

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM**

**JUNE 4-6, 2009, ST. PETERSBURG**

**FINANCIAL DAY**

***SCO AS THE SPACE OF ECONOMIC COOPERATION***

***AND COUNTERACTION TO GLOBAL CRISIS***

**June 6, 2009**

**(14:00-16:00, Hall 8.3, Pavilion 8)**

**St. Petersburg**

**2009**

## **Description:**

- Regional cooperation as a factor of stable economic growth.
- Ways of development of investment cooperation between the SCO countries.
- A role of financial and insurance mechanisms in the provision of social and economic development at the SCO space territory. Their significance in the implementation of the Multilateral Trade and Economic Cooperation Programme.

**Moderator: Sergei Naryshkin**, Head of the Administration of the President of the Russian Federation

## **Panellists:**

- **Bolat Nurgaliyev**, Secretary General of the SCO
- **Leonid Moiseyev**, RF President's Special Representative to the SCO
- **Dmitry Mezentsev**, Deputy Chairman of the RF Council of Federation, Chairman of the SCO Business Council
- **Vladimir Dmitriev**, Chairman of the State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", Chairman of the Board of the SCO Interbank Association
- **Kayrat Kelimbetov**, President of the JSC Fund of Nation Welfare "Samruk-Kazyna" (Kazakhstan)
- **Gao Jian**, Vice-President of China Development Bank (China)
- **Akylbek Japarov**, Minister of economic development and trade of the Kyrgyz Republic (Kyrgyzstan)
- **Ilya Lomakin-Rumyantsev**, Head of the RF Presidential Experts' Directorate (Russia)
- **Gulomdzhon Bobozoda**, Minister of economic development and trade of the Republic of Tajikistan (Tajikistan)
- **Alisher Shaykhov**, Chairman of Uzbekistan Chamber of commerce and industry, Chairman of the Uzbekistan National Branch of the SCO Business Council (Uzbekistan)

## **Participants:**

- **Veyzin Gao**, Director of Strategic development department, "China Life" insurance company
- **Zhanat Zhakanov**, President of JSC "Development Bank of Kazakhstan"
- **Muras Kachkeyev**, Deputy General Director of JSC "RSK Bank" (The Kyrgyz Republic)

- **Aleksander Koval**, Head of Federal Insurance Supervision Service (Russia)
- **Sergey Luzyanin**, Deputy Director of the RAS Institute of Far Eastern studies, Director of the Centre for studies of Asia and SCO
- **Makhmadamin Makhmadaminov**, President of Tajikistan State Saving bank "Amonatbank"
- **Batirjon Nurullayev**, Deputy Chairman of the Board of National Bank for Foreign Economic Activity, Republic of Uzbekistan
- **Igor Finogenov**, Chairman of the Board of Eurasian Development Bank
- **Alexander Shokhin**, President, Russian Union of Industrialists and Entrepreneurs, member of the Board of the Russian National Branch of the SCO Business Council
- **Pin Yui**, Chairman of the Chinese National Branch of the SCO Business Council
- **Vadim Yanov**, Chairman of the Board, OJSC "SOGAZ"

## **Transcript:**

### **S. Naryshkin:**

Good afternoon, dear colleagues and friends,

I am very happy to welcome all participants of the economic conference of the Shanghai Cooperation Organisation, held within the framework of the St. Petersburg International Economic Forum. Our meeting is one of important events of the Russian Federation chairmanship in the Shanghai Cooperation Organisation.

We are meeting in an anxious period of time, when the global economic crisis teaches us most serious lessons, and even countries with well-developed economies feel the influence of the crisis in full. Unfortunately, the Shanghai Cooperation Organisation member countries have not evaded the crisis either, because we are integrated into the world economy. The crisis made it obvious that the world economic system, in the form it has existed and still exists now, has run out of reserves for its development. There is an acute need for new apprehension of the basic world economy regulation rules, the rules that were set forth in narrow agreements more than 30 years ago.

In this context, I find it absolutely logical and reasonable when the participants of the Shanghai Cooperation Organisation, the countries taking part in this international organisation, the voice of which is heard clearly in the whole world, emphasise the need for the enhancement of our economic cooperation.

The cooperation of the Shanghai Organisation participant countries has been based on what is commonly referred to as the "spirit of Shanghai", it is the respect of one another's interests, mutual benefit, and equal rights. This kind of an approach is present in all political, economical, or social projects of the organisation participant countries. As the presidents of our countries mentioned at

the SCO summit held in Dushanbe last year, economic cooperation is among the principal long-standing courses of our association. I would like to emphasise the importance of active participation of business and financial circles in the work concerning the many SCO's "azimuths".

Socially significant projects, and pilot projects in the sphere of medicine and education have been implemented under the guidance of the Business Council. It believe it would be helpful to organise an informal space under the aegis of the SCO Business Council, where representatives of business, expert community, and state structures could conduct a dialogue concerning power economy issues. Such kind of an "energy club" could probably become an efficient tool for matching national power economy strategies, and, at the same time, this mechanism could contribute to the development of an international legally binding document covering all aspects of the global cooperation in the sphere of energy. I think the business community is ready for these kinds of approaches and the participation in these kinds of projects.

Dear colleagues, when we stand for active work for the development of economic cooperation in various areas, we presume that the question, at least now, is not about transforming the Shanghai Cooperation Organisation into an economic integration association with supranational structures. The main goal of the Shanghai Cooperation Organisation is the provision and development of conditions for progressive economic development of the organisation participants.

Let me stop my introduction here. I would like to give the floor to all participants of our today's discussion, one by one. There are very many participants registered for speaking, and I hope that, in spite of the limited time the organisers have given to us, all those willing to speak will have their time. First, I would like to give the floor to Bolat Nurgaliev, Secretary General of the Shanghai Cooperation Organisation.

<inaudible>

### **B. Nurgaliev:**

Thank you, Sergei Yevguenyevich. Dear Dmitry Fedorovich, Vladimir Aleksandrovich, and Leonid Petrovich, dear heads of delegations, ladies and gentlemen, let me express gratitude to the Administration of the President of the Russian Federation, the administration of the SCO Business Council and Interbank Association for the invitation to take part in such a representative conference.

The issues of regional cooperation, overcoming the effects of the world financial crisis at the territory of the Shanghai Organisation have been gaining priority. The conference subject correlates with the mission charged by the SCO countries' leaders at the Dushanbe summit, concerning the need to join efforts of state structures, business and banking community, and research centres in order to find optimal economic policy models and determine practical measures required to

counteract the financial "tsunami" that ran through all the continents. The Shanghai Organisation countries are one in their aspirations for mutual progress and welfare of our people, which was demonstrated again during numerous high-level events that took place with the framework of the Russian Federation chairmanship in the SCO. We can observe increasing interest of the 6 countries in the enhancement of their interaction in the issues of politics, provision of security and stability, struggle with current threats and challenges, and maintaining the intensity of trade, economic, and investment cooperation attained before the crisis, both in multilateral and bilateral formats.

The SCO countries' effort for the provision of stable and predictable social and economic development at the Shanghai Organisation territory bears its fruit in spite of the negative events currently taking place in the international finance and economy area. In order to minimise the financial crisis effect, it is important to foster the interaction between our countries in the sphere of economy in every possible way, and to actively involve the potential of the public private partnership for the sake of effective solution of the issues as stated by leaders of the countries' and governments. The top priority issues are as follows: maintaining environment required for trade and investment; using resources to mutual benefit in a most efficient way possible; attaining progress in the cooperation between leading branches of national economies in the production and investment areas, and the implementation of large joint projects in the sphere of economy.

Further deepening of cooperation in the sphere of trade, investment, transport, power economy, communications, agriculture, and other industries within the framework of the SCO has no alternative. Public and private structures should continue implementing large-scale projects for the provision of reliable transport and communication links; construction of high-tech centres of logistics, trade, and tourism; construction of new factories; implementation of innovative technologies; enhancement of work efficiency in agriculture; modernisation of social infrastructure; and organisation of new work places even when loan portfolios decrease. As I mainly work in Beijing, I mostly have access to Chinese sources concerning the experience of counteraction to crisis phenomena in economy. On the back of serious shocks, which Japan, the "Asian tigers", the USA, and other countries have experienced as a result of the crisis, the economy of China has demonstrated the capacity to absorb external influences. In any way, it is evident that the economic model used in China yields results, even in the environment of decreasing economic growth rate that could be enviable to many countries. When they say that the global economic order established in the past should be transformed by giving developing countries more representation in the decision making process, they mean, among other things, the significantly emerging role of China, first of all.

There is no special secret in the Chinese model of economic development. During the recent 30 years of reforms, the Chinese economy was formed by maintaining the balance between state

regulation and the market, foreign and domestic demand, and pluralism in the issues of property. Keeping command positions at public sector enterprises provided the Chinese government with economic levers, in addition to financial tools, for the implementation of anti-crisis measures. The mitigation of effect of dramatic decrease in demand for goods manufactured in China has been due to the encouragement of domestic demand. Chinese entrepreneurs have a comparative advantage in the fact the satisfaction of demand at the domestic market has gained first priority, while the dependence on export demand has become less important. Apparently, they have found the balance between the planned economy and market mechanisms, without extreme deviation to one side or the other. So, it would be very helpful to study the experience of our Chinese partners, which they will probably share with us in their speeches at the conference today.

Dear participants, heads of states and prime ministers of our countries have repeatedly drawn our attention to the key role that the Business Council and the Interbank Association play in the work aimed at deepening the trade and economic cooperation. These matters were discussed in detail together with representatives of the Business Council and the IBA at the meeting of ministers in charge of foreign economy and foreign trade issues, which took place in Beijing, as well as at meetings of a number of specialised expert working groups.

The Business Council and the IBA will have to get actively involved in the practical fulfilment of the plan of actions aimed at the implementation of the multilateral trade and economic cooperation programme, the new version of which was approved in Astana at the meeting of the Government Leaders Council in last October. I'd like to point out that 85 projects listed in the revised plan have been duly agreed with state structures of the SCO countries and received support from the government. These projects were selected taking into account the cooperation priorities. We should commence implementing already agreed projects as soon as possible, without wasting time for any additional work on new joint projects. Certainly, this should be done complying with the selection criteria developed by the Business Council and the Interbank Association.

Thus, I regard as promising the participation of the Business Council, the Interbank Association, business and banking communities of our countries in the implementation of pilot SCO projects in the field of information and telecommunication technologies, transit potential development, and cooperation in the agricultural area. The respective ministries and administrations are taking care of such projects as the organisation of cross-border interaction of SCO countries using digital signature, and the high-speed SCO data link.

You are very well aware of the significance of these projects for the enhancement of the mutual trade and investments, the provision of environment for business functioning during project implementation at the territories of our organisation member countries. Pilot projects in the field of transportation, synchronous construction of motor roads part of the international transport corridor

E40, the development of motor route Osh–Kashgar including the construction of a transfer terminal in Kashgar for the organisation of multimodal transportation are also aimed at satisfying long-term interests of business circles. Experts of 6 countries are discussing the use of international logistic centres being organised along the E40 route in a number of the SCO countries. In particular, I'm referring to such centres in Kazakhstan, Russia, and Uzbekistan. I'd like to hear proposals on the possible format of using potential that the countries have, for the implementation of pilot and other projects included in the plan that I mentioned, from representatives of the national branches of the Business Council and the IBA. For its part, the SCO Secretariat is ready to assist in speedy agreement of such proposals, as far as the mechanism, forms, and scopes of the Business Council and IBA participation in the respective projects are concerned.

Dear conference participants, the task of significant optimisation of economic relationships with observer countries – India, Iran, Mongolia, and Pakistan – is becoming particularly urgent as a result of the world financial crisis. There is urgent need of the involvement of resources and markets of the observer countries into the all-SCO process. An important step will be the signing, during the XIVth meeting of the IBA Council that will be held in Yekaterinburg, a provision concerning cooperation with financial institutions and authorised banks of the observer countries. The SCO Secretariat will take all possible actions to inform the addressees of the document provisions as quick as possible.

I really welcome the yesterday's decision of the Business Council board to conduct the next meeting this autumn in Ulan Bator. For other observers, that would be an obvious example confirming our collective intention to involve the observer countries in practical cooperation as much as possible. I can assure you that SCO observers and partners have always emphasised, at the political level, the willingness of business circles and banking structures to closely interact with the Business Council and interbank associations. The proposed initiatives articulated at the St. Petersburg conference will be consolidated and become the basis for the development of specific recommendations in the run-up to the meeting of the Government Leaders Council planned for this autumn. Our conference is held 10 days prior to the SCO summit in Yekaterinburg. There is no doubt that the priority of expansion of trade, economic, and investment cooperation will be confirmed.

The joint search for effective solutions to global and regional problems will still be a distinguishing feature of our organisation as a capable association of like-minded persons, pragmatists; people committed to equality, justice, universality, and balance. Thank you for your attention.

**S. Naryshkin:**

Thank you, Bolat Kabdylkhamitovich. You, as Secretary General of the SCO had the right for the most extensive speech, both in terms of time and subject. Thank you very much. I hope the other

speakers realise that they should be more concise because our time limit does not allow long speeches.

I'd like to invite the following speaker, RF President's Special Representative to the SCO Leonid Moiseyev.

**L. Moiseyev:**

Thank you, Sergei Yevguenyevich.

Dear conference participants, I appreciate the opportunity to speak to you today.

The conference subject has particular relevance because the issues related to maintaining stability and security at the SCO countries' territories, overcoming the effect of the economic crisis in the SCO countries will be in the centre of the agenda of the coming organisation summit in Yekaterinburg. Recently, the crisis theme has been discussed at a meeting of SCO political analysts held in Kyrgyzstan, and the main conclusion of the meeting was: participants of our association should make maximum effort for the development of economic cooperation because the consequences of the crisis at the SCO territory have been quite painful. This is why I think that our meeting is so relevant. This subject will probably be dwelled on in the following speeches.

I think there is no doubt that the goal of the SCO, when it was established, was first of all to maintain stability and security of all countries in our region. The second axiom, which I think everyone will also agree with, is that security and stability cannot be provided without the corresponding economic foundation, the corresponding level of economic cooperation, and the corresponding level of welfare of our people. In a society where people can hope that not only their children but also their grandchildren will actually live in good environment, propaganda of extremism, xenophobia, and teachings hostile to other nationalities can hardly become widespread. This is why, a year after the SCO had been established, the problem of economic cooperation was included in the agenda of our organisation, and the development of a long-term programme of economic development of the region countries for the period up to 2020 commenced. This programme is quite ambitious, and its final goal we declared was the development of technologies for free traffic of goods and services. The time will show if the implementation of this programme has been successful.

The experience of other associations demonstrates that attaining such ambitious goals requires, as a rule, several decades. It is apparent that for the SCO region, at the current stage, the most relevant task would be the concentration of efforts on avoiding further increase of obvious gaps in main economic indicators of our countries. Such risk exists, and it can become even more apparent in the environment of the current global crisis, which has touched each one of us in different ways, and which will be obviously dealt with by each one in a different way. The main responsibility for what

is happening and what will happen in our region is, certainly, born by the state. It is the state that is now taking actions aimed at the alleviation of the crisis burden. In the meantime, the main role in this could be played by business communities of our countries.

In this context, it is hard to overestimate the role of the SCO International Council and Interbank Association, which were initially organised as two driving belts intended to provide continuous increase of the speed for multilateral mechanisms of practical cooperation within the framework of the organisation. The idea of establishing these two structures was born by the realisation of the need to include public and private partnership in the SCO cooperation "fabric". Considerable work, as Sergei Yevguenyevich mentioned, was carried out during the Russian chairmanship period, which lasted for 10 months. It is enough to mention such areas of cooperation as educational projects, projects in the sphere of medicine, insurance, which were initiated by the Business Council during that period. The search of approaches to such highly relevant to the economic cooperation subject as the establishment of financial support or, more accurately, financial provision mechanisms within the framework of the SCO commenced. I'd like to point out also the involvement of our business communities in such a subject, which became particularly relevant during the crisis, as the issue of putting labour migration at the SCO territory into legal framework. Sergei Yevguenyevich has already mentioned the SCO energy club. Today, there is an understanding that the energy club should not be an "over-organised" structure, which was the concept prevailing at the SCO at first. Rather, it should probably a discussion area where informal exchange of opinions on a wide range of issues of cooperation in the field of energy in the region would take place. We hope that this kind of a concept will be supported at the coming summit in Yekaterinburg, and the first meeting concerning energy issues in that format will take place before the end of this year. Certainly, it would be desirable to provide active involvement of representatives of not only the member states but also the observer states in the energy club. We hope that the effectiveness of interaction between the SCO Business Council and Interbank Association will increase, which will contribute to the solution of issues, including organisational support of work of these two organisations.

Finally, I would like to express confidence that the today's discussion will serve to the development of a programme of actions in the context of this anxious period, and will outline specific forms of even more active involvement of business communities in the effort of overcoming consequences of the crisis. Thank you for your attention.

**S. Naryshkin:**

Thank you. I pass the microphone on to Chairman of the SCO Business Council Dmitry Mezentsev, who is also Deputy Chairman of the RF Council of Federation and, starting from Monday, head of

one of the Russian regions. I'm sure the Legislative Assembly of the Irkutsk region will make a positive decision concerning vesting Dmitry Mezentsev with the authority of the Irkutsk region governor on Monday.

**D. Mezentsev:**

Dear Sergei Yevguenyevich, thank you for the opportunity to say some words to such competent and professional audience, and for the kind prediction concerning the Legislative Assembly's decision. I, in my turn, am obliged to invite each and all participants of the conference either next Monday or during the coming months to Irkutsk for rest and work at Lake Baikal. Dear Sergei Yevguenyevich! Under commission of the Russian national branch of the Business Council, which includes Aleksander Shokhin, Valery Okulov, and your faithful servant, I would like to express our gratitude to you for your commitment to take the pains of not only leading this conference, but also actively supporting its preparation, as you have been supporting the efforts, which the Interbank Association and the Business Council considered priority for themselves, during these years. Taking into account that the time limit for speeches is very strict today, and Bolat Kabdylkhamitovich and Leonid Petrovich have already spoken about the practical steps the Business Council has taken, I'd like to outline a number of our near-term plans, steps, and milestones, which we consider as problematic, but in a very brief and concise way.

We were grateful to the leaders of states when in 2006, the SCO Business Council was established following their decisions. For ourselves, we expected not just to find our place in the effort to support the implementation of the multilateral trade and economic cooperation programme and plan as our first steps; we also saw the need to declare such projects, which would be oriented at all the 6 SCO countries at the same time, while understanding different potentials of our economies and different strengths of our currencies. We needed to outline the right of census-free participation of each and all SCO member, and, perhaps, in the future, observer countries in these projects. Along with that, analysing over 2.5 years of our work, we realised that we ought to meet the expectations, which presidents and government leaders of our countries had talked about regularly at annual meetings.

I think we have been able to outline a number of projects; I'd like to draw your attention to them, very briefly. The first of them is a project, which we still consider the most important today, the institute of population health and social security protection. We realised that this was an integrated project, which could not be a so-called PR project: it should be very meaningful. This is why we wanted to join efforts of representatives of health ministries of our countries, actual representatives of health care institutions and the business sector that deals with pharmaceuticals, pharmacopoeia, and the development of high-tech medical care. For the last two years, Russian, Kyrgyz, Tajik, and

Kazakh doctors have worked in least accessible regions of the countries that I named. As a result, not only experience of actual interaction and cooperation has been accumulated, but also practical care has been provided to 9.5 thousand citizens of our countries, and 14 000 diagnoses made. Today, we are remaining in the active phase to make the successful experience of the "health train" in Kazakhstan regular, and, perhaps, in the nearest future, within the framework of joint programmes of interaction with the Interbank association, the SCO countries will have their own medical "health train", which will allow to make professional, high-tech help available to thousands and thousands of citizens.

However, we realised that the declaration of support to participation in the multilateral trade and economic cooperation programme was only possible with the interaction with the economic block ministries; and the fact that our joint invitation has been received by leaders of the economic block of Tajikistan, Kyrgyzstan, and Kazakhstan, who are taking part in this conference today, and the Chinese People's Republic, shows us that we can say (let this not sound as indelicate or pretentious) that we have found the basic principles of interaction and positioning of the Business Council in the cooperation with the economic block ministries.

We realise that we don't have the right to become even involuntary competitors of the efforts that the government is making. However, we also realise, and may ministry and administration officers not get offended, that certain inertness in the work of any administration, in any country; bureaucracy, to some extent, are grounds for what we have spoken about with Aleksander Nikolayevich and with representatives of other business associations and chambers of commerce and industry many times; what served as a generator, to some degree, and a stimulus, in a good sense, for those responsible ministry and administration officers who, perhaps, cannot always catch up with requirements set forth by state and government leaders.

Yesterday another meeting of the Business Council board was held, which was the tenth meeting during these 2,5 years. We made a decision and would like to inform our conference that all heads of national branches spoke for the establishment of a business cooperation association as a sophisticated structure. It should be established by legal entities that residents of each of our countries; however, we can see that it is a tool, which, perhaps, will contribute to economic cooperation without standing in for the Interbank Association in any way, although they will tell that we are certainly grateful for the cooperation, but have expected and still expect more.

Concerning the financial mechanisms, which, as we see it, are relevant and deserve development, these are, first of all, a venture fund for the SCO countries, and it seems to me that we can base on the experience gained by national Russian Venture Company in Kazakhstan. Along with that, we realise that the establishment of this kind of a company during the crisis, when each SCO member country has very many challenging financial problems, the question should not be a single-time

declaration of participation of the six countries, but rather, to start with, this might be inviting 3 countries for work in this direction, with subsequent involvement of the other potential participants. We have always thought and spoken (and Vladimir Dmitriev and other Interbank Association members supported us in this) that the budget funds allocated for social programmes are not the only way to solving social issues, so, in the past year, we conducted the highly representative Ist International Insurance Conference of SCO countries. It seemed to me that professional insurers, when leaving Moscow, spoke that insurance, including that in the social sphere, should get as much attention as possible, and the last challenging months – and Dmitry Medvedev, president of our country, has mentioned it at the plenary meeting of our Forum today – show us that this is an actually urgent issue.

Success in the power industry, the development of communication sectors of our economy, medicine; the development of transport infrastructure including the railway infrastructure, and transport logistics are impossible without implementing and selecting top priority national investment projects, so we have spoken that assistance in integrated support of investment projects, particularly in their legal support, is the top priority for the Business Council. We have made considerable progress in this realising that we should rely on skilled human resources, so we would like to express our gratitude to the largest higher education institutions of our countries. In the Russian Federation, they are the Academy of National Economy, the Moscow State University, the Academy for Foreign Trade, the Moscow State Institute of International Relations, which have already proposed brief programmes for additional training of experts in the financial, economic, and banking spheres, including distance-learning programmes.

If we think of potential investor's goals, it is obvious that, when you come to the national territory of another country, it's not always easy to determine top priority issues, what will be supported by the government, the economic block ministry, and banks. This is why we believe an "investment shop" should be presented in the next year, which would allow an investor to find out the investment project potential of each country in order to develop, so to say, an investor's "flow chart".

Leonid Moiseyev said, and these words are probably very realistic, that, unfortunately, the Energy Club did not shoot. We have spoken about it many times. Our Kazakh and Chinese colleagues have drawn attention to the work of the Energy Club and, sometimes, objectively speaking, to insufficient work of the Energy Club, very actively. Today we would like to say again that the potential, experience, and opportunities of the Business Council are such that we consider it possible to establish a highly qualified expert space where we could have real discussions under our umbrella. If this decision is made at the Yekaterinburg summit and at the meeting of government leaders, which will be held in the Chinese People's Republic this year, we would only welcome it.

I realise that the time is limited, and I'd like to say that we have virtually not had pointless arguments during the 2,5 years, and we have gathered experience of really friendly, sincere cooperation. The visits to the 4 SCO countries, which were paid by the Chairman of the Business Council following our decision made in January last year, have demonstrated that the heads of national branches, members of the boards of national branches enjoy great authority among the leaders of their governments and the heads of Ministries of Finances and Ministries of Economy. I believe this is also potential, which will serve for the good of our common work for the implementation of the top priority task package and the multilateral cooperation programme, which are absolute priority for us, probably, as well as for all the other permanent SCO structures. Thank you.

**S. Naryshkin:**

Thank you very much. Thank you for your speech, and let me, on behalf of all the conference participants, wish you every success in your future important work in the Irkutsk region.

Dear colleagues, as a result of the global financial crisis, the world financial system has confronted with, perhaps, toughest and most uncomfortable issues. Financial institutions, including those of the SCO countries, are also looking for solutions to these issues. Now, I'd like to give floor to Vladimir Dmitriev, who is head of the SCO Interbank Association board and, as you know, Chairman of the State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)". You are welcome, Vladimir Aleksandrovich.

**V. Dmitriev:**

Thank you, Sergei Yevguenyevich. Dear ladies and gentlemen, dear colleagues and SCO Interbank Association partners, who we have worked with closely for many years, and, I believe, we have achieved good results within our area of responsibility, by supporting our country's business, implementing investment projects that have bilateral and multilateral importance, conducting the state policy in the integration process sphere, and strengthening our interbank cooperation!

In last October, Vnesheconombank took up the torch from the Development Bank of Kazakhstan and became Chairman of the Interbank Association. Our chairmanship concurred with the aggravated global economic and financial crisis that flooded economies of all the SCO countries.

At the St. Petersburg International Economic Forum, the keynote of speeches and discussions has been the crisis, the understanding of what is happening and, of course, the analysis of prospects and opportunities, which can be seen behind the horizon of this crisis; with the emphasis on the point that economies, the world financial order, economy structures, financial structure, and surveillance functions should undergo changes that would be adequate to the assessment of the crisis causes and

consequences that we are making today. This is also a keynote of our work as the head of the SCO Interbank Association, which actually unites national financial development institutions, and, as such, the banks that conduct the state policy in the sphere of investment, overcoming infrastructure restrictions, support and development of innovative areas of national economies, and development of productions providing output of high added value products. We realised that, while orienting at the national economic development priorities as development institutions, we should also pursue the same goals, both in the regional context and in the context of SCO activities. I think the potential that was laid by our Chinese colleagues and friends represented by the China Development Bank during the first year of the SCO Interbank Association existence has built up reliable ground for further progress. Now, when we are approaching the following SCO summit, which will be held in some days in Yekaterinburg, we have the right to report of actual results achieved in all the areas I mentioned about.

We have strengthened cooperation in the context of the implementation of investment projects; we have strengthened interbank cooperation; we have created opportunities for the involvement of banks of the observer countries in the work of the SCO Interbank Association; and we have strengthened our relationship with the Eurasian Development Bank, which has actually become a partner of the SCO Interbank Association. During this period, highly important agreements have been made, oriented at the prospect and implementation of large-scale investment projects, loan agreements including the agreement between Vnesheconombank and the Development Bank of Kazakhstan aimed at the support of Russian industrial product export for the modernization of key branches of the Kazakh economy.

Our cooperation with the State Development Bank of Kazakhstan, one of the world's largest financial development institutions investing huge resources into the processes of integration of the SCO countries and the development of bilateral business cooperation, has produced equally good results. In the course of our work, we have always paid great attention to cooperation with the SCO Business Council because we realised that it is only in close interaction with national and regional business associations that we can implement our banking potential.

The sphere of bilateral and regional investment cooperation is not a confined space, within which our interests remain. Today, we declared the establishment of an international infrastructure investment fund; we spoke of the intention to implement this plan a year ago, at the last Petersburg forum. Now, the participants of the SCO Interbank Association have become the initiators of establishing this infrastructure investment fund. It includes the Macquarie Bank, one of the largest international financial institutions specialising in the support and implementation of infrastructure projects; the financial company Renaissance, Vnesheconombank, and the Kazakhstan Sustainable Development Fund Kazyna, one of the parts of which is the Development Bank of Kazakhstan. It

also includes the European Bank for Reconstruction and Development and the International Finance Corporation, a structure of the World Bank. The Eurasian Development Bank also intends to get involved in the fund. The fund amount is a billion dollars; the Vnesheconombank part is 200 million dollars. The fund's goal is to invest into infrastructure projects, to invest into all infrastructure areas: transport, power industry, public utilities, and other areas. We suppose that at least 50% of investments of this fund will be made in Russia, while Kazakhstan and Ukraine will account for the most part of the remaining portion. We can very well expect that our partners in the SCO Interbank Association will also get involved in this fund.

Thus, in spite of the hard times and the economic, social, and financial challenges that our countries are confronted with, we are still optimistic about our cooperation within the framework of the SCO Interbank Association, and we realise that it is only by means of strengthening these relations, close interaction with business communities of our countries that we can properly stand against today's challenges and overcome this difficult situation by emphasising the development and modernization of our countries' economies. Thank you.

**S. Naryshkin:**

Thank you very much, Vladimir Aleksandrovich. Your talking of such ambitious plans and numbers has instilled us with optimism though we hadn't lost it earlier, either.

Dear colleagues, I'd like to pass the microphone on to the President of the Fund of Nation Welfare "Samruk-Kazyna" Kayrat Kelimbetov.

Dear colleagues, I wouldn't like to sound too pressing, but may I ask you to mind the time and take a look at your watch sometimes because nobody will have more than five minutes.

**K. Kelimbetov:**

I will try not to let you down in the sense of the time limit, Sergei Yevguenievich. I'd also like to join all the above said. If we come back by several years ago, to the moment of creation of the Shanghai Cooperation Organization, it should be remembered, as Leonid Petrovich has said today, that, primarily, the measurements were regarded then in the sense of security and in the sense of political cooperation. So, it is very good we are talking about full-scale financial and economic cooperation at our session today. I consider it is a significant turn, on the basis of which a new foundation will be built for the relationship between our countries.

Indeed, within the framework of the summit, which will take place in Yekaterinburg, we are planning to report about the big work that has been done. The work commenced with the interaction between financial development institutions, such as the Development Bank of Kazakhstan, the China Development Bank, and Vnesheconombank, and, perhaps, the interaction was not at such a

large scale in the beginning. Those were minor credit lines of 100, 200, 300, and 400 million dollars. Everything has changed drastically during the last 2 years.

I would like to inform you that the cooperation of Kazakhstan companies with Russian and Chinese ones has grown by many times lately. For example, we have established a mutual fund with the Chinese company CITIC recently. The first closing of the mutual investment fund amounted to 200 million dollars, and there are intentions to establish a fund with an amount of up to 1 billion dollars in the nearest years. Vladimir Alexandrovich informed us that Vnesheconombank has made a decision recently, literally today, to enter the new infrastructure fund Macquarie Renaissance, which also amounts to 1 billion dollars.

Why am I talking about the specific amounts? These are the means, which will be invested into the infrastructure and specific investment projects in our countries. It is good that this is stock capital, thanks to which it is possible to acquire debt financing multiplied by 4-5 times minimum. Those are the large investments that will flow into our countries' economies. On the other hand, allocating credit lines also remains an important instrument of cooperation. You know that lately, during the visit of the President of Kazakhstan to China, an agreement has been made on allocating a large-scale credit line of 10 billion dollars; 5 billion dollars of which we are intending to invest into the oil and gas sector; and I would like to emphasize that we are planning to invest into the development of non-oil and gas sectors, together with EximBank of China.

Anyway, if we return to the today's conference, the major theme for us is, primarily, the comprehension of the crisis. It demonstrates that the funding base for the development of our economies should probably change because western capital markets experience great difficulties and, moreover, there is mistrust towards developing markets in general. I think the geography of funding markets will change significantly from now on and, in particular, interaction between large SCO countries, such as the People's Republic of China or the Russian Federation will change.

I know our Russian colleagues carry on much work with the People's Republic of China. I would like to inform you that we also perform much work with the China Development Bank, and we are intending to finance projects in the oil and gas sector, power industry, transport, and in many other directions. We are continuing work on organising mutual funds together with the governments of Tajikistan and Kyrgyzstan; and I think it will create the required financial and economic foundation that would allow us, first, to come out of the crisis, and second, to attain more ambitious goals. For Russia and Kazakhstan, this is, first of all, the task of diversification of our economies, and economy diversification requires long-term resources; and we should find such resources within our countries and, for example, within the SCO. I would like to support the opinion that mutual effort of the governments, the business, the expert community, and financial development institutions should be committed to greater coordination; and a structure must emerge that would support investment

projects in our countries. We will only welcome and support such initiatives. Thank you for your attention.

**S. Naryshkin:**

I am pleased to hand the microphone to Mr. Yui Pin, Chairman of the Chinese National Branch of the SCO Business Council.

**Yui Pin:**

Dear Sergei Yevguenievich, dear Chairman Mr. Naryshkin, dear Secretary Mr. Nurgaliev, dear ladies and gentlemen, dear colleagues; today I have the honour to participate in this conference as a member of the Chinese delegation.

First of all, allow me, on behalf of our branch of the Council, to express our gratitude for the warm reception and excellently organised work. I would like to share the following opinion with you, concerning strengthening of cooperation and coordination between the SCO members, aimed at overcoming negative consequences of the financial crisis. In the first place, we should develop particularly the service function of the Business Council, and we should also develop and promote cooperation in major projects at a higher level. I propose that it is the national branches that should perform their function, create a service platform, assist in selecting suitable projects, and allocate preferential terms for the implementation of such projects; and our branch of the Business Council is now engaged in establishing a consulting centre for legislation. At the same time, the bilateral cooperation is already on a good foundation, while multilateral cooperation is yet to be intensified. Generally, I would like the Secretariat of the Business Council to develop, in particular, a multilateral cooperation project and to offer specific suggestions.

Second, I believe that more attention should be paid to cooperation for the development of infrastructure and for the improvement of living standards. China has been demonstrating openness during 30 years, we have gained extensive experience, and Chinese companies have the strength and the capabilities for developing cooperation with partners in order to bring real profit to the SCO countries.

I would like to add that sufficient attention is paid to the cooperation of small and medium business. Investments are small but the effect is fast. This year, we, representatives of the Business Council, have organised a trip for the survey of the Chinese agricultural market; and, in this May, we have formed an agricultural delegation for the participation in various forums of the Central Asian countries. These actions have helped us to achieve significant success, particularly, in Uzbekistan many enterprises and companies have come to preliminary agreements. And our Business Council will strive to promote these projects.

We shall overcome all the problems that we have confronted with, particularly in the investment environment. We should pursue the facilitation of trade and the improvement of coordination with state administrations in order to enhance the investment environment.

Third, it is necessary to establish an efficient mechanism of interaction between the Business Council and the Interbank Association. I think we should pay attention to the following aspects. The first one is the financing of trade. Under present conditions, trade confronts with big problems. We should intensify trade and contribute to the recovery of volume of business for the business community. Second, I'd like to emphasize that we should increase the financing of a large, billion project, as well as medium and small projects. Third, I believe the Business Council and the Interbank Association should promote international payments in the national currency.

The Business Council and the Interbank Association are unique mechanisms within the framework of the SCO, yet, until now, an efficient mechanism of interaction between these two organisations has not been established. Therefore, we propose to establish a mechanism of communication, including calling irregular meetings and exchanging information with one another. The national branch of the Business Council should actively select projects and submit them to the Interbank Association for considering a question of providing financial support.

We will try to create model projects. We will intensify interaction with the Interbank Association and we shall advance to a new level by our common efforts. Thank you very much.

**S. Naryshkin:**

The next speaker is from the Kyrgyz Republic. This is Mr. Omurbek Babanov, First Vice-Prime Minister of the Kyrgyz Republic.

**O. Babanov:**

Thank you very much. Dear participants of the meeting, the latest events occurring in the world demonstrate that first we need the modernization of our international economic relationship towards forming common interests, in the interests of sustainable development of regions. The experience of the many integration associations shows that they are basically built on two main principles. The first principle is a powerful initiative role of the state, for example, as in the establishment and development of the European Union. Another principle is the prevailing role of large private business, which forces the state to take the way of integration convergence. In any case, the final driving force of international economic integration is national entrepreneur structures. The SCO has demonstrated today that it is a sound force, an international political factor exerting positive influence on the geo-political situation in the whole world community.

Dear members of the meeting, considering failures of the international financial structure, I would like to emphasize the need to develop and perfect financial and insurance mechanisms that would facilitate sustainable social and economic development of the SCO member states, with the aim of providing efficient utilization of loan resources, and also providing financial support to enterprises and organisations of the SCO member countries in implementing specific economic programs. I consider it reasonable to enhance the interaction of the SCO Interbank Association with the SCO Business Council. As the first step, we could consider the possibility to use loan resources of the Eurasian Development Bank established by Kazakhstan and Russia for financing SCO projects.

Speaking on consequences of the crisis, I would like to note that, at the stage when the crisis influences the global economy, we could face trivial shortage of power resources, for example. You all very well aware of the dynamic growth of population in the Central Asia, which means growth of water consumption volume, and water is the key factor of welfare of the countries in the region. However, scarcity of water resources requires a frugal approach and taking measures for their efficient utilization. Therefore, our country sets great value upon perspectives of regional cooperation with all the SCO countries in the sphere of hydropower industry. We believe this will give us a possibility to develop and utilize mechanisms for sufficient power supply more efficiently, and also to develop our republics, i.e. to solve the problem of water shortage in the Central Asia region.

Surely, the strategically important task for all the SCO countries is the development of transport communications. Kyrgyzstan is in a unique geographic position between the developed markets of Europe and Eastern and South Eastern Asia. We would like Kyrgyzstan to become a bridge between the South East and Europe, and we have this unique chance to bring this desire to life within the framework of the SCO countries.

We place great emphasis on the construction of the China-Kyrgyzstan-Uzbekistan railway. In the first place, this enables us to activate our trade relationship, to develop new mineral deposits, to raise the economic potential of the SCO member countries, and to solve many of the social and economic problems existing in the region. Predictive evaluation of the global economy tells us that, in the near future main financial and commodity flows will be concentrated in the triangle between the USA, Europe, South-Eastern Asia, and China. The implementation of this project will give a huge stimulus to the development of the SCO countries.

To a large extent, the development of Kyrgyzstan economy depends on the development of economies of our main trade partners, SCO members. We pay much attention to the development of economies of our neighbours, which gives us grounds for closer and deeper cooperation in economy. Thank you very much.

**S. Naryshkin:**

I give the floor to Gulomjon Bobozoda, Minister of Economic Development and Trade of the Republic of Tajikistan.

**G. Bobozoda:**

Dear Sergei Yevguenievich, dear colleagues, dear friends, I am happy to greet you at this conference and express hope that our conference will be another step on the way of enhancing our relationship within the framework of the SCO.

The SCO represents the countries, surveying the development of which many scientists consider them situated on the Great Silk Road; the scientists consider the most favourable prospects are waiting for these countries in the XXI century, it is like the restoration of the great role they played in the ancient times. As I am one of the almost last speakers, I believe my task today is easier in many aspects because my colleagues have already spoken concerning the need of cooperation and concerning prospects. I would only like to emphasize that, in my opinion, the key questions of the development of SCO cooperation is the utilization of the colossal power potential that our region has, I'm speaking particularly of the Republics of Tajikistan and Kyrgyzstan. Resources of Tajikistan only are evaluated at approximately 527 billion kilowatt-hours. Under conditions when strong developing markets are present in the South, in the North, and in the East, this potential should be used by all means, in close coordination with water resource administrations, which meets interests of all the countries of the region.

Only during the last year, the decrease of industrial production of Tajikistan amounted to 20%, notably because of shortage of electric power while the country has colossal potential. So we have steady intention to implement this potential. Today, I am happy to say, a hydroelectric power plant will be commissioned in Tajikistan in two or three months already. This is the first large project of that kind, which was implemented with the assistance of the Russian Federation and with its direct participation. I consider this is a good example of potential cooperation in the mentioned areas.

We realise that the majority of the SCO countries are situated in a region that has no access to the sea, and this is why we should extend transport corridors, not only create the infrastructure but also remove all barriers and all artificial obstacles and limitations from the way of trade between our countries. As far as the crisis is concerned, I want to give you some figures about Tajikistan.

We had some experts that affirmed that the crisis would affect us to a lesser extent or would not affect us at all, for, to a great degree, our countries were not integrated into financial systems, and so on. But it turned out completely the other way, the secondary effect of the crisis strikes developing countries, countries with low income, to which most of the countries of our region

belong, more heavily. So it is the population of any country, which is the first to suffer from the consequences.

The matter is that the export of our republic declined by 50% during three months of the current year only, because of the nature of the export and the orientation at raw materials (basically, our export consists of aluminum and cotton). Transfers dropped considerably, approximately by 35%. All this, obviously, presses the consumer market and the currency exchange rate. Unfortunately, our countries do not have sufficient instruments for the mitigation of these processes, or for affecting them. I think our cooperation in particular, and the utilisation of the advantage our countries have in the international division of labour are a good foundation for the fastest overcoming of the crisis.

I would also like to stress one more important factor. We know a certain number of countries are observers; these are the countries, which are present directly in our region. I want to propose to draw attention to the problems of Afghanistan. You know, the borders of this country stretch to approximately 1500 km in most challenging mountainous environment; so the security and development of economy of the Central Asian states depend, first of all, on how efficient we are in assisting the restoration and development of a long-lasting stable situation in Afghanistan.

To conclude with, I would wish us all a fruitful dialogue and success in implementing our endeavours and ideas, which we have articulated today. Thank you for your attention.

**S. Naryshkin:**

One of the promising directions of cooperation, as the SCO Business Council considers it, is the joint business in the insurance sector. I would like to give floor to Mr. Vadim Yanov, Chairman of the Board of SOGAZ OJSC. You are welcome.

**V. Yanov:**

Thank you very much, Sergei Yevguenievich for the given floor. Perhaps, it is not quite accidental because SOGAS is the only insurance company participating in business councils, both in national business councils and the common SCO Business Council. In the Business Council, we are trying to champion interests of the insurance market and to consider prospects of its development within the framework of cooperation between the SCO countries. In addition, it is a significant and very important experience of public private partnership; therefore we regard the floor of business interconnections within the framework of the Business Council of the SCO countries as a model example of public private partnership. Because of the time limit, I would like to talk briefly about some questions only.

First, I would like to dwell on prospects of the development of the insurance business and the insurance market in the SCO countries. First of all, we believe this implies the development of

insurance of transboundary risks, namely, anthropogenic and ecology risks because the development of the fuel and power system, which is taking place in the SCO countries now, entails the presence of such risks and their increase. Also, intensive development of the production implies increase of such risks. Let me give you a small example. As you remember, last year, a Chinese enterprise located near the Amur discharged poisonous chemical waste due to a technical emergency. This developed into a serious ecological catastrophe that had to be eliminated at the expense of the state budget. Perhaps, it is not exactly right, and we propose transferring the responsibility for such catastrophes and risks to the business and insurers so that they would provide for all possible ways to avoid such risks, or provide financial support for the elimination of their consequences by their mutual effort.

The second direction of the cooperation, which we regard as very important within the framework of our Business Council, is the creation of reinsurance pools. Unfortunately, interaction between insurance companies is carried out only on a bilateral basis today. Again, let me give you an example of very close interaction in insuring and reinsuring one another's nuclear risks between the Russian nuclear insurance pool and the Chinese nuclear insurance pool.

Unfortunately, such cooperation is limited to bilateral relations only. We think that it is necessary to create, in particular, reinsurance pools with the participation of representatives of all SCO member countries; insurance companies, which should distribute the risks related to catastrophes and accidents occurring in the process of economy development within themselves. Unfortunately, nobody can avoid catastrophes. That is why; more attention should be paid to insurance.

The third moment I would like to mention and talk about. It is also necessary to pay attention to social insurance. There is large percentage of migrants between the SCO member countries, particularly, in Russia. According to the Russian legislation, labour migrants who come to Russia for work are not given compulsory medical insurance. The costs caused by emergency medical aid and treatment of people, which nevertheless work here, amount to 300-500 million rubles monthly as experts evaluate them. This is load to the budget and, perhaps, an inadmissible luxury even not in the crisis times; the issues of compulsory and voluntary social insurance should be regulated by all means. We think this is a task for insurers and the insurers' association within the framework of the SCO.

The optimal way out of the situation, we believe is introducing a united system in the SCO countries, which would guarantee the provision of qualified medical aid to migrants through the system of international insurance. We have proposals for the way of its implementation. I will not waste your time now but we really should deal with this problem.

Finally, again, I would like to outline two problems related to the interaction in the insurance field, which we consider the most important currently. The first problem is the harmonization of the

insurance legislation. Today, unfortunately, the insurance legislation in the SCO countries has been regulated in such a way that we are virtually not able to work in the areas I have spoken about. Perhaps, very serious work is to be done here, from the side of the state and legislative bodies of our countries, in order to provide a most efficient way of interaction and cooperation. The second problem I would like to talk about is establishing united insurance infrastructure. First of all, this is related to information databases, fraud control, training and retraining of human resources, and sharing of experience. So it is one big block of issues that require solving, and the solutions should be implemented.

To solve the said problems, a working group has been established within the framework of the Russian branch of the Business Council, in which all the concerned bodies participate, such as the Insurance Supervision, the Ministry of Foreign Affairs, the Ministry of Social Security, and so on. This working group prepares measures and offers proposals, which we believe must be implemented. We submitted a proposal to the Business council, concerning establishing an international working group within the framework of the SCO to solve all those problems, which I have spoken about in all the SCO member countries. This proposal was supported. It was approved at our last session under the chairmanship of Dmitry Mezentsev; and we hope it will be implemented. I will conclude my speech here, thank you for your attention.

**S. Naryshkin:**

Dear colleagues, I thought now that about 750-800 million women live on the territory of the Shanghai Cooperation Organization, and only men are speaking here, at the conference. To make amends for this oversight, at least partially, I would like to give floor to Matluba Uljabayeva, Chairman of the National Association of Small and Medium Business of the Tajikistan Republic. You are welcome.

**M. Uljabayeva:**

Good afternoon.

As I see, the SCO is maintaining the gender balance. Thank you. I would like to emphasize that we are all very close because some time ago we were united in one big country (except China, of course). However, at any rate, we need legislation harmonization. Each country is developing in its own way, but, to a great degree, we are alike, our industries are alike, and our mentality is alike. So, our legislations should also be alike. Very much depends on it. Just look at what is going on. Let's talk about competitiveness. Each of us wants to be more competitive than a neighbour. On January 1, Kyrgyzstan introduced a new Taxation Code. No matter how imperfect it is, as I have heard in Kyrgyzstan, still it is better than our taxation mode. That means Kyrgyzstan is more competitive

than Tajikistan. Both our countries are the most remote from the sea and we do not have hydrocarbon resources. If we talk about the normative and legislation base, Tajikistan has considerably stepped forward since last August. I can venture to speak about it with a good reason, because I am a member of the Consulting Council under President of the Republic of Tajikistan, for improvement of investment climate, which corresponds to the Business council existing and operating in four countries.

First of all, the law on registration of legal entities and individual entrepreneurs will be effected on a principle of “one window” starting from July 1 this year, which will greatly facilitate the registration of a business within 5 days. The costs become very small. There are only 3 out of 13 procedures left. This is good. Also, the law on joint-stock companies has been amended; so the amount of authorised capital stock has been changed in this connection. This also facilitates the registration of a business. Documents are being prepared now, and a reform of the permissive system of Tajikistan will proceed during this year. The so-called “guillotine” method will be used. Also, the permissive system in the construction business will be altered, as well as the registration of construction companies; issuing of permissions on the principle of “one window” will be introduced. There is one more thing I want to draw your attention to.

As a state official, I am not afraid to say: do not be scared to invest into Tajikistan. Tajikistan is a good shield for all countries of the CIS; it is a shield against the Central Asia, our very uneasy neighbour. Please, remember it once and for all that experts on the border is the Russian army, that is why our border is strong. We have large resources, just do not hesitate to risk, to invest, and we will assist you. Thank you very much.

**S. Naryshkin:**

I would like to give floor to Igor Finogenov, Chairman of the Board of the Eurasian Development Bank.

**I. Finogenov:**

Thank you very much, Sergei Yevguenievich!

Thank you, Dmitry Fedorovich for the invitation to this meeting, because our bank is not a member of the Interbank Association. We are a bank of the international organisation, which unites Russia, Kazakhstan and Armenia today. We cannot yet enter your Association in full, for not all the SCO countries are included into the list of our founders and participants. Still, we work in some SCO member countries and believe our cooperation and interaction with the Interbank Association is very important.

We have heard about the importance of the Silk Way already today. Indeed, the greatness of the

Silk Way is not so much in the huge volume of commodity exchange between various states, as in the mutual penetration and enrichment of similar civilizations and cultures. The Silk Way was a guide and a distributor of diverse innovations, technologies of manufacture of silk, powder, and paper, and they all were transported along this very way. Our bank regards the Shanghai Organization of Cooperation as the successor of the Great Silk Way. The SCO member countries have common interests, regardless of their differences in social and economic development of the resource base. Activities of our bank in the SCO countries are aimed, particularly, at development of these links because the region known before for its trade routes now has to begin construction of transport corridors again. It is not accidental that the same directions are the priorities for the Eurasian Development Bank. This testifies not only to similar evaluation of the economic situation but to a common view of the region's future as well. The Bank acquired significant experience in implementing large financing projects in these areas, it has the required resources, and it could become one of efficient financial instruments in the implementation of the program of SCO trade-economic cooperation, including partnership with other financial organisations operating in the region. Now I would like to dwell on the regional aspect of overcoming the crisis. I hope that, in the nearest future, a constituent document of the anti-crisis fund of the EurAsEC will be signed, wherein the Eurasian Development Bank will take part in the management of resources. The purpose of this fund establishment is the assistance to the states that are the fund founders; that is, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan, at the same time, SCO members are among them. It is planned to allocate resources of the fund to sovereign and stabilisation loans to member states with low level of income, and also for financing of large interstate projects.

In this context, I would like to draw your attention to the fact that some countries are simultaneously members of the SCO and members of other integration and cooperation organisations such as the EurAsEC. Therefore, it seems to me that projects of the SCO and the EurAsEC could mutually complement one another, and, in the light of this, I want to return to the problem of international transport corridors, the conception of which has also been worked at within the framework of the EurAsEC.

As we know, the implementation of such a program will significantly increase commodity flow along the vector between China and Europe. Let alone the fact that establishing of a customs union between Kazakhstan, Russia, and Belarus will also remove considerable administrative non-physical barriers on this way and speed up the movement of commodities along this vector. I think these projects can be of interest to the banks that are members of the SCO Interbank Association, and other structures including those, which were established for the operation at territories of the SCO member countries; I mean the infrastructure fund and other mutual funds. I believe coordination of efforts of all national and supranational organization for solving the tasks set within

the framework of the Shanghai Organization is possible just within the framework of the Business Council.

So, I presume that the policy we are conducting now is aimed not only at the participation in programs for the elimination of crisis consequences, but also at revealing economy growth points, for building a reliable foundation for sustainable development of the country, and we welcome this ideology of positive construction and revival of the Great Silk Way spirit. Thank you.

**S. Naryshkin:**

Raimbek Batalov, Deputy Chairman of the Kazakhstan National Branch of the SCO Business Council, you are welcome.

**R. Batalov:**

Thank you, Sergei Yevguenievich. Dear participants, we can state today that the economy constituent is beginning to come to the application level in the activities of the SCO. The Business Council and the Interbank Association contribute greatly into the strengthening of the regional cooperation. Problems of economic cooperation, the development of insurance market, health care, sanitary and epidemiological situation, migration policy, and many other pressing questions of interstate interaction of the SCO member countries are being solved on their floors. Legal basis was developed, for the interaction between the Business Council and the Interbank Association of the SCO, which operate as two interdependent parties involved in the process of organisation of economic cooperation. Yet, it is our firm belief that the scale of tasks for the enhancement and deepening of economic cooperation of the SCO member countries requires a shift to a new stage of organisation of activity of the Business Council and the Interbank Association. In addition, the need for the reorganisation of Business Council and Interbank Association activities is caused by an extending financial and economic crisis, when the first priority becomes the coordination of efforts of the SCO member states with the participation of business communities, aimed at the prevention of negative consequences of the crisis. We believe that now is the exact time to establish an organisational foundation for post-crisis cooperation. All the more so, we follow the results of the conference of heads of governments of the SCO member states, which took place in Astana in last November; according to which, it was recommended to intensify activities of the Business Council and the Interbank Association.

Now I come to the point of the proposal. It is as follows. It is necessary to establish a structure with the organization and legal status of a non-commercial enterprise under the aegis of the Business Council and the Interbank Association; in substance, this structure could be like the international association of economic development of the SCO. I would like to underline that the name of the

structure or its organization and legal form are not the matters of principle. It could be a united secretariat or an SCO institution, or a chamber of economy. It is important that this body should be able to become a consolidated business centre of the business community operating on a continuous basis and having a proper level of competence. In our opinion, this body should have appropriate information and analytic resources, should be able to create databases for planned interstate projects and interstate projects being implemented, to examine them, to select and support them, to involve banks in the cooperation, to provide consulting services concerning the financing of mutual projects, to form an opinion on projects for concerned bodies of the SCO member states and the business community, to develop principles and stipulations of the public private partnership, to make proposals on adapting legislation and on removing interstate administrative barriers and so on; in brief, in everything that business faces when implementing projects. We are sure that the establishment of such a structure would indeed help to implement projects, not only on the bilateral, but also on the multilateral basis, which was repeatedly recommended by heads of the SCO member states. Finally, we are sure that this established structure would allow the business to feel the difference between interstate economic cooperation in general and interstate economic cooperation in the SCO region.

Finally, I would like to express confidence that the SCO Business Council and the SCO Interbank Association will carry on consultations in the nearest future; and we hope to proceed to the implementation of proposals with due political support – here, Sergei Yevguenievich, your opinion is very important. For our part, we are ready to participate actively. Thank you for your attention.

**S. Naryshkin:**

I would like to give floor to Sergei Luzyanin, Deputy Director of the RAS Institute of Far Eastern Studies, Director of the Centre for Studies of Asia and the SCO. You are welcome.

**S. Luzyanin:**

Thank you, Sergei Yevguenievich.

Dear colleagues, dear friends, problems of the economic model of the SCO can be considered in two aspects, as I see it. First, the economic model of the SCO, as such, was basically determined before the crisis. There were projects, no matter good or bad the model worked but, today, the crisis amends the agenda, not only in the way of tactics.

I think that systematic renewal of the SCO economic strategy will take place. Perhaps, a new agenda will be prepared. This is a separate subject, but I would just like to mention it to outline the problem.

The second subject, also of a conceptual nature, is that today, besides the Central Asian dimension

of the SCO in the economic sense, we also observe the formation of a broad Eurasian space on the basis of the conventional pattern 6 + 4 and, perhaps, + 2. I mean the following: there are permanent members plus four observers, and, possibly, a new institution – countries that are partners in the dialogue, and two candidates, perhaps, Belarus and Sri Lanka. This structure 6 + 4 + 2 gives us the opportunity for economic diversification, the opportunity for organising various combinations, and the opportunity for spur-of-the-moment economic changes if you will, in this vast space provided, of course, that the Central Asia priority is maintained.

The third moment is the anti-crisis agenda. We understand that there are 6 national models and the harmonization is going on, but today we have to speak about a common anti-crisis agenda. This is a very difficult problem; the project of the SCO anti-crisis fund is being discussed at the level of experts. There is a very valuable experience of the EurAsEC, and I think we should proceed in this direction.

The fourth point is the SCO and the EurAsEC. I think that the legislative foundation exists; this is the memorandum on mutual understanding and the memorandum on cooperation of the European Development Bank and the Interbank Association. There should be no contradictions, offences, or come ambiguous interpretations. There must be clear understanding that each EurAsEC space has its own agenda, and it is a homogenous space within the framework of establishing the customs union. The SCO is a different agenda with its own regulations, and there are no contradictions here. Complementarity and mutual development are going on.

The next point is customs and non-customs barriers. I want to point out, dear colleagues, that our expert group, together with Chinese experts, has carried on surveys of publications of the magazine “Elosy chzunya dun ou shichan”, i.e. “Markets of Russia, Central Asia and Eastern Europe”, and we discovered that, out of seven factors, the customs procedures, legislative base, and the harmonization of standards have the most negative effect on the world trade. 10% increase of only the first three positions produces a 20 billion dollar effect per year. Such expert evaluations exist, and they can actually tell us how to proceed.

The next point is energy cooperation. I fully agree that the idea of the “Energy Club” should be infused with new directions; the concept itself is good but it must be renewed. We have six national energy strategies here, which, certainly, should be coordinated.

And, finally, the water problem. This is the most complicated, touchy and complex problem. Yet, however paradoxical it may sound, the water problem gives us a chance for cooperation within the framework of the SCO. There are various models and concepts – a consortium and other, that is why the time, perhaps, has come to think at the level of experts and, in a way, at the political level, concerning the establishment of a special structure dealing with water supply, water preservation, irrigation, hydraulic power plant construction, and searching of investment for large water projects.

Other variants are also possible but, somehow or other, objectively, the SCO should become a negotiation floor for the cooperation in this complicated and complex water problem. Russian experience and resources are priceless in this regard, in the sense of upgrading, new water preservation technologies, and in other directions. Collecting reservoirs might be constructed in Tajikistan and Kyrgyzstan, for collecting water in winter and using it for irrigation in spring and summer. These are just variations of the general subject.

So, summing up at least these positions very briefly, we can conclude the following: the crisis, certainly, causes colossal hardships today but, at the same time, it gives us a chance to gain new perspectives and resources for drastic renewal of the SCO economic strategy. Thank you.

**S. Naryshkin:**

Now I am ready to give one or two minutes for short remarks to all participants of our conference if they wish so, of course. Please, come here. You have 30 or 40 seconds.

**From the hall:**

Just a couple of words. To continue the speech of Dmitry Fedorovich, I would like to say something about the venture funds. We believe this financing lever may be of great assistance, particularly now, but there is a question. From our experience of relations with the Russian Federation, we understood that our legislative base is not sufficient, i.e. a venture fund should fall within the scope of the international legislation. So, I would like to address you, the Business Council, to consider these questions, otherwise, if the legislative base is not set, we will not be able to go on. Thank you.

**S. Naryshkin:**

Thank you. We are summing up, dear colleagues.

Of course, our discussion today has taken place in the context of the general discussion of the St. Petersburg International Economic Forum, which was looking for answers concerning the causes, prospects, and ways out of the global economic crisis. We perfectly understand the crisis is a very complex problem with many factors to it; there is no single remedy or instrument to lead us out of it. But we also realise it very well that mutual work is one of such instruments, so we will consolidate our collective cooperation within the framework of the Shanghai Cooperation Organization. Thank you all for your participation.