South-South Cooperation in context of Global Financial Economic Crisis

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Impact of Global Financial Economic Crisis on World Economy

First wave: summer 2007-1st half of 2008. Developed and developing countries

Second wave: beginning of 2008 - 1st half of 2009. Developed and developining countries

Third wave: beginning and middle of 2009. Developing countries, transition economies, least developed countries

Financial sector

Stock exchange market channels and banking sector channels

International trade channel with the 1st wave countries and FDI channel

Banking sector channel, FDI channel, remittances, international trade channels (decline in export with 2nd wave countries)

Increase of unemployment FDI outflow
Effect on balance of payment
Effect on exchange rate
Distrust to the financial sector
Effect on public budget

GDP
First wave (beg. 2008.): Russian Federation and Kazakhstan, (stock exchange market and banking channels), likewise Bosnia and Herzegovina, India, China (FDI channel and banking channel)

Second Wave (late 2008-beg.2009): crude oil exporters (international trade channel), Mexico, Colombia, Venezuela, Ecuador, Turkmenistan, Kazakhstan, Brazil, Russian Federation etc

Third wave (beg. and mid. 2009.): countries not integrated or less integrated in global financial economic processes (all channels, except stock market channel)
Impact of Global Financial Economic Crisis on Economy of India

1st wave (early 2008):
- Stock market channel
- Exchange rate channel

2nd wave (late 2008):
- FDI channel
- Remittances flow channel

Effect on Net capital inflows
- Effect on Portfolio investment

Effect on Current Account
- Effect on Exchange rate
- Effect on Consumption

Unemployment
- FDI outflow
- Balance of payments
- Effect on exchange rate
- Distrust of the financial sector
- Budget deficit

GDP

Financial sector
Real sector
International trade channel
Global Crisis finnally influence on GDP via the transmission channels. Conducted VAR-model indicates that:

- **Remittances inflow channel impact by 4,74 %** (in turn influence on export by 22 % and by 31 % – on import);
- **Banking deposits** – by 15,88 %;
- **Liquidity of the banking system** by 0,37 %;
- **Exchange Rate channel** by 17,85 %;
- **International Trade channel**: export by 33 % and import by 10 %.
Transmission of the Global Crisis within SSC countries

- Stock market channel
- Banking sector channels
- Exchange rate channel
- FDI channel
- Remittances channel
- International trade channel
The main directions to overcome the adverse effects of the Global Crisis

The first tendency: macro-prudential policy with parallel conduction of monetary policy;

The second tendency: financial stability regulation, i.e. elimination of speculative financial operations in financial markets with the help of taxation;

The third tendency: adaption and introduction of Participation Banking, where interest rate and speculations are eliminated.

Taking Minsky theory as fundamental, the moment Minsky (the onset of the Financial crisis) might be seen in Basic and Super Cycles of Minsky. The solution of the financial crisis in the line of the recession period is introduction of the innovations on the Global level to stimulate global demand.

The Key Point is given to the Global Government.
Conclusions and Remarks

The Empirical study results indicate that the Global Financial Economic Crisis transmission on the economy of the Kyrgyz Republic happens via:

1. **Remittances inflow**,  
2. **Exchange rate**,  
3. **Deposit volume in the banking system**,  
4. **International trade**.

As a long term goal for the republic is the increase of export by 1% leads to increase in GDP by 0.15%, which may lead to independence on remittances and import, and to appreciation of the national currency;

The Ponzi borrowers are not spread within SSC, due to low level of integration of the economies into the Global financial-economic processes, the financial crisis of Minsky may not be predicted currently. But this fact plays the relevant role in creation of the non-speculative financial system within it.