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By Hardev Kaur (Oct 30, 2008)

Why are Asians not angry with the Americans and Europeans? asked a French journalist at last week's Asia-Europe Meeting in Beijing. She was referring to the global carnage caused by the on going financial meltdown and blood letting on the stock markets that is spreading from the US to Europe and to Asia.

The answer from an Asian journalist was -- Asians by nature are non confrontational, they are pragmatic, level headed and seek solutions. It is also a reflection of the maturity of Asians in the face of a crisis. They prefer action to empty talk and lecturing.

Asian leaders demonstrated maturity and leadership and made their points in a civil but forceful manner at the ASEM meeting and offered advice. Chinese Premier Wen Jiabao and host of the Seventh ASEM emphasised the importance of developing the real economy.

Manmohan Singh, India's Prime Minister, an economist by training reminded those present that "In this age of globalisation we have a global economy but it is not supported by a global polity to provide effective governance." Sound advice and as Kishore Mahbubani, Dean of the Lee Kuan Yew School of Public Policy in Singapore, says "The West should pay heed".

Asia was blamed for the 1997-1998 crisis. They were lectured that their economies were inefficient and too much protection had caused them to be less competitive and resulted in the crisis they were in.

Markets know best, they were reminded, something that Alan Greenspan, former US Federal Reserve Chairman, now admits is not the case adding that financial institutions cannot self regulate. The solution, Asians were told then was to open up their economies, remove the subsidies that protected the poor and helpless, let the companies and banks fail and go under to avoid a moral hazard.

Today, Washington's response to its own meltdown makes a mockery of the austerity measures it had forced down Asian throats. The rescue teams from the IMF and Washington dished out the cookie cutter, one size fits all bitter pill to the ailing economies. Millions were thrown out of jobs and schools, the aged and destitute were denied the medical facilities that they desperately needed. The Western corporate leaders flew in like vultures and picked on the Asian companies and bought them at basement prices.

When Malaysia decided, in its own best interests, not to follow the IMF and the Washington Consensus remedies, it was admonished, chastised and ridiculed. But today those very same policies are being adopted and promoted in the US. What happened to the arguments of "moral hazard" and the markets know best? Obviously they have gone out of the window and everything must be done to save the institutions, avoid a total meltdown and a contagion from spreading. But here is the reality -- the contagion has spread. And a coordinated solution is urgently needed.

The measures announced by Washington, according to some, are like band aid and even then too little too late. The contagion has spread to Europe and Asian economies are beginning to feel the heat too. Iceland has already gone to the IMF, the first in this crisis, with a cup in hand. The IMF has agreed to a US\$2.1 billion rescue.

Others that need help are Hungary -- the EU, IMF and World Bank have come together and worked out a US\$25.1 billion rescue package for Budapest. A US\$16.5 billion rescue package is set aside for Ukraine. Belarus is also at the IMF door with cup in hand. Pakistan and others are waiting in line. The US\$40 billion given out to Asian economies in 1997-1998 pales in comparison to the billions committed to countries in Europe at this early stage of the crisis.

The demands on IMF resources will be unprecedented. "The IMF has only US\$200 billion of its own resources, which is not enough collateral," according to Simon Johnson, a former Chief Economist at the Fund adding that "it would be spectacular if they could pull this off". The bulk of the world's foreign reserves are in Asia with some US\$2 trillion in China alone. Thus it is not surprising that the west, and the US in particular, is knocking on Beijing's doors for assistance.

To its credit, China has acted in a dignified manner. Kishore points out that "As the world's greatest emerging economic power, China has acted remarkably responsibly in this crisis. It has received with polite dignity the western bankers coming cap in hand to seek money. It did not remind them that barely a year ago many of the same bankers had castigated it for its conservatism in opening its financial sector. That caution has been vindicated".

Asian economies -- the Asean 10, China, Japan and South Korea (Asean plus Three) -- have announced a US\$80 billion multilateral facility to assist countries in the region in case of need. The Asian leaders are building on the Chiang Mai Facility that was established in 2000 following the 1997-1998 financial crisis. It is

a coordinated action by Asian countries to tackle the financial crisis since the worst of the turmoil began last month.

Previously, a proposal for an Asian Monetary Fund was vehemently opposed by the IMF and Washington on grounds that there was lack of good governance and management in Asia. The calls for good governance and management from the IMF and Washington Consensus seem hollow as they themselves have not lived up to their own standards.

Nevertheless, The current crisis calls for coordinated action, "Overcoming the crisis requires global action and a joint response," Wen told the leaders. It is not the time for pointing fingers, getting angry and calling names. The plight of the poor, who are not responsible for the dire straits that the world financial system is in now, must not be ignored even as Washington and the IMF scurry to save and nationalise the institutions that were deemed "too big to fail" and dole out rescue packages to affected economies.

The 45 heads from Asia and Europe in their joint statement said "The market and regulatory failures that have led to this crisis must be addressed as a matter of urgency".

The Asians are coordinating their actions with the set up of the US\$80 billion facility while more talk and less action continues in the West. Asians are more rational, level headed and pragmatic and quick off the starting blocks in search of solutions. There is thus no need for Asian leaders to be angry or even lecture the West as the latter is so fond of doing. Their actions and results speak louder than words.

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