do petróleo (aumentou em 45% no último ano), 19,4 milhões de pessoas continuam a viver na pobreza na região da Ásia e do Pacífico;
- Conseguir-se granjear um crescimento sustentável é um objectivo comum a todos os países, tanto que a recessão sentida pelos países desenvolvidos tem igualmente um impacto negativo na política regional e no crescimento económico dos países em vias de desenvolvimento. É fundamental trabalharmos juntos para ajudar a moldar os países de amanhã.

- ✓ **Rui Manuel Hanjam, Vice-Ministro das Finanças, Timor-Leste**
- Representando Timor-Leste como um país jovem, mas em franca expansão, procurei difundir às inquietações e incertezas que apoquentam a nossa economia (como é que um país subdesenvolvido pode crescer e desenvolver-se face à recessão económica dos países desenvolvidos, sendo que Timor-Leste tem tentado adoptar o modelo financeiro destes e ajustá-lo às especificidades regionais da sua política?), frisando as iniciativas adoptadas e as metas alcançadas (organização das conferências do EITI, lançamento do Plano Estratégico de Desenvolvimento, aprovação das alterações à Lei do Fundo Petrolífero que prevêem uma diversificação na carteira de investimentos);

- Salientei que, não obstante de Timor-Leste se constituir como um país em pós-conflito e da sua economia se centrar maioritariamente nas receitas provenientes do Petróleo, Timor-Leste é o 3º país do mundo a ser certificado como membro da EITI. De salientar que a taxa de recolha de impostos e direitos do petróleo é na ordem dos 99.8%, sendo que o Fundo Petrolífero assenta numa gestão rigorosa, disciplinada e regulada pelo Rendimento Sustentável Estimado. O principal impacto da actividade económica mundial em Timor-Leste é sentido através das receitas petrolíferas (investidas em activos nos EUA). Neste sentido, Timor-Leste está afincadamente empenhado em desenvolver os sectores não petrolíferos, adoptando medidas como fruir de uma taxa de impostos colectivos de apenas 10%, uma repartição dos lucros sem restrições, adopção de um regime de investimentos estrangeiros flexível, com igual foco no desenvolvimento do sistema educacional e na formação da força laboral.
- Os níveis da inflação actuais atingem valores preocupantes, afectando o poder de compra dos consumidores e minando o desenvolvimento do sector das exportações privadas, o que consequentemente, conduz a políticas de contenção da macroeconomia. Sendo um país com um elevado índice de importações, Timor-Leste irá beneficiar com um bloqueio bem sucedido e rápido do aumento dos preços regionais. A estabilidade da macroeconomia é vital para um crescimento sustentável.
- Face ao índice de pobreza em Timor-Leste, frisei a importância de adoptar políticas perspicazes que conduzam à criação de mais postos de emprego, pois é através do emprego que a população emerge da pobreza e o país prospera.
- Afirmei que Timor-Leste volta-se para o desenvolvimento, abandonando o conflito e logrando, consequentemente, de um período de relativa estabilidade: o Fundo Petrolífero permite estabelecer desafios de desenvolvimento e alocar os recursos de acordo com as necessidades; nos últimos anos, a economia registou um crescimento económico de dois dígitos, pelo que dá margem à oportunidade para actuar ao nível da redução da pobreza. Neste sentido, o Governo de Timor-Leste lançou o PED como mote para edificar uma nação próspera e sólida nos próximos 20 anos, promovendo o crescimento e diminuindo a dependência das receitas petrolíferas.
- Um sector financeiro forte e sustentável é um requisito essencial de uma economia completamente funcional: vital para desenvolver as trocas comerciais internacionais, tanto a nível da exportação como da importação. As instituições bancárias têm desempenhado um papel sólido, incluindo o Banco Nacional do Comércio, uma iniciativa do actual Governo, e presentemente encontra-se em desenvolvimento um programa que permitirá as famílias pobres e de baixos rendimentos ter acesso a serviços financeiros, particularmente, a poupanças, empréstimos e seguros. O objectivo máximo deste programa centra-se em apetrechar as famílias com a capacidade financeira para suportar os custos relativos à saúde e educação dos filhos e adquirirem micro-créditos para estabelecerem novos negócios e postos de emprego.
- Enfatizei a relevância de adoptar uma abordagem holística, englobando o aumento do investimento público, estabilidade macroeconómica e um bom funcionamento do sistema financeiro. É a abordagem mais eficaz para garantir o potencial do crescimento económico a longo prazo.

5. Sessões

5.1. Sessão 1: Crescimento e Desenvolvimento Sustentável no Seio das Incertezas Globais

Moderador: Ajith Nivard, Governador, Banco Central do Sri Lanka

Responsável pela Exposição do Tema: Nagesh Kumar, Chefe do Departamento de Economia do ESCAP

Argumentador: Amar Bhattacharya, Director, Secretário do G-24, Washington, DC

Após um período de recuperação, a economia internacional encontra-se, uma vez mais, numa etapa de instabilidade e turbulência. O crescimento económico nos países desenvolvidos abrandou e as previsões para a segunda metade do ano 2011 sofreram um declínio. Subjacente a estas mudanças está uma visível perda de confiança, a crise profunda na Zona Euro, dificuldades fiscais e uma taxa persistentemente elevada de desemprego nos EUA.

Neste contexto, a prioridade primordial é promover um crescimento económico global sustentável e inclusivo. Soluções compreensivas e duradouras devem ser implementadas na Zona Euro. Nas economias avançadas, medidas a fim de estimular a economia e restaurar a confiança deverão ser implementadas a curto prazo, enquanto a médio prazo se devem desenvolver planos credíveis de consolidação fiscal. A resiliência do crescimento económico na Ásia e no Pacífico tem empreendido contribuições significativas na economia global e, apesar do abrandamento do crescimento económico, esta região irá continuar a envidar esforços para fazer face às principais necessidades de desenvolvimento inerentes ao aumento das despesas domésticas, tais como, investir nas infra-estruturas e na protecção social.

Tendo em conta os factos apurados, os representantes dos países intervenientes no encontro são unânimes quanto à necessidade de incluir na Agenda da 6ª Cimeira do G20, uma mensagem explícita no sentido de impulsionar a realização dos Objectivos de Desenvolvimento do Milénio (Millenium Development Goals - MDG), atenuar as lacunas no desenvolvimento, salientar a necessidade de restaurar a confiança global, entre outras medidas que promovam um desenvolvimento sustentável. É igualmente crítico prevenir um surto do proteccionismo e obter um resultado positivo da Ronda de Doha.

A minha intervenção:

Relativamente à necessidade de minimização dos riscos, salientei a diversificação dos activos do Fundo Petrolífero no sentido de assegurar uma protecção da economia timorense face às oscilações do mercado financeiro e trabalhar para um crescimento sustentável e não centrado no sector do petróleo. Neste sentido, apresentei as nossas limitações e questionei como é que podemos trabalhar em cooperação com o G20 tendo em conta essas mesmas limitações. Ilustrei a minha questão, dando o exemplo da crise do arroz em 2006, na qual Timor-Leste não teve meio para fornecer um dos alimentos mais básicos à sua população. Assim, penso que seria primeiramente necessário fortalecer a política regional e posteriormente discutir e colaborar com o G20 relativamente a outras questões de alto nível.

5.2. Sessão 2: Combater a Volatilidade dos Preços dos Produtos Alimentares e Aumentar a Segurança Alimentar

Moderador: Dounghatai Danvivathana, Vice-Secretário-Geral, Gabinete da Economia Agrícola, Ministério da Agricultura e Cooperativas, Tailândia

Responsável pela Exposição do Tema: Jorg Mayer, Departamento da Globalização e de Estratégias de Desenvolvimento, UNCTAD, Genebra

A volatilidade e a elevada taxa dos preços dos produtos alimentares nos últimos anos, particularmente a nível do combustível e do mercado dos alimentos, pressionaram a inflação e ameaçaram a segurança alimentar de milhões de indivíduos com condições económicas precárias na região da Ásia e do Pacífico. A tendência do aumento dos preços dos produtos alimentares está estritamente relacionada com factores de oferta e procura, enquanto o aumento do financiamento do mercado dos produtos alimentares amplificou a magnitude e celeridade dos movimentos dos preços em volta desta tendência.

Com vista numa rápida reacção a situações de emergência, é crucial proceder-se à criação e gestão eficiente de reservas de alimentos a nível regional. É igualmente fundamental gerir a tendência de aumento dos produtos alimentares e assegurar a segurança alimentar de acordo com as políticas agrícolas públicas focadas no incremento da produtividade agrícola. Com este propósito, o G20 deverá apoiar os países em vias de desenvolvimento, através de uma cooperação triangular e Sul-Sul, a nível da transferência de conhecimento e tecnologia.

Com o objectivo de reduzir a amplitude e a celeridade das flutuações dos preços a curto prazo, o G20 deverá prontamente implementar medidas e estratégias adequadas a uma supervisão e regulação mais eficazes no que diz respeito ao mercado dos produtos alimentares.

5.3. Sessão 3: Desenvolvimento do Financiamento e Reciclagem das Poupanças Regionais para Responder às Necessidades Regionais ao Nível das Infra-Estruturas

Moderador: Xuan Vu Truong, Director-Geral dos Negócios Económicos, Ministérios dos Negócios Estrangeiros, Vietname

Responsável pela Exposição do Tema: Aynul Hasan, Chefe, Secção da Política de Desenvolvimento e Alberto Isgut, Política Macroeconómica e Departamento de Desenvolvimento, ESCAP

A Cimeira de Seoul colocou o desenvolvimento na Agenda do G20 e conduziu a um consenso relativamente aos princípios que melhor promovem uma boa utilização e coordenação entre os esforços de desenvolvimento multilaterais e bilaterais. O grupo dos intervenientes nesta reunião da UNESCAP reiterou os princípios de desenvolvimento preconizados em Seoul no que concerne a envolver os países desenvolvidos e os países de baixos rendimentos como parceiros. Adicionalmente, o grupo de trabalho discutiu mecanismos de financiamento inovadores para subsidiar a assistência aos países em vias de desenvolvimento.

A agenda da 6ª Cimeira do G20 deverá manter em vista o financiamento para o desenvolvimento e os países desenvolvidos deverão empreender esforços adicionais para cumprir o seu compromisso com a Assistência Oficial de Desenvolvimento (Official Development Assistance - ODA) e cumprir as concessões de comércio internacionalmente propostas quanto aos países em vias de desenvolvimento, particularmente no que concerne aos países com baixos rendimentos.

Entretanto, a região da Ásia e do Pacífico deverá desenvolver mecanismos que permitam criar um equilíbrio entre as poupanças e as necessidades de investimento. De salientar que a região da Ásia e do Pacifico é caracterizada por profundas lacunas a nível das infra-estruturas, que requererão cerca de 8 biliões nos próximos 10 anos para serem colmatadas. A região dispõe de um volume avultado de poupanças e reservas em câmbios estrangeiros num montante de aproximadamente 6 biliões, que se encontram maioritariamente investidos nos cofres dos países desenvolvidos devido à falta de infra-estruturas financeiras na região. Nesse sentido, a região da Ásia e do Pacífico poderia investir parte do câmbio estrangeiro a fim de desenvolver as infra-estruturas financeiras. Em consonância com tal, o secretariado da ESCAP irá conduzir análises detalhadas e propor possíveis opções ao nível das infra-estruturas financeiras regionais.

5.4. *Sessão 4: Fortalecimento dos Regulamentos Financeiros*

Moderador: **Rui Manuel Hanjam, Vice-Ministro das Finanças, Ministério das Finanças, Timor-Leste**

Responsável pela Exposição do Tema: Sumil Lankathilake, Governador Assistente, Banco Central, Sri Lanka

A minha intervenção:

- Afirmei que esta é uma excelente oportunidade para partilhar o processo de construção institucional, quer regional como global;
- Salientei que os regulamentos financeiros actuam como uma linha orientadora da implementação das políticas, permitindo-a fazer de uma forma eficiente; quando um regulamento não funciona eficazmente, então o mesmo é desnecessário e inútil;
- Para Timor-Leste é preciso aprender lições e ajustá-las ao contexto regional.

A crise financeira global foi desencadeada pelos riscos provenientes do sector financeiro que escaparam ao escrutínio dos supervisores. O G20 alcançou progressos notáveis relativamente aos regulamentos bancários através da adopção dos pressupostos do Basel III, contudo a sua abordagem padronizada ("one-size-fits-all") falhou em reconhecer os desfasamentos financeiros entre os vários países. Por isso, é fundamental conduzir uma avaliação e identificação das especificidades e limitações de cada país antes dos países em vias de desenvolvimento adoptarem esses mesmos padrões. Para além disso, inúmeros países têm uma reduzida capacidade institucional e disponibilidade de técnicos competentes para implementar regulamentos financeiros modernos e supervisionar a sua operacionalização, sendo fundamental apoiar a formação profissional e técnica dos mesmos. Adicionalmente, é necessário desenvolver um sistema que permita uma coordenação mais eficiente a nível dos regulamentos financeiros nos países desenvolvidos.

O G20 carece igualmente de apresentar propostas credíveis de regulação do sistema financeiro não-bancário e de contenção dos riscos excessivos responsáveis pela acentuação da volatilidade do mercado financeiro.

5.5. *Sessão 5: Reforma do Sistema Monetário Internacional*

Moderador: Mohammad Shafiqul Azam, Secretário Adicional, Departamento de Relações Económicas, Bangladesh

Responsável pela Exposição do Tema: Amar Bhattacharya, Director, Secretário G-24, Washington, DC

A crise financeira global e as suas consequências salientaram as vulnerabilidades do Sistema Monetário Internacional (International Monetray System - IMS). Vários dos problemas da economia internacional giram em torno da principal função do IMS: a estipulação da liquidez internacional. Longe de estável, esta liquidez tem sido caracterizada nos últimos anos por altos e baixos. A sua estipulação é influenciada pelas políticas monetárias da reserva da moeda do país e amplificada pelo sistema financeiro global. O estabelecimento de uma nova liquidez internacional é transmitida a outras economias através das flutuações de capital, pressão nas taxas de câmbio e impacto no mercado internacional de bens alimentares.

Algumas das opções para gerir a liquidez global prendem-se com o fortalecimento da segurança das redes financeiras e com a diversificação do sistema de reserva com uma vigia apertada sob as reservas dos países emissores. Reconhecendo a complexidade de tais opções, é imperativo que os países em vias de desenvolvimento da Ásia e do Pacifico se protejam das oscilações disruptivas da liquidez global. A nível nacional, medidas de gestão de capital podem ser implementadas à medida que é necessário regular as volatilidades das inundações de capital.

De modo a reflectir o crescente papel dos países em vias de desenvolvimento, a governação do Fundo Monetário Internacional (International Monetary Fund - IMF) e o Banco Mundial deve ser baseada numa representação mais democrática dos países em vias de desenvolvimento. Neste sentido, o secretariado da ESCAP está disponível para providenciar suporte técnico aos países da Ásia e do Pacifico e auxiliá-los a reforçar a sua posição relativamente a esta questão.

6. Considerações Finais

Num período de abrandamento económico, esta reunião revelou-se francamente produtiva. Observou-se um consenso lato por parte do grupo de participantes no que diz respeito aos principais aspectos a reter e endereçar ao G20. É do consenso geral que, em ordem a enfrentar os desafios inerentes à actual recessão económica e manear habilmente as adversidades resultantes da mesma, é crucial uma cooperação entre as economias desenvolvidas e as economias emergentes, sendo que o G20 deve funcionar como um facilitador da comunicação entre ambas e uma base sólida para o alcance de um crescimento sustentável e inclusivo.

Deste modo, o grupo de intervenientes estipulou que a agenda da 6ª Cimeira do G20 deveria abranger os seguintes parâmetros:

- Implementação de estratégias que estimulem o crescimento económico e a confiança dos consumidores e dos Governos a curto prazo, e a consolidação de uma política fiscal credível a médio prazo;
- Implementação de medidas que contrariem a crise económica na Zona Euro;
- Investimento das receitas domésticas dos países da Região da Ásia e do Pacífico em infra-estruturas e na protecção social;
- Impulso por parte do G20 no sentido dos países cumprirem com os MDG;
- Alicerçar as reservas de alimentos numa gestão forte e eficaz;
- Suporte do G20 aos países em vias de desenvolvimento no que diz respeito à transferência de conhecimento e tecnologia;
- Aumento da produtividade agrícola;
- Supervisão e regulação mais eficiente do mercado de bens alimentares;
- Adopção de mecanismos financeiros inovadores com o objectivo de incentivar o crescimento dos países em vias de desenvolvimento;
- Investimento em infra-estruturas financeiras regionais;
- Realização de uma avaliação rigorosa e minuciosa acerca das prioridades e restrições específicas de cada país da região da Ásia e do Pacifico;
- Implementação de medidas que permitam gerir a volatilidade das oscilações do capital e regular com mais eficiência a liquidez internacional;
- Necessidade da governação do IMF e do Banco Central se basear numa representação mais democrática dos países em desenvolvimento.

A participação da delegação de Timor-Leste foi elogiada pelos demais interveniente nesta reunião de consultoria convocada pela UNESCAP, em particular devido ao meu papel activo nas discussões; ao conteúdo das minhas contribuições e intervenções; e pelo ênfase que conferi ao desenvolvimento e progresso já alcançado por Timor-Leste, apesar de este ser um dos países mais jovens da Ásia. Não obstante de Timor-Leste ainda ter um longo caminho a percorrer e um árduo trabalho a desempenhar, a participação de Timor-Leste em reuniões desta magnitude, permitem ao mundo, neste caso ao G20 e aos países da Ásia e do Pacifico, conhecer as nossas necessidades, prioridades e preocupações, actuar em conformidade com as mesmas e estabelecer laços de cooperação a nível internacional que darão espaço ao país para crescer e fazer frente às vicissitudes que assolam os mercados financeiros.

Nota: Será provável que uma Delegação de Timor-Leste venha a ser convidada para participar na 6ª Cimeira do G20 a realizar em Cannes, França, nos dias 3 e 4 de Novembro de 2011.

Díli, 26 de Outubro de 2011.

Rui Manuel Hanjam
Vice-Ministro das Finanças

Anexos

REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE
MINISTÉRIO DAS FINANÇAS
Gabinete do Vice-Ministro

" Adeus Conflito , Bem-vindo Desenvolvimento "

Anexo 1: Lista dos Destinatários

S. Ex.ª Sr. Vice-Primeiro-Ministro dos Assuntos Sociais, José Luís Guterres
S. Ex.ª Sr. Ministro dos Negócios Estrangeiros, Zacarias da Costa
S. Ex.ª Sr.ª Ministra das Finanças, Emília Pires
S. Ex.ª Sr.ª Ministra da Justiça, Lúcia Lobato
S. Ex.ª Sr. Ministro da Saúde, Nélson Martins
S. Ex.ª Sr. Ministro da Educação, João Câncio Freitas
S. Ex.ª Sr. Ministro da Administração Estatal e Ordenamento do Território, Arcângelo Leite
S. Ex.ª Sr. Ministro da Economia e Desenvolvimento, João Gonçalves
S. Ex.ª Sr.ª Ministra da Solidariedade Social, Maria Domingas Alves
S. Ex.ª Sr. Ministro das Infra-Estruturas, Pedro Lay
S. Ex.ª Sr. Ministro do Turismo, Comércio e Indústria, Gil Alves
S. Ex.ª Sr. Ministro da Agricultura e Pescas, Mariano Assanami Sabino
S. Ex.ª Sr. Vice-Ministro dos Negócios Estrangeiros, Alberto Carlos
S. Ex.ª Sr. Vice-Ministro da Justiça, Ivo Valente
S. Ex.ª Sr.ª Vice-Ministra da Saúde, Madalena Hanjam Soares
S. Ex.ª Sr. Vice-Ministro da Educação, Paulo Assis Belo
S. Ex.ª Sr. Vice-Ministro da Economia e Desenvolvimento, Cristiano da Costa
S. Ex.ª Sr. Vice-Ministro das Infra-Estruturas, José Manuel Carrascalão
S. Ex.ª Sr. Secretário de Estado do Conselho de Ministros, Agio Pereira
S. Ex.ª Sr. Secretário de Estado dos Recursos Naturais, Alfredo Pires
S. Ex.ª Sr. Secretário de Estado da Formação Profissional e Emprego, Bendito Freitas
S. Ex.ª Sr. Secretário de Estado da Política Energética, Avelino Coelho
S. Ex.ª Sr. Secretário de Estado da Juventude e Desporto, Miguel Manetelo
S. Ex.ª Sr. Secretário de Estado da Promoção da Igualdade, Idelta Maria Rodrigues
S. Ex.ª Sr. Secretário de Estado da Defesa, Júlio Tomás Pinto
S. Ex.ª Sr. Secretário de Estado da Segurança, Francisco Guterres
S. Ex.ª Sr. Secretário de Estado do Meio Ambiente, Abílio de Deus de Jesus Lima
S. Ex.ª Sr. Secretário de Estado das Obras Públicas, Domingos Caeiro

Rua José Maria Marques, 1°. Andar – Direito
Edifício Direcção Nacional dos Impostos Domésticos e Direcção Nacional das Alfândegas (Planeamento)
Díli, Timor-Leste - Telefone: +670 3339555
Website: www.mof.gov.tl/

REGISTO FOTOGRÁFICO









PRESENTER


TIMOR-LESTE

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

HIGH-LEVEL CONSULTATION

G20 Cannes Summit: Perspectives from Asia-Pacific

United Nations Conference Centre, Bangkok
11-12 October 2011

TENTATIVE PROGRAMME

Tuesday, 11th October

9:00-9:30 Transfer from the hotel to the UN Conference Centre, registration

9:30-10:00 **Opening and Keynote Addresses**

Noeleen **Heyzer**, Under-Secretary-General of the United Nations and Executive Secretary of ESCAP

Rui Manuel **Hanjam**, Vice Minister of Finance, Timor-Leste

Timur Muratovich **Suleimenov**, Deputy-Minister of Economic Development and Trade, Kazakhstan

Ahmed **Mujthaba**, Minister of State for Economic Development, Ministry of Economic Development, Maldives

Ajith Nivard **Cabraal**, Governor, Central Bank of Sri Lanka

10:00-10:30 Group photo and Coffee

10:30-12:00 **Session 1: Sustaining growth and development amid global uncertainties**

With the deepening of the European debt crisis and slow, jobless growth in the United States, the global economy is once again entering a period of turbulence. This session evaluates policy options for the Asia-Pacific region to sustain its dynamism and rebalance in favour of greater domestic and regional demand amid growing uncertainties in the global economy – including ways to render the growth process more inclusive and resilient.

Chair: Ajith Nivard **Cabraal**, Governor, Central Bank of Sri Lanka

Introduction of the theme: Nagesh **Kumar**, Chief Economist of ESCAP

Discussant: Amar **Bhattacharya**, Director, G-24 Secretariat, Washington, DC

Open Discussion

1

12:00-13:00 **Session 2: Combating commodity price volatility and enhancing food security**

The wide and sudden price variations observed on commodities markets since 2007, in particular on oil and agricultural markets, have made commodity price volatility a vital issue for the world economy, not least due to the impact on the poor and food security. This session evaluates the ongoing G20 discussions, including the outcome of the G20 agricultural ministers meeting last June, while addressing issues such as the financialization of commodity markets.

Chair: Dounghatai **Danvivathana**, Deputy Secretary General, Office of Agricultural Economics, Ministry of Agriculture and Cooperatives, Thailand

Introduction of the theme: Jörg **Mayer**, Division on Globalization and Development Strategies, UNCTAD, Geneva

Open Discussion

13:00-14:00 Lunch

14:00-15:00 **Session 3: Financing development and recycling regional savings for regional infrastructure needs**

At the Seoul summit last year, the G20 took up development issues as part of its agenda and this year, it has put forth infrastructure development and innovative financing as priorities. At the same time, the Asia-Pacific region has great potential to utilize its savings for productive investments. This session evaluates the need for substantial resources to narrow infrastructure development gaps, achieve the MDGs, and respond to climate change in the region.

Chair: Xuan Vu **Truong**, Director General for Economic Affairs, Ministry of Foreign Affairs, Vietnam

Introduction of the theme: **ESCAP**

Open Discussion

15:00-16:00 **Session 4: Strengthening financial regulation**

The global financial crisis was triggered by the build-up of risks in the financial sector that escaped the scrutiny of supervisors. While the G20 has made progress in certain areas such as bank regulations, many areas including the shadow banking sector remain "business as usual." This session evaluates the areas in need of further reform, while addressing the need for impact assessment and technical assistance for developing countries in the Asia-Pacific region.

Chair: Rui Manuel **Hanjam**, Vice Minister of Finance, Timor-Leste

Introduction of the theme: Ajith Nivard **Cabraal**, Governor, Central Bank of Sri Lanka

Open Discussion

16:00-16:30 Coffee

16:30-17:30 **Session 5: Reforming the international monetary system**

The global financial crisis and its aftermath highlighted important weaknesses of the international monetary system. The Cannes agenda will include issues such as (i) the large and volatile capital flows that put pressures on exchange rates and complicate macroeconomic management, (ii) the volatility and, in some cases, persistent misalignments of exchange rates, and (iii) the insufficient assurance of availability of international liquidity in crisis situations. A fourth issue that deserves much more scrutiny and discussions is on the reform of global reserve currency system.

Chair: Mohammad Shafiqul **Azam,** Additional Secretary, Economic Relations Division, Ministry of Finance, Bangladesh

Introduction of the theme: Amar **Bhattacharya**, Director, G-24 Secretariat, Washington, DC

Open Discussion

18:00 Transfer from the UN Conference Centre to the hotel

Wednesday, 12th October

9:30-10:00 Transfer from the hotel to the UN Conference Centre

10:00-11:00 **Discussion on the Chairs' Summary**

11:00 Coffee

3

FOR PARTICIPANTS ONLY

6 October 2011

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

High-level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific

11-12 October 2011
Bangkok

PROVISIONAL LIST OF PARTICIPANTS[1]

AUSTRALIA

Mr. Simon Farbenbloom, Deputy Head of Mission and Permanent Representative to ESCAP, Embassy of Australia, 37 South Sathorn Road, Bangkok; Tel. 02-344-6359; Fax. 02-344-6510; E-mail: Simon.Farbenbloom@dfat.gov.au

Mr. Adam Warren, Policy Specialist and Deputy Permanent Representative to ESCAP, Embassy of Australia, 37 South Sathorn Road, Bangkok; Tel. 02-344-6555; Fax. 02-344-6510; E-mail: Adam.Warren@dfat.gov.au

BANGLADESH

Mr. Mohammad Shafiqul Azam, Additional Secretary, Economic Relations Division, Ministry of Finance, Sher-e-Bangla Nagar, Dhaka-1207; Tel. 8802-9119871; Fax. 8802-8115619; Email: shafiqulazam23@yahoo.com

Mr. Muhammad Alkama Siddiqui, Deputy Secretary, Economic Relations Division, Ministry of Finance, Sher-e-Bangla Nagar, Dhaka-1207; Tel. 8802-9119421; Fax. 8802-8113088; Email: alkama_siddiqui@yahoo.com

BHUTAN

Ms. Karma Jurmin Thinlay, Under Secretary, Ministry of Foreign Affairs, Gyalyong Tshokhang, Thimphu; Tel. (975-2) 323297; Fax. (975-2) 331707; Email: kjurmint@mfa.gov.bt

CAMBODIA

Mr. Bou Tharin, Deputy Secretary General of the National Accounting Council, Ministry of Economy and Finance, St. 92, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh; Tel. (855) 23 991 036; Fax. (855) 23 990 663; Email: tharinbou@hotmail.com

[1] Participants wishing to make additions or amendments to the list should submit them in writing to the ESCAP Secretariat in the Conference Room no later than noon, 11 October 2011. The final list of participants will be issued on 12 October 2011.

CHINA

Mr. Diao Mingsheng, Permanent Representative to ESCAP, Embassy of the People's Republic of China, 57 Rachadaphisek Road, Bangkok 10310; Tel. 02 245 0088 ext. 2203; Fax. 02 248 5898; Email: escap@mfa.gov.cn

Ms. Xie Zhangwei, Assistant to the Permanent Representative to ESCAP, Embassy of the People's Republic of China, 57 Rachadaphisek Road, Bangkok 10310; Tel. 02 245 0088 ext. 2201; Email: escap@mfa.gov.cn

Mr. Huang Han, Assistant to the Permanent Representative to ESCAP, Embassy of the People's Republic of China, 57 Rachadaphisek Road, Bangkok 10310; Tel. 02 245 0088 ext. 2202; Email: escap@mfa.gov.cn

FIJI

Mr. Krishna Dutt Prasad, Deputy Secretary, Ministry of Strategic Planning, National Dev. and Statistics, P.O. Box 2351, Government Building, Suva; Tel. 679-331 3411; Fax. 679-330 4809; Email: kprasad001@govnet.gov.fj

INDIA

Mr. Arvind Mayaram, Additional Secretary and Financial Adviser, Ministry of Rural Development, Room No. 177, Krishi Bhawan, New Delhi; Tel. 23383880; Fax. 23381268; Email: arvind.mayaram001@gmail.com

Mr. Yogesh Suri, Adviser (Development Policy), Planning Commission, Room No. 315, Yojana Bhawan, Sansad Marg, New Delhi 110001; Tel. 011-3096610; Fax. 011-23096798; Email: yogesh.suri@nic.in

INDONESIA

Mr. Toferry Primanda Soetikno, Deputy Director of International Economy and Finance, Directorate General of Multilateral Affairs, Ministry of Foreign Affairs of Indonesia, Ex. BP 7 Building, 6th Floor, Jl. Taman Pejambon No. 6, Jakarta 110110; Tel. 6221 384 8626; Fax. 62 21 385 7315; Email: toferryprimanda@yahoo.com

JAPAN

Mr. Masatoshi Sato, Counsellor and Deputy Permanent Representative to ESCAP, Embassy of Japan, 177 Witthayu Road, Lumphini, Pathum Wan, Bangkok 10330; Tel. 02 696 3000; Fax. 02 696 3017; Email: masatoshi.sato@mofa.go.jp

3

KAZAKHSTAN

Mr. Timur Muratovich Suleimenov, Deputy-Minister, Ministry of Economic Development and Trade of the Republic of Kazakhstan, 338 Office, 7 Entrance, House of Ministries, 8 Orynbor Street, Astana 010000; Tel. 7-7172-742951; Fax. 7-7172-742953; Email: belgibayev_bk@minplan.kz

Mr. Alimzhan Imtakhunovich Tokhtassunov, Charge d'Affaires and Permanent Representative to ESCAP, Suite 4301, 43rd Floor Jewelry Trade Center Building, 919/501 Silom Road, Bangrak, Bangkok 10500; Tel. 02-234 6365-66; Fax. 02-234 6368; Email: thailand@mfa.kz

Mr. Murat Karimsakov, Chairman, Association of Eurasian Economic Club of Scientists, 65 Temirkazyk Street, Left Coast, Micro-distritct Chubary, Astana, Kazakhstan; Tel.+7 (7172) 70 17 64; Fax: +7 (7172) 70 17 86: Email: m.karymsakov@mail.ru

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Mr. Songkane Luangmuninthone, Deputy Director General, Economic Affairs Department, Ministry of Foreign Affairs, Vientiane; Tel. (856-21) 414040; Fax. (856-21) 415932; Email: songkane@gmail.com

Mr. Khamphone Vongsanty, First Secretary and Assistant Permanent Representative to ESCAP, Embassy of the Lao People's Democratic Republic, 520, 502/1-3 Soi Sahakarnpramoon, Pracha Uthit Road, Bangkok 10310; Tel. 02 539 6667; Fax. 02 539 6678; Email: kvongsanty@yahoo.com

MALDIVES

Mr. Ahmed Mujthaba, Minister of State for Economic Development, Ministry of Economic Development, Boduthakurufaanu Magu, 20-095, Male; Tel. 960 3323668; Fax. 960 3323840; Email: ahmed.mujthaba@trade.gov.mv

MONGOLIA

Ms. Bolormaa Batsaikhan, Deputy Director, Head of Division, Ministry of Foreign Affairs and Trade, Peace Ave – 7a, Ulaanbaatar; Tel. 976-51-261366; Fax. 976-11-322171 Email: bolormaa@mfat.gov.mn

MYANMAR

Mr. Kyaw Swa, Director, Department of International Organisations and Economic, Ministry of Foreign Affairs, Building No. (9), Nay Pyi Taw; Tel. 9567-412345; Fax. 9567-412396; Email: kyawswa.fo@gmail.com

NEPAL

Mr. Pushpa Lal Shakya, Joint Secretary, National Planning Commission Secretariat, Singha Durbar, Kathmandu; Tel. 977-1-4211152; Fax. 977-1-4211700; E-mail: plshakya@npcnepal.gov.np

4

PAKISTAN

Mr. Anwar Sheikh, Joint Secretary, Economic Affairs Division, Block "C", Pakistan Secretariat, Islamabad; Tel. 92-51 9201682, Fax. 92-51 9218336

Mr. Sohail Mahmood, Ambassador, Embassy of Pakistan, 31 Sukhumvit Road Soi 3 (Nana Nua), Bangkok 10110; Tel. 02 253 2557; Fax. 02 253 0290

Mr. Ahmed Amjad Ali, Head of Chancery, Embassy of Pakistan, 31 Sukhumvit Road Soi 3 (Nana Nua), Bangkok 10110; Tel. 02 254 9702; Fax. 02 253 0290; Email: parepbangkok@gmail.com

Mr. Syed Zafar Ali Shah, Commercial Counsellor, Embassy of Pakistan, Sukhumvit Road Soi 3 (Nana Nua), Bangkok 10110; Tel. 02 253 0288-9 Ext. 214; Fax. 02 253 5325; Email: pakthaitrade@hotmail.com

PHILIPPINES

Mr. Ruperto P. Majuca, Assistant Director-General, National Development Office, National Economic and Development Authority, NEDA sa Pasig, 12 Blessed Josemariá Escrivá Drive, Ortigas Center, Pasig City 1605; Email: RPMajuca@neda.gov.ph

REPUBLIC OF KOREA

Mr. Wonsup Park, Minister, The Embassy of the Republic of Korea, 23 Thiamruammit Road, Ratchadapisek, Huai Khwang, Bangkok 10320; Tel. 02 247 7537-9; Fax. 02 247 7535; Email: koembth@gmail.com

Mr. Yeongmoo Cho, Counsellor, The Embassy of the Republic of Korea, 23 Thiamruammit Road, Ratchadapisek, Huai Khwang, Bangkok 10320; Tel. 02 247 7537-9; Fax. 02 247 7535; Email: koembth@gmail.com

Mr. Byoungha Hwang, Counsellor, The Embassy of the Republic of Korea, 23 Thiamruammit Road, Ratchadapisek, Huai Khwang, Bangkok 10320; Tel. 02 247 7537-9; Fax. 02 247 7535; Email: koembth@gmail.com

RUSSIAN FEDERATION

Ms. Anna Klyukhina, Third Secretary, Ministry of Foreign Affairs, Moscow, Russian Federation; Tel. 499-244-42-11; Fax. 499-244-24-01; Email: aklyukhina@mail.ru

SAMOA

Ms. Noumea Simi, Assistant Chief Executive Officer of the Ministry of Finance, Private Bag, Apia; Tel. 685-22042; Fax. 685-21312; Email: noumea.simi@mof.gov.ws

5

SINGAPORE

Mr. Peter Chan, Ambassador of Singapore to Thailand, Embassy of the Republic of Singapore, 129 South Sathorn Road, Tungmahamek, Bangkok 10120; Tel. 0854821281; Fax. 02-2872578

Mr. Koh Chee Chian, First Secretary (Political), Embassy of the Republic of Singapore, 129 South Sathorn Road, Tungmahamek, Bangkok 10120; Tel. 02 286-2111, 02 286-1434; Fax. 02 287 2578; Email: koh_chee_chian@mfa.gov.sg

Mr. Ng Ming Jie, Senior Assistant Director (Foreign Economic Policy Division), Ministry of Trade and Industry, 100 High Street, #09-01, The Treasury, Singapore 179434; Tel. 65 6332 7741; Fax. 65 6334 7113; Email: ng_ming_jie@mti.gov.sg

SRI LANKA

Mr. Ajith Nivard Cabraal, Governor, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01; Tel. 94-11 247 7477; Fax. 94-11 247 7677; Email: governor@cbsl.lk

Mr. Sunil Lankathilake, Assistant Governor, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01; Tel. +94-11 22477225; Fax. 94-11 247 7725; Email: lanka@cbsl.lk

Mr. R.E Arachchige, Director, Department of National Planning, Ministry of Finance & Planning, The Secretariat, Colombo 01; Tel. 9411 248 4597 Fax. 9411 243 1620; Email: lavindi2003@yahoo.com, ratnae@npd.treasury.gov.lk

Mr. R.M.P. Rathnayake, Director, Department of External Resources, Secretariat Building, Colombo 01; Tel. 9411 248 4707 Fax. 9411 244 7633; Email: priyantha@erd.gov.lk

THAILAND

Ms. Dounghatai Danvivathana, Deputy Secretary General, Office of Agricultural Economics, Ministry of Agriculture and Cooperatives, Kasetsart University Complext, jatujak, Bangkok 10900

Ms. Chulamanee Chartsuwan, Director of Division of International Economic Policy, Department of International Economic Affairs, Ministry of Foreign Affairs, 443 Sri Ayudhya Road, Bangkok 10444; Tel. 02 203 5000 ext. 14140; Fax. 02 643 5247; Email: chulavichai@hotmail.com

Ms. Pimchanok Vonkhorporn, Executive Director, Bureau of Trade Negotiation Strategy, Department of Trade Negotiations, Ministry of Commerce, 44/100 Thanon Nonthaburi, Amphoe Muang, Nonthaburi 11000; Tel. 02 507 7501; Fax. 02 547 5625; Email: pimchanokv@dtn.go.th; pimchanokv@gmail.com

Ms. Pornsiri Sakornvanasak, Trade Officer, Department of Trade Negotiations, Ministry of Commerce, 44/100 Thanon Nonthaburi, Amphoe Muang, Nonthaburi 11000; Tel. 02 507 7517; Fax. 02 547 5625; Email: pornsiris@dtn.go.th

TIMOR-LESTE

Mr. Rui Manuel Hanjam, Vice Minister, Ministry of Finance, RDTL, Building #5, Palaco do Governo, Dili, Timor-Leste; Tel. (670) 333 9510, 333 9555; Fax. (670) 331 2467; Email: ruihanjam@mof.gov.tl or rubalda@hotmail.com

Mr. Mateus do Rosario Cabral, Chief of Staff, Vice-Minister Office, Ministry of Finance, RDTL, Tel. (670) 333 9555; Email: mrcabral@mof.gov.tl; cabral_mateus@yahoo.com

Ms. Sandra Isabel Almeida Marques, Adviser, Vice Minister Office, Ministry of Finance, RDTL, Tel. (670) 333 9555; Email: smarques@mof.gov.tl; marques.i.sandra@gmail.com

Mr. Julio Lopes, Journalist, National Television of Timor-Leste, Dili; Tel. (670) 729 7546

UNITED STATES OF AMERICA

Ms. Kimberly L. Skoglund, Second Secretary, Economic Section, U.S. Embassy Bangkok, 120-122 Wireless Road, Bangkok 10330; Tel. 02 205 4331; Fax. 02 253 3876; Email: skoglundKL@state.gov

Ms. Sara Asin Scarbro, Second Secretary, American Embassy Bangkok, 120-122 Wireless Road, Bangkok 10330; Tel. 02 205 4456; Fax. 02 254 2990; Email: scarbrosa@state.gov

UZBEKISTAN

Mr. Saidrakhim S. Ikramov, Consul-General and Permanent Representative to ESCAP, Consulate General of the Republic of Uzbekistan, 32, MU 5, Sukhumvit 62, Soi 1, Sukhumvit Road, Bangjak, Bangkok 10260; Tel. 02 311 1496; Fax. 02 311 1749; Email: anchor@uzbinbkk.com

Mr. Utkir Siddikov, Vice-Consul and Assistant of Permanent Representative to ESCAP, Consulate General of the Republic of Uzbekistan, 32, MU 5, Sukhumvit 62, Soi 1, Sukhumvit Road, Bangjak, Bangkok 10260; Tel. 02 311 1496; Fax. 02 311 1749; Email: anchor@uzbinbkk.com

VANUATU

Mr. Gregoire Virambath Nimbtik, Director of the Department of Strategic Policy, and Planning & Aid Coordination, PMB 9053, Ministry of Prime Minister, Port Vila; Tel. 678-23150; Fax. 678-25481; Email: gnimbtik@vanuatu.gov.vu

Mr. Serge Alain Mahe, Senior Desk Officer, Department of Foreign Affairs, PMB 9051, Port Vila; Tel. 678-22913; Fax. 678-23142; Email: maserge@vanuatu.gov.vu

VIET NAM

Mr. Truong Xuan Vu, Director General for Economic Affairs, Ministry of Foreign Affairs, 7 Chu Vann An Str, Hanoi; Tel. (84-4) 37993423; Fax. (84-4) 37993424; Email: xuantruong@mofa.gov.vn

Ms. Nga Hoang Kieu Ngo, Official, Financial Cooperation Division, International Cooperation Department, Ministry of Finance, 28 Tran Hung Dao Str, Hanoi; Tel. (84-4) 2220 2828; Fax. (84-4) 2220 8020; Email: ngohoangkieunga@mof.gov.vn

Mr. Vu Quoc Chinh, Counsellor, Embassy of the Socialist Republic of Viet Nam, 83/1 Wireless Road, Bangkok 10330; Tel. 02 251 5836-8; Fax. 02 251 7203; Email: vnemb.th@mofa.gov.vn

----

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

Mr. Jörg Mayer, Senior Economic Affairs Officer, Division on Globalization and Development Strategies,UNCTAD, Palais des Nations, Office E. 10020, CH-1211 Geneva 10; Tel. (41-22) 917 5722; Fax. (41-22) 917 0274; Email: joerg.mayer@unctad.org

G24 SECRETARIAT

Mr. Amar Bhattacharya, Director, G24 Secretariat, 700 19th St.., NW HQ1 Mailstop 12-012 Washington, DC 20431, U.S.A.; Tel. +202 623 6065; Fax. +202 623 6000; E-mail: abhattacharya@g24.org

SECRETARIAT

Dr. Noeleen Heyzer	Executive Secretary
Mr. Shun-ichi Murata	Deputy Executive Secretary
Ms. Laura Lopez	Chief of Staff
Ms. Geetha Karandawala	Secretary of the Commission
Ms. Michele Von Rautenkranz	Special Assistant to the Executive Secretary

MACROECONOMIC POLICY AND DEVELOPMENT DIVISION (MPDD)

Mr. Nagesh Kumar	Director and Chief Economist of ESCAP
Mr. Aynul Hasan	Chief, Development Policy Section
Mr. Syed A. M. Nuruzzaman	Chief, Countries with Special Needs
Ms. Margit Molnar	Regional Adviser on Finance and Development
Mr. Muhammad Hussain Malik	Economic Affairs Officer, Development Policy Section
Mr. Alberto Isgut	Economic Affairs Officer, Development Policy Section
Mr. Clovis Freire	Economic Affairs Officer, Development Policy Section
Mr. Daniel Jeongdae Lee	Associate Economic Affairs Officer, Development Policy Section
Mr. Shuvojit Banerjee	Economic Affairs Officer, Macroeconomic Policy and Analysis Section
Mr. Pisit Puapan	Economic Affairs Officer, Macroeconomic Policy and Analysis Section
Mr. Yusuke Tateno	Associate Economic Affairs Officer, Macroeconomic Policy and Analysis Section
Ms. Nobuko Kajiura	Economic Affairs Officer, Countries with Special Needs
Mr. Marin Yari	Economic Affairs Officer, Countries with Special Needs
Mr. Naylin Oo	Economic Affairs Officer, Countries with Special Needs
Mr. Amitava Mukherjee	Senior Project Expert
Mr. Seung Hun Jung	Project Expert

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

Concept Note

High-level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) will convene a high-level consultation to facilitate G20 and non-G20 Asia-Pacific countries to provide their perspectives on the agenda of the upcoming G20 Cannes Summit[1], including on issues of commodity prices volatility, food security and reform of the international monetary and financial system. The meeting will be held on 11-12 October 2011 at the UN Conference Centre, Bangkok, with the participation of high-level officials and policy makers from across the region.

At the 67th session, the Commission requested the secretariat to provide an additional analytical framework for the development of a regional voice in international forums, particularly the G20, as had been done prior to the G20 Seoul Summit.[2] Recognizing the inter-dependence of global and regional policies, the Commission stressed the need for effectively integrating the region's policies also at the global level. It noted that such efforts would also help translate global initiatives into concrete regional policy actions.

One of the key messages of last year's G20 consultation organized by ESCAP as a part of the pioneering initiative of the Republic of Korea to reach out to the non-G20 countries through the UN regional commission, was that Asia has considerable headroom to generate domestic demand by promoting inclusive development policies. Concerns were also raised about easy monetary policy in the advanced economies leading to large short-term capital flows and commodity prices volatility. The importance of closer cooperation between the G20 and the UN, especially in allowing all nations to voice their concerns and priorities, was also underlined.[3]

This year, the French presidency has highlighted the following as its priorities:[4]

---

[1] Established in the wake of the Asian financial crisis, the G20 began meeting at a summit level during the global financial crisis and has had five summits so far, most recently in Seoul. The sixth summit will be held on 3-4 November 2011 in Cannes, France.

[2] ESCAP Annual Report (May 2011) Agenda item 7: Policy issues for the Asia-Pacific region, paragraphs 310, 322 and 323; and Agenda item 3 sub-item (a): Macroeconomic policy, poverty reduction and inclusive development, paragraph 90.

[3] Outcome document of the first high-level consultation on 25-26 October 2010, which had the representation of 26 ESCAP member countries, http://www.unescap.org/pdd/publications/me_brief/mpdd-pb-6.pdf

[4] Official website of the French G8-G20 Presidency (1 August 2011), http://www.g20-g8.com/g8-g20/g20/english/priorities-for-france/the-priorities-of-the-french-presidency/the-priorities-of-the-french-presidency.75.html

- Reforming the international monetary system
- Strengthening financial regulation
- Combating commodity price volatility and enhancing food security
- Supporting employment and strengthening the social dimensions of globalization
- Fighting corruption
- Development issues, including infrastructure development and innovative financing

Hence, focusing on the areas of mutual interest to the G20 and ESCAP, the high-level consultation will be policy-oriented and attuned to the priorities of developing countries in the region, with a particular emphasis on the least developed countries. Based on common themes identified from experiences in the region, broad principles and concrete policy recommendations will be put forward from the meeting and communicated to the G20 chair.

The consultation will build on the outcomes of key meetings, including the high-level regional policy dialogue "Asia-Pacific economies after the global financial crisis: lessons learnt, challenges for building resilience, and issues for global reform", organized by ESCAP jointly with the Philippines central bank on 6-8 September 2011 in Manila. The consultation is one of ESCAP's initiatives to contribute to shaping the development-friendly global economic governance through coordinated regional voice.

DEMOCRATIC REPUBLIC OF TIMOR-LESTE
MINISTRY OF FINANCE
Vice-Minister Office

" Goodbye Conflict, Welcome Development "

United Nations Economic and Social Commission for Asia and the Pacific
High Level Consultation

G20 Cannes Summit: Perspectives from Asia-Pacific

United Nations Conference Centre, Bangkok
11-12 October 2011

Opening and Keynote Addresses

Vice Minister of Finance Rui Manuel Manuel Hanjam, SE.MpHiL

Ladies and Gentlemen,

Thank you for inviting me to address some of the many important issues we will discuss over the next two days.

As many other LDCs, Timor-Leste is a small, open but growing economy. As a result of the size of our economy, the effect of the movements in the global economy, especially adverse movements, affect us the most. No economy, big or small, is insulated from such uncertainties. We prefer that our trading partners are doing well, so they can buy more of our traditional exports. Currently, our non-oil export sector is still only marginal and therefore, the effect of the movements in the global marketplace is limited to oil price and the currency in which it is traded. Timor-Leste has therefore been relatively sheltered from the current economic downturn.

The main impact of world economic activity on Timor-Leste is through oil revenues. Still, the petroleum revenue framework ensures that all petroleum revenues are put aside in the Petroleum Fund, which is invested in financial assets abroad. The statutory control on withdrawals from the Petroleum Fund is rigorous and that has produced a culture of discipline in spending and budgeting. The fiscal regime governing the collection of taxes and royalty is an excellent model. Collection rate of Petroleum taxes and royalty is approximately 99.8%. Despite its inexperience in the oil industry, Timor-Leste is the 3rd nation in the world to be certified as EITI-compliant. The Fund has only one outflow, which is to cover the non-oil deficit in the Budget. The Estimated Sustainable Income (ESI) guides the spending of oil money.[1] The domestic economy is relatively protected from short run oil price fluctuations.

While most advanced countries struggle with budgetary tightening and slow economic growth, Asia has experienced strong export performance and private domestic demands. In most Asian countries the transition from public sector-driven growth to private sector-driven growth is making good progress. The post-crisis era is a good time for Timor-Leste to take advantage of strong regional demand by developing and implementing policies to boost its non-oil exports. Timor-Leste is aggressively building an enabling environment to develop the non-oil sector. This includes corporate tax rate of only 10%, unhindered repatriation of profits and a relaxed foreign investment regime. We are also focused on improving our educational system to develop an educated and skilled labour force.

An important concern to an otherwise sanguine regional economic outlook is that inflation is on the rise in Asia and other emerging markets. Inflation strips households of buying power and undermines the development of a competitive private export sector. As a result, the tightening of macroeconomic policies has become a serious topic

[1] ESI is the maximum amount that can be withdrawn from the Fund over time without depleting the petroleum wealth.

also within these regions. Fiscal and monetary tightening will aim at aligning economic growth with the short-term absorptive capacity, curbing inflationary pressures.

Successfully tackling the rapid growth in regional prices will also bring down inflation in Timor-Leste, which is very dependent on imports. On the other hand, tighter macroeconomic policies to combat inflation will inherently curb the demand from our trading partners, which other things being equal will have a negative effect on growth also in Timor-Leste.

A key lesson from history is the importance of macroeconomic stability as a premise for sustained economic growth. This places a big responsibility on fiscal and monetary policy, as well as financial regulation. This is especially true in developing countries where the needs are substantial and high economic growth is necessary to lift citizens out of poverty. In this environment there will be "spending pressure" that may be difficult to manage.

Even though Timor-Leste has a big Petroleum Fund, our country is still poor. This reflects that having access to money does not automatically translate into sustained prosperity for our citizens. We need to make smart policy choices that leads to paid jobs. It is through employment that people get out of poverty and that our nation prospers. As for Timor-Leste, I am glad to report that our country has moved from conflict to development. We have enjoyed a relative period of stability and the Petroleum Fund enabled the government to target challenges and allocate resources according to our needs. The economy has been growing at double digits over the last few years and we want to maintain that momentum of long high growth to make a dent into poverty reduction.

The Timor-Leste Government has launched a Strategic Development Plan (SDP) as a tool to create a prosperous and strong nation over the next twenty years. The SDP covers three key areas: social capital (e.g. education and training), infrastructure development (e.g. road and electricity) and economic development (e.g. agriculture and tourism). The aim is to develop a strong and competitive economy that is not dependent on petroleum income.

A premise for a successful implementation of the SDP is to avoid the so-called "resource curse", referring to the frequent historical observation where abundance of resource revenues translates into stagnation, waste, corruption and conflict. To avoid the "resource curse" is one of the prime drivers for the establishment of the Petroleum Fund.

Timor-Leste has taken decisive steps in order to avoid the resource curse. Importantly, the Petroleum Fund Governance Framework is based on the highest standards of transparency and accountability, it regulates the outflow from the Fund to the Budget, Timor-Leste is EITI compliant and the Government is also strengthening the transparency with regards to public spending.

A strong and sustainable financial sector is an essential component of a fully functioning economy. Without banks, we would have little more than a cash or barter economy. It would not be possible, or at least it would be very difficult, to engage in international trade, including both imports and exports. The Timor-Leste banking sector has served us well so far, with strong ties to Portugal, Australia and Indonesia, as well as our own National Commercial Bank of Timor-Leste, an initiative of the present government.

The Timor-Leste financial systems aim at servicing all sectors of the economy. The system of licensing and supervising banks and insurance companies is designed so that only reputable financial institutions are established in Timor-Leste. Prudential Guidelines for the operating banks are strictly enforced to ensure the safety of depositors' money and the stability of the financial institutions. Furthermore, an inclusive finance programme is being designed so that poor and low-income families will have access to affordable financial services, in particular savings, loans, and insurance products that are tailored to their specific needs. The intention is to support every household's ambition to provide housing, healthcare and education for their children, as well as providing micro-loans to create new businesses, jobs and livelihoods.

A holistic approach including growth enhancing public investments, macroeconomic stability and a well-functioning financial system is in our view the best way to improve the long-term growth potential of the economy. Non-oil economic growth has been strong since the Government took office in 2007, fuelled by public spending. Over time, private sector needs to be the engine of growth not public money. The Government's strategy involves bridging the development from the current state to a well-diversified and sustainable economy.

Finally, there are a number of issues that I would like this forum to consider during its discussions here. These include the following:

i) How quickly can countries emerging from a post conflict situation, where the poorest of the poor live, hope to achieve a reasonable quality of life consistent with that which people in more developed countries take for granted;

ii) In the current scenario where developed countries are facing serious economic and social crisis how can assistance to post conflict countries be assured so that they do not fall further behind in their development efforts;

iii) Countries of +g7 are making concerted efforts to set up institutions and introduce legislations that improve transparency and accountability in all their operations. This is with a view of

   a) improving their citizens confidence in government's development efforts;
   b) investor confidence and
   c) improve donor confidence in using country systems.

José Maria Marques Street, 1st Floor – Right
National Directorate of Domestic Taxes and National Customs Directorate Building (Planeamento)
Dili, Timor-Leste - Phone: +670 3339555
Website: www.mof.gov.tl/

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

Opening Statement
of
Dr. Noeleen Heyzer
Under-Secretary-General of the United Nations and
Executive Secretary of UN-ESCAP

High-level Consultation on the G20 Cannes Summit:
Perspectives from Asia-Pacific
11-12 October 2011, Bangkok

Minister of State Ahmed Mujthaba,
Deputy Minister Suleimenov,
Vice Minister Rui Manuel Hanjam,
Governor Ajith Nivard Cabraal,
Excellencies, distinguished participants,

It is a great pleasure to welcome you to ESCAP for this important high-level consultation on the "G20 Cannes Summit: Perspectives from Asia-Pacific." I wish to thank the Ministers, the Governor and all of you for participating in this meeting.

At last year's ESCAP Commission session held in Incheon, Korea, member countries suggested that the secretariat, could contribute by bringing a broader regional perspective to the G20 summit. Hence, we convened the first high-level consultation on the G20 in October last year, with the participation of 26 ESCAP member states. The Commission welcomed this effort at this year's session and requested the secretariat's assistance to develop a regional voice in international fora, particularly the G20, in light of the growing inter-dependence of global and regional policies and the need for effectively integrating the region's priorities at the global level. So it is with great pleasure that I welcome you to the second Asia-Pacific consultation on the G20 summit agenda, and I look forward to a very productive meeting today.

Excellencies, distinguished guests,

As you may recall, one of the key messages of last year's consultation was that inclusive development policies to lift the poor, such as social protection, financial inclusion, job-creation, agricultural and rural development, will be critical in the years ahead as Asia-Pacific economies seek to boost domestic demand, as part of the global rebalancing process. Concerns were also raised about easy money policies in the advanced economies leading to large short-term capital flows and financial and commodity prices volatility.

But perhaps more fundamentally, the need for closer cooperation between the G20 and the United Nations was underlined, especially in providing opportunity for all nations to voice

1

their concerns and priorities given that G20's decisions affect all countries. The G20 Summits have a heavy agenda, ranging from global rebalancing to financial regulation. But at the end of the day, we need to ensure that the outcome of this global process benefits our region and helps create a supportive environment for our countries to pursue their national development strategies. Consultations such as this are an opportunity to share the views of member states on the global economy and to identify the areas where greater coordination and support are needed.

Second, the Asia-Pacific region is leading the global recovery and is the most dynamic region in today's world economy. It is time that we also begin leading the global discussions and setting their agenda – through a coordinated regional voice – and play an active role in shaping global economic governance and the "rules of tomorrow." Inclusion of 8 countries from the ESCAP region in the G20 is itself recognition of Asia-Pacific's growing importance. With greater coordination of their positions, the Asia-Pacific countries can shape the outcomes of the process more effectively. Consultations such as this can help in forging a coordinated regional voice, which the member countries of the region in the G20 can carry to the summit. I therefore welcome participation of G20 members and non-members in this consultation and hope that this initiative will be institutionalized.

Excellencies, distinguished delegates,

Allow me to briefly offer some of my thoughts on the five key issues on the agenda of the upcoming G20 summit.

First, on sustaining growth and development: With the deepening of sovereign debt crisis and slow, jobless recovery in the advanced economies, the global economy is once again entering a period of turbulence. Recent data also confirm that manufacturing, exports, and economic growth are also slowing down in the Asia-Pacific region. Hence, "reviving growth" is likely to dominate the discussions at the G20 summit in three weeks' time and rightly so.

However, we should be careful not to forget that "sustaining development" is just as vital. With concerns of reviving growth in the advanced economies dominating the G20 agenda, there is a risk of putting the priorities of developing and the least developed countries on the back burner. Growth and development, however, are no longer separate issues. In order to revive growth, we need more global demand. And to boost global demand, inclusive development must play a key role.

Second, on high and volatile commodity prices: This is a most urgent issue, given its disproportionate impact on the poor and vulnerable, whose income largely goes to purchasing food. Since August 2010, food prices have risen in various countries upto 35 per cent, while oil prices have increased by 45 per cent over the past year. ESCAP studies show that 19.4 million additional people in the Asia-Pacific region remained in poverty due to higher food and energy prices in 2010. This year, we expect up to 42 million additional people could be prevented to get out of poverty due to higher prices. Recent floods in Pakistan, Thailand, Philippines, and other parts of the region have claimed many lives and may also drive up food prices. I would like to express my condolences to the families affected and reaffirm our solidarity in recovery efforts.

To stabilize prices, we need action at multiple levels. Stronger regional and sub-regional cooperation on food reserves and trade in agricultural products is clearly important. In addition, better regulation and transparency in the commodity markets and derivatives trading are critical for bringing down global price volatility. Hopefully, the G20 leaders would adopt concrete measures to stabilize prices.

Third, on financing development and re-directing regional savings: The Seoul summit of the G20 last year was significant for placing development on the G20 agenda for the first time. The G20 action plan on development focused on infrastructure development and its financing, among others. ESCAP's work has shown that the Asia-Pacific region has wide infrastructure gaps and closing them would require huge amount of financing. The least developed countries which are characterized by particularly large infrastructure deficits, also find it difficult to raise cost-effective finance, as highlighted at the Istanbul LDC conference in May this year. In that context, ESCAP's ongoing work shows that the Asia-Pacific region has a great potential to recycle its excess savings to meet its investment needs. The Chiang-Mai Initiative is an important step but is limited to management of liquidity problems. With combined reserves of Asia-Pacific countries exceeding $5 trillions, the region has the ability to fund large scale infrastructure development and unleash potential aggregate demand in the region's lesser developed regions. As per a resolution adopted at the 66th session of the Commission, the ESCAP secretariat is elaborating on the elements of a stable and development-friendly regional financial architecture that could better intermediate between the savings and investment needs of the region.

Fourth, on strengthening financial regulation: As you are aware, the global financial crisis was triggered by the build-up of risks in the financial sector that escaped the scrutiny of regulators. While the G20 has made progress in certain areas such as bank regulations, other areas such as the "shadow banking" or non-bank financial sector appear to be largely back to "business as usual." At the same time, there is need for impact assessment and technical assistance on the new measures agreed upon for capital adequacy norms from the perspective of developing countries.

Fifth, on the reform of the international monetary system: As pointed out at a high-level policy dialogue organized by ESCAP jointly with the Philippines central bank in Manila last month, the hightened volatility in financial and commodity markets is driven by a major expansion of international liquidity and low interest rates in reserve currencies. These problems, along with volatilities in exchange rates, lead to bigger questions related to the international monetary system. International liquidity, under the current system, depends on domestic considerations in a handful of countries. Moreover, such liquidity can reverse quickly in response to changes in perceptions about global economic prospects or in response to events such as the ongoing sovereign debt crisis in Europe. Here we need a comprehensive reform of the global reserve currency system. There are several proposals on the table such as those by the United Nations Commission on the subject headed by Professor Stiglitz that need to be considered by the G20.

Excellencies, distinguished participants,

On this note, let me once again extend my heartfelt welcome and appreciation to you all. I am confident that this high-level consultation will serve as an important platform for advancing Asia-Pacific perspectives on the G20 agenda. As the regional arm of the United Nations in the Asia-Pacific, ESCAP is pleased to assist in this process. We should ensure that global processes back up national development strategies and regional priorities. Commensurate with its role as the growth pole of the world economy, the Asia-Pacific region should begin to play its role in global discussions and help shape the world of tomorrow. The perspective of poor and the excluded countries needs to be factored in the global discussions given their outcomes affect all the countries irrespective of their size or income levels. I wish you success in your deliberations

I thank you.

MPDD/2010/G20/1

UNITED NATIONS ESCAP

Distr.: General
27 October 2010

English only

Economic and Social Commission for Asia and the Pacific
High-level Consultation on the G20 Seoul Summit: Perspectives from Asia and the Pacific
Bangkok, 26 October 2010

Chairperson's Summary of the High-level Consultation on Perspectives from Asia and the Pacific on the G20 Seoul Summit

I. Introduction

1. Representatives from 26 Asia-Pacific countries met at the headquarters of the Economic and Social Commission for Asia and the Pacific (ESCAP) on 25 and 26 October 2010 to discuss Asia-Pacific perspectives, especially from non-G20 members, on the agenda of the G20 Summit to be held in Seoul on 11 and 12 November. This is the first G20 Summit to take place in a non-G8 country and the first one to take place in Asia and the Pacific, in recognition of the emergence of the region as the growth pole of the world economy.

2. Under the premise that all countries—large, small, rich or poor—have a role to play in sustaining global growth, whose benefits, in turn, should be shared widely, the Summit will aim to address the needs of the emerging and developing world under the theme of "Shared growth beyond crisis". However, the sustainability of the current economic recovery is being challenged on a number of fronts, including the slowdown in growth in the advanced economies, the risk of a double-dip recession caused by a premature withdrawal of stimulus packages, possible declines in the flow of development finance, destabilizing short-term capital inflows to emerging market economies, and rising protectionist tendencies in the advanced economies.

3. Recognizing that the United Nations is the only global body with universal participation, the delegates welcomed the initiative of the Government of the Republic of Korea to proactively extend the G20's outreach activities by inviting ESCAP and other regional commissions of the United Nations to convey the perspectives of non-G20 countries on the Summit's agenda.

4. Because all countries, large and small, are affected by the decisions taken by the G20, it is important that the Group be concerned about inclusion and transparency. Regular consultation through the United Nations and its regional commissions can allow all States, especially smaller States, which comprise the majority of the United Nations membership, to have opportunities to raise issues of concern to them. In this context, the pioneering initiative of the Republic of Korea to reach out to

the non-G20 countries through ESCAP, the regional arm of the United Nations in Asia and the Pacific, is commendable, and the possibility of continuing such a process of consultation in the future may be explored. To facilitate consultations with non-G20 countries, it is important that the United Nations and its regional commissions be represented not only at the Summit level of the G20 process but also at preparatory and operational levels.

II. Recovery, growth and development

A. Short-term risks to recovery and growth

5. The recovery from the crisis has been fragile and uneven with continuing uncertainties about the prospects of the advanced economies. While fiscal consolidation in some advanced economies is clearly important, there is a risk that a premature withdrawal of fiscal stimulus packages may lead to a double dip recession, which will be self-defeating, achieving neither consolidation nor growth. Furthermore, such a move would affect the recovery process of a number of Asia-Pacific developing countries adversely because of their high export orientation. For the G20 to be a truly global body, it should consider the likely impact of its decisions on non-members, including small developing countries that are vulnerable to external shocks.

6. Favourable growth prospects and comparatively high interest rates in developing economies have attracted large short-term capital flows to the region. The capital inflows originated in large part from the cheap liquidity available as a result of near-zero interest rates and quantitative easing in developed economies, which has supported a burgeoning carry trade for investment in high-yielding assets of developing economies. These capital inflows are putting upward pressure on exchange rates, boosting inflationary pressures and creating the potential for asset market bubbles in some countries.

7. In order to protect macroeconomic stability from the destabilizing effects of surging capital inflows, many central banks have intervened in foreign exchange markets to moderate the speed of currency appreciation, but building up reserves is costly. Managing capital inflows is a complementary option recently implemented by a number of developing economies. Given the disruptive impacts of volatile capital flows on macroeconomic management in developing countries, it is important that the G20 supports these countries in mitigating these adverse impacts through, among other things, capital controls. However, it should be noted that not all Asia-Pacific countries are suffering from capital surges: low-income countries are struggling with the opposite problem of inadequate capital flows and depreciating exchange rates.

8. The massive liquidity expansion resulting from easy monetary policies in the advanced countries in the aftermath of the crisis has led to a rebound in commodity prices. As a result, food inflation in some countries in the region, especially the populous low-income countries in South Asia, is already in double digits, a worrisome development because of its adverse impact on the livelihood security of the poor. Because speculation in commodity markets could lead to price volatility, it is important that previously unregulated over-the-counter (OTC) derivative trades be carried out in public exchanges and that speculative position limits (total number

and value of contracts for a given commodity) be established and applied equally to all investors.

9. Another risk to the recovery prospects is protectionism. In that context, the delegates took note of the G20's standstill commitment, but they also expressed concern over the rise of less visible protectionist measures, including anti-dumping actions, subsidies of different types and preferential treatment of domestic firms. Unwinding such measures would add confidence to the global trade regime in this time of uncertainty. In addition, a successful conclusion of the Doha Round, in the letter and spirit of the Doha Development Agenda,[1] and delivery on the duty-free-quota-free market access and Aid for Trade commitments of the Hong Kong Ministerial Declaration adopted by the World Trade Organization in 2005[2] are critical in order to support the effectiveness and fairness of the international trading system.

B. Development and medium-term rebalancing

10. A medium-term challenge to growth, which is particularly important for Asia-Pacific countries, is the expected slowdown in the growth of import demand in the United States of America and Europe, as these economies unwind fiscal and current account imbalances. In this context, with 950 million people living in poverty and with wide developmental gaps, including in the achievement of the Millennium Development Goals and in infrastructure, the Asia-Pacific region has considerable potential to generate additional aggregate demand to support growth in the region and in the global economy. Therefore, the challenge posed by the prospects of a more sluggish growth in aggregate demand can be turned into an opportunity for promoting inclusive development. Poverty reduction should be seen not as a social welfare scheme but as a critical component of a strategy to promote growth. The G20 Summit should send a clear and strong message that achieving the Millennium Development Goals and narrowing development gaps should occupy a central place in the Framework for Strong, Sustainable and Balanced Growth.

11. For that purpose, it is necessary to foster policies to make growth more equitably distributed and to enhance consumption by the poor. Such policies could include promoting agriculture and rural development, strengthening social protection, enhancing financial inclusion, and promoting job creation, with a focus on disadvantaged groups and women. As the majority of the poor live in rural areas and derive most of their income from agriculture, they are likely to benefit from agricultural growth. Over the past two decades, public investment and international support for agriculture has declined. Consequently, the growth of agricultural output and productivity has decelerated. Thus, it is important that Asia-Pacific governments and the international community redirect their attention to agriculture and other non-farm activities in the rural economy to enhance food security, create employment, and reduce poverty.

12. Apart from their role in reducing poverty, well-functioning social protection systems can act as automatic stabilizers during periods of crisis and help support domestic demand at other times by reducing the need for

[1] See A/C.2/56/7, annex.

[2] World Trade Organization, document WT/MIN(05)/DEC. Available from http://docsonline.wto.org.

household precautionary saving. However, the coverage of social protection programmes in the Asia-Pacific region is among the lowest in the world. Nevertheless, a number of ambitious social protection programmes have been implemented in the region in recent times: Thailand has a universal health-care programme: India has the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA): Pakistan has the Benazir Income Support Programme (BISP): Bangladesh, Indonesia and the Philippines have implemented various cash transfer programmes for poor households. Such initiatives need to be redoubled and deepened.

13. There is a need to ensure that financial services reach out to the millions of "unbanked", providing them with the opportunities and security of a well-functioning financial system. Reducing access barriers to financial services requires undertaking innovation and investing in human resources and technology in order to cut transaction costs. Different types of financial institutions have a role to play in order to serve the poor, by covering the "five micros": micro-savings, micro-credit, micro-repayments, micro-remittances and micro-insurance. Because traditional financial institutions are unlikely to champion financial inclusion, public policies and regulations have a critical role to play. In this context, the delegates took note of the creation of the Financial Inclusion Experts Group (FIEG) by the G20.

14. Employment growth is not only a challenge for advanced economies suffering from a jobless recovery but also for Asia-Pacific countries in which the labour force is increasing rapidly. In addition, as the lack of a critical mass of skilled workers is often a barrier to domestic businesses as well as foreign investors, more efforts are needed to improve the availability and quality of higher education and vocational training, especially in low-income countries.

15. Exploiting the potential for regional economic cooperation and integration in Asia and the Pacific by, among other things, strengthening physical and institutional connectivity, can also contribute to the region's aggregate demand and the process of global rebalancing. In addition, South-South cooperation and triangular development cooperation are becoming important channels of resource flows and capacity-building for poorer countries and should be encouraged. Emerging countries, such as China and India, have set examples by initiating their own duty-free-quota-free schemes for products from least developed countries.

III. Development finance

16. Despite the adverse impacts of the food and fuel price crisis of 2008 and the subsequent global financial crisis, the achievement of the Millennium Development Goals is still feasible in the Asia-Pacific region. ESCAP estimates that, for that purpose, the region would require additional resources of about $100 billion per year between 2010 and 2015. However, while this figure represents less than 1 per cent of the gross domestic product for the region as a whole, the additional resources represent as much as 20 per cent or more of the gross domestic product of some of its low-income countries. It is important that the G20 maintain its strong support for the achievement of the Millennium Development Goals as a part of the global partnership for development.

17. The importance of fulfilling all official development assistance commitments, including the commitments by many developed countries to achieve the target of 0.7 per cent of GNP for official development

assistance to developing countries by 2015 cannot be overstressed. On a related note, delegates welcomed the growing importance of South-South cooperation, which will contribute to closing development gaps and sustaining global economic growth.

18. In this connection, the G20 summit needs to be made aware of the concerns and position of the least developed countries reflected in the Dhaka Outcome Document,[3] which was adopted at the sixty-sixth session of ESCAP as the input from the Asia-Pacific region to the fourth United Nations Conference on the Least Developed Countries.

19. Investment in basic infrastructure, such as electricity, roads and safe water, could return a double dividend by spurring growth as well as helping to achieve the Millennium Development Goals. Some 930 million people in Asia-Pacific still lack access to electricity. Over the next decade, it is estimated that narrowing such infrastructure gaps in Asia and the Pacific would require \$8 trillion, or \$800 billion per year.

20. To finance these projects, it will be vital to complement government efforts with a massive recapitalization of the multilateral development banks to enhance the supply of long-term development finance. In addition, novel forms of financing need to be explored. In this respect, the 2010 Jakarta Declaration on Public-Private Partnerships for Infrastructure Development in Asia and the Pacific[4] emphasized the importance of public-private partnership projects for the financing of infrastructure projects in the Asia-Pacific region. The Declaration also requested the United Nations and international financial institutions to elaborate the elements of a regional financial architecture in order to enhance the availability of capital for infrastructure development projects in the region.

21. In that connection, the delegates called on the G20 to consider financing for infrastructure investments an important part of its growth and development agenda, and to explore ways to implement, on a global scale, innovative forms of financing, including public-private partnerships and risk-mitigating guarantees to leverage private capital. They also highlighted that a stronger regional financial architecture could help direct regional savings to regional infrastructure needs, contributing to growth and development.

22. Another innovative source of revenue to fund development gaps could be provided by a small international financial transactions tax, which could also contribute to moderating the volatility of capital flows to developing countries. Because such a tax could generate revenue to fund global public goods, including the achievement of the Millennium Development Goals and poverty reduction programmes, the G20 should give it serious consideration, while taking into account specific national conditions.

IV. Financial regulatory reforms

23. The delegates took note of the work being done to strengthen the regulations of the global financial system, including high-quality capital, new leverage and liquidity standards, and systemically important financial

[3] E/ESCAP/66/6.

[4] See ESCAP resolution 66/x of 19 May 2010.

institutions and resolution regimes. It is important to keep this positive momentum and continue making progress in areas such as reducing procyclicality, reforming compensation practices, and reducing reliance on credit rating agencies.

24. While these reforms will contribute to the overall stability of the global financial markets, it is important to assess whether they may unintendedly reduce the access of low-income developing countries to international finance. Because their domestic financial markets are at an early stage of development, access to external finance is particularly important for these countries. In this respect, the G20 leaders could call for the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and other relevant bodies to conduct a low-income country impact analysis of all new financial regulations.

25. While adopting international standards on prudential financial regulation is important to all countries regardless of their level of development, it should be recognized that low-income countries lack the institutional and technical capabilities to implement them. Thus, it is important to support these countries with technical assistance in order to help them not only develop modern financial systems but also implement modern financial regulatory and supervisory functions.

V. Reform of the international financial architecture

26. Rigid conditionality requirements attached to the traditional International Monetary Fund (IMF) lending programmes have often had adverse consequences on growth in the recipient countries, and the reform of conditionalities is a pending issue. In that context, the delegates took note of more suitable facilities promoted by the G20, including the Flexible Credit Line (FCL) and the Precautionary Credit Line (PCL), and welcomed the global financial safety net (GFSN) initiative proposed by the Republic of Korea. That initiative is expected not only to provide developing countries with emergency financial assistance but also to minimize the destabilizing effects of sudden capital swings and to reduce the need to accumulate precautionary foreign reserves. Ideally, GFSN should be built as a network of IMF and regional financial institutions to disburse liquidity support with a view to preventing financial crises. Further deliberations could be conducted on how to best enhance complementarities between GFSN and existing initiatives at the regional level.

27. There is also an ongoing debate on the need for a new global reserve system in view of the limitations of the existing international monetary system based on the use of the United States dollar as the major global currency. Recent discussions have focused on the development of a transnational reserve currency system based on a basket of the world's major currencies. This currency would be similar to the current special drawing rights (SDR) scheme of IMF, but with the basket of currencies being expanded from the dollar, pound, euro, and yen to other currencies. Under this scenario, IMF or an alternative global institution created to that effect, could issue and absorb SDRs regularly in a countercyclical manner in order to regulate global liquidity and enhance global economic stability.

28. Reforming the governance of the Bretton Woods institutions to enhance the voice and representation of developing countries is critical for the legitimacy and effectiveness of these institutions. Despite the long-standing call for redressing the democratic deficit in the governance of the

Bretton Woods institutions, little progress has been achieved. In that context, the delegates took note that the G20 had made reform of the Bretton Woods institutions a central element of its agenda. The adoption of a reform package by the World Bank to shift some 3 per cent voting power to developing countries and transition countries and the recent agreement to shift over 6 per cent of voting power to dynamic emerging markets and developing countries in IMF are encouraging first steps. It is important that the G20 continue pushing for further and more ambitious steps to shift voting and other decision-making power to developing countries. In addition, the G20 should support developing countries' call for an open, transparent and merit-based process for selecting the President of the World Bank and the Managing Director of IMF without regard to nationality.

Chairpersons:

Mr. Yuba Raj Khatiwada
Governor
Nepal Rastra Bank

Mr. Daw Tenzin
Governor
Royal Monetary Authority of Bhutan

Mr. Enkhbayar Namjildorj
Economic Advisor to the Prime Minister
Prime Minister's Office
Government of Mongolia

Participating countries:

Australia
Bangladesh
Bhutan
Cambodia
China
Fiji
India
Indonesia
Iran (Islamic Republic of)
Japan
Lao People's Democratic Republic
Maldives
Mongolia
Myanmar
Nepal
Pakistan
Philippines
Republic of Korea
Russian Federation
Samoa
Singapore
Sri Lanka
Thailand
Uzbekistan
Vanuatu
Viet Nam

Governo de Timor-Leste

TT PT EN
Quarta-feira, 26 de Outubro de 2011 | 15:19

Pesquisa

Pesquisar

Pesquisa Avançada

Agenda

2011
- Out17
De 17 Out até 30 Out Ministro da Saúde desloca-se ao Brasil e a Portugal

ver todos

Comunicados

- 2011-10-19Reunião histórica do g7+ chega ao fim no Estado mais jovem do mundover mais
- 2011-10-16Kay Rala Xanana Gusmão, Primeiro-Ministro de Timor-Leste, chefia delegação a Juba, no Sudão do Sulver mais
- 2011-10-12Reunião do Conselho de Ministros de 12 de Outubro de 2011ver mais

ver todos

Ligações Institucionais | jornal da República Consulte | Contacte o Governo

Homepage › Notícias › Vice-Ministro das Finanças participou na "Consulta de Alto Nível sobre a Cimeira Cannes do G20: perspectivas da Ásia-Pacífico"

Vice-Ministro das Finanças participou na "Consulta de Alto Nível sobre a Cimeira Cannes do G20: perspectivas da Ásia-Pacífico"

Imprimir
Ter, Outubro 18, 18:39h

Nos dias 11 e 12 de Outubro, o Vice-Ministro das Finanças, Rui Manuel Hanjam, e sua delegação, deslocaram-se a Banguecoque com o propósito de participarem na reunião de consultoria de alto nível convocada e organizada pela Comissão Económica e Social para a Região da Ásia e do Pacífico das Nações Unidas (*United Nations Economic and Social Comission for Asia and The Pacific - UNESCAP*). A UNESCAP quis envolver 29 representantes de países da Ásia e do Pacífico, incluindo China, Japão, EUA e Singapura, no debate de questões actuais e mediáticas no panorama económico mundial, em particular, dar voz aos representantes dos países no sentido de estes expressarem as suas preocupações e perspectivas, enriquecendo e estipulando os aspectos a incluir na Agenda da 6ª Cimeira do G20 a realizar em Cannes, França, nos dias 3 e 4 de Novembro de 2011.

No rescaldo de uma recessão económica de impacto mundial, com particular foco na Zona Euro e nos Estados Unidos da América, e que se reflectiu nos países em vias de desenvolvimento, os países intervenientes foram unânimes em reconhecer a necessidade de se promover uma política transparente e inclusiva, impulsionando-se a participação e o compromisso de todos os países, tanto desenvolvidos como em vias de desenvolvimento, com o objectivo máximo de se alcançar um crescimento económico sustentável.

Com este objectivo, o grupo propôs a inclusão dos seguintes aspectos primordiais na Agenda da 6ª Cimeira do G20: implementação de medidas que permitam regular os preços dos bens alimentares, aumentar a produtividade agrícola regional e garantir a segurança alimentar dos mais pobres; desenvolver mecanismos de financiamento de infra-estruturas; consolidação dos regulamentos financeiros de modo a se usufruir de uma protecção contra as oscilações do mercado; implementação de medidas de gestão do capital; ênfase na restauração da confiança; e reforçar a coordenação e o compromisso entre os países desenvolvidos e em vias de desenvolvimento.

Na sua intervenção, o Vice-Ministro das Finanças focou a perspectiva e a posição de Timor-Leste face ao panorama económico actual, à crescente inflação, à volatilidade dos preços dos bens alimentares, com destaque para o facto de Timor-Leste apresentar uma elevada taxa de importações, e ao sistema financeiro adoptado, questionando os demais participantes acerca de como um país subdesenvolvido pode crescer e desenvolver-se face à recessão económica dos países desenvolvidos, sendo que Timor-Leste tem tentado adoptar o modelo financeiro destes e ajustá-lo às suas especificidades regionais.

Neste sentido, Rui Manuel Hanjam explicou que Timor-Leste tem procurado minimizar os riscos da recessão global pela diversificação dos activos das receitas petrolíferas, pela adopção de uma política de transparência e rigor, sendo as receitas do Fundo Petrolífero reguladas pelo Rendimento Sustentável Estimado. Deste modo, pretende-se alcançar um crescimento económico sustentável e investir noutros sectores, permitindo que o país renuncie a uma economia dependente das receitas petrolíferas. Ao nível do sistema financeiro, evidenciou o desenvolvimento do programa que permitirá às famílias mais pobres, e com baixos rendimentos, ter acesso aos serviços financeiros, nomeadamente, a poupanças, empréstimos e seguros. Tal programa possibilitará aos agregados familiares assegurar os serviços de saúde e educações aos seus filhos e proporcionar a aquisição de micro-créditos para criar pequenos negócios, postos de emprego e meios de subsistência.

A participação da delegação de Timor-Leste foi elogiada pelos demais intervenientes, em particular devido ao papel activo do Vice-Ministro das Finanças nas discussões, ao conteúdo das suas contribuições e intervenções, e pelo ênfase que conferiu ao desenvolvimento e progresso já granjeado por Timor-Leste, apesar de este ser um dos países mais jovens da Ásia.

De acordo com Rui Manuel Hanjam, não obstante o facto de Timor-Leste ainda ter um longo caminho a percorrer e um árduo trabalho a empreender, a sua participação em encontros desta magnitude, permite que o mundo, neste caso o G20 e os Países da Ásia e do Pacífico, conheçam as suas necessidades, prioridades e preocupações, actuem em conformidade com as mesmas e estabeleçam laços de cooperação a nível internacional que darão espaço ao país para crescer e fazer frente às vicissitudes que assolam os mercados financeiros.

topo

- ABP Autoridade Bancária e de Pagamentos de Timor-Leste Banking & Payments Authority
- Autoridade Nacional do Petróleo
- MAEOT estatal.gov.tl
- turismo de timor leste
- Ministério das Finanças
- MTCI Timor-Leste
-

Timor-Leste Ministry of Finance

High-Level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific

Nos dias 11 e 12 de Outubro, S. Ex.ª o Sr. Vice-Ministro das Finanças, Rui Manuel Hanjam, e sua delegação deslocaram-se à cidade de Banguecoque, Tailândia, com o propósito de participarem na reunião de consultoria de alto nível convocada e organizada pela Comissão Económica e Social para a Região da Ásia e do Pacifico das Nações Unidas (*United Nations Economic and Social Comission for Asia and The Pacific-UNESCAP*), reunião na qual S. Ex.ª o Sr. Vice-Ministro das Finanças desempenhou um papel como orador chave e moderador de uma das sessões. A *UNESCAP* pretendeu envolver 29 representantes da arena politica de países da Ásia e do Pacifico, incluindo China, Japão, EUA e Singapura, no debate de questões actuais e mediáticas no panorama económico mundial, em particular, dar voz aos representantes dos países no sentido destes expressarem as suas preocupações e perspectivas, enriquecendo e estipulando quais os aspectos a incluir na Agenda da 6ª Cimeira do G20 a realizar em Cannes, França, nos dias 3 e 4 de Novembro de 2011

Click aqui para mais informacao

Vice-Ministro das Finanças Participa na *"High-Level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific"* em Banguecoque, Tailândia

Nos dias 11 e 12 de Outubro, S. Ex.ª o Sr. Vice-Ministro das Finanças, Rui Manuel Hanjam, e sua delegação deslocaram-se à cidade de Banguecoque, Tailândia, com o propósito de participarem na reunião de consultoria de alto nível convocada e organizada pela Comissão Económica e Social para a Região da Ásia e do Pacifico das Nações Unidas (*United Nations Economic and Social Comission for Asia and The Pacific-UNESCAP*), reunião na qual S. Ex.ª o Sr. Vice-Ministro das Finanças desempenhou um papel como orador chave e moderador de uma das sessões. A *UNESCAP* pretendeu envolver 29 representantes da arena política de países da Ásia e do Pacifico, incluindo China, Japão, EUA e Singapura, no debate de questões actuais e mediáticas no panorama económico mundial, em particular, dar voz aos representantes dos países no sentido destes expressarem as suas preocupações e perspectivas, enriquecendo e estipulando quais os aspectos a incluir na Agenda da 6ª Cimeira do G20 a realizar em Cannes, França, nos dias 3 e 4 de Novembro de 2011.

No rescaldo de uma recessão económica de impacto mundial com particular foco na Zona Euro e nos Estados Unidos da América, e que subsequentemente se reflectiu nos Países em Vias de Desenvolvimento, os países intervenientes foram unânimes em reconhecer a necessidade de se promover uma política transparente e inclusiva, impulsionando-se a participação e o compromisso de todos os países, tanto desenvolvidos como em vias de desenvolvimento, com o objectivo máximo de se alcançar um crescimento económico sustentável. Com vista nesta meta, o grupo propôs a inclusão dos seguintes aspectos primordiais na Agenda da 6ª Cimeira do G20: implementação de medidas que permitam regular os preços dos bens alimentares, aumentar a produtividade agrícola regional e garantir a segurança alimentar dos mais pobres; desenvolver mecanismos de financiamento de infra-estruturas; consolidação dos regulamentos financeiros de modo a se usufruir de uma protecção contra as oscilações do mercado; implementação de medidas de gestão do capital; ênfase na restauração da confiança; e reforçar a coordenação e o compromisso entre os Países Desenvolvidos e em Vias de Desenvolvimento.

Na sua intervenção, S. Ex.ª o Sr. Vice-Ministro das Finanças focou a perspectiva e a posição de Timor-Leste face ao panorama económico actual, à crescente inflação, à volatilidade dos preços dos bens alimentares, com destaque para o facto de Timor-Leste apresentar uma elevada taxa de importações, e ao sistema financeiro adoptado, questionando os demais participantes acerca de como um país subdesenvolvido pode crescer e desenvolver-se face à recessão económica dos Países Desenvolvidos, sendo que Timor-Leste tem tentado adoptar o modelo financeiro destes e ajustá-lo às suas especificidades regionais. Neste sentido, o mesmo explanou que Timor-Leste tem procurado minimizar os riscos da recessão global pela diversificação dos activos das receitas petrolíferas, pela adopção de uma política de transparência e rigor, sendo as receitas do Fundo Petrolífero reguladas pelo Rendimento Sustentável Estimado. Deste modo,

1/2

pretende-se alcançar um crescimento económico sustentável e investir noutros sectores, permitindo que o país renuncie a uma economia dependente das receitas petrolíferas. Ao nível do sistema financeiro, evidenciou o desenvolvimento do programa que permitirá às famílias mais pobres e com baixos rendimentos ter acesso aos serviços financeiros, nomeadamente, a poupanças, empréstimos e seguros. Tal programa possibilitará aos agregados familiares assegurar os serviços de saúde e educações aos seus filhos e proporcionar a aquisição de micro-créditos para criar pequenos negócios, postos de emprego e meios de subsistência.

A participação da delegação de Timor-Leste foi elogiada pelos demais interveniente nesta reunião de consultoria convocada pela *UNESCAP*, em particular devido ao papel activo de S. Ex.ª o Sr. Vice-Ministro das Finanças nas discussões; ao conteúdo das suas contribuições e intervenções; e pelo ênfase que este conferiu ao desenvolvimento e progresso já granjeado por Timor-Leste, apesar de este ser um dos países mais jovens da Ásia. De acordo com S. Ex.ª o Sr. Vice-Ministro das Finanças, não obstante de Timor-Leste ainda ter um longo caminho a percorrer e um árduo trabalho a empreender, a sua participação em encontros desta magnitude, permitem ao mundo, neste caso ao G20 e aos Países da Ásia e do Pacifico, conhecer as suas necessidades, prioridades e preocupações, actuar em conformidade com as mesmas e estabelecer laços de cooperação a nível internacional que darão espaço ao país para crescer e fazer frente às vicissitudes que assolam os mercados financeiros. Timor-Leste tem uma voz e é fundamental que seja ouvida.

- Primeiru-Ministru
- Governu
- Lejislasaun
- Multimédia
- Timor-Leste
- Kontaktus

Governu Timor-Leste

TT PT EN
Kuarta-feira, 26 de Otubru de 2011 | 15:37

Peskiza

Buka

Peskiza Avansada

Ajenda

2011
- Otu17
Husi 17 Otu toò 30 Otu Ministru Saúde iha Brasil no Portugal

hare hotu

Komunikadus

- 2011-10-19Sorumutu istóriku g7+ nian to'o ona iha rohan iha Estadu ne'ebé joven liu iha munduhare tan
- 2011-10-16Kay Rala Xanana Gusmão, Primeiro-Ministro de Timor-Leste, chefia delegação a Juba, no Sudão do Sulhare tan
- 2011-10-12Sorumutu Konsellu Ministru loron 12 fulan Outubru tinan 2011hare tan

hare hotu

Ligasoens Institusionais | jornal da República Konsulta | Kontacta Governu

Homepage › Notisias › Visi-Ministru Finansa partisipa iha "Konsulta Nível Aas kona-ba Sorumutu Cannes G20 nian: Perspetiva Ázia-Pasífiku nian"

Visi-Ministru Finansa partisipa iha "Konsulta Nível Aas kona-ba Sorumutu Cannes G20 nian: Perspetiva Ázia-Pasífiku nian"

Imprimi
Ter. Otubru 18, 18:39h

Iha loron 11 no 12 fulan Outubru, Visi-Ministru Finansa, Rui Manuel Hanjam, ho nia delegasaun bá to'o Bangkok, ho objetivu atu partsipa iha sorumutu nivel aas kona-ba konsultoria ne'ebé konvoka no organiza hosi Komisaun Ekonómika no Sosiál ba Rejiaun Ázia no Pasífiku Nasoens

Unidas nian (*United Nations Economic and Social Comission for Asia and The Pacific - UNESCAP*). Ho eventu ida ne'e UNESCAP hakarak envolve reprezentante 29 hosi sirkulu politiku nasoens rejiaun Ázia no Pasifiku nian, inklui mós Xina, Japaun, Amérika no Singapura, atu halo debate kona-ba kestaun sira ohin loron nian no mediátika sira, iha panorama ekonomia mundiál, liu-liu, fó oportunidade ba reprezentante nasoens sira nian atu ko'alia ho objetivu atu hato'o sira nia preokupasaun no perspetiva sira, atu halo riku liután no atu fó hanoin ba aspetu sira ne'ebé atu hatama iha Ajenda Sorumutu G20 ba dala 6, ne'ebé sei realiza iha Cannes, França, iha loron 3 no 4 fulan Novenbru tinan 2011.

Bazeia ba reskaldu hosi resesaun ekonomia nian ne'ebé fó impaktu ba mundu tomak, liu-liu foka ba Zona Euro no ba Amérika, hanesan sekuénsia ida ne'ebé reflete mós ba Nasaun sira ne'ebé sei Dezenvolve hela, nasoens hirak ne'ebé partsipa iha eventu ida ne'e, hamutuk, hotu-hotu rekoñese katak presiza promove politika ida ne'ebé transparente no inkluziva, fó impulsu ba partsipasaun no kompromisu nasoens hotu-hotu nian, hirak ne'ebé dezenvolvidu ona ka sei dezenvolve hela, ho objetivu ne'ebé maka'as liu atu bele alkansa kresimentu ekonómiku sustentável.

Ho vizaun ba objetivu ida ne'e, nasaun partsipante sira halo proposta, atu hatama iha Ajenda Sorumutu G20 ba dala 6, aspetu importante sira ne'ebé tuir mai, hanesan: implementasaun ba medida sira ne'ebé bele regula folin sasán hahán nian, hasa'e tan produtividade agrikultura rejiaun nian no fó seguransa hahán ba ema sira ne'ebé kiak liu; dezenvolve mekanizmu sira atu finansia infra-estrutura sira; hametin regulamentu finanseiru sira atu bele hetan di`ak mós protesaun hasoru osilasoens merkadu nian; implementasaun medidas jestaun kapital nian; haka'as tan restaurasaun kona-ba konfiansa; no reforsa kordenasaun no kompromisu Nasoens Dezenvolvidu ho Via Dezenvolvimentu sira.

Iha nia intervensaun, Visi-Ministru Finansas foka liu ba perspektiva no pozisaun Timor-Leste nian kona-ba panorama ekonomia ohin loron nian, inflasaun ne'ebé sa'e, folin sasan ha-han nian ne'ebé lae estável, ho destak ba faktu ida katak Timor-Leste aprezenta taxa importasoens ne'ebé a'as, no kona-ba sistema finanseiru ne'ebé uza, husu ba partsipante sira seluk, oinsá mak nasaun subdezenvolvidu ida hanesan Timor-Leste bele buras no dezenvolve ho resesaun ekonómika ne'ebé Nasoens Dezenvolvidus sira hetan, maske Timor-Leste koko hala'o hela nafatin modelu finanseiru Nasoens Dezenvolvidu sira nian no ajusta ba ninian espesifisidade rejionál.

Tuir kestaun ida ne'e, nia klarifika katak Timor-Leste buka hamenus risku resesaun globál nian ho diversifikasaun ativu hosi reseita sira mina-rai nian, ho uza politika ida ne'ebé transparente no ho rigór, nune'e reseita sira fundu mina-rai nian hetan regulasaun hosi Rendimentu Sustentável Estimadu. Ho ida ne'e, buka atu alkansa kresimentu ekonómiku sustentável no investe fali iha setór sira seluk, atu permite nasaun hasees-an husi ekomonia ida ne'ebé depende fali de'it ba reseita sira hosi mina-rai nian. Kona-ba sistema finanseiru, nia ko'alia liu ba dezenvolvimentu programa ida ne'ebé sei fó fasilidade ba família sira ne'ebé kiak liu no ho redimentu ki'ik, atu hetan asesu ba servisu finanseiru sira, liu-liu, poupansa, empréstimu no seguru sira. Programa refere sei fó posiblidade ba agregadu família sira atu hametin servisu saúde no edukasaun ba sira nia oan, no fó fasilidade atu hetan mikro-kréditu atu loke negósiu ki'ik sira, kria postu servisu no kondisaun atu hala'o moris nian.

Partsipasaun hosi Delegasaun Timor-Leste nian hetan elojiu husi interveniente sira liu-liu tanba papél ativu Visi-Ministru Finansa nian iha diskusaun sira, no mós konteúdu ne'ebé refere iha nia kontribuisaun no intervensaun sira, no ko'alia ne'ebé foka liu ba dezenvolvimentu no progresu ne'ebéTimor-Leste alkansa tiha ona, maske hanesan nasaun Ázia nian ida ne'ebé sei nurak hela.

Tuir Rui Manuel Hanjam, maske Timor-Leste sei la'o tuir dalan ida ne'ebé sei naruk no sei hala'o kna'ar ida ne'ebé todan, nia partsipasaun iha sorumutu sira ne'ebé importante tebe-tebes hanesan ida ne'e, fó hatene ba mundu, liu-liu ba G20 no ba Nasoens iha Ázia no Pasifiku nian, ninian nesesidade, prioridade no preokupasaun, no atua konforme nesesidade, prioridade no preokupasaun hirak ne'e, no mós estabelese lasu kooperasaun internasionál ne'ebé sei fó fatin ba nasaun atu la'o ba oin no enfrenta difikuldade sira ne'ebé domina merkadu finanseiru sira.

ba leten

- ABP Autoridade Bancária e de Pagamentos de Timor-Leste Banking & Payments Authority
- Autoridade Nacional do Petróleo
- MAEOT estatal.gov.tl
- turismo de timor leste
- Ministério das Finanças
- MTCI Timor-Leste
- Ministério da Justiça

Timor-Leste Ministry of Finance

High-Level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific

Iha loron 11 no 12 fulan Otubru, Sua Eselensia Señor Visi-Ministru Finansas, Rui Manuel Hanjam, ho nia delegasaun ba to'o Bangkok, Tailandia, ho propozitu atu partsipa iha reuniaun nível a'as konaba konsultoría ne'ebe konvoka no organiza hosi Komisaun Ekonomika no Sosial ba Reziaun Ásia no Pasífiku Nasoens Unidas nian (*United Nations Economic and Social Comission for Asia and The Pacific – UNESCAP*), reuniaun ida ne'ebe Sua Eselensia Señor Visi-Ministru Finansas dezenpeña papel hanesan orador xave no moderador iha sesaun ida. Ho eventu ida ne'e *UNESCAP* hakarak envolve reprezentante 29 hosi sírkulu polítiku nasoens reziaun Ásia no Pasífiku nian, inklui mos China, Japaun, Amérika no Singapura, atu hala'o debate konaba kestoens ohin loron nian no mediátika sira, iha panorama ekonomia mundial, liu-liu, fo'o oportunidade ba reprezentante nasoens sira atu koalia ho objektivu atu hato'o sira nia preokupasoens no perspektiva, atu halo riku liu tan no atu fo'o hanoin ba aspektus sira ne'ebe atu hatama iha Agenda Cimeira G20 ba dala 6, ne'ebe sei realiza iha Cannes, França, iha loron 3 no 4 fulan Novenbru tinan 2011

Klique iha ne'e ba Informasaun kompletu

Visi-Ministru Finansas partsipa iha *"High-Level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific"* iha Bangkok, Tailandia

Iha loron 11 no 12 fulan Otubru, Sua Eselensia Señor Visi-Ministru Finansas, Rui Manuel Hanjam, ho nia delegasaun ba to'o Bangkok, Tailandia, ho propozitu atu partsipa iha reuniaun nível a'as konaba konsultoría ne'ebe konvoka no organiza hosi Komisaun Ekonomika no Sosial ba Reziaun Ásia no Pasífiku Nasoens Unidas nian (*United Nations Economic and Social Comission for Asia and The Pacific - UNESCAP*), reuniaun ida ne'ebe Sua Eselensia Señor Visi-Ministru Finansas dezenpeña papel hanesan orador xave no moderador iha sesaun ida. Ho eventu ida ne'e *UNESCAP* hakarak envolve reprezentante 29 hosi sírkulu polítiku nasoens reziaun Ásia no Pasífiku nian, inklui mos China, Japaun, Amérika no Singapura, atu hala'o debate konaba kestoens ohin loron nian no mediátika sira, iha panorama ekonomia mundial, liu-liu, fo'o oportunidade ba reprezentante nasoens sira atu koalia ho objektivu atu hato'o sira nia preokupasoens no perspektiva, atu halo riku liu tan no atu fo'o hanoin ba aspektus sira ne'ebe atu hatama iha Agenda Cimeira G20 ba dala 6, ne'ebe sei realiza iha Cannes, França, iha loron 3 no 4 fulan Novenbru tinan 2011.

Bazeia ba reskaldu hosi resesaun ekonomia nian ne'ebe fo'o impaktu ba mundu tomak, liu-liu foka ba Zona Euro no ba Amérika, hanesan sekuensia ida ke reflekte mos ba Nasaun Via Dezenvolvimentu sira, nasoens hirak ne'ebe partsipa iha eventu ida ne'e, hamutuk, hotu-hotu rekoñese katak presiza promove política ida ne'ebe transparente no inklusiva, fo'o impulsu ba partsipasaun no kompromete nasoens hotu-hotu, dezenvolvidu ka via dezenvolvimentu sira, ho objektivu ne'ebe maka'as liu atu bele alkansa kresimentu ekonómiku sustentável. Ho visaun ba objektivu ida ne'e, nasaun partsipante sira halo proposta, atu hatama iha Agenda Cimeira G20 ba dala 6, aspektu importante sira ne'ebe tuir mai, hanesan: implementasaun medidas ne'ebe bele regula folin sasan ha-han nian, hasa'e tan produtividade agrikultura reziaun nian no fo'o seguransa ha-han ba ema sira ne'ebe kiak liu; dezenvolve mekanismus atu finansia infra-estrutura sira; hametin regulamentu finanseiru sira atu bele uzufrui mos protesaun hasoru osilasoens merkadu nian; implementasaun medidas jestaun kapital nian; haka'as tan restaurasaun konaba konfiansa; no reforsa kordenasaun no kompromisu Nasoens Dezenvolvidu ho Via Dezenvolvimentu sira.

Iha nia intervensaun, Sua Eselensia Señor Visi-Ministru Finansas foka liu ba perspektiva no pozisaun Timor-Leste nian konaba panorama ekonomia ohin loron nian, inflasaun ne'ebe sa'e, folin sasan ha-han nian ne'ebe lae estável, ho destak ba faktu ida katak Timor-Leste aprezenta taxa importasoens ne'ebe a'as, no konaba sistema finanseiru ne'ebe uza, husu ba partsipante sira seluk, oinsa mak nasaun subdezenvolvidu ida hanesan Timor-Leste bele buras no dezenvolve ho resesaun ekonómika ne'ebe Nasoens Dezenvolvidus sira hetan, maske Timor-Leste koko hala'o hela nafatin modelu finanseiru Nasoens Dezenvolvidus sira nian no ajusta ba ni-nian espesifisidade rezional. Tuir kestaun ida ne'e, nia klarifika katak Timor-Leste buka hamenus riskus resesaun global nian ho diversifikasaun aktivus hosi reseitas mina-rai nian, ho uza

1/2

politika ida ke transparente no ho rigor, nune'e reseitas fundu mina-rai nian hetan regulasaun hosi Rendimentu Sustentavel Estimadu. Ho ida ne'e, buka atu alkansa kresimentu ekonómiku sustentável no investe fali iha sektores sira seluk, atu permite nasaun hases'an husi ekomonia ida ne'ebe depende fali los deit ba reseitas hosi mina-rai. Konaba sistema finanseiru, nia fo'o destak ba dezenvolvimentu programa ida ne'ebe sei fo'o fasilidade ba família sira ne'ebe kiak liu no ho redimentus ki'ik, atu hetan esesu ba servisu finanseiru sira, liu-liu, poupansa, emprestimu no seguru sira. Programa refere sei fo'o posiblidade ba agregadu família sira atu hametin servisu saúde no edukasaun ba sira nia oan, no fo'o fasilidade atu hetan mikro-kréditu atu loke negósiu ki'ik sira, kria postus servisu no kondisaun atu halao moris nian.

Partsipasaun hosi Delegasaun Timor-Leste nian hetan elojiu husi interveniente sira seluk durante reuniaun konaba konsultoría ne'ebe konvoka hosi *UNESCAP*, liu-liu tamba papel aktivu Sua Eselensia Visi-Ministru Finansas nian iha diskusoens; no mós konteudu ne'ebe refere iha nia kontribuisaun no intervensaun sira; no destak nebe nia halo ba dezenvolvimentu no progresu ke Timor-Leste alkansa tiona, maski hanesan nasaun Ásia nian ida ke sei nurak. Tuir Sua Eselensia Señor Visi-Ministru Finansas, maski Timor-Leste sei la'o tuir dalan ida ne'ebe sei naruk no sei hala'o knar ida ne'ebe todan, nia partsipasaun iha enkontru sira ne'ebe importante tebe-tebes hanesan ida ne'e, fo'o koñese ba mundu, liu-liu ba G20 no ba Nasoens iha Ásia no Pasífiku nian, ni-nian nesesidade, prioridade no preokupasaun, no aktua konforme nesesidade, prioridade no preokupasaun hirak ne'e, no mos estabelese lasus koperasaun internasional ne'ebe sei fo'o fatin ba nasaun atu la'o ba oin no enfrenta difikuldade sira ne'ebe domina merkadu finanseiru sira. Timor-Leste iha lian ida no importante tebe-tebes fo'o sai atu bele rona.

2/2

..Press Release................................ UNESCAP News Services

Date: 13 October 2011
Press Release No: G/49/2011

Asia-Pacific developing countries seek greater say in shaping global economic governance with recommendations to upcoming G20 Summit

Bangkok (UN ESCAP Strategic Communications and Advocacy Section) – Asserting that all countries are affected by global risks, 28 Asia-Pacific countries at a United Nations high-level forum here have sought greater transparency and inclusiveness in G20 deliberations in shaping a development-friendly global economic governance system.

Government ministers, central bank governors and senior policymakers from across the region met at the 11-12 October *High-level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific* convened by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to help formulate a coordinated regional voice on issues before the G20 Summit to be held in Cannes, France on 3 and 4 November 2011.

With only eight Asia-Pacific countries as members of the G20 that brings together developed and developing nations on key global economic issues, the Consultation stressed the importance of making the region's voice, especially that of its poorest nations, heard at the G20.

"The Asia-Pacific region is leading the global recovery and is the most dynamic region in today's world economy. It is time that we also begin leading the global discussions and setting their agenda – through a coordinated regional voice – and play an active role in shaping global economic governance and the 'rules of tomorrow'," ESCAP Executive Secretary Dr. Noeleen Heyzer said in her opening address to the Consultation.

"The perspective of poor and the excluded countries needs to be factored in the global discussions given their outcomes affect all the countries irrespective of their size or income levels," said the top United Nations official in the region.

Addressing the Consultation, H.E. Ahmed Mujthaba, Minister of State for Economic Development, Maldives underlined the importance of formulating a common regional voice on global issues and the importance of engaging civil society: "Our voice needs to be heard beyond closed doors."

The Governor of the Central Bank of Sri Lanka, H.E. Ajith Nivard Cabraal noted that the advanced economies should both implement expansionary policies and confidence restoration measures in the short-term and formulate credible fiscal consolidation plans for the medium term.

In his remarks to the Consultation, H.E. Rui Manuel Hanjam, Vice Minister of Finance, Timor-Leste stressed that the least developed countries need to be heard in decisions on global economic governance as they are also affected by global economic movements.

The Deputy-Minister of Economic Development and Trade, Kazakhstan, H.E. Timur Muratovich Suleimenov said ESCAP provided a platform to bring together diverse nations: "Working together we can, and will make our voice heard."

The Consultation ended with the adoption of a set of recommendations related to regional economic and social priorities, including commodity price volatility, food security and reform of the international monetary and financial system, to be communicated by the United Nations to France, the G20 Chair.

Asia-Pacific countries have called on the G20 Cannes Summit to give a clear and strong message that achievement of the Millennium Development Goals (MDGs), narrowing development gaps and policies to foster balanced development must occupy a central place in sustaining growth in the years ahead. The Consultation noted that Asia-Pacific countries with large foreign exchange reserves can contribute to global growth by increasing domestic spending to address critical developmental needs, such as investing in infrastructure and promoting universal access to social protection.

Expressing concern over the adverse impact on the region of the continuing global economic uncertainty, the ESCAP Consultation urged advanced economies to support short-term growth while undertaking medium-term fiscal consolidation.

With high and volatile commodity prices putting pressure on inflation and threatening the food security of millions of poor in the region, the Consultation urged the G20 to help bring back agriculture to the forefront of public policy. It cited social safety net initiatives in the form of subregional food banks set up by the South Asian Association for Regional Cooperation (SAARC) and the Association of Southeast Asian Nations (ASEAN).

Noting that the commodity price volatility has been amplified by market speculation, the Consultation asked G20 countries to support developing countries in boosting agricultural productivity through knowledge and technology transfers as well as by implementing appropriate regulations and supervision of commodity futures and derivatives markets, including those for agricultural products to minimize price fluctuations.

Emphasizing the concerns that the global financial crisis was triggered by the build-up of risks in the financial sector that escaped the scrutiny of supervisors, the Asia-Pacific countries called for a comprehensive reform of the international monetary system. In this context, the Consultation urged the G20 to put forward credible proposals for regulation of the shadow banking system and for curbing the excessive risk taking tendencies that are responsible for heightened volatility in the financial markets.

The Consultation sought G20 support to improve global liquidity management through stronger global financial safety nets and a diversified reserve system with strong surveillance over reserve issuer countries.

It has also sought governance reforms in international financial institutions including the International Monetary Fund (IMF) and the World Bank aimed at giving developing countries a greater voice, in parallel with their role in the global economy.

For more information please contact:

Ms. Francyne Harrigan
Chief, Strategic Communications and Advocacy Section, ESCAP
T: +66 2 288 1864, M: +66 81 835 8677, E: harriganf@un.org

* *** *

Headquartered in Bangkok, United Nations ESCAP is the largest of the UN's five Regional Commissions in terms of its membership, population served and area covered. The only inter-governmental forum covering the entire Asia-Pacific region, ESCAP works to promote sustainable and inclusive economic and social progress. More information on ESCAP is available at www.unescap.org

Back to UNESCAP   Back to top

"Eurasian Economic Club of Scientists" Association

G - 20

Recommendations for the G20 leaders based on the results of the IV Astana Economic Forum May 3-4, 2011 "Astana Consensus"

"Astana Consensus"

Within the Astana Economic Forum there were six key components identified which will be especially relevant for the G20 Summit in France, including:

1) International Monetary System;
2) Reform of International Financial Institutions;
3) Reform of Financial Sector;
4) Support of International Investment and Trade;
5) Food Security;
6) Green Economy.

I. INTERNATIONAL MONETARY SYSTEM

Astana Economic Forum supports the decision of the G20 Summit in Seoul about the need to transform the global financial system to address the root causes of the crisis. G20 should contribute to the solution of the problem of global financial imbalances, including higher volatility and disparities of exchange rates, the nonequilibrium structure of the reserve currency system, the problematic state of public finances of the issuers of world currencies, biased ratings of sovereign issuers, uncontrolled emissions of derivatives.

The presence of these defects requires the implementation of radical reforms of the world monetary and financial system. The main directions of these reforms should be:

Recommendation 1: Creation of preconditions for introduction of a supra-national global currency

The G20 needs to form a standing committee to discuss the introduction of supranational global currencies, including selection of the emission center, identification of the principle of country participation, preparation of issue of investment instruments that will be denominated in the supranational currency and projects, which will back these instruments.

In addition, to increase stability of the world currency regulation it is proposed to form a permanent body – the Board of the G20 Central Banks. This institute will serve to smooth the volatility of currency markets and create opportunities for rapid and coordinated response to the exchange rates of the leading world currencies.

Recommendation 2: Increasing responsibility of the state for its public finances of the issuers of major reserve currencies.

We support the initiatives of the Group of 20 on the implementation of relevant global principles of financial reforms. We consider it necessary to supplement this requirement with measures to improve the public finances of the countries the issue the world reserve currencies.

In connection to this, there is a need to develop standards to maintain within a certain range of key indicators of public finances in developed countries to ensure stability and predictability of exchange rates.

Recommendation 3: Objectivity of estimates of economies issuing the world reserve currencies

It is necessary to ensure objectivity of the assessment system of economies issuing the world reserve currencies through the transition from the sovereign credit ratings by rating agencies to objective indicators of economies and financial systems developed at the level of authoritative international organizations (UN, World Bank, G20).

Recommendation 4: Return of the emission of monetary financial instruments under the control of monetary authorities

It is proposed to return emission of the foreign exchange financial instruments under the control of monetary authorities by: reducing the possibilities of investing in currency derivatives; cutting-off speculative capital from operations in the currency markets; return to the separation of banking activities into credit and investment, as it was before the repeal of Glass-Steagall Act.

II. REFORM OF THE INTERNATIONAL FINANCIAL INSITUTIONS[1]

Amongst the participants of the Astana Economic Forum, there is a broad agreement on the need to increase both the legitimacy and efficiency of the international financial institutions. The balance of economic powers has changed; the distribution of financial capacities, savings and reserves is no longer what it was. Therefore based on the results of the G20 Summit in Korea it was decided to provide additional quotas to the developing countries in the IMF, as well as reform the Council of the organization, which members gradually have to become fully electable. So, the decisions which have already been taken regarding the change in quotas in the IMF are not yet effective because they have not been signed or ratified by all the member states, and the fact remains that emerging powers and developing countries are still under-represented in the IMF Council.

The G20, which brings together the main economic powers of the planet at a policy-maker level, must give further impetus to a reform process which is absolutely necessary. In the short term and with a main goal of enhancing

[1] In partnership with Club de Madrid.

legitimacy, efficiency and accountability of the IMF and the World Bank, we offer the following recommendations:

Recommendation 1: Reform of voting powers at the IMF

Reform of voting powers at the IMF must go further. It should be taken into account that votes on the actions of the Fund are distributed proportionally to contributions. It takes 85% of votes to approve a decision of the Fund, the US only has 17% of votes. This is insufficient for making decisions independently, but it is enough to veto any decision of the Fund. Therefore, to give more voting rights to the developing countries, G20 must solve two problems: the US veto issue, which will require reducing the majority rule from 85% to around 70/75%; and, the problem of Europe's overrepresentation.

Recommendation 2: IMF quota formula

Reform of IMF quota formula would be useful. Up to now, 80% of this formula is based on GDP. In addition to GDP, elements like population, reserves and the role of money could be introduced.

Recommendation 3: Open management selection and staff diversity of the IMF and WB

Open management selection and staff diversity must be assured. The G20 has to break with the presumption that the IMF Managing Director is to be European and the World Bank's President an American. Their selection process must be nationality-blind and exclusively based upon merit. Diversity within the staff – by nationality, gender, education and experience – should be increased, especially from under-represented regions.

Recommendation 4: Reform of the IMF Council

A high degree of political engagement by senior policy makers is crucial, especially in times of crisis. Quota rebalancing and diversification of the staff could be supplemented by the activation of the high-level council envisaged by the Articles of the Fund.

Transformation of the IMF Council into a new International Monetary and Financial Board, with larger decision-making powers: for instance in the selection of the Managing Director and strategic aspects of global surveillance.

Furthermore, the idea of a broader council covering all international financial institutions, a kind of Global Economic Coordination Council, remains on the table.

Recommendation 5: Financing and recapitalization of the development banks

Regarding the World Bank and development financing, the G20 should tackle the issues of emergency financing and the recapitalization of the development banks. The G20 should seriously reconsider new mechanisms for almost automatic recapitalization in order to increase the reaction capacity of the regional development banks.

Recommendation 6: Strengthening the regulatory role of the international financial institutions

Sovereign wealth funds have invested in emerging markets more capital than the IMF and the World Bank, together, and this trend may continue, even with the strengthening of global imbalances.

The increasing role of the state as a participant in new markets until recently contrasted with the almost opposite tendencies in the West, where the state hardly keeps pace with private financial engineering. Reinforced control and international regulation, a possible result of the current financial crisis, could change this path, increasing the role of public finances in the developed countries.

III. REFORM OF THE FINANCIAL SECTOR

Issues of domestic financial regulation and supervision do not feature on the list of priorities that France has set for the G20 Summit it will host in Cannes, France on November 3-4, 2011. Yet they are destined to be dealt with nonetheless. The issue area had been a core part of the agenda from the very first G20 summit in Washington, D.C. in November 2008, where the leaders agreed that to stop the escalating global financial and economic crisis, they needed to fix the banks first. As a banking crisis turned into a sovereign debt crisis in Ireland, G20 leaders at their most recent summit in Seoul, Korea in November 2010 agreed to accept and implement the Basel 3 regime for banking capital, liquidity and leverage, They approved 28 commitments on financial regulation and supervision or 18% of the 156 made at the summit overall. These financial regulation and supervision commitments covered banking capital and liquidity, systemically important financial institutions (SIFIs), risk management, cross-border resolution regimes, shadow banking; commodity derivatives, over-the-counter derivatives, hedge funds, credit rating agencies, compensation, anti-money laundering, market integrity and efficiency, consumer protection, financial inclusion, small and medium size business, and emerging market issues. The most recent installment of the European crisis, erupting in Portugal in April, suggests that these issues will still be ripe for, and indeed, require G20 Summit governance when November comes.

Recommendation 1: Implementation

The first requirement is that that all G20 members implement their existing commitments in the way and at the pace, that all agreed at the Summit.

Recommendation 2: Accountability

It is thus important that there be a stronger accountability mechanism to monitor the compliance of all G20 countries with their financial regulation and supervision commitments, to determine the causes of high and low compliance, and assess the aggregate effects of the overall configuration on regulatory competition and arbitrage, through either a race to the bottom or race to the top, and above all the implications for financial stability.

Recommendation 3: A Comprehensive agenda

The Cannes G20 should restore a set of commitments that cover, completely and comprehensively, all the financial regulation and supervision issues the G20 summit had made commitments on in the past. Above all, attention is needed to accounting standards, to fulfill the goal of having a single global set of accounting standards for today's globalized economy.

The first four G20 summits understandably dealt with those financial issues of concern to the United States and European Countries – those where the 2007-2010 financial/economic crisis was born and bred. The Seoul G20 summit correctly recognized that the time had come to add to the agenda those issues of financial regulation and supervision of most concern to the emerging country members. This would help prevent future crises erupting from other countries and provide greater resilience, competition and financing for the global economy as a whole. This logic can be extended to add the developing countries beyond the G20 to the list. The Cannes summit should identify a detailed agenda, principles, and process to advance this cause of "financial regulation and supervision that works for all." Such issues should include social business, and the partial privatization of state owned enterprises and even sovereign wealth funds.

Recommendation 4: Strengthening the Financial Stability Board[2]

At present both the Financial Stability Board (FSB) and the International Monetary Fund (IMF), backed by the Basle Committee on Banking Supervision (BCBS), have been assigned the lead roles in supporting and implementing the G20's work on financial regulation and supervision. The FSB has a membership largely restricted to G20 countries, in a world where the next financial crisis could

[2] G20 Summit held in London in 2009 coordinated the efforts of the largest economies in the world in combating the crisis, by establishing the Financial Stability Board.

come from a jurisdiction beyond – especially if the G20 succeeds in strengthening financial regulation and supervision within itself. The IMF needs to identify ways to include outside jurisdictions in the FSB, in ways that do not impose undue transaction costs.

Recommendation 5: Strengthening the International Monetary Fund

The second need is to recruit for the IMF staff, with appropriate compensation, those from the private sector with a detailed knowledge of how complex markets, instruments and institutions work. Issues of financial regulation and supervision should be made a more robust component of the IMF's Article 4 consultations with its members, particularly those budget constraints do not allow the country to proceed with implementing G20 commitments as rapidly as desired.

Recommendation 6: Advancing work on trading, shadow banking and SIFIs

France should be encouraged to advance key issues on the G20's inherited work program. Particular attention should be given to: higher frequency trading and its impacts on financial stability, market integrity and consumer protection; the "shadow banking" system; and systemically important financial institution (SIFIs) in a global and national context, in the private and public sector alike.

The fundamental flaw of the accepted financial regulation and supervision is in the fact that a large part of the financial system generally stays out of the activities of the Basel-3 and is not covered by its terms. Particularly in relation to the United States of America, to a lesser extent - to Western Europe.

There is a shadow banking sector - investment banks, mutual funds and money insurance companies, or financial departments of large industrial corporations, which are very big players of the financial market, occupying almost half of all the financial sector assets in the U.S. In Western Europe this amount is about a quarter to one third. And it is the shadow banking sector, rather than traditional banks, which were a cause of the last financial crisis. But Basel-3 does not cover them. Therefore, the main problem of the financial crisis of recent years has not been solved, and the Basel-3 does not cover it.

Recommendation 7: Single global accounting standards

In order to encourage the adoption of a single set of global accounting standards, multilateral development banks and other international organizations of the United Nations system should give preference in their procurement policies to those firms which already employ or will shortly employ international financial reporting standards. Such a move would also enhance the accountability and effectiveness of such institutions processes and programs.

Recommendation 8: No bank levy and international financial transactions tax

A global bank levy should be imposed only in those G20 members and participating countries whose banks or other financial institutions required emergency financial support from their national governments to amidst the financial and sovereign debt crisis since 2007. Such a levy should be proportional to the amount of state support secured, take full account of an institutions' speed in meeting the Basel 3, SIFI and other relevant G20-mandated requirements for financial stability, and pro-cyclical by rising at times when the financial institution(s) can best afford to pay the additional levy. The monies raised from such a levy should be kept in dedicated accounts, as opposed to general revenue, as close to the financial institutions as possible, available to be deployed should a crisis arise.

Such a bank levy would thus not discriminate against countries seeking to become regionally and globally significant financial centers for the first time. It would also not discriminate against those financial institutions wishing to shift financial activity and services to more stable jurisdictions, where the regulatory-supervisory regime helped obviate the need for any government financial support, and thereby enhance global financial stability as a whole.

G20 leaders should also resist effort to establish a general international financial transaction tax as a way of enhancing financial stability or financing other global public goods.

Recommendation 9: Interconnected catastrophe stress tests

A new round of stress tests should be conducted for banks, insurance firms and other relevant financial institutions to consider their resilience to particularly potent combinations of shocks that are arising with increasing frequency. As evidenced by the recent events in Japan, the immediate requirement is to assess the impact on insurance firms and banks with commercial and mortgage loans of a combined earthquake, tsunami and nuclear reactor accident. More generally, the impact of extreme weather events (hurricanes, floods, heat waves, forest fires, volcanoes) and health pandemics in general should be integrated into the stress tests on individual firms and industry sectors. These should be conducted by the appropriate combinations of international institutions and professionals with the proper expertise.

Recommendation 10: Informed commodity market regulation

French President Nicolas Sarkozy has set the regulation of commodity markets as one of the key priorities for the forthcoming G20 summit in Cannes. His focus is on derivatives and the speculators that seem to lie behind them. Others consider such market participants to be market makers who assist in price determination and providers of liquidity. There is an immediate need to establish a way to identify the difference between the two. There is also a need to provide the proper balance between regulation of commodity markets, and increased production and improved distribution of the physical commodities themselves. It is appropriate to secure greater transparency of commodity markets, to provide a better evidence base before any new international regulations are introduced.

Recommendation 11: Exchange Consolidation

There is currently a rapid move to consolidate stock and other exchanges across international borders, especially with the proposed merger of major US and German exchanges and the United Kingdom and Canadian ones. This trend raises issues of interconnected contagion in the event of market integrity failure, consumer protection and "too-big-too fail" and extraterritoriality arising from regulation across multiple jurisdictions. Given the absence of a central global regime or international institution responsible for merger and acquisitions and competition policy, there is a need for the G20 to establish principles and a process to address this issue.

Recommendation 12: Mortgage and Housing Markets

Although housing markets and commercial property remain largely local, they are becoming more internationalized. The recent financial crisis demonstrated that their financing has become global, in a potentially destabilizing way. There is a need for national regulators to strengthen the consideration of their regulations and supervision for housing and commercial property markets on an international basis, to identify international interconnections, to share and compare best practices, and to create common principles as initial steps to considering the need for a more internationally convergent regime.

IV. SUPPORT OF INTERNATIONAL INVESTMENT AND TRADE

Astana Economic Forum supports the framework aims of the G20 about liberalization of investment for powerful, stable and balanced post-crisis growth. The crisis has demonstrated conversion of the global economy to a new level of globalization, followed by increasing the imbalance in the international trade, in the sphere of tax stimulation, increasing authority of state investment funds and market monopolization by national states.

In connection to this it is necessary to concentrate the energies of the systematization of global arrangements for supporting international investment and trade with an allowance for the challenge of the last crisis at the level of G20.

Recommendation 1: Correction of imbalance in intentional trade.

The cause of imbalance in international trade is similar to what it was before the crisis: underestimated exchange rates and inadequate domestic savings in the developed countries with a budget deficit. All of it together has created interdependent albeit an unacceptable cycle of imbalance. One of the next steps of development or their combination, may make a correction: slowdown of consumption and attendant growth of standard savings in the developed countries, in addition to increasing demand in the emerging markets, which will also contribute to elimination of imbalance of the international trade.

In connection to this, a targeted policy of imbalance correction is required in international trade through adequate exchange rate and stabilization of domestic savings.

Recommendation 2: The fiscal arrangements for supporting investment

Nowadays the imbalance has been increased in the sphere of fiscal stimulation of international investments. In certain countries it requires a budget consolidation which releases budgetary reserves for provision of tax incentives that attract international investments. In other countries there is a practice of pirating foreign capital using low tax rates and other benefits that falsify the structure of economic stimulation of a non-offshore economy.

Thereafter, fiscal arrangements will be required for supporting investments using tax incentives, and also the elimination of "tax dumping" from offshore countries and areas.

Recommendation 3. Increasing state responsibility

Nowadays wealth moves not only from the West to the East, but also gets concentrated under state control. The developing countries that have significant resources are following a model of state capitalism. However, it is well-known that the state is not an effective owner. National companies are established in the developing countries, especially in the resource sector. During cirsis they have had a stabilizing role in relieving inflation and improvement of exchange rates.

In connection with that, G20 countries have to take control of the process of a slowdown in privatization and revival of government facilities and also the imbalance of rights and obligations of investors and state.

Recommendation 4: Breaking down barriers for foreign trade and investments

The process of resumption of selective industrial policies are going on in the world: governments that control their economies are interested in participating in industrial policy. The large developing countries have made state plans for expanding their economy and raising added value for high technologies and the sphere of services. However, the fundamental difference between present and previous steps is that these countries now have economic resources for realization of their plans, and they do not have to reply on interested parties and foreign capital.

The G20 countries need to follow the growing trend of selective industrial policies in the countries with an emerging market so it will not turn into an obstacle in foreign trade and investments.

Recommendation 5: The formation of a favorable investment climate

It is necessary to intensify cooperation between the G20 countries and developing countries in expanding international investment agreements including the creation of investment hubs all over the world.

It is also necessary to support the countries with minimal income in the formation of favorable conditions for attraction of international investments.

Recommendation 6: Intervention for the developing countries

The exchange-traded goods are exposed to exceeding volatility and are often a cause of worsening middle and low income countries' external positions. The fall in the prices of coffee, crops, metals and other goods may cause a chronic shortage of balance of payments of specific countries. Probably, it requires interventions, special purchases of these goods for supporting demand and prices. For this purpose it is possible to create a special monetary Fund (supporting trade of the developing countries). The source of funds has to become government investment funds of countries with surpluses in trade, and also contributions from the developed countries.

It is necessary to work out a special system of protection from a sharp fall of the world prices of their main export goods and a sharp increase in import, worsening balance of payments.

Recommendation 7: The reduction of ecological risks for investors.

One of the consequences of the emergencies in Japan was the embargo on the import of individual commodities. The G20 should make an effort to enhance the responsibility for inspection of the large international investments in order to prevent the threat of ecological safety in recipient countries, and for possible externalities as well. The threat of an ecological catastrophe remains.

It is necessary to create an international investment ecological committee and also enhance the interconnection between requirements of the WTO standards and multilateral agreements in the sphere of environmental protection.

V. FOOD SECURITY

Astana Economic Forum emphasizes that food security remains a major challenge of the third millennium. The current situation in the world where 1 billion people experience chronic hunger and the lack of a clear mechanism to reduce the number of hungry and malnourished people require more thorough joint efforts of all countries in this direction. The main priorities of the long-term economic policy of food security should be: stimulating economic growth, investment in research, development and infrastructure of agro-industrial complex. The main task for formation of a short-term policy is to develop tactics that meets sustainable principles. This will allow the use of the opportunities that may arise, as well as to adequately respond to unforeseen challenges.

For coordination purposes of short-and long-term food security policies, the following recommendations are offered.

Recommendation 1: A Prudent use of limited budget resources

The financial crisis has put governments' budgets for agriculture under pressure because of a decrease in government income due to a reduction in tax revenues and increased social payments. On the other hand, the financial crisis increased the need for public investments in the agricultural sector. Agriculture has much untapped potential in many countries and can still be an engine of growth in the next decade.

Recommendation 2: Short and long-term policy priorities

Governments should avoid short-term policies that conflict with long-term development goals. Short-term policies as a reaction to crises should reinforce, not conflict with, long-term development strategies. Too often, policy responses to a crisis are generated without taking into consideration all direct and indirect impacts, the longer-term effects or the possible unintended consequences. For example, short-term policies that create wrong incentive signals, market distortions, or disruption of reforms can waste scarce resources and precious time.

Recommendation 3: Food assistance and early warning

Governments and international agencies need to expand food assistance where necessary, and create social safety nets and early warning and rapid response capacities and combine food security safety nets with measures to improve food access through normal market channels to ensure that the scarce food assistance resources are efficiently used. Early warning systems, including those supported by FAO, should be developed at farm/farmer and Ministry of Agriculture levels to combine market intelligence with statistical methods and evaluation missions to alert government authorities and international agencies about urgent needs for food assistance measures.

Recommendation 4: World Trade Organization (WTO) Doha Round of trade negotiations

The World Trade Organization (WTO) Doha Round of trade negotiations should be completed in order to restore trust in the international trading system with multi- or plurilateral rules and agreements through open and responsible trade policies. The experiences with trade restricting policies employed by many countries in reaction to the food price crisis and the increased protectionism that has been seen since the financial crisis have created distrust in the global trading system and increased the cost of doing business in international markets. A Doha Round agreement would be an important step in restoring confidence in the trading system and in reducing distortions that restrict trade and create uncertainties for farmers and traders. Although it is tempting for countries to limit exposure of own consumers and producers to world market volatility, a way to protect food security in a global market is to expand trade and reduce trade restricting policies. Likewise, WTO members and countries seeking accession would all benefit from completion of these negotiations to add new members to the WTO.

Recommendation 5: Stimulate economic growth

The best strategy to reduce poverty, improve food security and enhance agricultural productivity in the past has been an increase in economic growth. As reported in the FAO study on increased hunger and undernourishment, the economic crisis pushed more people into hunger than did the food price crisis. Moreover, the duration of the economic downturn is longer than the food price spike in most countries. The agricultural sector benefits from the growth of the non-agricultural economy, because it reduces labour and unemployment in the sector and thereby increases labour productivity. Restoring economic growth must be a high priority; it reduces unemployment, increases household incomes and improves government budget resources for social protection programmes and sustains economic development.

Recommendation 6. Enhance investment (public and private) and agriculture research and development (R&D)

Both governments and international agencies and donor programmes need to give priority to investment in agriculture, which has been neglected for at least two decades. The government's role is research and development, infrastructure investment and improvement of the business environment for the private sector to invest. A favourable institutional and regulatory environment for foreign investors is important, since FDI has proven to be an engine of growth for productivity and competitiveness in the agriculture and food industries of the transition economies. Surveys indicate that the volatility of the political and economic environment, ambiguities in the legal system and corruption, are the most important constraints for FDI in the region.

Investments in public goods, such as irrigation and roads, contribute more to agricultural growth than other public spending (e.g. farm subsidies). Investments in rural infrastructure have two important effects. First, they connect farmers to markets by reducing transport costs and integrate smaller farmers in modern supply chains. The investments in rural infrastructure also reduce constraints on farmers in delivering the quality demanded by modern supply chains. Second, investments in rural infrastructure improve the access of rural labourers to urban areas and attract more off-farm employment, including foreign investors.

Recommendation 7: Enhance rural development and rural infrastructure investments

Lagging rural incomes need special attention. The rural and the agricultural economies are interrelated in many ways but they are not the same, and rural policy needs to recognize that. Rural development needs targeted attention, including social infrastructure such as schools and child care facilities, hospitals and clinics, community centres with libraries, internet connections and adult learning facilities. These support measures are territorial not sectoral and they improve the rural business environment as well as the capacity of rural residents to enhance human capital, increase economic opportunities and enhance the quality of life.

Recommendation 8: Invest in social protection or safety net measures

Safety nets include targeted food distribution programmes to protect vulnerable populations in the medium and long term as well as targeted cash transfer schemes, feeding programmes and employment schemes. Social protection is to cushion the main impacts of market and financial shocks in order to limit the long-term consequences. For example, when unemployment increases, incomes decline and food prices or shortages threaten households, they may dispose of valuable assets, interrupt the education of their children or suffer malnutrition. Safety net measures are temporary and targeted to mitigate the worst consequences of a financial or food crisis.

VI. GREEN ECONOMY

The concepts of "green growth" and "green economy" is getting more popular and arousing heated discussions. But it causes concerns that a transition to a new economic model will limit an opportunity for growth and block some solutions for social problems.

The new report of the program the UN for Environment (UNEP) proves that such doubts are not confirmed. On the contrary, "green economy" stimulates economic progress and creates jobs, and helps to decrease the risk from such global threats as changing climate, loss of eco-system balance and deficit in water resources.

According to experts, soon "green economy" will be able to guarantee GDP growth, increasing income per capita and employment in the same or even higher rate than in a traditional economy.

In the middle- and long-term outlook "green economy" gives more advantages in terms of keeping natural potential and decreasing social inequality.

The world leaders, civil society and businesses must review and identify the traditional indicators of wealth.

Recommendation 1: The reform of subsidies.

Subsidies –one of the important instruments of trade politics, which is used widely by many countries in such sectors as agriculture, power systems, fishing, forestry and water supply. However, grants make for multiple-values and more often have a negative effect on a stable development, bringing a significant imbalance in the market and intensify a lot of economic, social and ecological problems. Thus, the existence of agricultural grants the EU, the USA and some other countries make are disadvantageous for farmers from developing countries and restricts the opportunities for their development. The grants permit allocations to manufacturers where it is economically unprofitable to fulfill activities, harming the environment. The removal of ineffective grants could release funds in national budgets for solving very important ecological or civil aims. In addition, rejection from some grants makes a positive environmental effect. Fishing grants lead to excessive catching of fish and depletion of fishing resources. Negotiations for their elimination are going now in the frame of WTO. Another example – the grants for fossil fuel, where decreasing will be able to solve environmental problems.

Recommendation 2: Wide use of taxes-and-duties

Ecological taxes-and-duties are being used more all over the world. Their purpose is the repression of branch development which are not "green". There is the opinion that ecological taxes-and-duties lowers competition of national production in comparison with import goods. The same measures are taxes, used in the sphere of transport service and frontier taxes. Thus, the opportunity of an imposition of tax or other forms of "frontier carbonaceous correction" (for goods which are imported from the countries with less hard legislative requirements to hothouse gas emissions) are being actively discussed in the USA and the countries of the EU. These countries are anxious that their industrial companies will not succeed if they have to compete with goods that are made in such countries where the emissions of carbon are not regulated. Such plans have aroused hard criticism of developing countries, particularly India and China. Many experts question the adequacy of these measures to the standard of international trade.

Recommendation 3: The regulation of measures, standards and embargo

Each country in the world has its own legislation that concerns manufacturing and using goods and directs toward reaching ecological aims.

Special problems appear when such problems are required to import goods. Thus, nowadays most countries, particularly developed ones, have set up some requirements for packing which can or can't be used at their markets, and requirements concerning the recirculation of packing materials as well. It can bring discrimination in international trade, increase the expenses of exporters and create potential obstacles for progression of their goods in the foreign markets. It causes a lot of controversy in the marking of goods. The developed countries consider eco-marking is an important instrument of environmental protection through the increasing demand on ecologically friendly products. Majority of the developing countries consider eco-marking unfair restrictions for accessing their goods to the foreign markets.

Recommendation 4: The removal of trade barriers for ecological products and services

Liberalization of trade can lead to an increasing flow of goods and services of nature conservation that in turn accelerates the alternate old technologies thereby contributing to decreasing pollution and harmful causes to the environment by waste. Here is an ongoing heated debate on the subject of what is a good environmental purpose and whether or not it deserves a definition of terms, action and aims and its impact on the environment during the whole life cycle. The trade of services of environmental designation may be increased, but there are still some problems in the list of services.

The negotiations about decreasing and removal of tariffs and non-tariff restrictions and other barriers in the trade of goods and services of environmental designation are going on in the frame of round-table negotiations in Doha.

Recommendation 5. Increasing financial innovation

Many governments think that important measures for transferring to the "green economy" are increasing financing innovation in clean technology. It can be done in different ways – for instance, supporting R&D, preferential interest rates and lending.

Recommendation 6. The incentives for investment

To jumpstart the transition to "green economy" the governments can use incentives for investment. It is often such a measure that is part of the wider strategy for supporting individual industries, for instance, production of renewable energy, electro cars, etc. However, individual kinds of measures can be considered as grants and not be suitable to the WTO rules. In some cases investment or other measures described above, directed to the transition to the "green economy", can include special conditions, for instance, requirements for the application of the share of domestic production (local component) in technologies, the requirements for using certain technologies, local labor and joint ownership for the investment. As a rule, such measures are not suitable to the international trade rules and can be subject to debate in the WTO.

Recommendation 7. "The green" public purchases

Government Purchases (for instance, for education, public health, transportation and other infrastructure) are 10-20% of GDP and represent an enormous market. The implementation of such purchases can set up certain rules, particularly, the percent of using recycled paper, the criteria for energy efficiency for goods and buying in the frame of government purchases. It will help the transition to a "green economy". However, developing countries actively express concern in this problem as they surmise that the theme of "green economy" must be considered only in the context of a stable development and the fight against poverty. In addition, numerous measures for transition to the "green economy" can distort the trade and do not conform to the rules of WTO, causing a debate not only between developed and developing countries, but between the most developed countries.

The international debates of recent times have demonstrated that it is necessary to elaborate on the "green economy" concept with a deep analysis of measures for its fulfillment of terms and interests in all countries.

Recommendation 8. Evaluation of environmental impact

We have to start from an evaluation of an environmental impact of natural resources by governments. It will be the first step in ensuring new financing for the of protection of nature. In this activity local societies and native populations will play a major role. Companies also can act in the same way. It is necessary for us to move to the situation when the price of product will include the recovery cost to environments, for instance, water and restoration of degraded systems. The voluntary certification schemes are one of the instruments of solving this task. You can expect that the users of natural resources will invest into stable management practices if these resources include this cost in the future and if the users are guaranteed access to the resources that allow for continuing benefits.

Recommendation 9. Energy and food

The analysis of prospects for energy shows how it is possible to provide the whole population of the planet with energy from ecological clean renewable resources. We think it is possible not only to provide clean energy to those who use fuelwood for heating but to overcome the dependence of humanity on fossil fuels that will bring the radical decrease of hothouse gases. It will require investment in technologies and innovations that will be directed to the increase of production. At the same time the creation of new "green" jobs will be the beginning of a new era of labour-market.

Recommendation 10. Land distribution and land use planning

According to the FAO, held in 2009, in order to feed future population of the planet, it will require the increase of food production by 70%. FAO thinks that the planet has enough land for it. However, in order to decrease our dependance on fossil fuel, we need to use considerable areas, including forest land for biofuels and biomaterials. The rich experience of practical work in different parts of the world allows us to realize the numerous restrictions for using new lands for the farming industry. Traditional land use rights of small communities and indigenous peoples, ownership of land problems, inadequate development of infrastructure and inadequate water supply are only some of these factors. Another source of problems may be strategic decisions made by governments with excessive and insufficient stocks of environmental resources. This problem is already high on a geopolitical level. Competition for land and water resources, particularly among developed countries in Africa, is natural, albeit disturbing. We need new tools and processes for managing competition and conflict resolution in this area.

Recommendation 11. Allocation of scarce resources

These tools and processes will need to ensure fair access to energy, water and food, and their distribution to all countries and peoples. The failure of the Copenhagen Climate Conference in December, 2009, and the competition of individual governments over access to water and land resources, oil and other minerals, illustrates the difficulty of reaching agreement on such issues at the international level. One possible approach is based on the idea of national budgets on key resources. Priority for governments, companies and individuals should be limited to high levels of consumption. Those who currently have low incomes, have a legitimate desire to consume more and have access to more complex forms of consumption. From individuals from around the world, whose lifestyle is supported by higher incomes, will require a different mindset. We need to change the mindset which eliminates wasteful and artificially stimulated consumption - the first is caused by personal decisions, while the main driving force of the latter is excess capacity.

Recommendation 12: Institutions, decision-making and management

Despite the fact that the need for biodiversity protection and sustainable development has been recognized internationally for decades but both of these problems are far from being solved. This situation represents a failure of

18

management - both in terms of institutional arrangements and in terms of regulatory frameworks. Solutions have already occurred at the national and local levels, using different approaches, including, for example, making the economic value of environmental components and allocation of resources to improve public well-being and resilience to negative factors. Probably one of the areas will be investment in local governance, including the creation of groups with various stakeholders to address specific issues. However, the actions taken at the national level certainly will not be sufficient. To solve global problems such as the abolition of subsidies, or global inequality, it needs collective action at the international level. International action is required for the formation of financial mechanisms to support the necessary changes.

Business also has to play its role in managing the transition, both at national and international levels through participation in voluntary initiatives, as well as work with civil society and governments to ensure wider recognition of these voluntary mechanisms.

Contact information:
ULE Association "Eurasian Economic Club of Scientists"
Address: Temirkazyk str., Chubary microdistrict, Left Bank,
Astana 010001, Kazakhstan
Tel.: +7 7172 701834, 701803, 701764
E-mail: forum@aef.kz
Web-site: www.aef.kz

The electronic version of the recommendations can be accessed at the official website of the Astana Economic Forum www.aef.kz

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

High-Level Consultation on the G-20 Cannes Summit
Perspectives from Asia-Pacific
United Nations Conference Centre, Bangkok

THE CANNES SUMMIT OF THE G20: WHAT IS AT STAKE FOR ASIA AND THE PACIFIC?

October 2011

* Background paper prepared by the ESCAP Secretariat for the High-Level Consultation on the G-20 Cannes Summit: Perspectives from Asia-Pacific. It has been issued without formal editing.

Introduction

The G20 is an informal group of 19 developed and systemically significant developing and emerging countries plus and the European Union. The group held its first annual meeting of finance ministers and central bank governors in 1999 in Berlin in response to the 1997-99 financial crisis that affected developing countries in Asia and other regions. Almost a decade later, U.S. President George W. Bush convened the leaders of the G20 to its first summit, held in Washington DC on November 2008, with the objective of responding to the global financial crisis initiated in the United States after the collapse of Lehman Brothers. Since then, the G20 held four additional summits in London (April 2009), Pittsburgh (September 2009), Toronto (June 2010) and Seoul (November 2010).

The London summit produced a consensus about the priority of stopping the downward spiral in which the global economy was trapped through expansionary fiscal and monetary policies. Although the G20 countries did not actually coordinate their policies, all of them implemented similar policies, which contributed to speed up the recovery from the crisis (Ahluwalia, 2011). By the time of the Toronto summit, with the recovery clearly underway, concerns about restoring fiscal sustainability become increasingly important. In the Toronto Declaration, the developed countries of the group committed to "at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016" (G20, 2010a, paragraph 10), and this commitment was reaffirmed in the Seoul Declaration. In both cases the G20 recognized the "risk that synchronized fiscal adjustment across several major economies could adversely impact the recovery", but argue that "there is also a risk that the failure to implement consolidation where necessary would undermine confidence and hamper growth."

As the November 2011 Cannes summit approaches, the global macroeconomic environment has entered a period of turbulence. At the beginning of the year a major cause for concern was a new boom in food and oil prices, which increased as much as 40 percent between June 2010 and February 2011. With the price of crude oil similarly increasing 56 percent between July 2010 and April 2011, it looked like the world economy was headed to a repetition of the disruptive commodity price boom that preceded the international financial crisis of 2008-2009. However, that risk subsided in the subsequent months, as the opposite risk of another recession looms large in the horizon. Amid the deteriorating debt crisis in the euro zone, the downgrade of the credit rating of the U.S. sovereign bonds, and persistently high unemployment rates in the advanced economies, forecasts for the second half of 2011 have been sharply revised downward, and the prospects for 2012 are highly uncertain.

In an increasingly interdependent world, the risks emanating from the global economy – be they booms and busts of commodity prices, financial crises, or recessionary conditions in the advanced countries – affect every single country in the world. Thus a lot is at stake for Asia and the Pacific in the upcoming Cannes summit of the G20. This note overviews recent developments in the international economy, examines the various challenges faced by the region in the current context, highlights key items in the Cannes agenda, and discusses what Asia-Pacific countries could benefit from the G20 process.

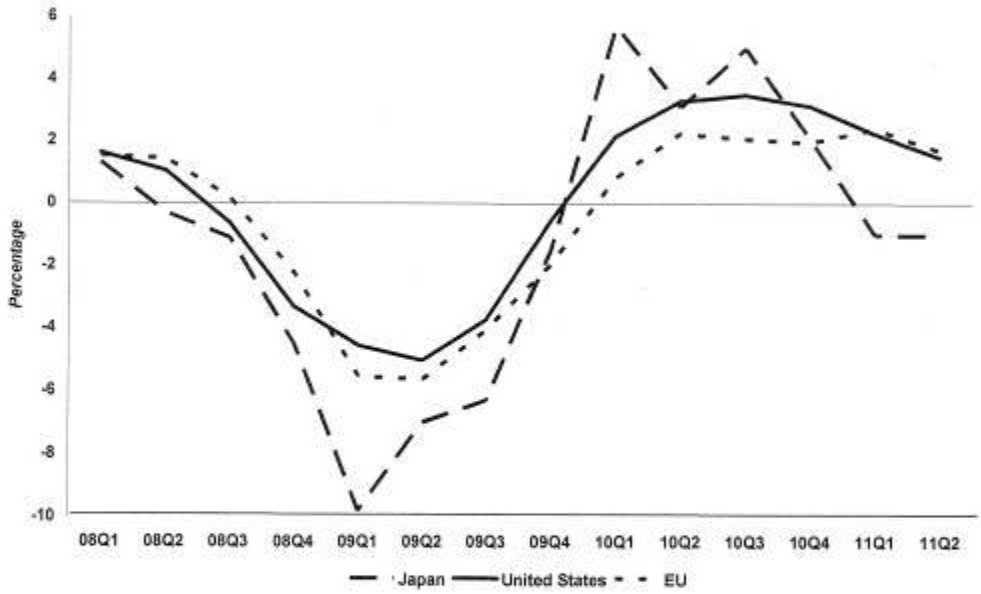
1. A deteriorating global environment sets the stage of the G20 summit

After an encouraging period of recovery, the international economy is entering, once again, a period of turbulence. Economic growth in the United States and the euro zone has stalled and forecasts for the second half of 2011 have taken a definite turn for the worse. Underlying these trends are, mainly, the deepening debt crisis of the euro zone and, to a lesser extent, political difficulties in the United State to find a compromise to achieve the dual objectives of cutting the unemployment rate and reducing the fiscal deficit. In this context, monetary policy is the main policy tool being considered by the advanced economies, but in light of the low interest rates prevailing, it is becoming increasingly ineffective to boost economic activity. Furthermore, its contribution to increasing global liquidity against the backdrop of increasing financialization of commodity markets is seen as an important cause for the fast increase of food prices between June 2010 and February 2011.

Slower growth expected in the advanced economies

The major developed economies and key export markets for the region, the United States and those of the euro zone, have been experiencing a slowdown in their growth, due primarily to concerns about sovereign debt levels. Growth data over the past few quarters indicate a halt to the recovery process in these economies (Figure 1). Meanwhile, growth in Japan was impacted sharply downwards due to the after-effects from the tsunami and nuclear incident in early 2011. The subsequent increase in growth expected due to the resumption of normal economic activity for the general economy and reconstruction in the affected areas, while beneficial for the economy is not likely to contribute significantly to growth in the rest of the region due to the diminishing importance of the economy as an export market.

Figure 1 Real GDP growth by quarter, year-on-year, of major developed economies, 2008 to 2011

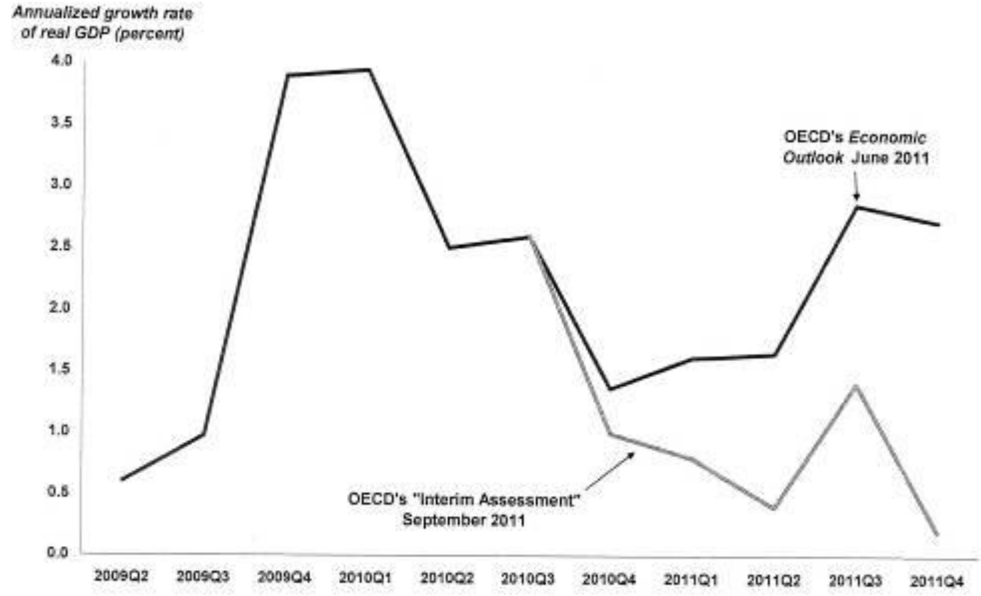


Source: ESCAP, based on data extracted from CEIC Data Company Limited, available from http://ceicdata.com/ (accessed 5 September 2011)

Furthermore, the latest GDP figures and forecasts for 2011 reveal a far more troublesome picture than was previously expected by many analysts, though a slow recovery was forewarned by ESCAP (2011, pp. 5-8). The latest OECD's "Interim Assessment" released on

8 September shows an average growth rate for the G7 countries during 2011 of only 0.5% compared to the much more optimistic 2.2% rate published only three months before in its latest *Economic Outlook* (Figure 2). The much slower than anticipated recovery in the advanced economies during 2011 has also been recognized in the October 2011 issue of the IMF's *World Economic Outlook* as "a development we largely failed to perceive as it was happening" (IMF, 2011a, p. xiii). And the latest data at the time of writing suggests that the euro zone could be headed to a recession, while the recovery in the US continues but a very sluggish pace (Reuters, 2011a)

Figure 2 Deteriorating OECD data and forecasts on the recovery of the G7 countries



Source: ESCAP, based on data from OECD, *Economic Outlook* No. 89, June 2011 and OECD, "What is the economic outlook for OECD countries? An interim assessment", 8 September 2011

There are a number of time-specific reasons for the slowdown in the United States and euro zone- high oil prices in early 2011 and the impact on global supply chains of the disaster in Japan. However, additional reasons for the slowdown are more fundamental in nature and lead to concern in terms of the prospects for the economies in the year ahead. These concerns revolve around the fact that earlier fiscal stimulus measures have been increasingly phased out. And, in light of the overriding importance given to stabilizing debt in these economies, it is unlikely that significant additional fiscal stimulus will be implemented in future. Although the reasons for the limited scope to provide further significant stimulus differ in the United States and the euro zone, the implications are similar.

Sovereign debt issues and continuous high unemployment in the US

In the case of the United States, the main reason for the limited scope for fiscal stimulus is given by contrasting views on the country's debt situation. These differences were manifested in the debate over raising the country's debt ceiling in August 2011 and in the serious obstacles of the administration's $447 billion jobs bill as it passes through Congress (Reuters, 2011b). In addition, although the conditions attached to raising the debt ceiling were relatively stringent, many in the financial markets expressed considered that the planned deficit reduction efforts were not large enough. Ideally, a credible debt-reduction plan would need to tackle the major budgetary areas, which are non-discretionary items, while allowing for continued discretionary spending in the short-term. Without such a combination of policies, there is a possibility that the mix of growth and debt reduction measures will be insufficient to substantially reduce the debt to GDP ratio in the medium-term, increasing calls for even more self-defeating austerity measures to be enacted in future.

Deteriorating debt crisis in Europe

A key risk from the continuing euro zone debt crisis is the possible impact on the balance sheets of major banks in Europe and other developed economies of sovereign debt – or of mark downs to market value of those assets mandated by regulators. The result could be a renewed banking crisis with the resulting chaos on global financial markets, a possible credit crunch, and the need for new government bailouts. In addition, a significant concern for most of the euro zone is that further borrowing from the financial markets at acceptable rates may not be possible, even if the austerity measures currently being demanded are implemented. The reason is that the contractionary impact of such measures could slow down GDP growth considerably, reduce tax revenues and increase contingent government liabilities, such as unemployment insurance compensation or welfare payments, thus preventing the debt to GDP ratio from dropping significantly.

An important initiative of the European Union to contain the debt crisis has been the creation of the European Financial Stability Facility (EFSF) in May 2010. The EFSF can raise funds by issuing bonds or other debt instruments to provide loans to euro zone countries in financial troubles, recapitalize banks or buy sovereign debt. The bonds, which were assigned a AAA rating by Standard and Poor's in September 2010, are backed by guarantees given by the euro area member states. On July 2011, the leaders of the euro zone agreed, subject to parliamentary ratification, to enhance their guarantee to the EFSF from €440 billion to €780 billion. The EFSF is expected to close down by 30 June 2013 if there is no financial operation in activity by then, and the possibility to replace it with a permanent European Monetary Fund is currently being discussed (Gros and Giovannini, 2011).

Low interest rates and high liquidity in US and EU inducing increased risk-taking and flows into commodity and currency markets

In the absence of needed fiscal policy space, the main remaining option open to policymakers in the United States and the euro zone to sustain their weakened recovery is to further loosen their monetary policies. In the United States, however, further reduction of interest rates is not possible given their near-zero levels. Thus unconventional methods, such the Federal Reserve August 2011 pledge not raise interest rates till mid-2013, have been implemented. Another measure taken to influence long-term interest rates, was the Fed's announcement in September 2011 of a program to replace its short-term bond holdings with holdings of long-term bonds, in order to reduce long-term interest rates, which are more relevant for business investment decisions. Nevertheless, in spite of their innovative character, there is a risk that these measures may not be very effective in light of the already low interest rate levels. While there remains some room to further reduce interest rates in the euro zone, such space is also rather limited.

The most potent tool that remains in the armory for the United States due to the large scale in which it can be implemented is another round of quantitative easing, expected to stimulate consumption expenditures in response to an increase domestic equity values. However, the previous round of quantitative easing often referred to as QE2 did not prove to be very effective and there is little reason to believe that further quantitative easing would achieve more. The reason is that in the face of stagnant housing wealth and employment concerns in a still-fragile labour market, consumers are not yet inclined to increase their spending significantly. Nevertheless, in the absence of fiscal policy measures quantitative easing remains one of the few viable alternatives to supporting growth.

An undesirable side-effect of the primacy of monetary policy as main remaining policy tool to support economic activity in the US is the creation of additional global liquidity. In the 2000s, US branches of foreign banks raised increasingly large amounts of funds at low interest rates in the US capital markets and ship them to their head offices, from where is the funds were subsequently deployed globally in search of profitable financial investment opportunities (Shin, 2011). While some of those funds found their way back to the US to finance purchases of mortgage backed securities and other assets before the global financial crisis, some of the borrowed funds flow to Europe, Asia and Latin America where international banks are active local lenders. Given the lack of attractive investment options in the aftermath of the global financial crisis, it is likely that international banks will continue channeling liquidity to emerging economies and to commodity markets, disrupting exchange rates and spurring inflationary pressures.

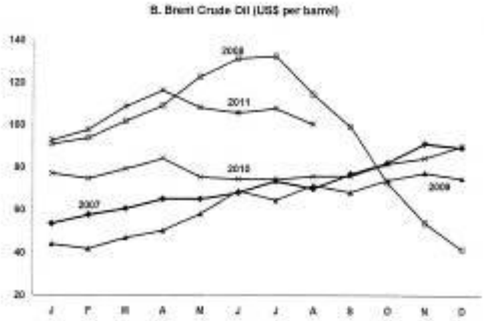
The resulting disruptive capital flows and gyrations in commodity prices put serious pressures on exchange rates an are pushing central banks to intervene more heavily on foreign exchange markets and to impose capital controls in an attempt to protect their countries' export competitiveness. It should be pointed out that this situation of exchange rate instability is also affecting economies traditionally seen as safer investment havens at a time of scant global investment opportunities. For instance, Switzerland in early September 2011 declared an upper bound to the exchange rate with the euro and intervened to avoid excessive appreciation of the Swill franc, while Japan intervened in August to the value of nearly $60 billion to prevent the yen from breaking the barrier of 76 JPY/USD.

The wild ride of food and oil prices – quieter for now but for how long?

Dramatic increases in food and fuel prices between mid-2010 and the first half of 2011 raised alarm bells around the globe about a possible repetition of the major commodity price spikes of 2007-2008. In fact, the food price index of the Food and Agriculture Organization (FAO) surged 40 percent between June 2010 and February 2011, reaching a record high value of 237.7 in the latter month, and the Brent crude oil price increased as much as 56% between July 2010 and April 2011, when it reached $116 per barrel (Figure 3). However, in the context of a deterioration of the global outlook, both prices decreased since then, although they remain high by historical standards.

Some of the reasons for these price surges are uncertainties related to the oil supply in the midst of the "jasmine revolution" that has shaken the Arab world and bad weather in important food producing countries in 2010. For instance, droughts and floods in major producers of wheat in Asia-Pacific, who together are responsible for almost half of global production, have affected 222 million people and caused an estimated damage of $ 35 billion, which includes lost crops. In addition, it is clear that longer-term supply and demand factors, such as the world-wide decline in the growth rate of yields of food crops and an the increased demand for food and feed crops for the production of biofuels, have also been at play in the reversal of the downward trend in food prices of the 1980s and 1990s.

Figure 3 FAO food price index and Brent crude oil price, 2007-2011



Source: IMF Primary Commodities Price, http://www.imf.org/external/np/res/commod/index.aspx, and Food and Agriculture Organization, http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/; (accessed 20 September 2011).

Another important driver of these price surges has been financial speculation fueled by liquidity resulting from monetary easing in developed economies (ESCAP, 2011a, pp. 30-32).[1] The main concern about speculation is that any price volatility due to real demand and supply factors would be exaggerated by the addition of speculative money. However, not only institutional investors speculate. When international food prices increase fast, domestic intermediaries are often encouraged to hoard staples like wheat flour, rice, sugar and cooking oil, expecting that domestic food prices will also increase. To compound the problem, in such situations consumers may also indulge in panic buying, accentuating price upswings, and the attempt by some governments to halt the increase in domestic food prices though export bans have often contributed to raising international prices even more, propagating the crisis across borders. With these precedents, it would be a mistake to consider the new high plateau reached in oil and food prices as a sign of quieter times ahead. There is considerable risk that prices could surge again in future, when the uncertainty about the euro zone debt crisis is dispelled and the recovery of the global economy regains its footing. In that case, the impact of prices rising fast from already high levels could be very detrimental to the poor.

2. Macroeconomic challenges of Asia-Pacific countries

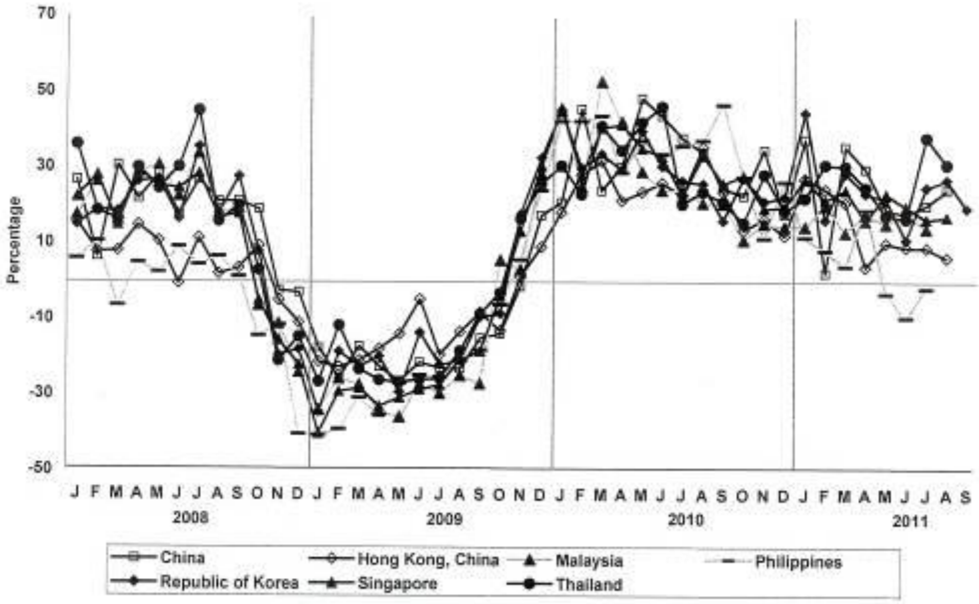
The Asia-Pacific region is facing the challenge of coping with a sharp deterioration in the global environment. Many economies in the region also continue to grapple with the challenge of inflation which has been high in substantial part due to global factors, particularly food and oil prices and foreign capital inflows. The measures likely to be adopted by developed economies in order to support growth will present further challenges for the region. Loose monetary policies in these economies may have led to buildup of asset market bubbles, exchange rate appreciation and inflationary pressures for Asia-Pacific. But in times of global uncertainty, such as during the current euro zone debt crisis, global liquidity tends to suddenly evaporate, as capital flows flock to safety assets such as US Treasury bills. This reversal of capital flows to the Asia and the Pacific region seems to be occurring at the time of writing, as currencies such as the Indian rupee, the Korean won, and the Russian rubble depreciated by 10% or more between August and October.

[1] UNCTAD (2011) examines in detail the recent evidence on the impact of the increasing participation of financial investors in commodity markets. Their analysis, however, omits to consider the role of increased global liquidity and developments in the global financial industry in feeding risk-taking and speculation.

The impact of the slow-down in advanced economies on Asia-Pacific

The G-20 summit of 2011 will come at a time when Asia-Pacific faces considerable challenges as a result of the sharp deterioration in the global environment. Even if the euro zone debt crisis is effectively tackled and a major disruption to the international economy is avoided, the prospects for very slow growth or even a double-dip recession in the advanced economies is bound to have an adverse impact on the Asia-Pacific region. In light of the experience of the global financial crisis, manufacturing exports-dependent economies of East and South-East Asia such as China, Singapore, Hong Kong China, Thailand, Taiwan Province of China, the Republic of Korea, Malaysia, and the Philippines, are likely to face the greatest challenges to sustain their economic growth. The initial signs of such a slowdown can already be seen in the export growth performance of some of these economies in recent months (Figure 4).

Figure 4 Growth in exports, year-on-year, for selected developing ESCAP economies, 2008-Sep 2011

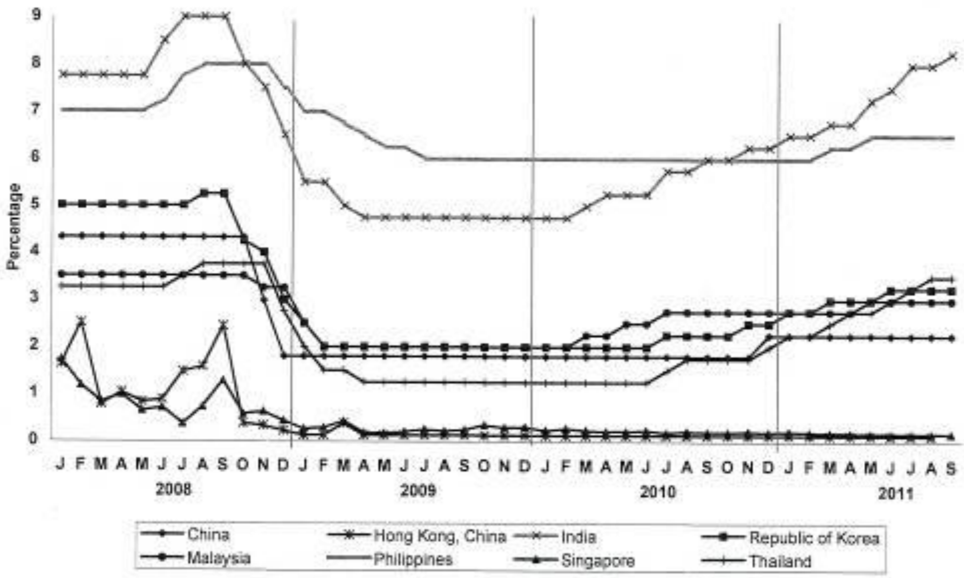


Source: ESCAP, based on data extracted from CEIC Data Company Limited, available from http://ceicdata.com/ (accessed 6 October 2011)

The slowdown in growth in developed economies is the most critical short-term challenge facing the global economy. Slowing growth in these economies has a severe impact on the growth and development progress of developing economies, both in this region and in others. Therefore non-G20 members of Asia-Pacific have an overriding interest in ensuring that developed economy members of the G-20 prevent the occurrence of a new major financial crisis. In addition, they would benefit from the implementation by all the G20 countries of coordinated expansionary policies aimed at reviving the ailing global economic growth. For that purpose, increases in domestic spending by countries in the region that have large current account surpluses could contribute to supporting global growth while providing opportunities for businesses and employment in other countries of the region. Such domestic spending should be deployed with the goal of addressing critical developmental needs, such as investing in infrastructure, agriculture and disaster prevention, advancing towards the goal of universal access to social protection, and protecting the environment.

Many economies in the region also continue to grapple with the challenge of inflation. Persistent inflation across countries is influenced in substantial part by global factors, particularly global food and oil prices, foreign capital inflows, and more recently exchange rate depreciations. In addition, some countries with a high proportion of domestic demand have witnessed demand-driven inflation. In order to manage the impact on core inflation of these factors, countries such as India and Thailand have engaged in considerable monetary policy tightening since the second half of 2010. The impact of this tightening, in addition to some decrease in global commodity prices as a result of slowing global growth, have moderated the pace of inflation in many cases. Nevertheless, with the level of inflation remaining relatively high, countries are confronted with the dilemma of maintaining price stability in the face of slackening growth resulting from the deteriorating global environment. The concerns about growth prospects and the somewhat more positive outlook for inflation have led some economies to hold off on further monetary policy tightening recently (Figure 5).

Figure 5 Policy rates in major Asian developing economies, 2008-Sep 2011



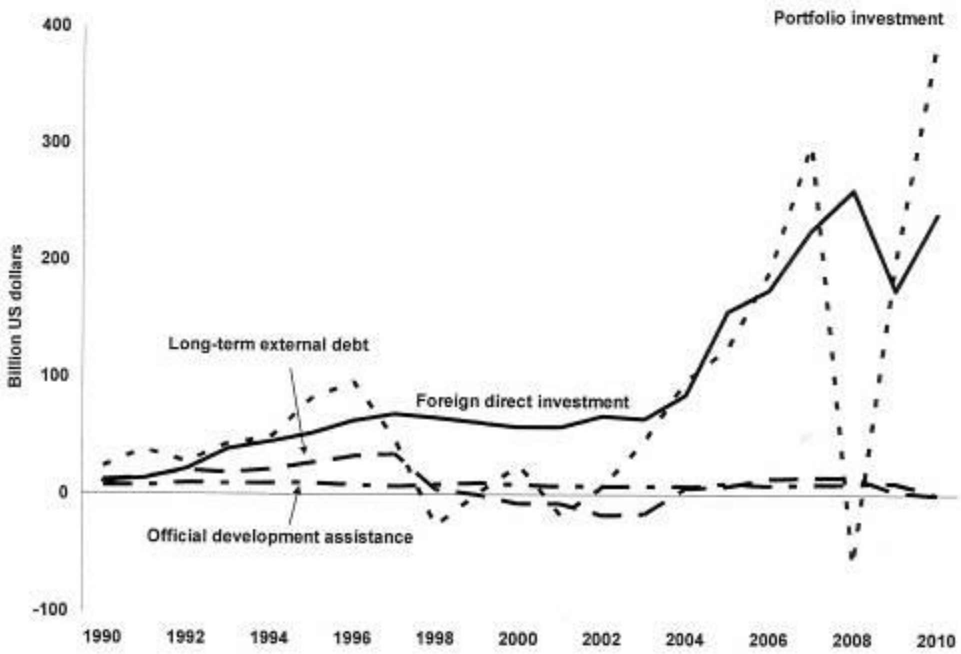
Source: ESCAP calculations based on data from CEIC Data Company Limited, available from http://ceicdata.com/ (accessed 6 October. 2011).
Notes: China: Policy rate (rediscount rate); Hong Kong, China: Policy rate (Discount Window base rate); India: Policy rate (Repo rates (Reserve Bank of India)); Republic of Korea: Policy rate (base rate (Bank of Korea)); Malaysia: policy rate (overnight policy rate); Philippines: Policy rate (repurchase rate); Singapore: Overnight Repo rate; Thailand: Policy rate (end month).

Monetary tightening, however, is not as effective in curbing inflation when the latter is primarily caused by shocks to the supply side of the economy. For instance, when international commodity prices experience the kind of surges that took place between mid-2010 and early 2011, domestic commodity prices around the world are usually affected, impacting domestic inflation rates. Surges in capital inflows can also have inflationary effects through their impacts on the money supply and domestic asset prices, and sudden capital outflows that lead to exchange rate depreciations also push up domestic prices of tradable goods and services. When these kind of shocks are major causes of inflation, restrictive monetary policy is more likely to slow down growth than to effectively restore price stability.

Risks stemming from capital flow volatility

With the limited scope for most developed economy governments to engage in much further fiscal stimulus, these countries are likely to maintain a loose monetary stance as their main stimulatory tool. In the United States there is the possibility at some point of a third round of quantitative easing, while in the euro zone low interest rates are likely to continue as long as inflationary pressures remain subdued. Such injection of further liquidity to the financial markets as well as the interest rate differential with the Asia-Pacific region will result in the continuing attraction of asset markets and currencies in the region for foreign investors, which could contribute to the buildup of asset market bubbles, exchange rate appreciation and inflationary pressures.

Figure 6 Net capital inflows to Asia and the Pacific, 1990-2010



Source: ESCAP calculations based on data from World Bank, Quarterly External Debt Statistics databases (accessed September 2011) and CEIC Data Company Limited (accessed on September 2011).

Short-term capital flows can be harmful to economic activity because of their volatility. Asset markets and exchange rates are under heightened risk of disruption due to a sudden exit of capital in the case of unexpected severe events. One such event could be a sovereign debt default for economies in the euro zone which may lead to fears of significant losses by developed economy banks causing a credit crunch, a flight to safety, and a repatriation of funds from Asia-Pacific markets. The Asia-Pacific region has recently experienced capital outflows and exchange rate depreciations, as investors have taken on board the realization that slowing growth in the global economy will inevitably affect the export-led growth model of many economies in the region.

As shown in Figure 6, the two most important types of capital inflows to the region in recent years have been foreign direct investment and portfolio investment. Portfolio investment has been the most volatile, dropping from a positive net inflow of $ 300 billion in 2007 to a net outflow of -$60 billion in 2008 and positive net inflows of $199 billion in 2009 and as much as $390 billion in 2010. However, even foreign direct investment, which is usually considered a more stable type of capital flow, dropped by a third between 2008 and 2009.

The figure also shows that net inflows of ODA have been stable, though rather small over the last two decades, but focusing on net inflows is misleading because it measures the difference between gross inflows to recipient countries minus gross outflows of donor countries within the region, both of which fell dramatically between 2008 and 2009. As ESCAP (2011b) shows, the gross ODA inflows to Asia and the Pacific plunged from $25.3 billion in 2008 to $8.1 billion in 2009 or 68%, precisely at the time when such funds where needed the most.

Most economies in the region have tried to protect themselves from the risks posed by volatile capital flows by building up foreign exchange reserves. However, intervening in the foreign exchange market by buying or selling reserves, is a limited tool to prevent the build up and potential burst of asset price bubbles. In addition, the standard tool to deal with the inflationary consequences of capital inflows, interest rate rises, could be self-defeating because it contributes to attracting more capital inflows.

As a result, the region has increasingly turned to the option of capital controls as an additional measure to dampen the volatility of capital flows, as recommended by ESCAP (2010a). Over the past year, Indonesia, the Republic of Korea, Thailand and Taiwan Province of China have imposed various forms of controls designed to reduce the attractiveness of certain types of inflows, such as foreign bank borrowing and investment in short-term bonds. However, their effectiveness needs to be carefully assessed, and policy makers should be ready to make adjustments in their implementation. As an example, Indonesia introduced a minimum holding period of one-month on non-residents investments in central bank paper (SBIs) in June 2010. However, after a short period of time, non-resident participation increased in the government bond markets where the holding period requirements did not apply. In response to the continuing inflows, the authorities announced a series of measures, including hikes in the reserve requirements on foreign currency deposits, the re-imposition of a cap on bank's short-term external borrowing, and the further extension of the minimum holding period requirement to six months.[2]

Commodity price risks

As mentioned in Section 1, international food prices surged between mid-2010 and the first half of 2011, pushing up domestic staple food prices across Asia and the Pacific and impacting on the food security of millions of poor. ESCAP (2011a) has estimated that, based on $1.25 a day per capita poverty line, additional 19.4 million people in the region remained in poverty due to increased food and energy prices in 2010. Out of these, high prices prevented 15.6 million people to get out of poverty and pushed other 3.7 million below the poverty line. In addition, the results show that the surge in food prices of 2010 could postpone the achievement of the Millennium Development Goal on poverty reduction by as

[2] In a recent review of the experience with capital controls in a number of developing countries, Reddy (2011) finds that these measures are in general effective in dampening short-term flows.

much as half a decade in some of the least developed countries of the region. ESCAP simulations also show that, given different possible scenarios for food and fuel prices, from 9.8 to 42.4 million additional people could be prevented to get out of poverty in 2011, but given the low rate of change of staple food prices in the first half of 2011, the effect is more likely to be in the lower end of this range.

3. Key issues to be discussed in Cannes

While the G20 has been the most effective when tackling urgent short-term issues at the nadir of the global financial crisis of 2008-2009, it has also developed a very ambitious agenda to address important longer-term issues affecting the global economy. Although it is likely that the deterioration of the debt crisis in Europe and the worsening global economic outlook may push the group to revert to "crisis-mode" during the Cannes summit, it is nevertheless useful to review its longer-term agenda, to understand what is at stake for the Asia-Pacific region.

Global macroeconomic imbalances

In an open economy domestic demand does not need to equal output. If domestic demand exceeds output, a country has a trade deficit; if domestic demand is less than output, the country has a surplus. In a normal state of affairs, trade deficits can be financed in various ways, such as by issuing sovereign bonds, through net inflows of foreign direct investment, portfolio investment or foreign borrowing, or by using previously accumulated foreign exchange reserves. Conversely, trade surpluses can result in net outflows of foreign direct investment, portfolio investment or bank loans, or in the accumulation of foreign exchange reserves. In reality, however, not all countries have access to all these financing alternatives all the time. A major difficulty is that sovereign debt contracts, as opposed to domestic debt contracts, are not legally enforceable, which makes them substantially more risky to international investors. Such risks have often precluded developing countries from accessing enough funds to finance their trade deficits. In the context of the post-World War II international financial architecture, the International Monetary Fund has provided them with emergency financing, but subject to strict conditionality requirements aimed at reducing their trade imbalances, usually through contractionary demand policies.

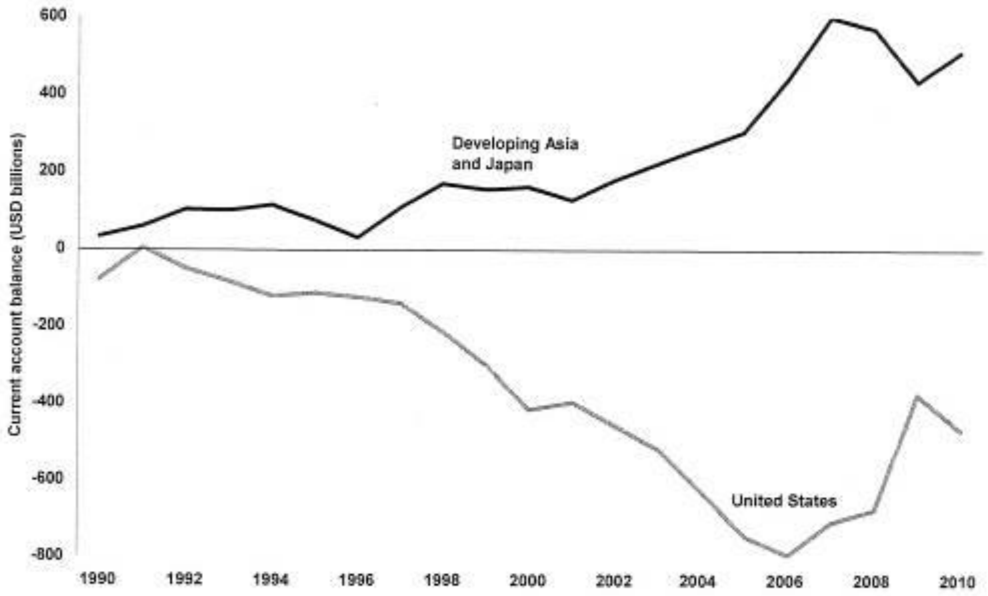
While the post-World War II international financial architecture included an adjustment mechanism to reduce one type of macroeconomic imbalances – the trade deficits of developing countries with no access, or who suddenly lost their access, to international financing – it left two other types of macroeconomic imbalances unaddressed. First, countries with persistent trade surpluses have no incentive to reduce them. And second, the United States has traditionally had no incentive to reduce its trade deficits because of its ability to finance them by issuing US dollars, the most widely accepted reserve currency – which former French Finance Minister Valéry Giscard d'Estaing famously referred to in the 1960s as an "exorbitant privilege".

These two macroeconomic imbalances increased dramatically since the late 1990s. As shown in Figure 8, the US current account deficit reached a record $801 billion in 2006, while the combined current account surplus of Developing Asia and Japan reached $611 billion in 2007.[3] As a result of the dramatic contraction in economic activity during the global

[3] It should be pointed out that Asian countries are not the only ones that experienced large current account surpluses in the second half of the 2000s. In particular, Germany increased its current account surplus from close to 0 in 2001 to $254 billion in 2007, before dropping to $ 167 billion in 2009.

financial crisis, the US current account deficit was cut by more than 50%, to $377 billion, in 2009, while Asia's surplus dropped almost 30%, to $433 billion. But in 2010, as the US economy recovered from the depths of the crisis, its current account deficit jumped up to $471 billion, while Asia's current account surplus rebounded to $509 billion.

Figure 8 Current account imbalances of the United States and Asia



Source: International Monetary Fund, World Economic Outlook, October 2010 and World Economic Outlook Database, April 2011 (accessed 21 September 2011)

Such large current account imbalances had major financial implications. In the 15 years between 1996 and 2010, the US transferred $6.9 trillion to the rest of the world through its cumulated current account deficits. While such additional liquidity, along with the low interest rates prevailing during this period, contributed to boosting economic activity around the world, it also encouraged financial investors to increase their risk-taking and leverage in search of higher yields. These factors seem to have been important reasons for the bubbles in international commodity prices and in asset prices in many countries, notably in real estate, that erupted before the global financial crisis.

Currently, there is agreement among all the G20 countries that these global imbalances contributed to the crisis, and that something should be done about them (Angeloni, 2011). In fact, the case for a symmetric adjustment mechanism has been extensively discussed in the international macroeconomic literature. The key point, according to Alhuwalia (2011), is that the willingness to accept demand deflation in a deficit country would be greater if there is assurance that demand elsewhere is being increased simultaneously, mitigating the negative effect on employment, while the willingness to inflate demand in surplus countries should be higher, if fears of overheating are reduced, because of the knowledge that demand elsewhere is being reduced.

The problem is to create an institutional framework that makes such symmetric adjustment possible. The G20 proposal, launched at the Pittsburgh summit in the context of the Framework for Strong, Sustainable and Balanced Growth, has been to develop a Mutual Assessment Process (MAP) by which G20 members collectively evaluate how their policies fit together and work together to achieve their common growth objectives over the medium run. During two meetings in 2011 (Paris in February and Washington DC in April) the G20 finance ministers and central bank governors agreed on a set of indicators (public debt, fiscal deficits, private saving rate, private debt, and the external balance composed of the trade balance and net investment income flows and transfers) and on indicative guidelines for these indicators to identify countries with large external and internal imbalances. This assessment identified seven systemically important G-20 countries as having large imbalances, although the names of those countries have not been released.

The second stage of the MAP process is substantially more ambitious. First, the IMF will prepare a report providing an in-depth analysis of the nature of the imbalances, their root causes and impediments to adjustment, in those countries identified as having large imbalances (IMF, 2011b). Then, the IMF report, along with reports by other international organisations, will be presented to the Framework Working Group (FWG) of G-20 Finance officials and the FWG will then present a single MAP report to the Finance Ministers. The FWG's MAP report is expected to reflect the collective view of G-20 members, informed by reports produced by the IMF and other international organisations. Finally, the MAP report after being considered by the Finance Ministers will be presented to the Cannes Summit in November 2011 (Ahluwalia, 2011).

Will the MAP process contribute to reducing global imbalances? Based on a similar previous exercise conducted by the IMF in 2006 and on political grounds, many commentators have been sceptical (Eichengreen, 2011a). While expectations for an imminent agreement on international macroeconomic coordination are unrealistic, the MAP policy process in itself could be useful in fostering international cooperation in the long run. However, for such process to be effective, some changes seem needed.

According to Brown et al. (2011), the main problem is the lack of a truly independent body in charge of "producing the evidence, diagnosis and policy options that would be brought to the table for discussion and decision by the G-20 leaders". The IMF has been tasked with providing such inputs, but its independence is questionable as a result of its obsolete governance structure. And efforts to reform the IMF governance structure have stalled "due to the reluctance among some of the key players to undertake changes that may lead them to relinquish long enjoyed power and influence at the IMF, even if this would result in an institution that could more effectively contribute toward those players' own long term interests" (Brown et al, 2011). An interim solution in this context is that the IMF "release publicly its staff's diagnosis and proposals before they are commented on with the IMF executive board and the G-20 itself". Such release would bring more transparency to the process and allow other stakeholders, including from countries who are not members of the G20, to participate in this important debate.

The Asia-Pacific region could receive major benefits from reducing its macroeconomic imbalances, provided that the additional domestic spending is used to support its social and economic development. Firstly, it is important to keep in mind that in spite of its fast economic growth, the region is estimated to be home to 862 million people living below the $1.25 poverty line, a figure that surpasses the population of the United States and the European Union combined. As a result of its enormous accumulated savings, the region could be able to make massive investments over the next couple of decades aimed at building a proper transport, communication and sanitation infrastructure, enhancing the coverage of social protection systems, increasing resilience to disasters, preserving food and energy security, and protecting the environment. Such investments could not only make major inroads in the fight against poverty but also accelerate the shift in the centre of world economic gravity to the region.

Strengthening financial regulations

Given the financial origins of the global crisis of 2008-2009, the objective of strengthening financial sector regulations was prominent since the first summit of the G20. Although financial oversight is the responsibility of national regulatory bodies, the communiqué of the Washington DC summit highlighted the fact that financial markets are global in scope, implying that "intensified international cooperation among regulators and strengthening of international standards (…) and their consistent implementation is necessary to protect against adverse cross border regional and global developments affecting international financial stability" (G20, 2008). As a result, the former Financial Stability Forum, which had been set up after the Asian financial crisis, was broadened to include all the G20 countries and renamed as the Financial Stability Board (FSB) in April 2009.

The mandate of the FSB is very broad. It includes (i) to assess vulnerabilities affecting the financial system; (ii) identify and oversee action needed to address them; (iii) promote coordination and information exchange among authorities responsible for financial stability; (iv) monitor and advise on market developments and their implications for regulatory policy; (v) advise on and monitor best practice in meeting regulatory standards; (vi) undertake joint strategic reviews of the policy development work of the international standards setting bodies; (vii) set guidelines for and support the establishment of supervisory colleges; (viii) manage contingency planning for cross-border crisis management; and (ix) collaborate with the International Monetary Fund (IMF) to conduct Early Warning Exercises (FSB, 2009).

An important achievement in the area of financial regulation has been the agreement reached by the Basel Committee on Banking Supervision (BCBS) on the new bank capital and liquidity framework, Basel III, which was endorsed by the G20 during the Seoul summit. The Basel III standards are aimed at reducing banks' incentives to take excessive risks by raising the quality, quantity and international consistency of bank capital and liquidity, constraining the build-up of leverage and maturity mismatches, and introducing capital buffers above the minimum requirements that can be drawn upon in bad times (G20, 2010b). The G20 countries committed to fully implement Basel III by 2019.

Although Basel III addresses many important problems, its "one-size-fits-all" approach fails to recognize unintended consequences that could disadvantage banks in the developing world. In particular, the tightening of capitalisation and liquidity requirements could pose those banks a choice between raising new capital or cutting back business, but developing economy markets may not be deep enough to support such capital-raising (La Via, 2010). On a positive note, there is evidence that several emerging developing countries have already increased their capital rations and implemented macro-prudential measures in response to the serious financial crises that affected them in the late 1990s (Majnoni, 2011). However, the situation of the low income countries and their poorly developed financial systems is vastly different. It is thus necessary to consider their differential needs and devise ways to help them develop their financial systems and regulatory capabilities.

Another area of work where the FSB has been making progress is the regulation of systematically important financial institutions (SIFIs). In its July 2011 plenary meeting, the FSB released two consultative papers to elicit with the aim of submitting recommendations to the G20 Cannes summit. The first paper proposes a methodology to identify global SIFIs based on five categories of indicators covering the following areas: size, interconnectedness, lack of substitutability, global (cross-jurisdictional) activity and complexity. The paper proposes an additional capital requirement ranging between 1% and 2.5% for these banks, to be introduced simultaneously with Basel III (Basel Committee on Banking Supervision, 2011). The second paper proposes a comprehensive package of policy measures to improve the capacity of authorities to resolve failing SIFIs without systemic disruption and without exposing the taxpayer to the risk of loss. It sets out proposed actions to improve national resolution regimes and tools, establish effective home/host co-operation arrangements and improve resolution planning by firms and authorities (FSB, 2011a).

The FSB discussed progress in the work to strengthen the oversight and regulation of the shadow banking system. To enhance the monitoring of the shadow banking system, its members agreed to conduct a data sharing exercise in the second half of 2011, which could lay the basis for data collection and assessment by the FSB of global trends and risks from 2012 onwards. FSB members also agreed to conduct work to assess the case for additional regulatory action in five areas: banks' interaction with shadow banking entities; money market funds; other shadow banking entities; securitisation; and securities lending and repos (FSB, 2011b). The FSB is also assessing the progress, inconsistencies and gaps in the implementation of reforms of over-the-counter (OTC) derivatives markets in preparation for the Cannes summit.

An important issue that deserves much more work is compensation practices. Although the Financial Stability Forum (2009), the Dodd-Franks Act in the US and the European Union directive CRD III addressed it, they all continue to link variable compensation directly to financial performance (Allaire, 2011). This is very problematic because, in the absence of clawback provisions, such link perpetuates the incentives of financial institutions executives to undertake excessive risks with the aim of boosting short-term performance which were at the root of the global financial crisis.

From the perspective of the non-G20 member of Asia and the Pacific, it is very important to assess how these reforms will affect poor developing countries that are highly dependent on external financing and whose domestic financial markets are at an early stage of development. Therefore an impact assessment needs to be conducted before imposing these regulations. In addition, these counties have low institutional capacities and availability of trained professionals to implement modern financial regulatory and supervisory functions, and need help to build these capacities. While the representation of a larger number of developing at the FSB was a step in the right direction, such step is insufficient to address the concerns of the low-income countries. Therefore, the FSB should be further expanded to include them. Finally, G20 needs to come up with credible proposals for regulation of the shadow banking system and curbing the excessive risk taking tendency that is responsible for heightened volatility in the financial markets.

Reform of the international monetary system

The international monetary system (IMS) is understood as the set of rules, conventions and institutions that govern the conduct of monetary policies, their coordination (or non-coordination), exchange rates, and the provision of international liquidity. The IMS is also intimately related to the international financial system, whose operation depends critically on the modalities under which liquidity is provided (Fahri et al, 2011). Therefore, in light of the central role that malfunctions in the international financial system played in the making of the global financial crisis of 2008-2009, there has been an increasing interest in recent times about how to reform the IMS to enhance international financial stability.

The global financial crisis and its aftermath highlighted important weaknesses of the international monetary system, some of which the G20 committed to address. The Cannes agenda will include discussions on issues such as (i) the large and volatile capital flows that put pressures on exchange rates and complicate macroeconomic management in emerging economies, (ii) the volatility and, in some cases, persistent misalignments of exchange rates, and (iii) the insufficient assurance of availability of international liquidity in crisis situations. A fourth area that deserves much more scrutiny and discussions includes the regulation of global liquidity to prevent episodes of floods and droughts and the likely transition of the international financial system to a multipolar world where other currencies, such as the euro and the renminbi, are likely to increase their role as international reserve currencies. To evaluate how these issues are being tackled by the G20, it is useful to review briefly the group's pronouncements on the IMS prior to the Cannes summit.

At the London, Toronto, and Seoul summits, the leaders of the G20 declared their goal of promoting a "more stable and resilient international monetary system". At the Toronto summit, they emphasized the "need for national, regional and international efforts to deal with capital flow volatility, financial fragility, and prevent crisis contagion". In addition, they tasked their finance ministers and central bank governors "to prepare policy options, based on sound incentives, to strengthen global financial safety nets for (…) consideration at the Seoul summit", and called on the IMF "to make rapid progress in reviewing its lending instruments, with a view to further reforming them as appropriate" and to enhance its IMF surveillance "to focus on systemic risks and vulnerabilities wherever they may lie" (G20, 2010a). At the Seoul summit, the G20 leaders "agreed to explore ways to further improve the international monetary system to ensure systemic stability in the global economy and asked the IMF to deepen its work on all aspects of the international monetary system, including capital flow volatility" (G20, 2010b).

At the February 2011 meeting of finance ministers and central bank governors in Paris, the G20 "agreed on a work program aimed at strengthening the functioning of the IMS, including through coherent approaches and measures to deal with potentially destabilizing capital flows (…) and management of global liquidity to strengthen our capacity to prevent and deal with shocks" (G20, 2011a), but the communiqué did not provide details on this work program. In the following April 2011 meeting of finance ministers and central bank governors in Washington DC, the G20 mentioned a series of areas in which they intent to focus their work to strengthen the IMS. These include (i) conducting studies to assess developments in global liquidity and country-specific analysis on the drivers of reserve accumulation and on the management of capital flows and (ii) devising "a criteria-based path to broaden the composition of the SDR" and "an improved toolkit to strengthen the global financial safety nets" (G20, 2011b).

Despite the scant progress so far, the French presidency of the G20 listed the reform of the IMS as a major priority for the Cannes summit and proposed to focus the discussions on four major policy areas (French presidency of the G8-G20, 2011):

- Reinforcing macroeconomic policy coordination

- Reducing the need for reserve accumulation to deal with crises
- Encourage stable capital flows to finance growth and development
- Providing support for the internationalization of emerging currencies

The first area has been already discussed above, in the context of the global imbalances. For the second area, the French presidency suggests to reinforce IMF's tools for helping countries that are vulnerable to liquidity crises and to enhance the coherence and complementarity between regional and international liquidity management facilities. For the third area, it proposes to amend the Articles of Agreement to provide the IMF with oversight authority over capital account flows. The amended Articles of Agreement would encourage the free movement of capital while allowing States to intervene in cases of massive inflows or outflows of capital. With respect to the fourth area, France has been pushing for a timetable for the integration of the Chinese currency into the basket of currencies on which the Special Drawing Rights (SDR) are based, which currently include the dollar, the euro, the yen and the pound (Agence France Press, 2011).

While these suggestions seem like steps in the right direction, what is lacking is a clearer diagnosis of what we are trying to fix. On close examination, it is clear that many of the problems of the international economy that the G20 is attempting to address – global imbalances and volatility of capital flows, exchange rates, and commodity prices – are linked, and that they all revolve around the core function of an IMS: the provision of international liquidity. Far from stable, such liquidity has been characterized by floods and droughts, growing unsustainably in the run up to the global financial crisis, evaporating abruptly in the fall of 2008, and experiencing additional violent swings in recent times – leading to the surge in food prices between June 2010 and February 2011 and the recent panic caused by the euro zone debt crisis.

According to Palais Royale Initiative (2011), the concept of global liquidity and its relationship with the key problems of the international economy mentioned above is poorly understood. A major problem is that there are no commonly agreed definitions and measures of global liquidity. At the time of the signing of Bretton Woods, international liquidity was associated with official reserves, but under the current state of global financial development, a much broader definition that includes the creation of credit by internationalized financial institutions needs to be adopted.

Global liquidity can be understood – similarly to the concentration of carbon in the atmosphere – as a key public good. Its provision is influenced by the monetary policy stances in the countries whose currency is used as international reserve currencies and amplified by the global financial system. The creation of new international liquidity is transmitted to other economies through capital flows, exchange rate pressures, and impacts on international commodity markets. The problem is that current international institutions are not able to regulate and stabilize the volume of international liquidity, which ultimately depends on domestic considerations in a handful of countries. Moreover, such liquidity can change quickly in response to changes in perceptions about global economic prospects, such as during the global financial crisis or in response to uncertainty caused by the current euro zone debt crisis.

In sum, in the absence of a way to manage the volume of global liquidity, it can swing from being too loose to being too tight with undesirable consequences to economies around the world. Although the provision of emergency international liquidity, which addresses the problem of liquidity droughts, has been discussed in the G20 for some time, the issue of how to avoid liquidity floods has not received much consideration. This issue is particularly important because it lies at the root of the problems of volatile capital flows, exchange rates and commodity prices that affect the world economy. Addressing those problems without tackling its main cause could be useful but will not provide a long-term solution.

One option to improve the management of the global liquidity that received some attention two years ago is to develop a global reserve currency system based on the IMF's Special Drawing Rights (SDRs) with its basket expanded to cover additional currencies from emerging markets (United Nations, 2009; Zhou, 2009). Under that system, the IMF could issue or absorb SDRs in order to stabilize global liquidity and avoid disruptive floods and droughts episodes. However, recognizing that this option is not currently in the G20 agenda, it is imperative for developing economies from Asia and the Pacific to protect themselves from the consequences of disruptive gyrations in the volume of global liquidity.

A first line of defence, implemented at the national level, is the management of capital flows through various forms of capital controls. The IMF, in an important reversal of its traditional views on capital controls, has recently announced the development of a framework to help countries manage large capital inflows, which received a strong endorsement by the president of the European Union (Wall Street Journal, 2011). In this context, the developing countries of Asia and the Pacific could call on the IMF to provide them with technical assistance to implement the most effective forms of such controls. In addition, the Asia-Pacific region should continue developing its regional crisis prevention and response facility by increasing the scope and coverage of the Chiang Mai Initiative Multilateralization (CMIM) as discussed in ESCAP (2011a).

Commodity price volatility and food security

In light of the dramatic increase in food prices between June 2010 and February 2011 described above, the goal of reducing commodity price volatility has been included among the priorities of the French Presidency of the G20. At the Seoul summit, the G20 leaders had requested FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank and the WTO to work with key stakeholders to come up with options on how better to mitigate and mange the risks associated with price volatility of food and other agricultural commodities "without distorting market behaviour, ultimately to protect the most vulnerable". Their report suggests that implied price volatility in food and agricultural markets has increased significantly and its cause includes the increased demand for food and feed crops for the production of biofuels, investment in financial derivatives markets for agricultural commodities, and the increasing correlation of agricultural commodity prices with oil prices (FAO et al, 2011). The report outlines recommendations for consideration by the G20, including the establishment of an Agricultural Market Information System, information transparency in future and over-the-counter markets, strengthening international discipline in all forms of import and export restrictions, and removal of provisions that subsidize biofuels production.

In June 2011 the agriculture ministers of the G20 discussed in Paris the recommendations of that joint report along with other contributions made for the preparation of the G20 meetings. The ministers, who met specifically to address the issue of food price volatility, agreed on an action plan on food price volatility and agriculture that will be submitted to the G20 leaders at the Cannes Summit. The ministers have committed to five main objectives of the action plan: "(i) improve agricultural production and productivity both in the short and long tem in order o respond to a growing demand for agricultural commodities; (ii) increase market information and transparency in order to better anchor expectations from governments and economic operators; (iii) strengthen international policy coordination in order to enhance confidence in international markets and to prevent and respond to food market crises more efficiently; (iv) improve and develop risk management tools for governments, firms and farmers in order to build capacity to manage and mitigate the risks associated with food price volatility, in particular in the poorest countries; (v) improve the functioning of agricultural commodities' derivatives markets". This last objective is to be pursued through the on-going work done by the G20 finance ministers and central bank governors, together with securities and derivative regulators, on the regulation and supervision of commodities' derivative markets including agricultural commodities' derivative markets.

A key element of the action plan is the establishment of a new Agricultural Market Information System (AMIS) to try to increase the efficiency of world wheat, maize, rice and soybean markets and reduce price volatility. Although the move to greater transparency is welcoming and timely, there are many challenges that need to be overcome for its implementation. First, China and India may find it difficult to provide such information given the daunting task of data collection in such large countries coupled with lower relative capacity, thus needing more time to come up with the data. The action plan urges the private sector to participate in the AMIS and to share data, but big traders may not be forthcoming on the basis of commercial sensitivity.

In addition to volatility of commodity markets, the French Presidency of the G20 has also prioritized discussing ways to strengthen food security and enhance the supply of agricultural products in the medium to long run. Noticing that agricultural production will have to double in developing countries to feed more than 9 billion people by 2050, the G20 finance ministers and ministers in charge of development and international cooperation emphasized after meeting in Washington DC in September 2011 the need to reinvest in the agricultural sector (G20, 2011d). For that purpose, they propose: (i) to strengthen research, innovation and dissemination by mobilizing the G20 agriculture research networks, (ii) to promote efforts to scale up responsible investments and activities related to agricultural production and food security in cooperation with the multilateral development banks and private sector, and (iii) to improve the protection for the most vulnerable against excessive price volatility through risk management strategies and by enhancing nutrition and access to humanitarian food supply through country and region-led initiatives such as the ASEAN +3 emergency rice reserve initiative.

In order to protect the Asia-Pacific region from future episodes of commodity price volatility and promote its food and energy security, a number of measures are necessary. A first priority should be to reverse the neglect of agriculture in public policy by enhancing support for agricultural research, development and extension, and by providing easier access to credit and other inputs. The goal should be to foster a new, knowledge-intensive "green revolution", which would make agriculture more environmentally resilient while enhancing its productivity. For that purpose South-South and triangular cooperation on knowledge and technology transfer could play important roles. In addition, price volatility in grains markets could be addressed through the countercyclical use of buffer stocks, including regional ones such as the Rice Reserve Initiative of ASEAN+3 and the SAARC Food Bank. At the global level international cooperation should be stepped up to curb financial speculation in international commodity prices and to regulate the diversion of food for biofuels. The G20 countries should swiftly take and implement appropriate decisions for a better regulation and supervision of agricultural financial markets. In particular, it is important that unregulated derivatives trades be carried out in public exchanges and that speculative position limits be established and applied equally to all investors. It should also expedite the implementation of the L'Aquila Initiative that had made commitment of US$ 20 billion for food security. Furthermore, to bring down the volatility of the oil prices, G20 as a grouping bringing together major oil consumers could engage in negotiations with OPEC, a grouping of oil producers to determine a mutually agreed 'fair price' and should reach an agreement to restrict the day to day fluctuations within a band around the fair price. Creation of a virtual global strategic oil reserve and using it countercyclically would also be effective for moderating the volatility.

Development

The Seoul summit placed development on the G20 agenda and agreed on a set of principles and nine areas of actions, described in the Seoul Development Consensus for Shared Growth. The six principles are (i) to focus on economic growth; (ii) to engage developing countries, particularly LICs, as equal partner; (iii) to focus on global or regional systemic issues systemic issues where there is a need for collective and coordinated action; (iv) to promote private sector involvement and innovation; (v) to complement existing development efforts, avoiding duplication; and (vi) to focus on feasible, practical and accountable measures to address clearly articulated problems (G20, 2010c). In addition, the consensus identified nine areas priority areas – infrastructure, private investment, domestic resources mobilization, trade, food security, social protection, remittances, financial inclusion, and human resources – and provides details on specific actions in an additional document, the Multi-Year Action Plan on Development (G20, 2010d).

It is important to note that the G20 does not intend to generate new development assistance or boost aid levels, but rather better utilize and coordinate existing multilateral and bilateral efforts – for instance, by improving the functioning of the multilateral development banks so that they could better facilitate co-financing arrangements for large infrastructure projects. At the same time, the G20 is exploring innovative sources of finance, such as the financial transaction tax. In this regard, the Bill and Melinda Gates Foundation has been asked to prepare a report on financing for development to be presented at the Cannes summit.

To make progress on the Multi-Year Action Plan, the G20 established a development working group with representatives of each of the G20 members plus five additional invitees to summits (currently Singapore, Spain, chairs of NEPAD, GCC and ASEAN) and international organizations (UN, WTO, OECD, ILO and UNCTAD) and multilateral development banks, MDBs (World Bank, AfDB, ADB, IaDB and IsDB). One criticism has been that low income countries who are the intended beneficiaries had very little say in formulating and so far implementing the G20's development action plan, despite the fact that the Seoul Consensus emphasizes equal partnership as a core principle.

Among the nine areas of action, the French presidency this year has taken up infrastructure development and food security (discussed in the previous subsection) as its priorities. In particular, the G20 tasked the MDBs, led by the World Bank, to develop a joint infrastructure action plan, which would include a global infrastructure needs assessment, a diagnostic on obstacles to scaling up public-private partnerships (PPPs), identification of regional projects, and simplification and greater harmonization of procurement rules and practices, which would reduce the cost of lending, speed up project implementation, and allow more room for collaboration.

At the same time, the G20 has established a high level panel on infrastructure, consisting of 17 individuals mainly from the private sector, to review the infrastructure financing plans of

MDBs and identify obstacles to scaling up financing, particularly for PPPs. Again, the criticism here has been the lack of wider consultation and accountability. In particular, concerns have been raised that the panel members largely represent the interests of big private equity, investment and insurance firms. While PPPs in infrastructure are welcome, the deals should not be structured so as to give multinational enterprises the upper hand over governments; there should also be a reasonable limit to how public money is used to guarantee the profitability of private investors.

To take stock of progress since the Seoul summit and prepare for Cannes, the G20 held its first development ministerial in September 2011. The communiqué called on the MDBs to report on ways to improve the quality of data available to investors and incentive to support regional projects, among others, and welcomed the set of criteria proposed by the high level panel for identifying exemplary infrastructure investment projects, with due consideration to environmental sustainability, food security, trade and regional integration (G20, 2011d).

Apart from infrastructure and food security, the Cannes summit is expected to highlight the seriousness of vulnerability and insecurity amongst the poor and share best practices in social protection. In this regard, the September development ministerial communiqué says that "in the context of global risks, there is a growing need to develop mechanisms to offer better protection and ensure a more inclusive growth path" and welcomes proposals to expand national social protection floors, reduce the cost of remittances transfer, and promote financial inclusion, among others.

Taken together, the above G20 development initiatives, albeit at an early stage, have several positive elements. However, the lack of wider consultation and inputs from the intended beneficiaries has been a major shortcoming. The implementation of G20 actions on development should also be monitored through an adequate accountability framework. In addition, while the emphasis on innovative forms of financing is welcome, the advanced member countries of the G20 should keep their commitments on development assistance to poor countries, especially in light of the recent disruptions in commodity prices and the marked expected slow-down in global growth.

As noted by ESCAP (2010a), the challenge posed by the global financial crisis in terms of diminishing aggregate demand can be turned into an opportunity for promoting inclusive development in the Asia-Pacific region. The G20 leaders in Cannes should give a clear and strong message that the achievement of the MDGs, narrowing development gaps and other policies to foster balanced development have to occupy a central place in sustaining growth. The potential of South-South cooperation also needs to be fully exploited in closing the development gaps. Establishing a regional financial architecture – especially in Asia-Pacific – may assist in mediating between the region's growing excess savings and vast unmet investment needs for infrastructure development.

At the international level it is important to address the perennial deficiencies of the advanced countries in meeting their ODA commitments. A solution for this problem that has been discussed in recent years is to implement innovative financing mechanisms to fund assistance to developing countries. For this purpose, the French government recently announced its willingness to push for a financial transactions tax (FTT) for that purpose at the Cannes summit of the G20. ESCAP (2010a) has estimated that even a very small FTT of 0.5 percent on transactions, such as bond and share sales, could raise over US$ 600 billion a year. Furthermore such a tax can be implemented easily in a transparent manner. Clearly this is an important opportunity to raise valuable resources for development especially in the context of drying ODA and needs to be supported by the G20 members. .

Employment and social protection

In light of the serious consequences of the global financial crisis for the labour markets, the G20 labour and employment ministers met first in April 2010 and more recently in September 2011, ahead of Cannes. The communiqué of their latest meeting reaffirms the need for quality jobs and decent work to be placed at the heart of the global economic recovery, and moreover, calls for strengthened social protection systems. In this regard, it make four broad recommendations for the G20 leaders to consider at Cannes: (i) improve active employment policies, particularly for young people and other vulnerable groups; (ii) strengthen social protection by establishing social protection floors adapted to each country; (iii) promote effective application of social and labour rights; and (iv) strengthen the coherence of economic and social policies (G20, 2011e).

Youth unemployment, along with long-term unemployment, is underlined as a particularly urgent issue. Referring to the G20 Training Strategy, prepared by the ILO and adopted by the G20 in November 2010, it calls for "bridging the gap between the world of learning and the world of work." In this regard, it reaffirms the important role of Governments in ensuring that the right mix of incentives, support and skills development are in place, while encouraging the creation of public-private partnerships for promoting apprenticeship, vocational training and work-based learning systems.

Social protection is highlighted as another priority issue. The communiqué says: "(Social protection) increases the health and welfare of the population and consolidates social cohesion. Effective social protection systems contribute to building resilience to economic shocks and mitigating the impact of crises, and help to rebalance long term growth." It calls on the international organizations to better integrate the social protection floors concept in their works, and to support countries in developing their own indicators, according to different levels of economic development, to map progress towards the implementation of social protection floors. To ensure effective financing, it also brings attention to the necessary fiscal policies.

Taken together, the G20's attention to employment and social protection issues is a positive development and very much in line with ESCAP analysis and the views of ESCAP member countries that inclusive policies should be at the heart of the recovery process. Growth in the Asia-Pacific region has supported a recovery in many labour markets, but there are still acute concerns about the quality of jobs and the vulnerability of workers. According to the Economic and Social Survey of Asia and the Pacific 2011, the most serious problems are faced by young women and men, who are 3.2 times more likely than adults to be unemployed. In South-East Asia and the Pacific, that ratio rises to 4.7, the highest among the world's subregions. Across the region, some 1.1 billion workers remain in vulnerable employment – for instance, 47 per cent of workers are living with their families on less than $2 a day, and 23 per cent of workers are living in extreme deprivation on less than $1.25 a day.

ESCAP has noted that in addition to reducing insecurity for the poor, improved social protection can support countries in their efforts to rebalance the sources of growth. The crisis has prompted a number of countries in the region, including Malaysia and the Philippines, to consider establishing unemployment insurance schemes, while India expanded its national rural employment guarantee scheme. While social protection floors are determined at the national level, with due consideration to different levels of economic development, there are enormous opportunities for knowledge sharing and South-South learning.[4]

4. What is at stake for Asia and the Pacific at the Cannes summit?

A lot is at stake for Asia and the Pacific at the Cannes summit because, in an increasingly interdependent world, both the economic performance of the advanced economies of the West and the stability of international financial and commodity markets are global public goods affecting every single country in the world one way or another. An important reason why the region recovered relatively quickly from the global financial crisis and many of its countries continued growing at relatively high rates through it is that the crisis was relatively brief, for which the effective policy coordination promoted by the initial G20 summits deserves much credit. However, the current financial turbulence, the possibility of a double-dip recession, and the prospects of continued high unemployment and scant economic growth in the advanced economies pose risks for the region that are even more serious than back in 2008.

As a result, preventing a new financial crisis and sustaining the recovery are key priorities. In addition, the objective of reducing the large macroeconomic imbalances that still characterize the global economy is one that could potentially benefit the region because it requires surplus countries to increase their domestic spending, which could help them achieve broad developmental objectives such as infrastructure investment, expansion of minimum social protection floors, and enhancing energy and food security. Furthermore, by boosting their domestic demand, such policies could spill over to other countries in the region through trade and foreign direct investments channels.

In the financial side of the economy, the G20 has barely make any progress in discussing a key issue that is at the root of the volatility in capital flows, exchange rates and commodity prices: the provision and regulation of international liquidity. Until this issue is properly addressed, the wild alternation of financial floods and droughts that characterized the global economy during the past decade is likely to continue in years to come. Therefore, it is very important that countries from the region defend themselves through the implementation of capital controls.

Finally, it is important to keep in mind that international financial stability and a stable rate of economic growth in the major economies should be considered as global public goods because every country in the world, even the smallest and most remote, suffers in their absence. As a result, the Cannes agenda is not just the agenda of a group of 20 countries. Because all the non-G20 countries have a stake in what will be discussed there, it is very important to call for the leaders of the G20 to make their deliberations as transparent as possible and to facilitate a greater degree of engagement with non-members of the group. Given the global nature of the issues discussed, all these non-members are indeed stakeholders, and their voices – if they can be heard loud and clear – could contribute to keeping the G20 negotiators focused on the major responsibilities they have at hand. It is the hope of the ESCAP Secretariat that the regional consultations on the agendas for the Seoul and Cannes summits of the G20 are contributing to this goal.

---

[4] See ESCAP (2011) *The Promise of Protection: Social Protection and Development in Asia and the Pacific* (ESCAP, 2011c), for a useful review of experiences in the region.

References

Agence France Presse, 2011. "G20 to tackle crisis warning system". 14 April 2011. http://www.channelnewsasia.com/stories/afp_world_business/view/1122669/1/.html (accessed 26 September 2011)

Ahluwalia, Montek S., 2011. "The G20: A new experiment in global governance. Paper contributed to Festschrift for Prof. Lord Meghnad Desai". Mimeo.

Alexandroff, Alan S., 2011. "Stuck in transition: Conflicting ambitions for the G-20's future". *Global Asia*. September 2010.

Allaire, Yvan, 2011. "After the meltdown: Regulating the financial markets". *Plicy Options*. March 2011, pp. 58-66.

Angeloni, Ignazio, 2011. "Let's bring our act together". G20 Monitor editorial. Bruegel. 22 February 2011.

Basle Committee on Bank Supervision, 2011. "Global systemically important banks: Assessment methodology and the additional loss absorbency requirement". Consultative document. July 2011.

Brown, Gordon, Felipe Gonzales and Ernesto Zedillo (2011). "The G20 must get serious". International Herald Tribune. 23 september 2011.

Eichengreen, Barry, 2011a. "The G20 and global imbalances". Vox. 26 June 2011. http://www.voxeu.org/index.php?q=node/6694 (accessed 22 June 2011).

Eichengreen, Barry, 2011b. "Reforming the International Financial Architecture, 2011 Edition". May 2011. Mimeo. University of California at Berkeley.

ESCAP, 2010a. *Economic and Social Survey of Asia and the Pacific 2010*.

ESCAP, 2010b. "Year-End Update to Economic and Social Survey of Asia and the Pacific 2010". December 2010.

ESCAP, 2011a. *Economic and Social Survey of Asia and the Pacific 2011*.

ESCAP, 2011b. *Statistical Yearbook for Asia and the Pacific 2011*.

ESCAP, 2011c. *The Promise of Protection: Social Protection and Development in Asia and the Pacific*.

FAO, IFAD, IMF, OECD, UNCTAD, WFP, World Bank, WTO, IFPRI and UNHLTF, 2011. "Price Volatility in Food and Agricultural Markets: Policy Responses". 2 June 2011. http://www.ifad.org/operations/food/documents/g20.pdf (accessed 27 September 2011)

Farhi, Emmanuel, Pierre-Olivier Gourinchas, and Hélène Rey, 2011. "Reforming the international monetary system". Centre for Economic Policy Research (CEPR).

Financial Stability Board, 2009. "Financial Stability Board holds inaugural meeting in Basel". Press release. 27 June 2009.

Financial Stability Board, 2011b. "Effective resolution of systemically important financial institutions". Consultative document: Recommendations and timelines. 19 July 2011.

Financial Stability Board, 2011b. "Progress in the implementation of the G20 recommendations for strengthening financial stability". Report of the FSB to G20 Finance Ministers and Central Bank Governors. 15 February 2011.

Financial Stability Forum, 2009. "FSF principles for sound compensation practices". 2 April 2009.

French presidency of the G8-G20, 2011. "The priorities of the French presidency: International monetary system (IMS)". http://www.g20-g8.com/g8-g20/g20/english/priorities-for-france/the-priorities-of-the-french-presidency/sheets/international-monetary-system-ims.351.html (accessed 26 September 2011).

Gros, Daniel and Alessandro Giovannini (2011). "The EFSF as a European Monetary Fund: Does it have enough resources?" CEPS Commentary. Center for European Policy Studies. 22 July 2011.

Group of 20, 2008. "Declaration of the summit on financial markets and the world economy. Washington DC, 15 November 2008.

Group of 20, 2010a. "The G-20 Toronto summit declaration". Toronto, 27 June 2010.

Group of 20, 2010b. "The Seoul summit document". Seoul, November 12, 2010.

Group of 20, 2010c. "Annex I: Seoul development consensus for shared growth". Seoul, November 12, 2010.

Group of 20, 2010c. "Annex II: Multi-Year Action Plan on Development". Seoul, November 12, 2010.

Group of 20, 2011a. "Communiqué of the meeting of finance ministers and central bank governors". Paris, 18-19 February 2011.

Group of 20, 2011b. "Communiqué of the meeting of finance ministers and central bank governors". Washington DC, 14-15 April 2011.

Group of 20, 2011c. "Action plan on food price volatility and agriculture". Ministerial declaration. Meeting of G20 agriculture ministers. Paris, 22-23 June 2011.

Group of 20, 2011d. "G20 Ministerial Meeting on Development: Communiqué". Washington DC, 23 September 2011.

Group of 20, 2011e. "G20 Labour and Employment Ministers' Conclusions". Paris, 27 September 2011.

International Monetary Fund, 2011a. *World economic outlook: Slowing growth rising risks*. September 2011.

International Monetary Fund, 2011b. "The G-20 mutual assessment process". IMF Factsheet, http://www.imf.org/external/np/exr/facts/g20map.htm (accessed 22 September 2011).

IPS, 2011. "France Steps Up Support for Financial Transaction Tax". By A.D.McKenzie. 16 September 2011. http://ipsnews.net/news.asp?idnews=105126 (accessed 6 October 2011).

La Via, Vincenzo (2010). "Financial Rules Must Do More For Developing Countries". *Financial Times*. 6 May 2010.

Majmoni, Giovanni, 2011. "Basel III and macro prudential policies in developing countries: A new framework or a familiar agenda?" Mimeo. Banca d'Italia. May 2011.

Miles, David, Jing Yang and Gilberto Marcheggiano (2011). "Optimal bank capital". Bank of England. Discussion Paper No. 31: revised and expanded version.

OECD, 2011a. *Economic Outlook*. No. 89, June 2011.

OECD, 2011b. "What is the economic outlook for OECD countries? An interim assessment". 8 September 2011.

Palais Royale Initiative, 2011. "Reform of the international monetary system: A cooperative approach for the twenty first century". 8 February 2011.

Reddy, Y. V., 2011. *Global crisis recession and uneven recovery*. New Delhi, India: Orient BlackSwan.

Reuters, 2011a. "Services data stir euro recession worry". By Mark Felsenthal and Jonathan Cable. 5 October 2011. http://www.reuters.com/article/2011/10/05/us-global-economy-wrapup-idUSTRE7941GD20111005 (accessed 6 October 2011).

Reuters, 2011b. "Obama's jobs bill falls to pieces in Congress". By Andy Sullivan and Laura MacInnis. 3 October 2011. http://www.reuters.com/article/2011/10/03/ us-usa-jobs-obama-idUSTRE79247Y20111003 (accessed 4 October 2011)

Shin, Hyun Song, 2011. "Global liquidity". Remarks at the IMF conference on "Macro and Growth Policies in the Wake of the Crisis". Washington DC, 7-8 March 2011. http://www.imf.org/external/np/seminars/eng/2011/res/pdf/hsspresentation.pdf (accessed 29 September 2011).

UNCTAD, 2011. *Trade and Development Report 2011*.

United Nations, 2009. "Report of the commission of experts of the president of the United Nations General Assembly on reforms of the international monetary and financial system". 21 September 2009.

Wall Street Journal, 2011. EU presidency: EU strongly supports capital controls framework". http://online.wsj.com/article/BT-CO-20110924-700981.html (accessed 6 October 2011).

Zhou, Xiaochuan, 2009. "Statement on reforming the international monetary system". 23 March 2009. http://www.cfr.org/china/zhou-xiaochuans-statement-reforming -international -monetary-system/p18916 (accessed 6 October 2011)

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

Macroeconomic Policy and Development Division
MPDD POLICY BRIEFS
No. 7, March 2011

Rising food prices and inflation in the Asia-Pacific region: causes, impact and policy response

High food prices have put increasing inflationary pressures across the Asia-Pacific region and are seen as a key downside risk to sustaining recovery in 2011. Bad weather in important food-producing countries, increasing use of crops in biofuels and speculation in commodity markets have added to a long-term decline in agriculture investment and affected global food supplies. In 2010, high food prices kept 19.4 million people in poverty in the region, who otherwise would be out of poverty. Estimates considering different scenarios for the year ahead suggest that high food and oil prices may slow down poverty reduction even further affecting from 10 to 42 million additional people and postponing the achievement of the MDG on poverty reduction by half a decade in many countries, including Bangladesh, India, Lao Peoples Democratic Republic and Nepal. This policy brief outlines short-, medium- and long-term policy responses and interventions that governments and central banks in the region can make to counter the adverse impact of food inflation in the Asia-Pacific region.

Introduction

In the Economic and Social Survey of Asia and the Pacific 2010: Year-end Update, attention was drawn to the incidence of increasing inflationary pressures across the region, which was considered to be a key downside risk to sustaining recovery in the region in 2011. As of March 2011, inflationary pressures are already firming up and could exceed forecasts (see table 1).

In fact, China, Indonesia, Malaysia, Pakistan, the Republic of Korea, Singapore, Sri Lanka, Taiwan Province of China, Thailand and Viet Nam are all experiencing unexpected price pressures to varying degrees driven by higher prices of food items which constitute the single most important component of the consumption basket (from 30 to 40 per cent) over much of the region.

Within the region, the South Asian countries are the hardest hit in this regard with inflation rates either close to, or above, double digits for 2010 and likely to go up further if food prices are taken as an early warning signal. Elsewhere, rates of inflation are still relatively low. But, in a pattern similar to the sharp rise in food prices in 2008 the global economy appears to have entered another phase of higher commodity prices, especially of food and non-food agricultural commodities. There is consequently a real concern that the risk of higher general inflation in the region is looming on the horizon.

The FAO Global Food Price Monitor of 3rd March 2011 (see figure 1) shows that at end-February 2011 food prices had risen for the eighth consecutive month and stood more than 5 per cent higher than in their 2008 peak. Wheat prices were some 59 per cent above their level of a year before, cooking oil 65 per cent and sugar 16 per cent (sugar prices dipped in mid-2010 but have since risen some 94 per cent) Wheat prices have also increased sharply - 77 per cent year on year. Only rice prices were broadly unchanged compared to a year earlier.

It is important to note that global price trends can mask wide divergences in different parts of the world; more particularly in individual countries where local conditions, such as poor logistics, can make such problems far more acute. Thus, for instance, the price of wheat and its products, which are the main staple foods in many North and Central Asian countries accounting for half or more of the total dietary supply, has increased from 14% in Yerevan to as much as 107% in Dushanbe. Increases in price were in general lower in the case of rice, which is staple food in East, South and South-East Asia, but rises in local prices

Table 1. Selected economies of the ESCAP region: inflation, 2008-2011

(Percentage)

	Inflation			
	2008	2009	2010	2011
East and North-East Asia	5.4	0.0	3.0	3.7
China	5.9	-0.7	3.3	4.0
Hong Kong, China	4.3	0.5	2.4	3.5
Republic of Korea	4.7	2.8	3.0	3.6
Taiwan Province of China	3.5	-0.9	1.0	1.5
South and South-West Asia	11.4	11.0	10.3	7.7
Bangladesh	9.9	6.7	7.3	7.2
India	9.1	12.4	11.0	5.8
Nepal	7.7	13.2	10.7	8.0
Pakistan	12.0	20.8	11.7	15.5
Sri Lanka	22.6	3.4	5.9	7.8
South-East Asia	8.8	2.3	4.0	4.8
Indonesia	10.1	4.8	5.1	6.2
Malaysia	5.4	0.6	1.7	3.0
Philippines	9.3	3.2	3.8	4.4
Singapore	6.6	0.6	2.8	3.3
Thailand	5.5	-0.8	3.3	3.5
Viet Nam	23.1	6.9	9.0	9.9

Sources: ESCAP, based on national sources; IMF, International Financial Statistics online (Washington, D.C., March 2011); ADB, Key Indicators for Asia and the Pacific 2010 (Manila, 2010); CEIC Data Company Limited; and ESCAP estimates.

are already substantially higher in Bangladesh, Indonesia, Lao People's Democratic Republic and Viet Nam (see table 2) than price rises in other crops or in other countries.

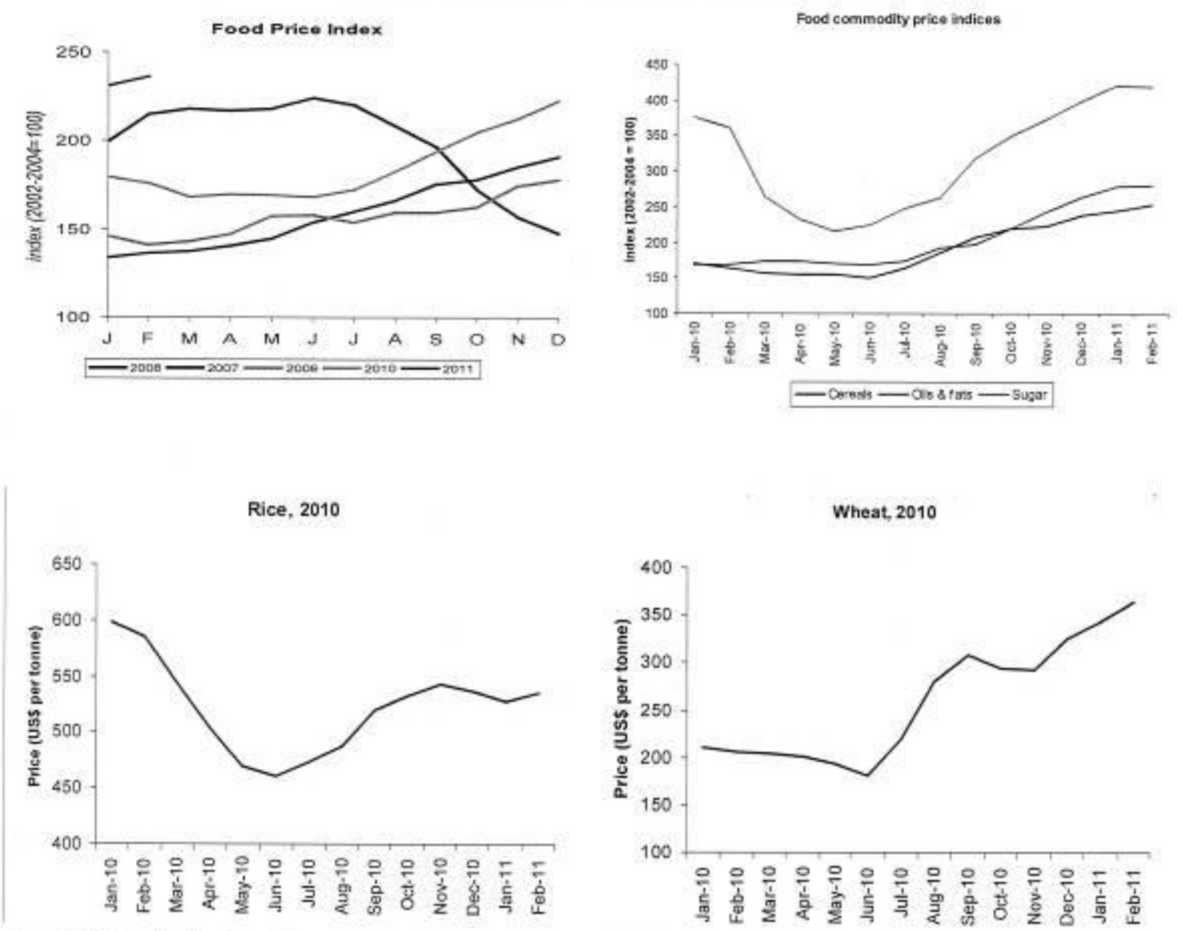
Rising food prices in the developing countries are a result of complex phenomenon with wide-ranging spill-over effects and risks not only for inflation but for the economy as a whole. Particular commodities, say, lentils and vegetables, within the overall category of food cannot be isolated from what is happening to important staples like wheat and rice or to a critical economy-wide input like oil. Rising wheat prices invariably exert an upward pressure on wages, the latter being informally indexed to the former, and higher wages inevitably have an impact on the production costs and hence on the consumer prices of other food items in the consumption basket, not to mention a range of non-food items where labour costs are the principal element in overall costs. Above all, higher oil and energy prices have a major impact not only via the relevant logistics for each commodity (like the cost of bringing it to market) but through their knock-on effects on the prices of fertilizers and agricultural chemicals. Food prices are thus a crucial element in a country's macroeconomic stability.

Causes of Inflation

While inflation is primarily an economic phenomenon, it is heavily laced with politically driven exigencies. Hence, in isolating the specific causes of individual episodes of inflation there is a strong temptation to blame the phenomenon purely on past policy errors rather than examine structural changes occurring in particular economies and their impact on prices.

While such post mortem analyses can reveal much, their real purpose should be to prevent the recurrence of such errors in the future. In the context of policy errors it would be well to concede that some countries have historically tended to have a rather more relaxed approach to inflation than others; in others the precise meaning of price stability has tended to vary. It is noteworthy, too, that inflation has been conventionally considered to be primarily a monetary and, hence, demand-driven phenomenon in the developed countries. In developing countries, it has often been regarded as an unavoidable consequence of the pursuit of development itself.

Figure 1. Food price indices and selected commodity prices



Sources: ESCAP, based on data from FAO, available from http://www.fao.org/ worldfoodsituation/FoodPricesIndex/en/ (accessed March 2011); and UNCTAD, Free market commodity prices, monthly, available from http://unctadstat.unctad.org/ TableViewer/tableView.aspx?ReportId=107 (accessed 30 March 2011).

Table 2. Price change of staple food in major cities of selected Asia-Pacific countries

Country	% price change (real terms)	% of Dietary Energy Supply	Staple
Armenia	14	48	Wheat
Bangladesh	17	71	Rice
China	8	27	Rice
Georgia	69	50	Wheat
Indonesia	16	51	Rice
India	8	21	Wheat
	6	30	Rice
Kyrgyzstan	31	49	Wheat
Lao People's Democratic Republic	20	64	Rice
Mongolia	38	42	Wheat
Nepal	11	34	Rice
Tajikistan	107	58	Wheat
Viet Nam	34	62	Rice

Source: ESCAP secretariat based on data from FAO GIEWS National basic food prices

Invariably, changes in international prices are driven by demand-supply imbalances in global food markets. Declined production of cereals in 2010 in face of growing demand is expected to push stocks down – from 23% in 2009/10 to 21% of world stock-to-use ratio in 2010/11, which is closer to 2007/08 levels (figure 2). Supply-demand balance of wheat is also expected to be tightened from 30% in 2090/10 to 28% of world stock-to-use ratio in 2010/11, but rice production is expected to increasingly exceed demand and increase the world stock-to-use ratio from 28.5% in 2009/10 to 30% in 2010/11. When considering major exporters' stock-to-disappearance ratio, which measures the ratio of supply to domestic demand plus exports, the prospects for 2010/11 are for tightened supply and demand balances of wheat, rice and cereals in general.

It would be appropriate to begin by looking at the short- and long-term factors that have contributed to the current demand-supply imbalances in global food markets. Over the short term, bad weather in important food producing countries have affected global food supply and created the conditions for high food prices. Droughts and floods in major producers of wheat in Asia-Pacific, who together are responsible for almost half of global production, have affected 222 million people and caused an estimated damage of US$ 35 billion, which includes lost crops.

Last years' export restrictions in a variety of countries also have undoubtedly had an impact on global food supplies, primarily wheat and rice but also oilseeds and cooking oil. For example, in June Bangladesh extended the country's rice export ban until December, in October Kazakhstan banned the export of certain types of oilseeds, vegetable oils and buckwheat, and in August Pakistan deferred the partial lift on wheat export ban after summer floods destroyed at least 725,000 tonnes of grain.[1] In addition, it would be worth mentioning that these supply shocks have come as reinforcements of a longer-term decline in the growth rate of yields of food crops virtually all across the globe. Following the "Green Revolution" of the 1960s yields of major food crops had grown at an average of 2.1 per cent right up to 1990. But, between 1990 and 2005 incentives for investment in agriculture weakened markedly and the growth rate of yields declined to 1.2 per cent.

Private investment understandably lost impetus in the face of declining real commodity prices; however, it was not off-set by greater public sector spending on public goods such as agricultural research, rural infrastructure, education and health. Moreover, production of ethanol from maize for use in biofuels accounting for over 10 per cent of global total maize production in 2007, around 86 million tons, had already made a bad situation worse in maize and in other foods via its substitution effects as consumers of maize switched to other crops and bid up their prices in the process.

While it is the case that it is supply shocks that have primarily led to higher prices in the Asia-Pacific region, and in South Asia in particular, the impact of demand factors should not be relegated entirely into the background. The latter would normally tend to hold sway when the overall growth of demand exceeds the underlying trend rate of output growth of the economy. As supply responses to demand hikes are usually possible only with a time lag there is every likelihood that the injection of extra liquidity in the economy (monetization of the fiscal deficit, exchange rate depreciation) would lead to an upward adjustment in prices. Broadly speaking, however, experience of several countries suggests that such first round effects can be confined and are unlikely to lead to more generalized upward pressure on prices in the region. In that case, how has recent speculative activity impacted on inflation? [2]

As of end-2010, there is considerable evidence that over the previous two years speculation in the commodity markets has increased and has led to greater short term price volatility. This volatility is causing consumers to indulge in panic buying and hoarding of staples like wheat flour, rice, sugar and cooking oil and for some countries to ban the export of wheat and other items. The consensus among analysts is that speculation-driven volatility has almost certainly added to the pressure on prices by encouraging consumers to hoard.

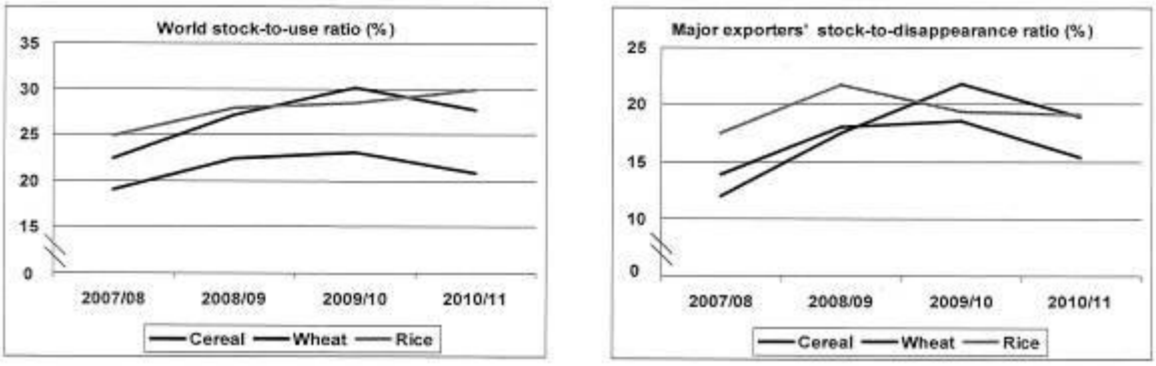
It is important to emphasise that there is nothing inherently wrong with speculation in commodity markets, nor is speculative activity a new phenomenon in these markets. Speculation in the futures markets, whether in financial assets or commodities, assists in the price discovery process and provides buyers with access to supplies according to their requirements spread over time at pre-determined prices. What appears to have happened of late is the much larger volume of funds being directed into commodity market speculation, a result of the massive increase in global liquidity emanating from the developed countries through monetary easing. Most market analysts are of the view that while speculation is not a driver of commodity prices in itself it is a factor that can accelerate and amplify underlying price movements.

As stated earlier, empirically it is supply factors bearing upon food that have caused food prices and more generalised price pressures to emerge and then remain entrenched in the economies of the region, particularly in

1 FAO Country Policy Monitoring

2 Goyal Ashima (2011). "Inflationary Pressures in South Asia", MPDD Working Paper Series (WP/11/14).

Figure 2.



Source: ESCAP, based on data from FAO - World Food Situation

South Asia. As we know, long-run aggregate supply in most developing countries is fairly demand-elastic but it has been subject to frequent negative price shocks. It appears, too, that demand additions or contractions have tended more to amplify these shocks, not create them in the first place. Most economies of the region are primarily supply constrained in that inefficiencies on the supply side perpetuate chronic demand-supply imbalances on the output side and these are translated into temporary upward shifts in prices. Indeed, the food price wage cycle is a major mechanism propagating price shocks and creating inflationary expectations in the region. The following examples shed light on the phenomenon.

In China, consumer prices rose by 3.3 per cent in 2010 and it is estimated that around three quarters of China's inflation is the result of higher food prices but unlike 2008 disruptions to food supplies have been minimal in 2010. The current bout of food inflation therefore reflects stronger demand rather than weak supplies in China. If this diagnosis is correct then an improved supply response in the coming months should ease price pressures in the country. However, recent surveys of households by the People's Bank of China, the central bank, indicate that inflationary expectations are at their highest for over a decade and to the extent that they are causing consumers to buy more than their immediate needs such expectations may be difficult to shift over the short term.

In India, food inflation is aggravated by problems with logistics but there is evidence, too, that a poor overall supply response to increasing demand over a period of time has been the principal culprit in the matter. One recent estimate indicates that an almost 40 per cent rise in disposable incomes since 2005 has created an extra 220 million consumers of milk, eggs, meat and fish. But supplies have simply not been able to keep pace with the additional demand.

The examples of China and India apply with only minor modification virtually across the region. It is true that in richer economies like Malaysia, the Republic of Korea, Singapore and Taiwan Province of China higher food prices will not automatically translate into higher overall inflation as the share of food in household spending is much smaller in these economies than in South Asia. But, there is evidence that the increase in price pressures even in these economies is being driven by higher food prices along with their wider spill-over effects. In economies like Pakistan, Indonesia, Sri Lanka and Viet Nam, for example, inflation rates are going up driven mainly by higher food prices.

Impact of Inflation

There is little argument that inflation has profound and wide-ranging social and economic impacts, the most fundamental of which is a reduction in food security and an increase in poverty in developing countries. Rising prices of staple food affects the poor in two ways, conditional on their status as net sellers or net buyers of staple food. It increases the income of households that are net sellers and add to the hardship of poor households that are net buyers. That is because they have to spend a larger share of their income on essential food and less is left for other food items, which are important as complementary sources of energy and nutrients, and non-food items, including health and education. In general, unexpected rises of staple food prices have such immediate negative effect on the urban poor since the majority of them are net buyers. But the same is true even in rural areas – for example, studies of rural income generating activities found that 91% of the rural poor in Bangladesh in 2000 were net buyers of main staple food.[3]

It is still early at this stage to have empirical evidence of the impact of the recent rise of food prices on poverty. However, it is possible to estimate the magnitude of such impact at the regional level by using data on staple food prices in domestic markets in 2010. ESCAP Economic and Social Survey 2011 (forthcoming) estimates considered 27 countries in Asia-Pacific, that together are home to 96% of the total population of developing Asia-Pacific. When information on the change of prices in the domestic markets was not available, information on the international prices of commodities and the the share of the imports of staple food in total consumption was used to estimate the price change. Based on these data on price changes and information on the distribution pattern and level of consumption from household surveys, it is possible to estimate the effect on mean consumption expenditures and hence on rates of

3 FAO (2008). Soaring food prices: facts, perspectives, impacts and actions required. Document for high-level conference on world food security: The challenges of climate change and bioenergy. (Food Agriculture Organization of the United Nations).

Table 3. Droughts and floods in major staple food producing countries in Asia-Pacific

Country	Start	End	Location	Tot. Affected	Est. Damage (US$ Million)
			Drought		
China	Oct-09	May-10	Yunnan, Guizhou, Sichuan, ...	60,000,000	2,654
Russia	Apr-10	Aug-10			1,400
			Floods		
China	6-Jun-10	6-Jun-10	Haikou, Sanya, Qionghai, ...	130,000	6
	21-Aug-10	21-Aug-10	Dandong city, Liaoning ...	64,000	
	13-Aug-10	16-Aug-10	Longnam, Tianshui cities ...		
	Jul-10	Aug-10	Jilin province	8,000,000	
	Jun-10	Aug-10	Fujian, Sichuan, Guangxi ...	134,000,000	18,000
India	15-Nov-10	7-Dec-10	Chennai, Cuddalore, Nagap ...		
	9-Sep-10	9-Sep-10	Punjab, Haryana,...	12,500	
	18-Sep-10	30-Sep-10	Almora, Nainital...	5,267,105	
	8-Sep-10	17-Sep-10	Lakhimpur (Assam state)	30,000	
	6-Aug-10	8-Aug-10	Leh Bus Stand, Choglamsa ...	225	
	8-Jul-10	15-Jul-10	Jhapa district	523,000	
	13-Jul-10	13-Jul-10	New Delhi		
	18-May-10	24-May-10	Andhra Pradesh	60,000	
	5-Jul-10	13-Jul-10	Haryana's Ambala and Kuru ...	623,000	
Russia	3-Dec-10	3-Dec-10	Oural, Siberia, Moscow	11	
	Jun-10	Aug-10	Moscow, Volgograd, Lipesk, ...		400
	1-Jan-10	26-Jan-10	Moscow, St Petresbourg, ...		
	16-Oct-10	16-Oct-10	Tuapsinskoye, Dzhubskoye, ...	46,214	
	22-Mar-10	28-Mar-10	Kividensky, Novoannensky, ...	3,250	
Pakistan	28-Jul-10	7-Aug-10	Khyber Pakhtunkhwa, ..	18,102,327	9,500
	21-Jul-10	23-Jul-10	Barkhan district; Balochi ...	4,000	
	22-Jun-10	24-Jun-10			
	8-Feb-10	9-Feb-10	Swat, Shangla, Kohistan, ...		
Australia	25-Dec-10	3-Jan-11	Queensland...	200,000	
	27-Nov-10	6-Dec-10	Wagga region...	1,000	
	1-Sep-10	15-Sep-10	Victoria state; Gippsland ...	10,000	
	28-Feb-10	17-Mar-10	Brisbane, Charleville, ...		109
	13-Feb-10	16-Feb-10	New South Wales		
Kazakhstan	17-Mar-10	24-Mar-10	Tarbagerty, Abay, Kurchum ...	13,000	
	Feb-10	Mar-10	Karaisai, Zhambyl, Ili, ...	16,200	35
TOTAL				222,994,910	35,133

Source: ESCAP, based on data from EM-DAT: The OFDA/CRED International Disaster Database - www.emdat.be - Université Catholique de Louvain - Brussels - Belgium.

poverty. In addition, the likely effect of high oil prices on GDP growth was also taken into consideration, since it is expected to slow down the rate of poverty reduction.

ESCAP estimates that high food prices in 2010 and the onset of high oil prices in 2011 may make countries in Asia-Pacific region face a one-year delay in the achievement of the MDG on poverty reduction. The high prices have prevented 15.6 million people in the region to get out of poverty and have pushed other 3.7 million below the poverty line – totaling 19.4 million people in poverty, who otherwise would be out of poverty. Given the Asia-Pacific economic dynamism, the effect of the rise of prices for staple food on poverty was not an increase in the total number of the poor, which could have happened if the increase in prices was even higher, but it was a slowdown in the rate of poverty reduction.

Given the onset of high oil prices and the continued increase in food prices in 2011, estimates of further impact on poverty were produced considering three scenarios (see table 4). In the first scenario, if the rise in prices continues in 2011 at half rate of 2010 and the average oil price reaches $105, there will be a slowdown in the rate of poverty reduction in the region with 9.8 million people affected – of whom 8.3 million would be prevented to get out of poverty while an additional 1.5 million people would be pushed into poverty. If prices in 2011 rise at the same rate as in 2010 and the average oil price reaches $115, a more pessimistic scenario, the resulting slowdown of poverty reduction is expected to affect 20.2 million people – of whom 15.1 million people would be prevented to get out of poverty while an additional 5.1 million people would be pushed into poverty. In an alternative scenario of further increase in food inflation and oil prices, with staple food prices in 2011 rising at twice the 2010 rate and average oil price reaching $130, the total number of the poor in the region is expected to actually increase with 42.4 million people affected – of which 24.6 million people would be prevented to get out of poverty and 17.8 million would be pushed into poverty. In all three scenarios, the larger effect is expected to be in preventing people to move out of poverty and the impact is to be higher in rural areas where the majority of the poor lives.

If something similar to scenario 3 actually happens in 2011, the achievement of the MDG on poverty reduction may be postponed by half a decade in many countries of the region, including Bangladesh, India, Lao People's Democratic Republic and Nepal.

Inflation and in particular high volatility of inflation, therefore has major economic and social impacts that have to be dealt with decisively by governments. High inflation volatility increases uncertainty, undermines the signaling function of relative prices in the economy and shortens the time horizon for investment decisions. For households and corporations, it devalues savings in a financial form and increases the propensity to consume.

Table 4. People affected considering possible staple food price scenarios (Millions)

	Scenario 1 Staple food inflation in 2011 half the 2010 rate & $105 oil price			Scenario 2 Staple food inflation in 2011 same as in 2010 & $115 oil price			Scenario 3 Staple food inflation in 2011 twice the 2010 rate & $130 oil price		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Pushed into poverty	0.1	1.3	1.5	1.5	3.7	5.1	3.9	13.9	17.8
Prevented to get out of poverty	1.9	6.5	8.3	2.6	12.5	15.1	3.6	21.0	24.6
Total	2.0	7.8	9.8	4.1	16.2	20.2	7.6	34.8	42.4

Source: ESCAP secretariat based on data from FAO GIEWS website and World Bank's Global Income Distribution Dynamics (GIDD) dataset.
Note: Values may not sum to total due to rounding.

Policies for meeting the challenge of Inflation

Policies for dealing with inflation can be divided into short and medium to long term time frames. Short term policies would be relevant in the immediate aftermath of a temporary supply shock; medium to long term policies would be needed to respond to a chronic inability for supplies to match demand and to boost overall productivity trends in the economy, especially in the production of staple foods. In addition, policies would be needed to devise a more sustainable and coherent national and regional, if not global, framework of incentives, cropping patterns, management of scarce inputs such as water against the need for food security at a national level balanced against the global challenges of climate change and environmental degradation. The following paragraphs examine the policies from each time perspective.

Short-term

Examples of shocks that raise domestic prices are floods, droughts and the effects of sudden increases in international energy prices. These have been dominant inflation triggers in the region but especially so in South Asia. Mild monetary tightening by the central bank after a temporary shock can prevent inflationary expectations from becoming entrenched. Moreover, experience suggests that a first round price increase from a supply shock can be accommodated but second round wage-price increases need to be countered with stronger measures even at the cost of some output losses. Keeping the nominal exchange rate stable can prevent complex domestic price distortions from setting in.

Social protection programmes can also be used to protect the poor and vulnerable against episodes of soaring commodity prices. As during the food price crisis in 2008, many countries have now used their social protection programmes or instituted additional emergency responses to the current high food prices. Countries have implemented food safety net programmes; others have provided cash assistance to poor households. These measures have been effective in tackling the emergency and minimizing the likelihood of social upheaval. They highlight the importance of the development of comprehensive social protection systems that are in place before crises strike.

There are other short-term measures, such as lower tax and tariff rates, freer imports and having bigger food stocks, that a government can put in place to lessen the impact of temporary shocks. It is important, however, to stress that short-term policies will work only for temporary shocks. Medium or long term structural imbalances would require a productivity response.

Medium to long-term

A key medium to long-term policy response is to give priority to boosting the agriculture sector and agricultural productivity. A fundamental reason for chronic supply-driven inflation is that real wages tend to exceed labour productivity even in economies with high unemployment and/or under-employment. The solution is not to seek to reduce or restrain wages but to raise both total factor and labour productivity, especially in agriculture, by reversing the neglect of agriculture in public policy over the past two decades through better price incentives, refocusing on agricultural research and extension programmes and easier access to credit.

Higher agricultural productivity is especially important because, as stated earlier, food prices have been proven to be a critical inflation trigger. If a rise in agricultural productivity reduces food and therefore aggregate inflation, the nominal exchange rate can appreciate, bringing the real exchange rate closer to the target real exchange rate and thus close the gap between them. Even a rise in the productivity of non-traded goods can shift the target real exchange rate upwards and the nominal wage target can be satisfied at a lower exchange rate. Higher productivity increases the real wage and exchange rates compatible with low inflation, thus breaking down the inflation propagation mechanism. Rising productivity can also increase the level of foreign capital inflows that can be safely absorbed and thereby allow investment to exceed domestic savings.

Developing countries in the region need to reform overall food policies given the recent upsurge in food inflation. In the past, East Asian developing countries succeeded in moderating food inflation by focusing on raising agricultural productivity. In South Asia productivity has failed to keep pace with rising demand. Even the creation of large food stocks for use in public distribution systems has failed to mitigate price surges resulting from periodic supply shocks.

Judging from the experience of India, the efficacy of public distribution systems in the region needs to be greatly enhanced. These systems should ideally strive to focus only on the poorest households. And, wherever possible, public resources need to be shifted from subsidizing consumption to boosting agricultural productivity. Such a shift can be facilitated by a sustained programme of public education and through the use of better designed extension programmes in the rural areas.

Supportive international partnership

International cooperation on commodity markets

Developing countries should seek to find new ways to respond to spikes in food and commodity prices. The effects of policies such as quantitative easing in the developed countries that will almost certainly drive up prices across asset categories in the developing countries need to be countered. One such category is the commodity markets. As far as speculation in these markets is concerned, futures trading clearly serve a useful purpose, helping output responses, improving information for producers and facilitating the hedging of risks. The answer is not to ban such trading outright but to improve its underlying working. For instance, one country or market with lighter regulatory standards can affect others, especially during irrational periods of fear or hype. Regulatory arbitrage occurs in response to uncoordinated, selective tightening of regulations by national authorities. Regulations, information, transparency, consultation and coordination, all need to improve in the commodity markets in order to reduce volatility. In particular, it is important that unregulated derivatives trades be carried out in public exchanges and that speculative position limits (total number and value of contracts for a given commodity) be established and applied equally to all investors.

Instruments such as futures contracts and options allow producers and consumers of food to transfer risks to financial investors. For that purpose, ESCAP has argued, that national and regional commodity exchanges might be developed as pilot projects, with the intention of scaling them up in the future. Such projects, given their inherently complex and risky nature, would need to be complemented by intensive capacity-building programmes and with an appropriate multilateral regulatory regime to prevent excessive speculation and volatility. It should be possible to devise mechanisms that provide adequate counter-cyclical liquidity to soften commodity price shocks. The objectives of policy should be to create the right institutional support and incentives to this end.

Regional, South-South and triangular cooperation on knowledge transfer

At the regional level, food banks could act as food security reserves during normal time food shortages and emergencies. An example is a permanent East Asia Emergency Rice Reserve being discussed by ASEAN+3 as a follow-up to its ongoing East Asia Emergency Rice Reserve Pilot Project. The pilot project, which has been in existence since 2004, is a mutual assistance system to share rice stocks among the 13 countries of ASEAN+3 and to contribute to price stability of rice in the region. Another positive initiative has been the SAARC Food Bank, which was agreed in 2007, that aims to provide support to national food security efforts, foster regional integration and solve regional food shortages through collective action.[4]

Imbalances in global supply and demand of food could be minimized if today's net import countries, particularly least developed countries in Africa and Asia, improve their agricultural productivity. South-south and triangular cooperation on knowledge and technology transfer can play a key role towards such objective. For example, the system of institutes of the Consultative Group on International Agricultural Research (CGIAR), which includes the International Rice Research Institute (IRRI) in the Philippines and the International Crop Research Institute for Semi-Arid Tropics (ICRISAT) in India, have generated new knowledge and technology in agriculture and made it available to national agricultural research systems for adaptation to their geoclimatic conditions. One recent success story in agricultural transformation based on knowledge through international cooperation is the New Rice for Africa (NERICA) programme of the West African Rice Development Association (WARDA; renamed the Africa Rice Center). In 1994 NERICA developed a new rice variety combining the best traits of African and Asian rice varieties. As a major collaborative project, it involved institutions in 17 African countries and the CGIAR with support from the Japanese Government and other multilateral donors. As a result of the growing demand for NERICA rice, cultivated areas are being extended to 210,000 hectares in West and Central Africa, exposing more than 1.7 million African farmers to the new crop and associated technologies. African rice production has increased to 744,000 tons per year with savings of $88 million in rice imports. South-south and "triangular" cooperation are ought to play an equally important role in fostering the second green revolution in Asia and the Pacific.[5]

4 ESCAP Economic and Social Survey of Asia and the Pacific 2009: Year-end Update.

5 ESCAP (2010). Economic and Social Survey 2010: Sustaining recovery and Dynamism for Inclusive Development, pp.154.

Conclusions

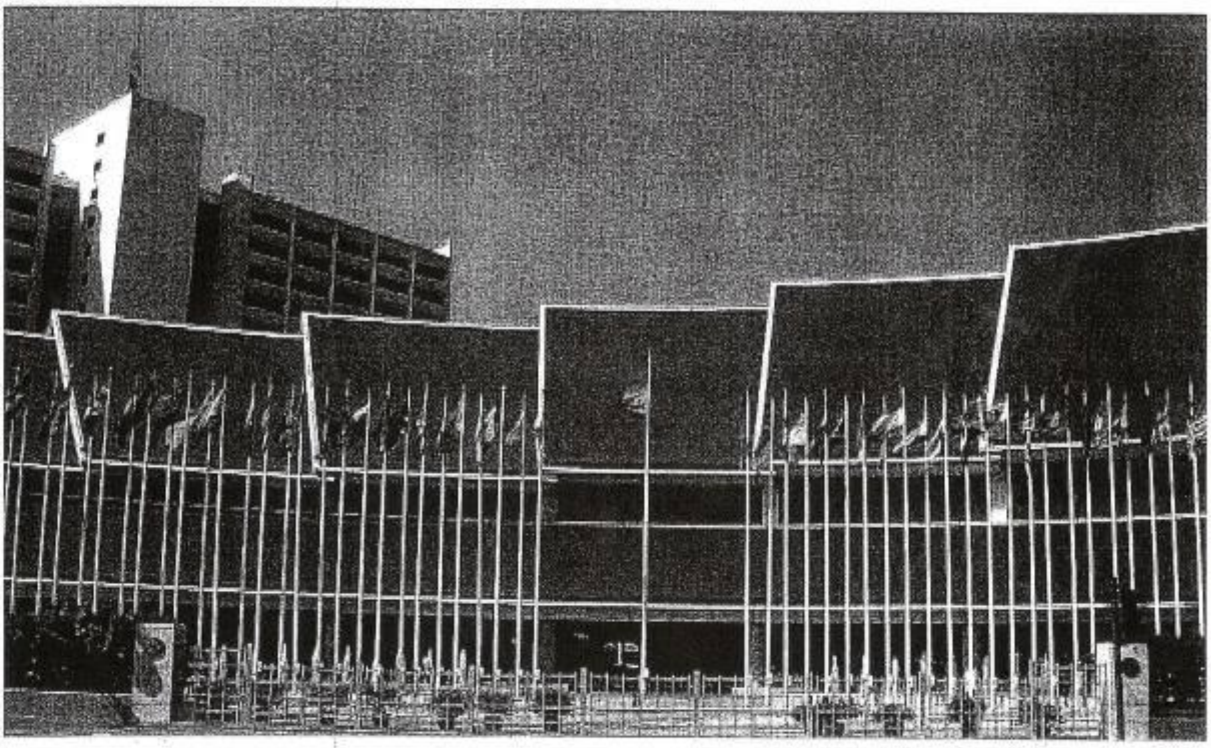
Given the strong link between food price inflation and overall inflation in the chain of causation the single most important policy initiative that developing countries in the region can adopt is to give priority to boosting the agriculture sector in the years ahead. Such an approach will not only increase the output of food and non-food crops but, as a bonus, reduce poverty as well. It needs to be borne in mind that despite migration to the cities, 80 per cent of the Asia-Pacific poor still reside in rural areas and lack access to adequate land, agricultural inputs, finance and markets to benefit from the higher food prices that have come about since 2008. This state of deprivation needs to be addressed in order to improve the food supply response and make growth more sustainable and inclusive.

ESCAP has also observed in the past that a prosperous rural economy depends not only on agriculture but also on non-farm activities, including agro-industries, commerce and other services. Such activities provide additional sources of income for rural households above and beyond agriculture. They also contribute to a more balanced pattern of rural development. Indeed, a more prosperous rural economy reduces incentives for rural-to-urban migration, easing pressures on urban infrastructure and the provision of public services in cities. Increasing food production is a fundamental objective not only to contain inflation in the short- and medium-terms but also for long-term sustainable development.

Finally, when faced with a temporary supply shock countries should avoid actions that meet national needs but make the problem worse for other countries. At the regional level, it is necessary to support mechanisms for improving emergency access to food through stock sharing and fewer restrictions on the release of stocks to other countries under emergency conditions. Over the long term, more serious efforts should be made to shift production of both food and non-food crops from agriculturally stressed areas in the region where arable land and water availability is declining to areas – even outside the Asia-Pacific region - where such pressures have not yet emerged.

The MPDD Policy Briefs Series aims at generating a forward-looking discussion among policy planners, researchers and other stakeholders to help forge political will and build a regional consensus on the needed policy actions and pressing reforms. This issue for the MPDD Policy Brief has been prepared by the Development Policy Section, Macroeconomic Policy and Development Division, ESCAP which is based on chapter 2 of the Theme Study on Financing an Inclusive and Green Future: A Supportive Financial System and Green Growth for Achieving the Millennium Development Goals in Asia and the Pacific (ESCAP, 2010). For further information on the Policy Brief, please contact Dr. Nagesh Kumar, Director, Macroeconomic Policy and Development Division, ESCAP (escap-mpdd@un.org)

www.unescap.org/pdd



Sustaining growth and development amid global uncertainties:

An Asia-Pacific perspective on the G20 Summit Agenda

Dr. Nagesh Kumar
Chief Economist
United Nations-Economic and Social Commission for Asia and the Pacific (ESCAP)

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

Outline

- Short-term responses to a deteriorating global economic environment
- G20 and the development agenda
- Addressing volatility of commodity prices
- Financial regulations
- Reform of international monetary and financial system

Deteriorating global economic environment

•Recovery has flagged for the advanced economies with the deteriorating debt crisis in Europe; sovereign debt issues and high unemployment rates **in the US**; and aftereffects of Tsunami in Japan.

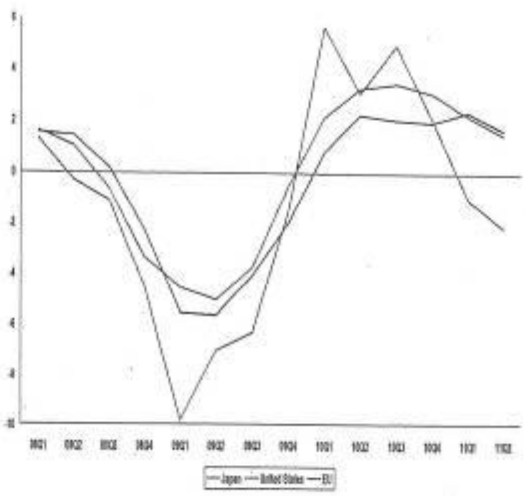
•A spectre of double dip is building up but unlike 2008/09,

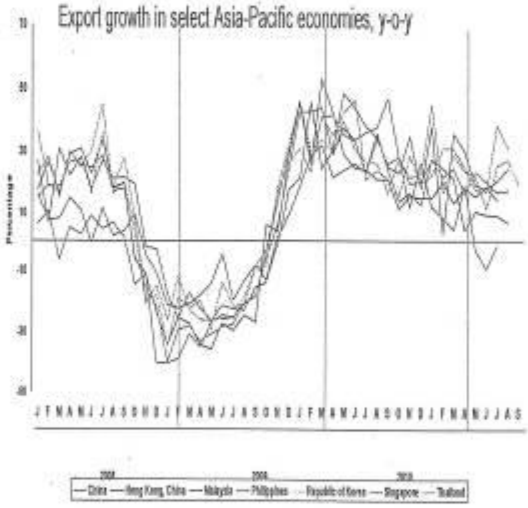
A key difference this time is that policy options for advanced economies are much more limited compared to 2008

•The slow down is already affecting the export growth of Asia-Pacific countries

•Supporting recovery should be an urgent concern of the Summit

Quarterly real GDP growth in advanced economies

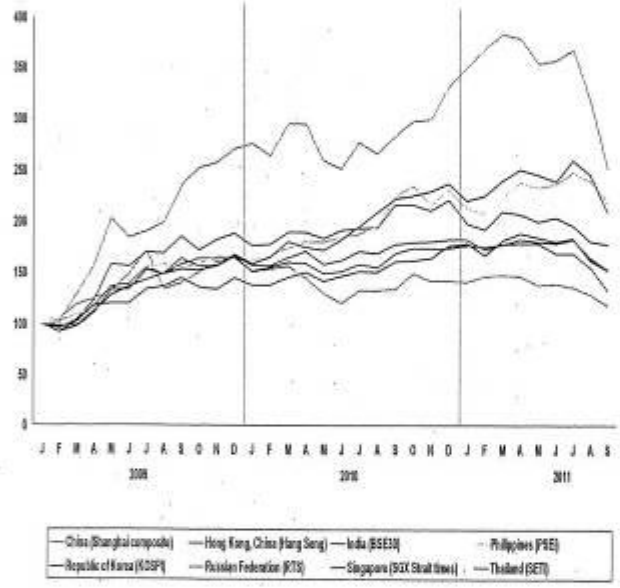




UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

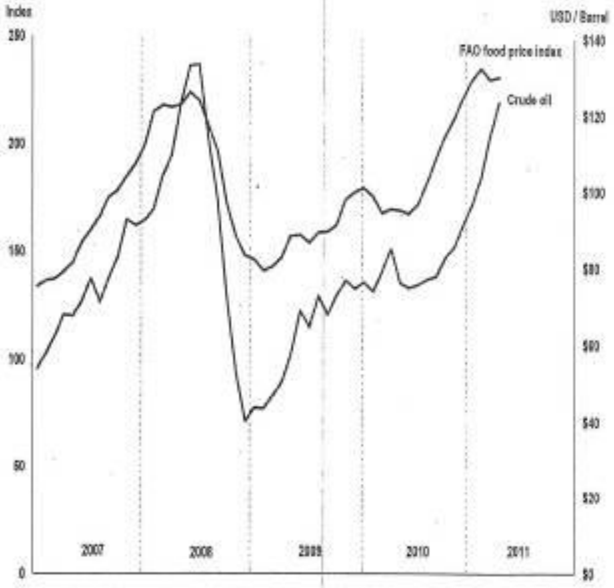
Managing volatile capital flows

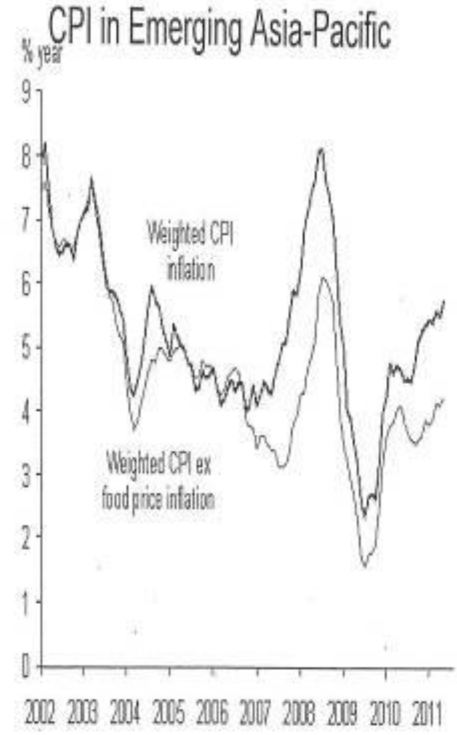
- Asia-Pacific deeply affected by volatile capital flows
- Bringing financial and exchange rate volatility
- Dramatic asset price rises during 2010-11, followed by their collapse in recent weeks
- Volatility of exchange rates, appreciation followed by depreciation



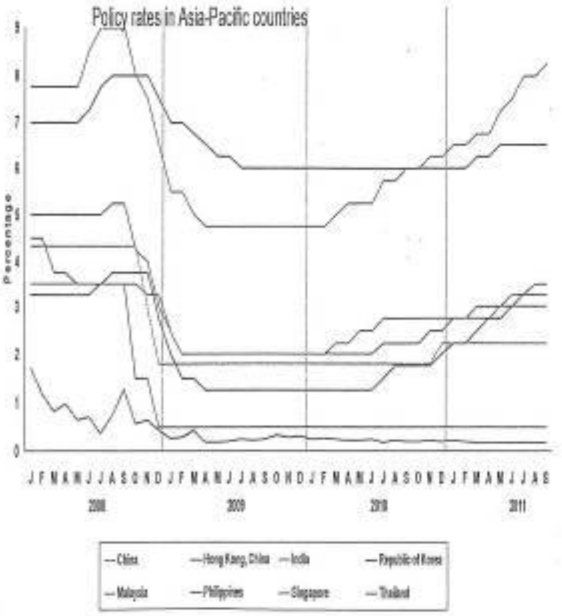
Developing countries should have the freedom to use capital controls, when needed

Rising oil and commodity prices





- Impact on poor: **ESCAP estimates additional 46 million people in poverty in Asia-Pacific region**
- **Caused by increasing financialization of commodity markets and speculative activity**
- Policy responses **in terms of monetary tightening**
- **Affecting pace of recovery with continued high prices**



UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

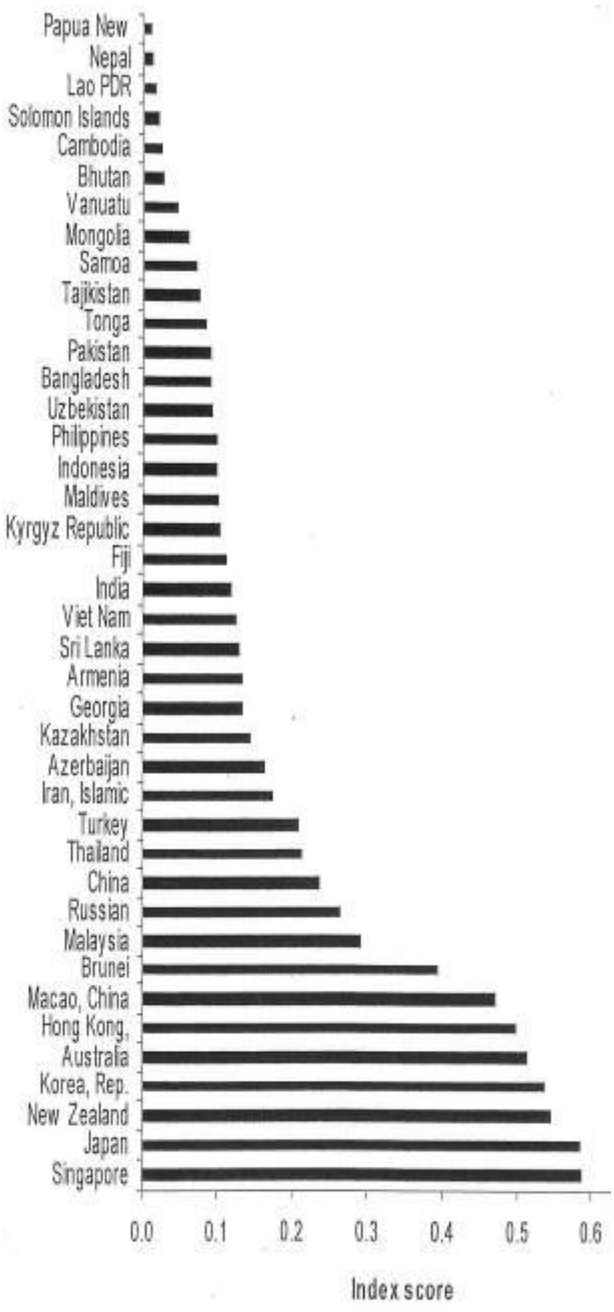
G20 and the Development Agenda

- Financial crisis as a structural break in the world economy
- Rebalancing Asia-Pacific economies and inclusive development is critical for sustaining their dynamism
- Challenge is to boost demand in the region to complement sluggish demand in developed countries
- Focus on inclusive growth and narrowing development gaps
  - **Agriculture productivity and rural development**
  - **Infrastructure financing**
  - **Job-oriented growth**
  - **Social protection**
  - **Financial inclusion**

Recycling Asian foreign exchange reserves for closing infrastructure gaps

- Asia-Pacific region is characterized by wide infrastructure gaps
- Huge investments to close them
- Region's foreign exchange reserves are larger than US$ 5 trillion
- Lack a well developed regional financial architecture does not allow them to be mobilized for region's development needs
- Important steps in monetary and financial cooperation are the Chiang Mai Initiative Multilateralization and Asian Bond Funds
- Need to develop the financial architecture beyond them to channel region's savings to infrastructure needs

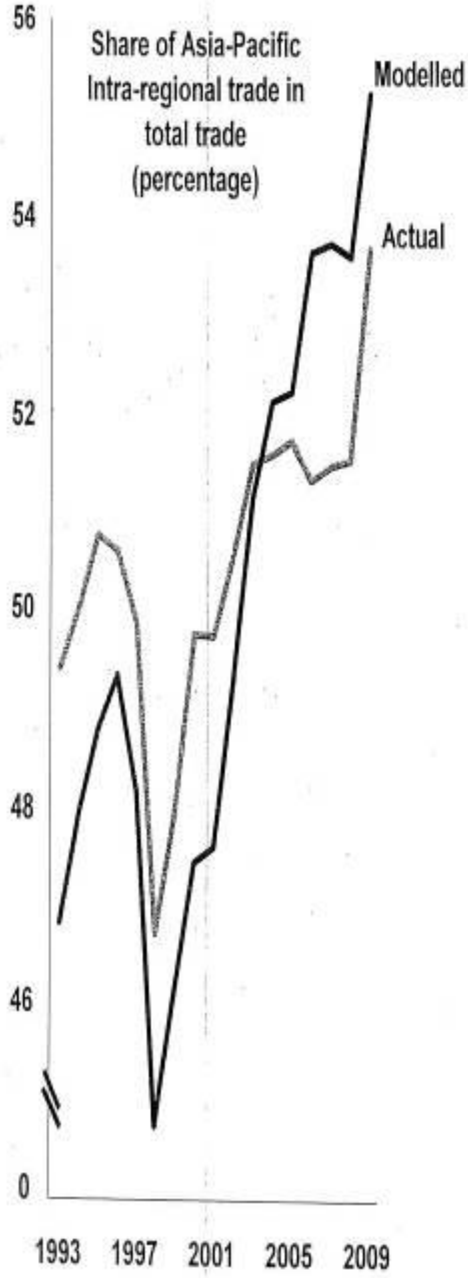
Infrastructure Composite Scores in Asia-Pacific, 2007



7

Exploiting the potential of regional economic integration

- Intra-regional trade has grown faster than region's global trade since 1998
- Estimates suggest that potential of intra-regional trade is much higher and is growing fast
- Intra-regional trade is driven by presence of trade complementarities.
- Considerable complementarities exist within and across AP subregions
- Complementarities are generally higher across subregions than within subregions
- Case for broader cooperation across subregions



8

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

International cooperation for curbing volatility in commodity markets and food security

- Food price volatility
  - transparency in the commodity markets
  - regulate commodity futures,
  - discipline conversion of food into biofuels
- Oil price volatility

  chegar a 1 consenso sobre o que é um preço justo para o petróleo
  - Negotiating a benchmark oil price and a price band
  - International strategic reserve
- Policy attention to agriculture sector and rural development to enhance farm productivity

Development-friendly financial regulatory regime

- Focus on banks capital adequacy norms (Basel III)
  - One-size-fits-all approach
  - Impact assessment for low income countries is needed of new capital adequacy rules
- Tax on systemically important financial institutions
- Business-as-usual for shadow banking sector
  - Need to curb excessive risk taking in the financial services sector

10

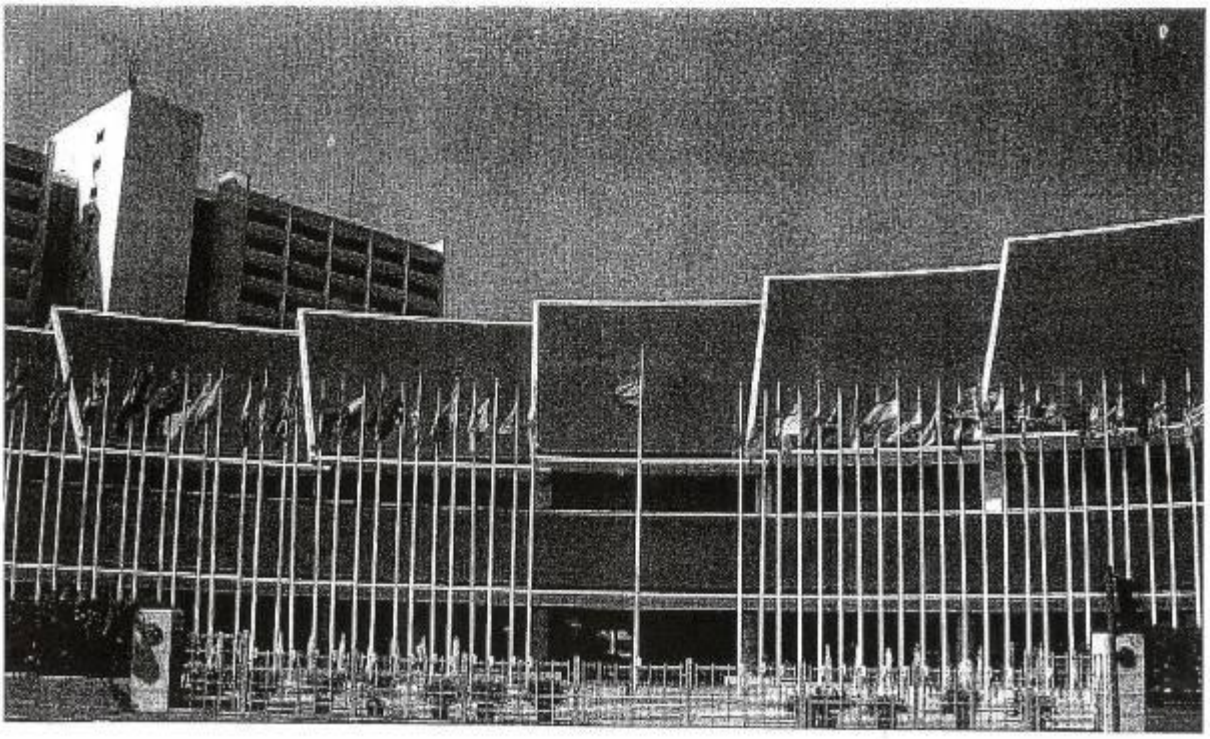
UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

Reform of International Monetary and Financial System

- Crisis prevention and management
  - Reform of IMF conditionality
  - Regional crisis response facilities: CMIM and beyond
- New global reserve currency
- Enhancing the scale of development finance

  International financial transactions tax
  - A new source of revenue for funding development
- Governance of international financial institutions
- Enhancing the inclusiveness of the G20 process

11



Thank you

www.unescap.org/pdd

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

High - Level Consultation on the G - 20 Cannes Summit
Perspectives from Asia - Pacific

11-12 October 2011,
United Nations Conference Centre, Bangkok, Thailand

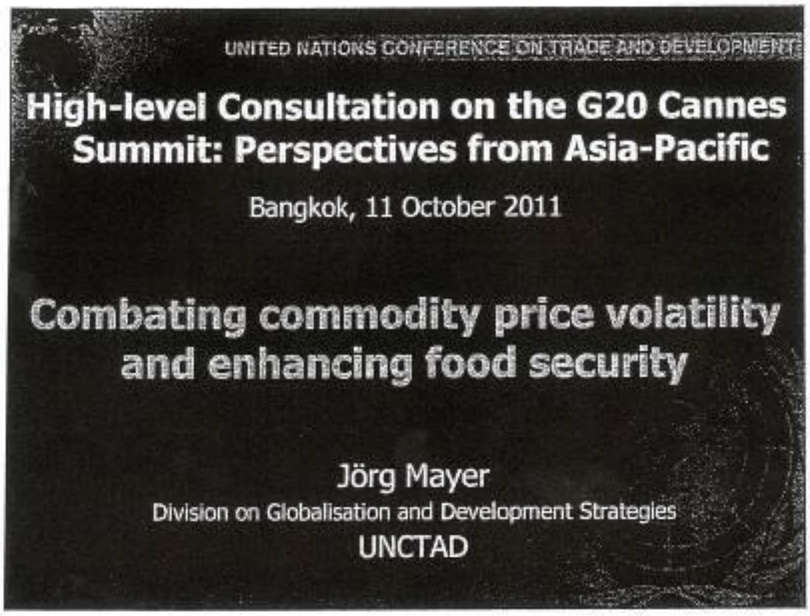
Session 2: Combating commodity price volatility and enhancing food security

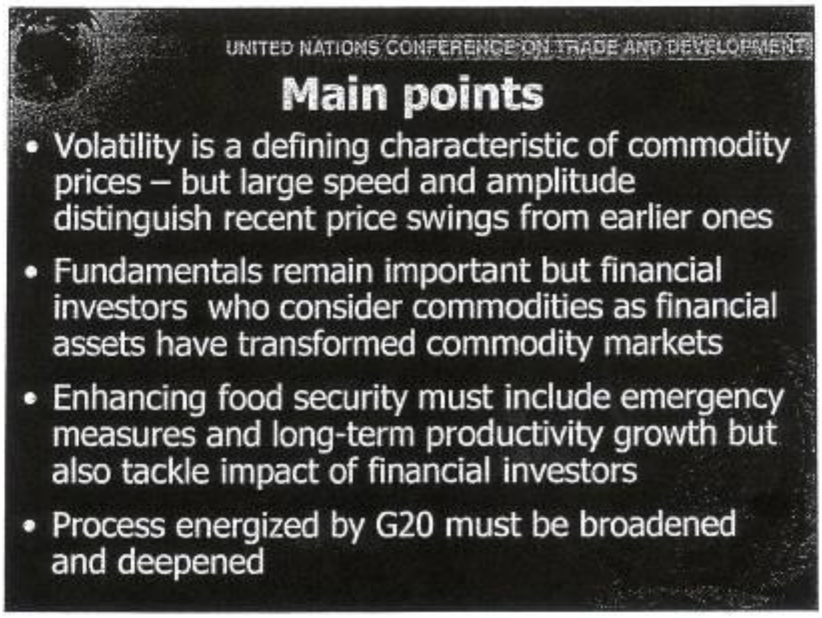
Combating commodity price volatility and enhancing food security

by
Jörg Mayer
Division on Globalization and Development Strategies
UNCTAD, Geneva

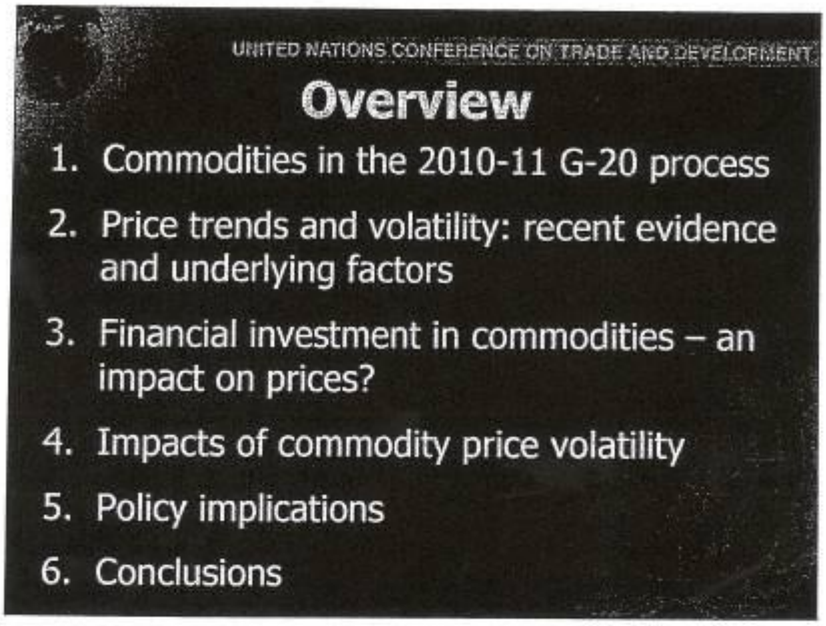
October 2011

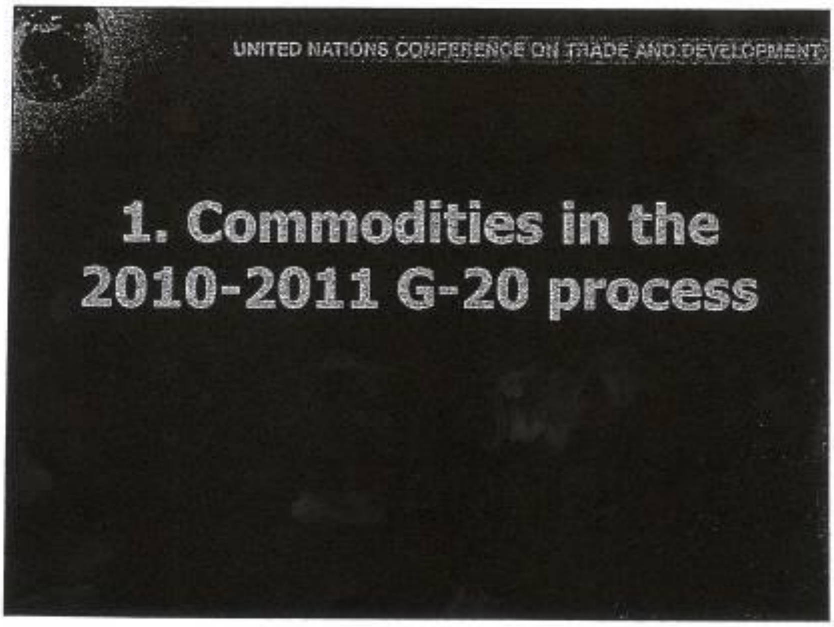
The views expressed in the paper are those of the author(s) and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. This paper has been issued without formal editing.

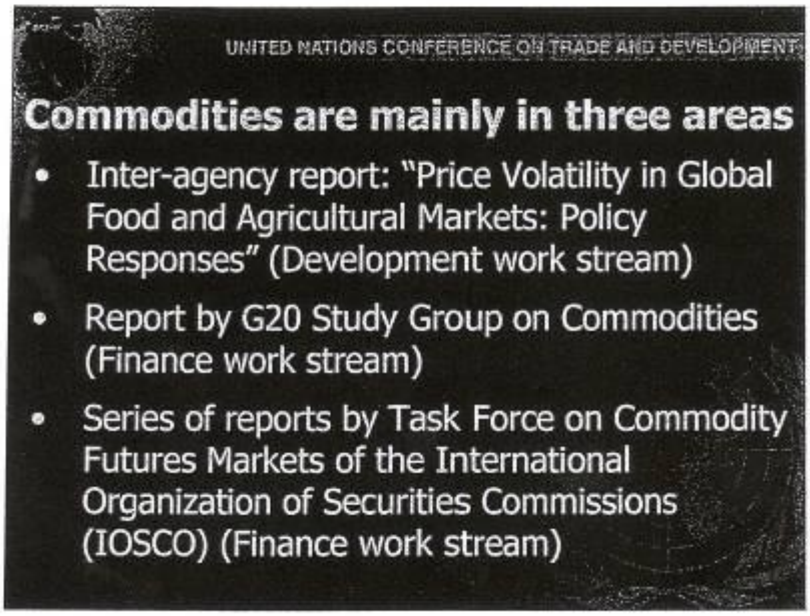

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
High-level Consultation on the G20 Cannes Summit: Perspectives from Asia-Pacific
Bangkok, 11 October 2011
Combating commodity price volatility and enhancing food security
Jörg Mayer
Division on Globalisation and Development Strategies
UNCTAD

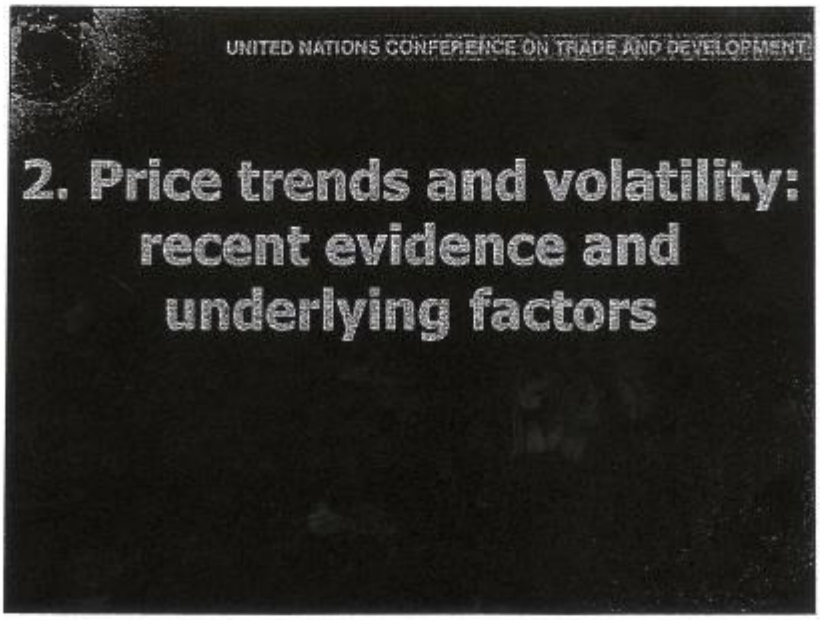

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Main points
• Volatility is a defining characteristic of commodity prices – but large speed and amplitude distinguish recent price swings from earlier ones
• Fundamentals remain important but financial investors who consider commodities as financial assets have transformed commodity markets
• Enhancing food security must include emergency measures and long-term productivity growth but also tackle impact of financial investors
• Process energized by G20 must be broadened and deepened

1

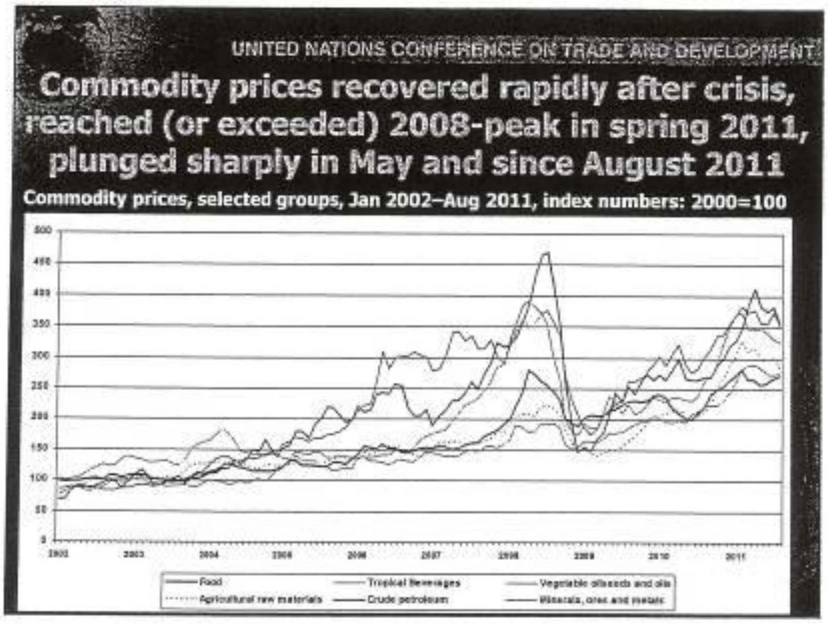

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Overview
1. Commodities in the 2010-11 G-20 process
2. Price trends and volatility: recent evidence and underlying factors
3. Financial investment in commodities – an impact on prices?
4. Impacts of commodity price volatility
5. Policy implications
6. Conclusions

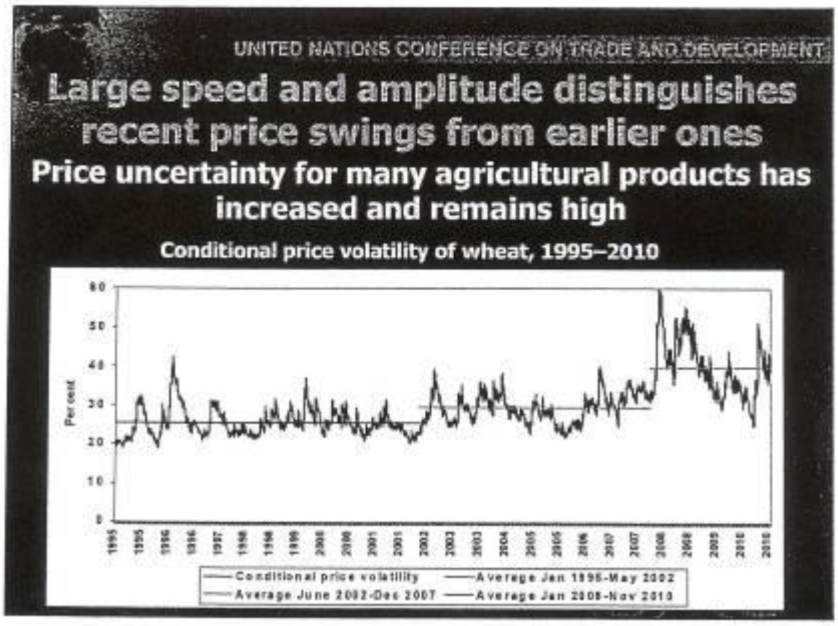

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
1. Commodities in the 2010-2011 G-20 process


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Commodities are mainly in three areas
• Inter-agency report: "Price Volatility in Global Food and Agricultural Markets: Policy Responses" (Development work stream)
• Report by G20 Study Group on Commodities (Finance work stream)
• Series of reports by Task Force on Commodity Futures Markets of the International Organization of Securities Commissions (IOSCO) (Finance work stream)


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
2. Price trends and volatility: recent evidence and underlying factors

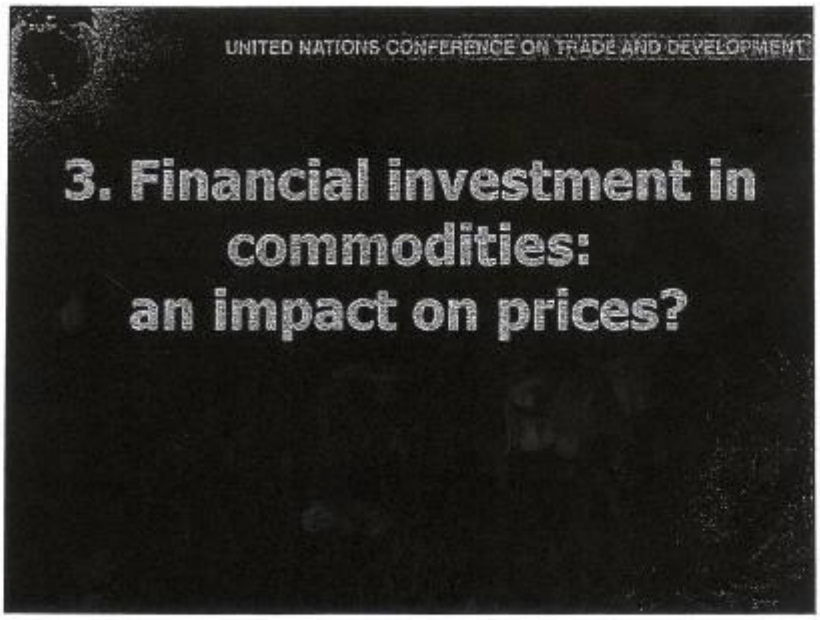
3


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Commodity prices recovered rapidly after crisis, reached (or exceeded) 2008-peak in spring 2011, plunged sharply in May and since August 2011
Commodity prices, selected groups, Jan 2002–Aug 2011, index numbers: 2000=100
Food
Tropical Beverages
Vegetable oilseeds and oils
Agricultural raw materials
Crude petroleum
Minerals, ores and metals

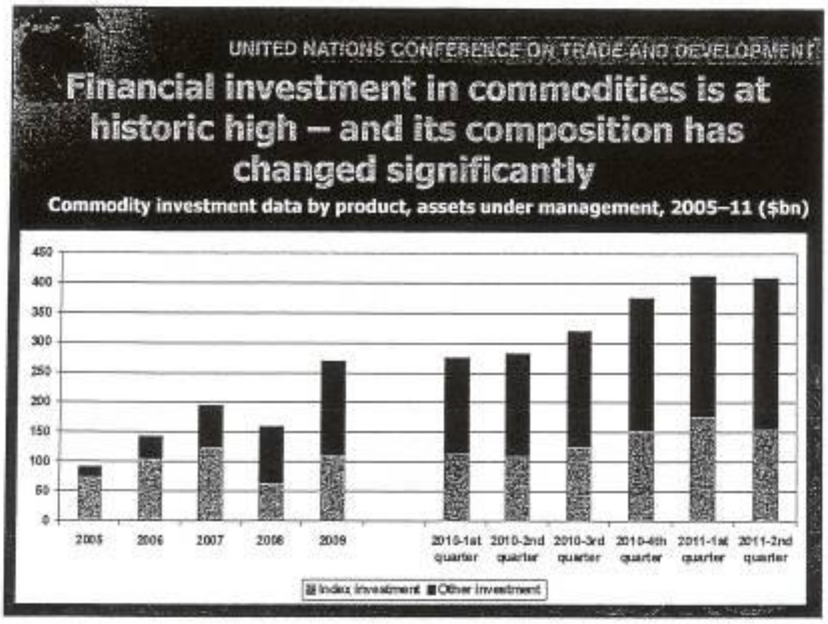

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Large speed and amplitude distinguishes recent price swings from earlier ones
Price uncertainty for many agricultural products has increased and remains high
Conditional price volatility of wheat, 1995–2010
Per cent
Conditional price volatility
Average Jan 1996-May 2002
Average June 2002-Dec 2007
Average Jan 2008-Nov 2010

4


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Fundamentals remain important but financialization has transformed commodity markets
• Changes in fundamentals
– Demand: rapid income growth in emerging economies (intensity of use; dietary habits); biofuels
– Supply: increased production cost; earlier low investment
• Increased participation of financial investors who treat commodities as an asset class
– Index investors (passive, long positions in range of commodities)
– Money managers (active, short and long positions in specific or range of commodities)

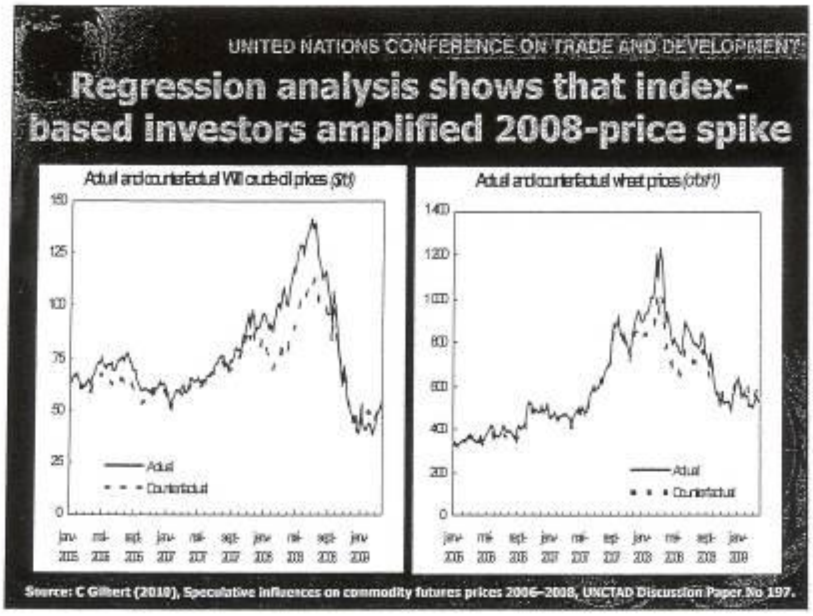

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
3. Financial investment in commodities:
an impact on prices?

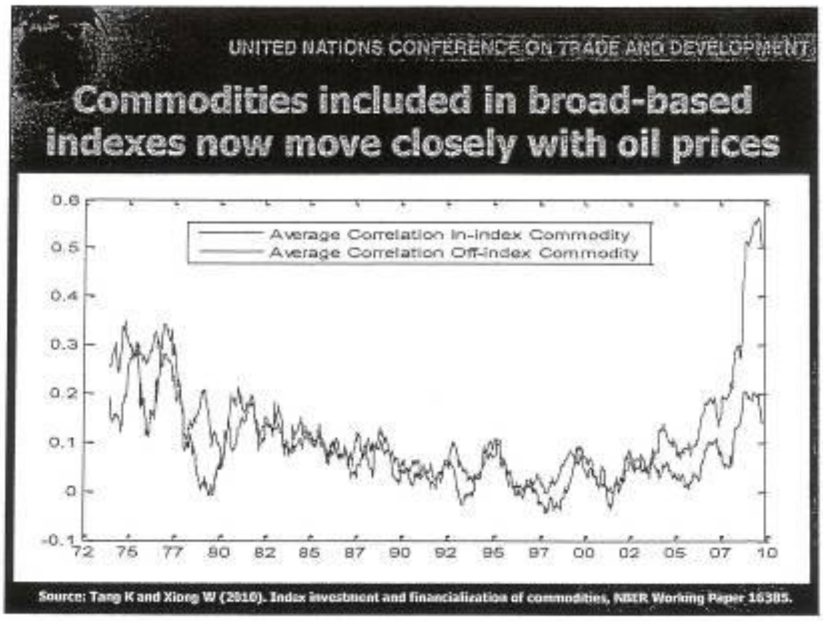
5


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Financial investment in commodities is at historic high – and its composition has changed significantly
Commodity investment data by product, assets under management, 2005–11 ($bn)
450
400
350
300
250
200
150
100
50
0
2005
2006
2007
2008
2009
2010-1st quarter
2010-2nd quarter
2010-3rd quarter
2010-4th quarter
2011-1st quarter
2011-2nd quarter
Index investment
Other investment


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Financial investment – impact on prices?
• A priori ambiguous: speculators are indispensable for functioning of exchanges (risk transfer, price discovery) but large-scale financial investment and herd behaviour contribute to price and volatility surges in futures markets that affect underlying commodity markets
• Understanding linkages between spot and futures prices
– Cash prices often refer to futures prices (not to delivery process)
– Low short-term price elasticity of supply causes lags in inventory accumulation and inventory data remain spotty
– Many financial investors do not trade on basis of fundamentals (but algorithms, financial market signals) and informed traders have insufficient incentives to arbitrage

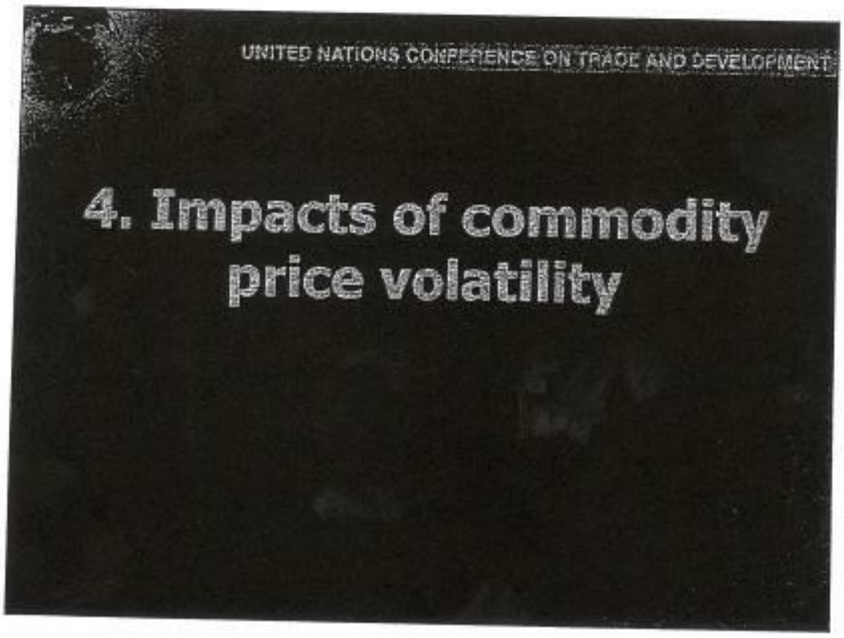
6


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Regression analysis shows that index-based investors amplified 2008-price spike
Actual
Counterfactual
Actual
Counterfactual
Source: C Gilbert (2010), Speculative influences on commodity futures prices 2006–2008, UNCTAD Discussion Paper No 197.


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Commodities included in broad-based indexes now move closely with oil prices
Average Correlation In-index Commodity
Average Correlation Off-index Commodity
Source: Tang K and Xiong W (2010). Index investment and financialization of commodities, NBER Working Paper 16385.

7


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Increased correlation across asset markets
There has been a double shift-change in correlation between commodities and other asset markets
Correlation between DJ-UBSCI non-energy excess return and S&P 500 indices
Correlation between GSCI excess return index and dollar exchange-rate index


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
4. Impacts of commodity price volatility

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Impacts differ widely at both macro-economic and microeconomic levels

- Impact of rising prices can be mitigated by fiscal transfers but for
  - External balance: depends on trade structure – adverse effects largest in LDCs
  - Inflation: depends on consumption patterns, price pass-through and wage developments
  - Household budgets: depends on consumption patterns – adverse effects largest on the poor
- Uncertainty (price divergence from fundamentals; high volatility) adversely affects investment and may make hedging more expensive and risky

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

5. Policy implications

9

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Enhancing food security requires both emergency and long-term measures ...

- Improve international safety nets: emergency reserves, food import financing facility, etc
- Review biofuels policies (subsidies, mandates, trade, research)
- Review trade policies related to food security
- Investment for long-term increase in productivity, sustainability and resilience of agriculture (ODA, technology transfer, links with climate change)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

... and tackling financialization

- Improve transparency on physical, futures and OTC-markets and harmonize regulation
- Debate on
  - Regulation (clearing of standardized OTC-contracts, speculative position limits, provisions for high-frequency trading, limits to proprietary trading, etc)
  - Additional intervention power for market authorities

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

What can developing countries do?

- Reduce vulnerability and increase resilience (e.g. financial buffers, social safety nets, regional food reserves)
- Enhanced hedging with futures and options contracts intermediated by multilateral development banks and IFIs?

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

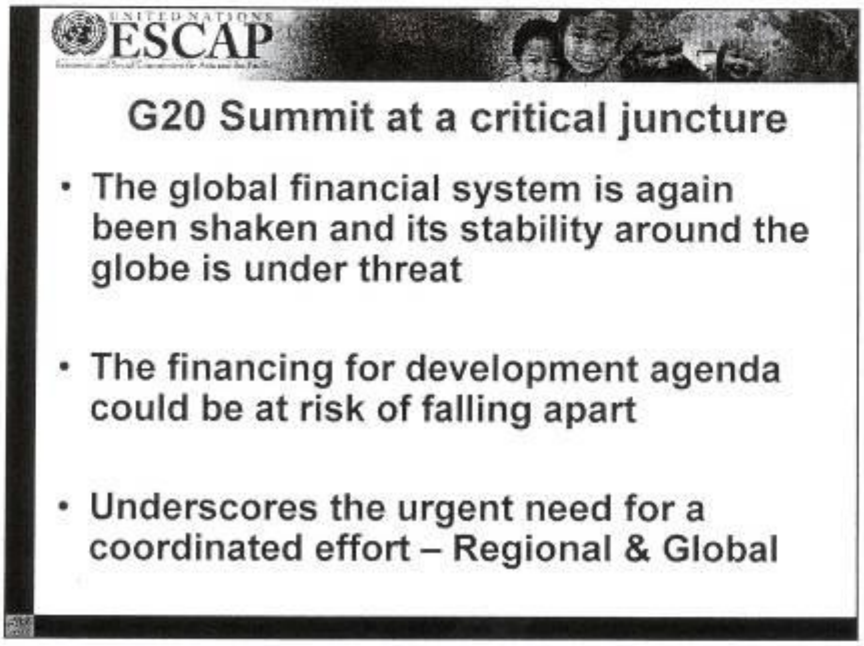
6. Conclusions

- Emergency measures and long-term productivity growth remain indispensable
- Need to recognize changes brought about by commodities being treated as financial assets
- To prevent, rather than just mitigate, impact, derivatives markets must be transparent and market authorities must have appropriate intervention powers
- Process energized by G20 must be broadened and deepened


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Thank you !
joerg.mayer@unctad.org
Trade and Development Report 2011, ch. V
“Financialized commodity markets:
recent developments and policy issues”
http://www.unctad.org/en/docs/tdr2011ch5_en.pdf

12


UNITED NATIONS
ESCAP
Financing development
and recycling regional savings
for regional infrastructure needs
Presentation at High-Level Consultation on the G20 Cannes Summit
Bangkok, 11-12 October 2011
Aynul Hasan, Chief, DPS
Alberto Isgut, EAO, DPS
Macroeconomic Policy and Development Division,
United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)


UNITED NATIONS
ESCAP
G20 Summit at a critical juncture
• The global financial system is again been shaken and its stability around the globe is under threat
• The financing for development agenda could be at risk of falling apart
• Underscores the urgent need for a coordinated effort – Regional & Global

UNITED NATIONS ESCAP

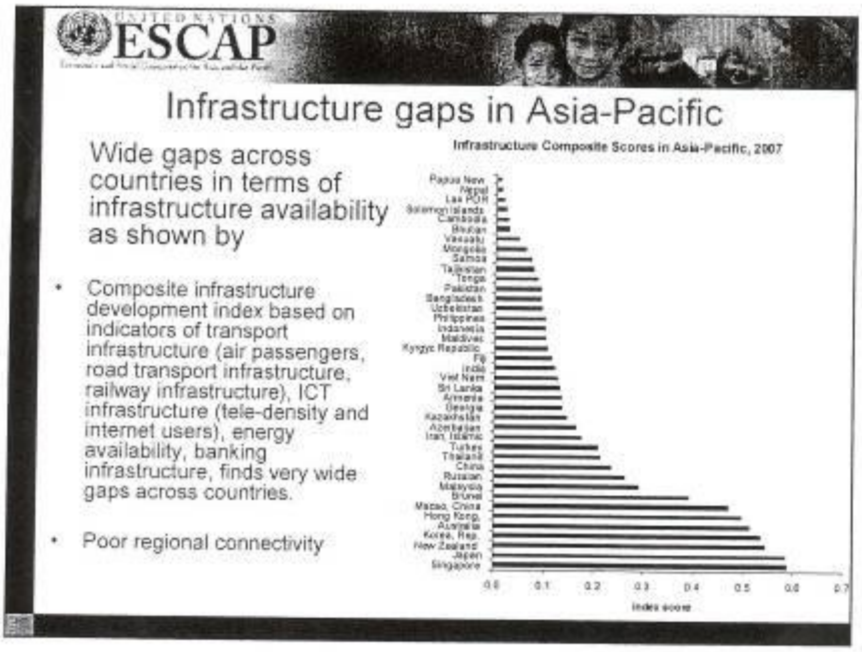
G20 development agenda - Seoul summit

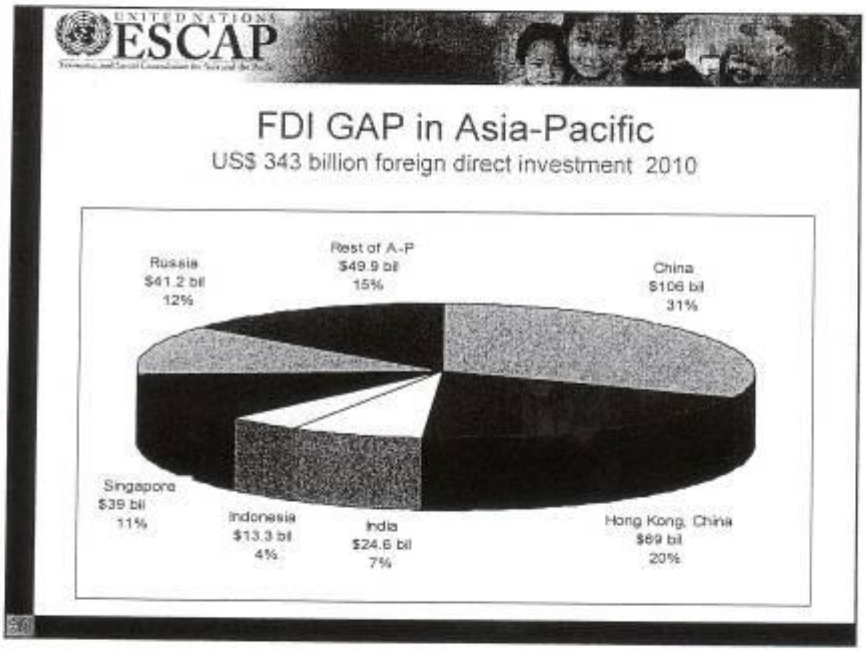
- Two documents: (i) Seoul Development Consensus for Shared Growth and (ii) Multi-Year Action Plan on Development
- Six principles: (i) growth, (ii) low income countries are equal partners, (iii) systemic issues, (iv) private sector, (v) avoid duplication of efforts, and (vi) feasible, practical and accountable measures
- Nine areas: (i) infrastructure, (ii) private investment, (iii) domestic resources mobilization, (iv) trade, (v) food security, (vi) social protection, (vii) remittances, (viii) financial inclusion, and (ix) human resources
- Goal is not to boost aid levels, but rather to better utilize and coordinate existing multilateral and bilateral efforts and to explore innovative sources of finance like the financial transactions tax (FTT)

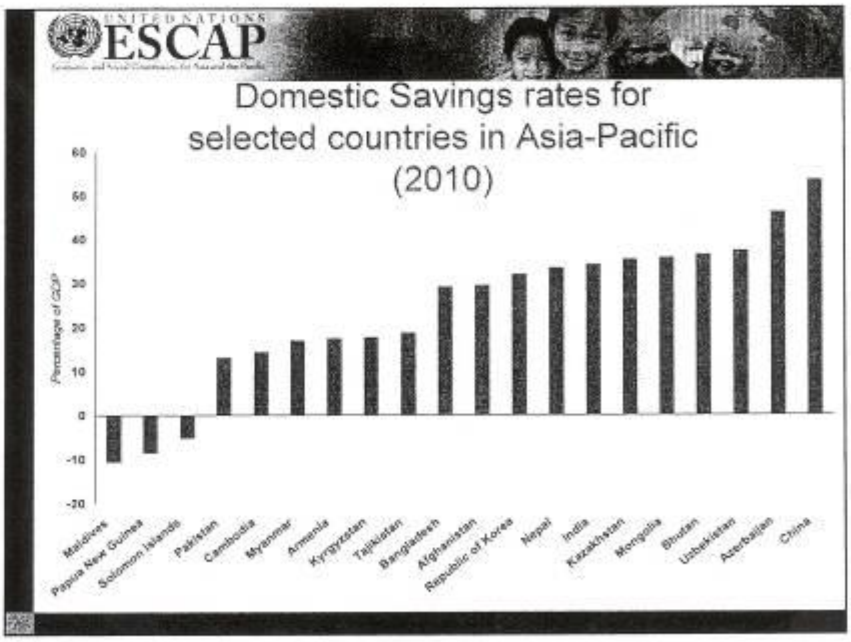
UNITED NATIONS ESCAP

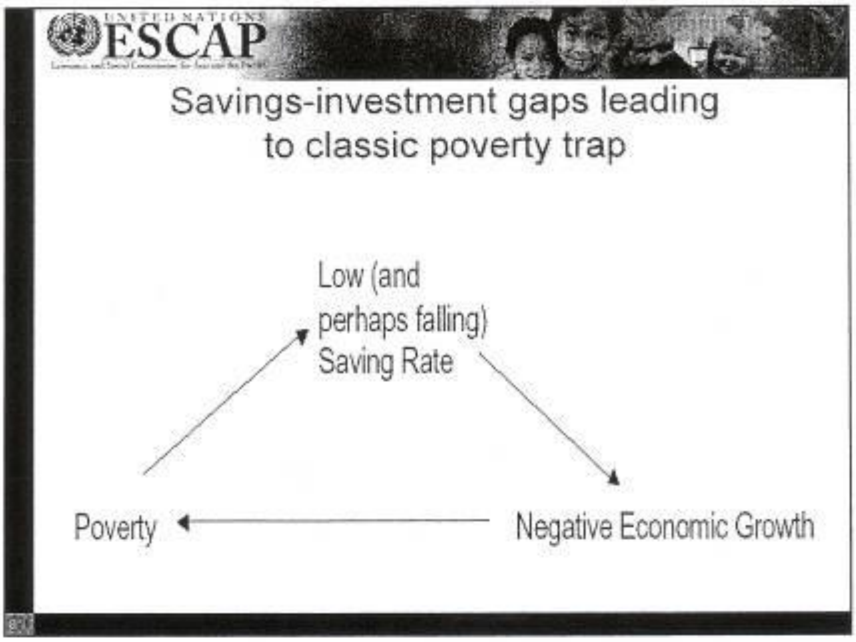
Seoul G20 development agenda: recent progress

- Development working group: Members include (i) G20 members; (ii) 5 invitees to summits (currently Spain, Singapore, and the chairs of NEPAD, GCC and ASEAN); (iii) international organizations (UN, WTO, OECD, ILO and UNCTAD); and (iv) multilateral development banks, MDBs (World Bank, AfDB, ADB, IaDB and IsDB)
- Priorities of the French Presidency: infrastructure & food security
- The G20 tasked multilateral development banks to develop a joint infrastructure action plan and established a high level panel on infrastructure
- First G20 ministerial meeting on development, Washington, DC. 23 September 2011: addressed financing for development and climate change and the implementation of the G20 development action plan.


UNITED NATIONS
ESCAP
Infrastructure gaps in Asia-Pacific
Wide gaps across countries in terms of infrastructure availability as shown by
• Composite infrastructure development index based on indicators of transport infrastructure (air passengers, road transport infrastructure, railway infrastructure), ICT infrastructure (tele-density and internet users), energy availability, banking infrastructure, finds very wide gaps across countries.
• Poor regional connectivity
Infrastructure Composite Scores in Asia-Pacific, 2007
Papua New
Nepal
Lao PDR
Solomon Islands
Cambodia
Bhutan
Vanuatu
Mongolia
Samoa
Tajikistan
Tonga
Pakistan
Bangladesh
Uzbekistan
Philippines
Indonesia
Maldives
Kyrgyz Republic
Fiji
India
Viet Nam
Sri Lanka
Armenia
Georgia
Kazakhstan
Azerbaijan
Iran, Islamic
Turkey
Thailand
China
Russian
Malaysia
Brunei
Macao, China
Hong Kong,
Australia
Korea, Rep.
New Zealand
Japan
Singapore
0.0
0.1
0.2
0.3
0.4
0.5
0.6
0.7
Index score


UNITED NATIONS
ESCAP
FDI GAP in Asia-Pacific
US$ 343 billion foreign direct investment 2010
Russia
$41.2 bil
12%
Rest of A.-P
$49.9 bil
15%
China
$106 bil
31%
Singapore
$39 bil
11%
Indonesia
$13.3 bil
4%
India
$24.6 bil
7%
Hong Kong, China
$69 bil
20%


ESCAP
Domestic Savings rates for selected countries in Asia-Pacific (2010)
Percentage of GDP
60
50
40
30
20
10
0
-10
-20
Maldives
Papua New Guinea
Solomon Islands
Pakistan
Cambodia
Myanmar
Armenia
Kyrgyzstan
Tajikistan
Bangladesh
Afghanistan
Republic of Korea
Nepal
India
Kazakhstan
Mongolia
Bhutan
Uzbekistan
Azerbaijan
China


ESCAP
Savings-investment gaps leading to classic poverty trap
Low (and perhaps falling) Saving Rate
Negative Economic Growth
Poverty

UNITED NATIONS ESCAP

Savings-investment gaps leading to classic poverty trap

- <u>Simplest Growth Model</u>

$g^y = i/k - n - d$ (i=s; n=pop d=depreciation)

For A-P LDCs

$g^y = 15/3 - 2 - 3 = 0\%$

What is needed is to boost up investment

i =s + ODA + Borrowing from other sources+ Trade + Debt Relief

UNITED NATIONS ESCAP

Closing the infrastructure gaps

- Huge investments needed for infrastructure development in Asia-Pacific region:
  - US$ 8 trillion needed over 10 years [ADB-ADBI study]
  - Additional investment of US$ 290 billion for regional projects
  - Annual aggregate investment of US$ 800 billion
- Besides generating additional aggregate demand, infrastructure development will help in fostering balanced and inclusive development
- Development of regional connectivity infrastructure will help in exploiting the full potential of regional economic integration.

UNITED NATIONS ESCAP

Asia-Pacific has the means to close its infrastructure gaps

Foreign Reserves

- Asian countries have large savings and foreign exchange reserves of US$ 5.7 trillion at the end of 2010
- Asian foreign exchange reserves are largely invested in the western securities in the absence of a well developed regional financial architecture
- Foreign exchange requirements of Asian investors are also met by borrowings and capital raisings in the western markets
- Institutional intermediation of Asian savings is done by western capital markets

UNITED NATIONS ESCAP

Initiatives for regional financial cooperation

- Asian Clearing Union (ESCAP initiated)
- Asian Development Bank
- ASEAN+3Chiang-Mai Initiative – Multilateralization
- Asian Bond Fund and Asian Bond Market Initiative
- Asian Cooperation Dialogue (ACD)
- Financial cooperation in the framework of East Asia Summit
- SAARC Development Fund (SDF)
- SAARC Finance
- ASEAN Infrastructure Fund (AIF)
- Asian Exim Banks Forum
- Associations of central banks viz. SEANZA, SEACEN, EMEAP

Most initiatives are at the early stages and have – in general – limited scope and coverage

UNITED NATIONS ESCAP

Elements of a regional architecture to exploit the potential of financial cooperation

- Covering different financing needs of the diverse and growing region
  - Crisis prevention and management
  - Mechanism to mobilize regional savings to foster a programme of infrastructure development
  - Regional capital markets integration
  - Deeper cooperation among the trade financing agencies
  - Exchange rate cooperation
  - Evolving a regional perspective on reform of international financial architecture

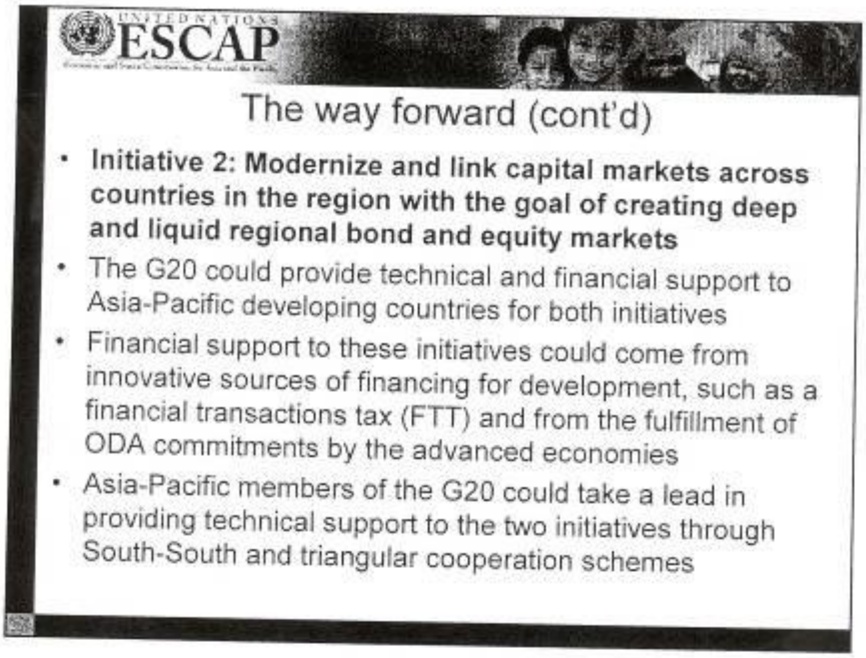
UNITED NATIONS ESCAP

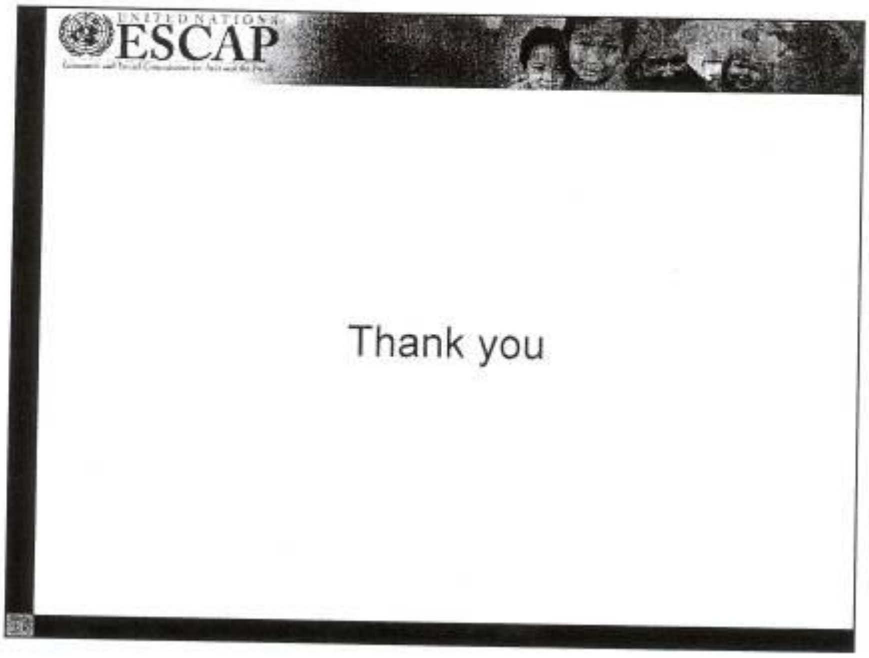
Mechanism for infrastructure development

- Existing mechanisms (AIF, SDF) are relatively small and have limited scope for the region's needs
- These models should be scaled up
- What is needed is a region-wide infrastructure and development fund with a large capital base backed by the region's governments, able to issue safe, liquid securities
- If 5% of the region's foreign exchange reserves are used to start such fund, the capital base would be $285 billion
- It is also necessary to provide technical assistance for the development of viable projects to attract co-financing by other financial institutions and the private sector


UNITED NATIONS
ESCAP
Regional capital markets integration
• There are well developed equity and bond markets in a number of countries
• But no facilitation of cross-border listings
• Sovereign Wealth Funds (SWFs) and private equity funds make cross-border short-term investments in a number of emerging markets
• What is needed is
– To deepen equity and bond markets
– To facilitate cross-border listings
– To establish regional stock exchanges
– And to encourage the creation of regional mutual funds


UNITED NATIONS
ESCAP
The way forward
• The G20 initiative to address problems of infrastructure investment in developing countries is valuable
• The Asia-Pacific region has huge infrastructure needs and should aim at closing cross-country development gaps
• The region needs $8 trillion in 10 years, but it had $5.7 trillion in foreign exchange reserves at the end of 2010
• What is necessary is a mechanism to mobilize the region's savings to address its huge infrastructure needs
• Good initiatives at the subregional levels (e.g. AIF, SDF) need to be scaled up and cover the whole Asia-Pacific region
• Initiative 1: institute a region-wide infrastructure and development fund


UNITED NATIONS
ESCAP
The way forward (cont'd)
• Initiative 2: Modernize and link capital markets across countries in the region with the goal of creating deep and liquid regional bond and equity markets
• The G20 could provide technical and financial support to Asia-Pacific developing countries for both initiatives
• Financial support to these initiatives could come from innovative sources of financing for development, such as a financial transactions tax (FTT) and from the fulfillment of ODA commitments by the advanced economies
• Asia-Pacific members of the G20 could take a lead in providing technical support to the two initiatives through South-South and triangular cooperation schemes


UNITED NATIONS
ESCAP
Thank you

G20 Cannes Summit: Perspectives from Asia-Pacific, United Nations Conference Center, Bangkok, 11-12 October 2011

Session 4: Strengthening Financial Regulation

Key Highlights

- **Regulations in the Past**
- **Insufficiency of current regulations**
- **Strengthening financial regulations**
- **Key massage**

Regulations in the Past

- **Capital Adequacy Framework of Basel I and Basel II**
  - Basel I – addressed only one type of risk i.e. credit risk
  - Subsequently capital requirement for Market risk was incorporated
  - Later Basel II was implemented incorporating the need to maintain capital on other risks and introducing the supervisory review and promoted market discipline.
- Corporate Governance was introduced
- Strong micro prudential supervision and not much emphasis on macro prudential supervision
- Innovation was promoted with no clear assessment of implications on the soundness of the financial institution.

However, with the financial crisis it was revealed that

- Levels of capital required in terms of quality and quantity was insufficient.
- No proper liquidity standards were in place
- Excessive leverage was not curbed

- Although corporate governance was introduced, the compensation packages offered for key management personnel in the financial sector promoted high risk taking
- It was revealed that concept of too-big to fail is unrealistic

Strengthening financial regulations:

- **Strengthening capital standards and introduction of liquidity standards:** Implementation of Basel III new standards as proposed within agreed timelines with a view to:
  - Enhance quantity and quality of capital to enable the increase in loss absorbency and introduce a leverage ratio.
  - Maintain sufficient levels of capital buffer to meet exigencies/enhance resilience.
  - Setting liquidity standards.
  - Monitor the progress made by banks during the observation periods.

- **Market discipline:** the crisis has revealed the importance of effective bank supervision to ensure full implementation of prudential policies to avoid moral hazard posed by too-big to fail.

- **Macro prudential overlay** to deal with systemic risk, the risk of financial system disruption that can destabilize the macro economy.

- **Expanding the perimeter of financial sector surveillance** to ensure that the systemic risks posed by unregulated or less regulated financial sector segments are addressed.
- Introducing a comprehensive framework with more intensive supervisory oversight; effective resolution capacity including in a cross-border context.
- Reducing the reliance on credit rating agencies' ratings.
- Determination of global systemically important financial institutions

The light touch regulation was not adequate

- Strengthening regulations without stifling economic growth.
- Regulation Vs. Innovation: Regulating financial market in the face of intense global turmoil, while facilitating innovation

- How much regulation is necessary?: each regulator to decide based on the levels required in their own experience.

Key Message

- Increase public confidence
- Be proactive, strengthen corporate governance
- Regulation vs. innovation striking a balance
- Better coordination among regulators
- Close regulatory gaps and commit towards strengthening financial regulation to ensure that such institutions have space to facilitate economic growth through a resilient financial system.

G-24 INTERGOVERNMENTAL GROUP OF TWENTY FOUR

Reform of the International Monetary System and IFI Governance

G-24 Secretariat

ESCAP High Level Consultation

October 11, 2011

Taking stock of reform proposals UN- High Level Commission

Adoption of a truly global reserve currency	**How?** Countries could agree to hold a certain fraction of their reserves in the global currency – Two Alternatives: 1) _Swaps_: countries could agree to exchange part of their reserves for the new currency (say International Currency Certificates –ICCs-, which could be SDRs; 2) _Allocations_: the international agency in charge of creating global reserves would simply issue the global currency (as the IMF SDRs are issued today)
	The global currency could be allocated to countries on the basis of some formula ('quota') based on their weight in the world economy (GDP) or their needs (some estimation of the demand for reserves taking into account trade and capital account volatility).
	Who? Responsibility to manage the IMS could be given to the IMF, which currently issues SDRs or could also be given to a new Institution (Global Reserve Bank -GRB). A more evolutionary approach could build the system on a series of regional initiatives.
The easiest way to establish a new global reserve system is by broadening the existing SDR arrangements under the IMF purview. In its simplest version, the system would require make the issuance of SDR automatic and regular + counter-cyclical emissions or provision of public goods + SDR allocations could be used to provide some means of disciplining surplus countries (allocations could be 'taxed' per unit of current account surplus)	

Taking stock of reform proposals – Palais Royal

Stronger Surveillance, reinforcing members' obligations	Amending the Articles of Agreement + adopting of 'norms' for members' policies covering thresholds for current account deficit or surplus, real effective exchange rates, level and composition of foreign exchange reserves, fiscal deficits, inflation rates, government debt ratios
Adoption of international agreed guidelines to deal with capital flows	Do's and don'ts on capital flows + better measurement and surveillance of global liquidity (indicators) + IMD mobilization of resources for liquidity reasons
Re-explore the role of SDRs	i) regular SDR allocations under appropriate safeguards; ii) procedures for special SDR allocations in exceptional circumstances; iii) the restitution of the Substitution Account; iv) revise the composition of the SDR-basket and v) exploring the use of SDR as an incentive to improve the adjustment process and the observance of the IMF norms
Overhaul the governance of the IMS adopting a three-level single structure	a) Head of Government or States meeting in time of crisis; b) activation of the Council as envisaged in the IMF Articles of Agreement,; c) Executive Board of the IMF, to oversee the work of the institution + establish a Global Advisory Committee (GAC) made up of eminent independent personalities + changes in the decision-making rules of the IMF (lowering the voting threshold for strategic decisions to 70 -75 percent or adopting a double-majority system for few other decisions)

Basic Conceptual Framework

- #1 – Inadequate counter-cyclical financing mechanisms
- #2 – Erratic provision of Global Liquidity – lack of incentives against reserve hoarding
- #3 – Reliance on unipolar reserve system

⇨ Consensus → If addressed, greater IMS stability and reduced global imbalances

Key Remedial Actions

- #1 – Strengthening of Global Financial safety nets
- #2 – Long-term automatic liquidity creation
- #3 – Diversified Reserve system with strong surveillance over reserve issuer countries

Progress on a broader reform agenda as a result of the current debate

- *The need of better and evenhanded surveillance has come to the fore;*
- *Substantial increase of IMF lending capacity has been agreed*
- *The lending toolkit of the IMF has been incrementally revamped, adding contingent credit lines to the menu;*
- *Multilateral policy coordination has been strengthened through the G-20 mutual assessment process and the IMF spillover reports;*
- *Fundamental changes have been introduced in the financial regulatory and oversight front, to reduce risks arising from global liquidity creation.*

Taking stock of reform proposals – G20

1) Broadening and deepening domestic financial markets	Support the development of Local Currency Bond Markets (LCBM)
2) Management of Global Liquidity	New and comprehensive measures of global liquidity (IMF/BIS) that distinguish between core and non-core liquidity; and assess the impact on growth and macro and financial stability
3) Management of Capital Flows	Coherent Conclusions for the Management of Capital Flows. Agreement on some principles but still outstanding issues on others.
4) Global Financial Safety Nets (GFSNs)	i) build on improvements to IMF toolkit through a structured approach in times of systemic crisis; ii) enhance cooperation between the IMF and Regional Financial Arrangements through non-binding principles
5) Composition of SDR Basket	Revisit the definition of 'freely usable currency'; new "reserve asset" criterion designed to preserve the attractiveness of the SDR as a reserve asset; set up a shadow basket to encompass potential new currencies
6) Strengthening IMF bilateral and multilateral surveillance	Reinforce the impact and traction of surveillance on country policies – focus on avoid disorderly movements and persistent exchange rate misalignments + drivers of reserve accumulation

G20 Commitments on IFI Governance

- Comprehensive review of IMF Quota Formula by January 2013 and completion of next quota review by January 2014
- Board realignment in 2012 with two fewer chairs for Advanced Europe and shift to fully elected Board
- Open merit-based leadership selection without regard to nationality
- Other governance reforms

Objectives and Guiding Principles

- Democratic Representation
  - ❖ Role of individual member states
  - ❖ Role of population
- Weight in the World Economy
- Systemic Importance
- Vulnerability and Potential Need for Fund financing
- Contributions

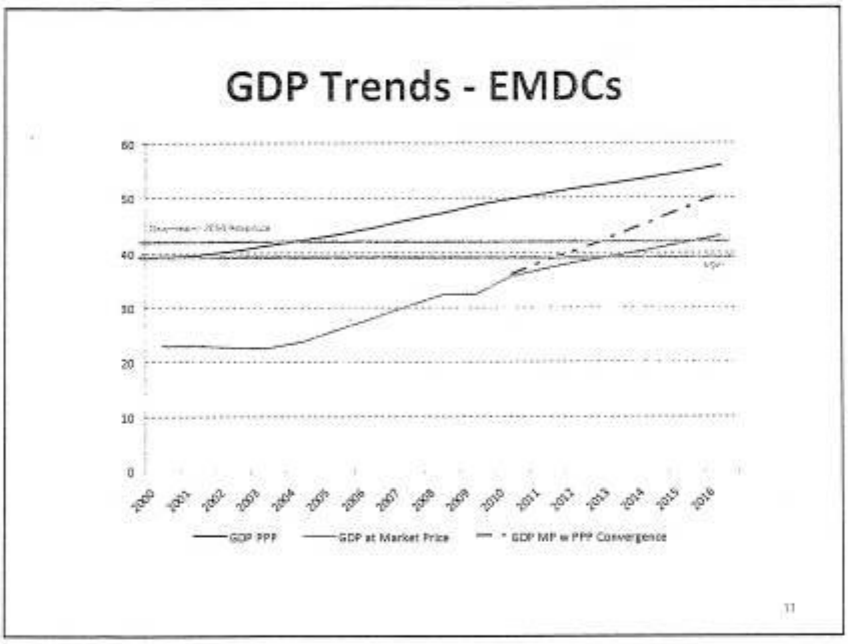
9

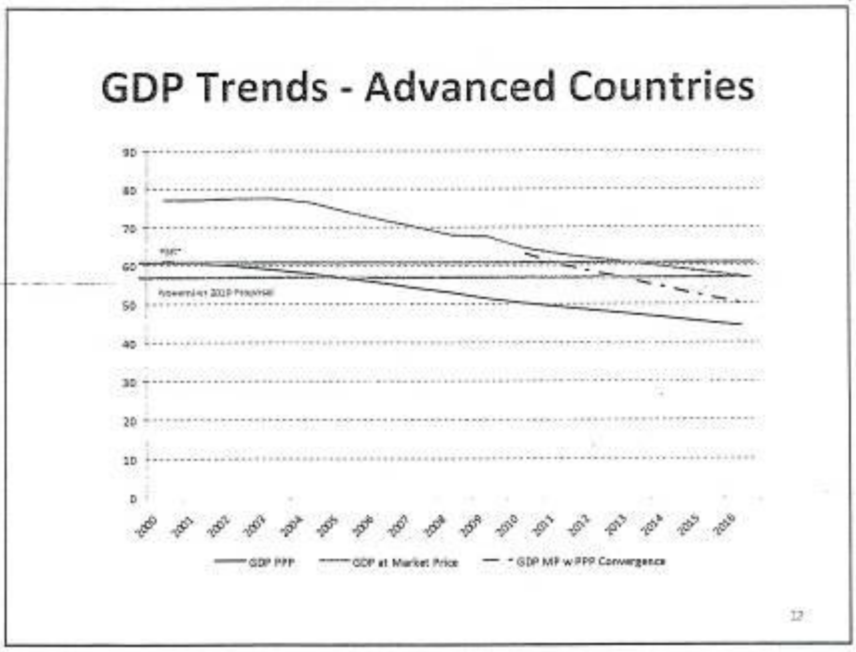
Trends in GDP by Country Groupings

	GDP, Average 2007-2009 (In percent)				GDP, Average 2012-2013 (In percent)			
	GDP Mkt[1]	PPP GDP[2]	GDP Blend (60:40)[3]	GDP Blend (40:60)[4]	GDP Mkt[1]	PPP GDP[2]	GDP Blend (60:40)[3]	GDP Blend (40:60)[4]
Advanced Countries	68.59	53.48	62.53	59.49	61.13	47.80	55.80	53.13
EMDCs	31.41	46.58	37.48	40.51	38.87	52.20	44.20	46.87
MENA	4.83	6.02	5.30	5.54	5.17	5.93	5.47	5.62
Sub-Saharan Africa	1.62	2.49	1.97	2.14	1.92	2.65	2.21	2.36
Asia	14.66	24.63	18.65	20.64	18.35	28.84	22.55	24.65
Latin America	6.85	8.62	7.56	7.91	8.11	8.59	8.30	8.40
Transition	3.44	4.81	3.99	4.26	4.19	4.63	4.36	4.45

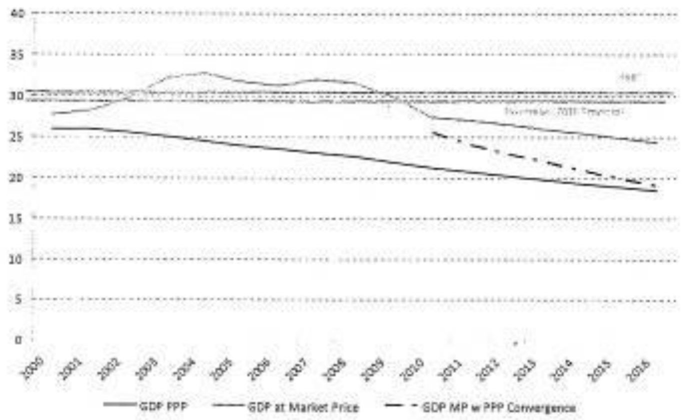
[1]GDP Mkt: GDP at market prices.
[2]PPP GDP: Current PPP-GDP data were retrieved from the WEO database for 181 countries. For nine countries with no WEO data PPP-GDP was estimated. PPP-GDP data reflect new parity rates published by the International Comparison Program in December 2007.
[3]GDP Blend (60:40): GDP blended using 60 percent market and 40 percent PPP exchange rates.
[4]GDP Blend (40:60): GDP blended using 40 percent market and 60 percent PPP exchange rates.

10


GDP Trends - EMDCs
60
50
40
30
20
10
0
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
GDP PPP
GDP at Market Price
GDP MP w PPP Convergence
11


GDP Trends - Advanced Countries
90
80
70
60
50
40
30
20
10
0
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
November 2010 Proposal
GDP PPP
GDP at Market Price
GDP MP w PPP Convergence
12

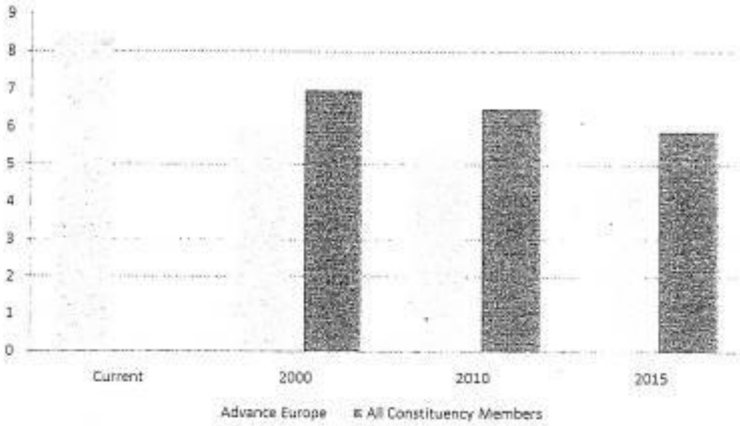
GDP Trends - Europe



Consolidation of European Chairs

- Based on GDP trends, Advanced Europe is progressively over-represented in terms of the number of Chairs
- Inclusion of non-advanced members in European constituencies moderates but does not change this trend, arguing for consolidation with some re-balancing

Chairs for "Europe" Based on GDP
(50:50 Blend)



15

INTERGOVERNMENTAL
GROUP OF TWENTY FOUR
G-24

Thank You!

G-24 Secretariat