

11/11/1998

Managing the crisis the Asian way

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READERS of this and other local papers would have noticed a surprising high volume of pronouncements made by government, finance and central bank officials, including the Prime Minister, in the early days of last week.

The context of these announcements was, in a sense, as important than their contents. For a remarkable and so far unique dialogue was taking place at the Palace of the Golden Horses in Kuala Lumpur. A gathering of world-renowned economists, academics and practitioners, policy-makers and advisers had gathered to meet their Malaysian counterparts to discuss and debate, freely before an invited audience, the causes of the Asian financial crisis, and the merits or otherwise of Malaysia's responses.

The debate comes home

The thinking behind the conference was simple and brilliant. For whilst the Asian crisis spawned first, debate, (and later the fear of meltdown) worldwide, this debate took place solely in the west, between western academics and institutions.

The IMF prescribed to the East, and CNN, CNBC and the BBC all quickly got into the act making daily prognostications of gloom. After a few months of fumbling by the IMF and inept reporting, some serious commentators began to get involved. Economists Jagdish Bhagwati, Paul Krugman and Jeffery Sachs criticised the IMF, the World Bank and the IMF, Americans argued about the use of "their" money and all the time, those of us in the East, to whom the crisis was happening, were excluded from the debate.

We watched the news helplessly as IMF plans failed to stem the panicked outpour of foreign capital, currencies dramatically devalued and share value disappeared.

The one Asian voice speaking out against the traditional wisdom of the IMF was that of our Prime Minister, Datuk Seri Dr Mahathir Mohamad. With remarkable foresight, he called for fundamental reforms of the world financial infrastructure long before the collapse of the Russian economy gave momentum to fears of a world recession and long before the recent turnaround in the IMF's approach to reflationary tactics.

The trouble with a lone voice, though, is that it can be too easily be marginalised and ignored.

Aided in part by some of the more sensationalist rhetoric of Dr Mahathir's speeches (the broadsides at George Soros for example) the Western Press began to consistently portray Dr Mahathir as a lone maverick, raging futilely against the wind, rather than taking the difficult internal decisions that needed to be taken.

This led to the PM turning directly on the Western Press and institutions, and a conspiracy theory began to be postulated. The list of conspirators grew daily: speculators in general, hedge funds in particular, and Soros in specific, the IMF, the rating agencies and - fanning the flames all the while - the Western Press.

Positions had become polarised. The Western view, as seen from here, was that the crisis has been caused by greed, crony capitalism, lack of transparency, imprudent borrowing and corruption.

From the West, the Malaysian response seemed to lay all the blame on a vindictive attack of unregulated and destructive currency speculators, in conspiracy with Wall Street, rating agencies and the American Treasury.

Essentially, each side blamed the excesses of the other and neither

would concede the need for reform.

Each extreme position seemed too simplistic to provide a complete explanation (though each seemed to be grounded in some truth), more crucially, neither by themselves provide an adequate foundation on which to base a complete solution.

What needed to be achieved was some sort of synthesis between the opposing viewpoints. Both sides had to see through the rhetoric, evaluate agendas that would otherwise remain hidden, overcome bugbears and ideological obstacles, and each take the best from the other. A stalemate had been reached, but the game was too important and the consequences too real for that to be allowed - a way out needed to be found, and that solution was to bring the debate home, here in Malaysia.

G.A. David Dass, a senior lawyer who conceived the conference, describes the motivating concern succinctly: "The object of the conference was to bring the debate as to the causes and cures of the crisis to Malaysia. I was concerned firstly, that the debate was taking place at various locations in the globe remote from Asia, and organised by bodies that had a vested interest in obtaining conclusions which vindicated positions favourable to them".

And so, 18 months after the onset of the crisis, and after nearly a year of planning, in a tense local political environment, the debate came home. Under the auspices of RAM (the Rating Agency of Malaysia), ASLI (the think-tank), and the Lim Kok Wing Institute, a two-day international conference entitled "Managing the Asian Financial Crisis - Lessons & Challenges" took place on Nov 2 and 3, by coincidence, on the opening days of Anwar Ibrahim's trial.

#### One-armed economists

The late American President Harry S. Truman is rumoured, in a fit of exasperation with his advisers, to have demanded: "Get me some one-handed economists". That way, the President reasoned, he would get clear advice, and none of this "and on the other hand..."

There was no danger of equivocal positions being taken by the experts gathered at last week's forum. They included economic dignitaries like Columbia University's Bhagwati (mentor to such luminaries as Krugman and the Thai Finance Minister); Harvard's Sachs who (according to the New York Times anyway) is "the world's most important economist"; Edward Young, managing director of Moody's, Asia; Dr Lee Hahn Khoo, president of South Korea's Daewoo Economic Research Institute; and Dr Andrew Frerris, head of Asian research in what has become the world's largest commercial bank, Bank of America.

Dr Mahathir himself gave the keynote address and took part in a concluding Q&A session (though sadly, his other commitments prevented him getting the full benefit of the discussions that ranged widely and raged loudly for two days).

#### A polymorph of polyglots

Nor, importantly, was this a homogenous gathering of "Westerners" with shared ideologies, outlooks or agendas. Sachs and Bhagwati are two outspoken critics of the IMF; Bhagwati, though recently an American citizen, is from a prominent Indian family with a perspective that is completely sympathetic to Asia; Frerris is a Greek who lives in Hong Kong, and Lee is a South Korean - so from one of the countries most afflicted by the crisis.

If these men have a common agenda, it is in finding the truth. Their reputations, their training, their livelihood, all depend on that pursuit, and they are accustomed to pursuing that aim with complete freedom.

It seemed that this, of all gatherings, here on home soil with experts who genuinely wanted to help, provided the best possible chance for a

genuine dialogue without the unhelpful ideological or geographical position-taking.

Most of the time, that held true.