

OFFENSIVE XENOPHOBIA

Spouting half-truths, financial officials in Malaysia and Hong Kong demean themselves

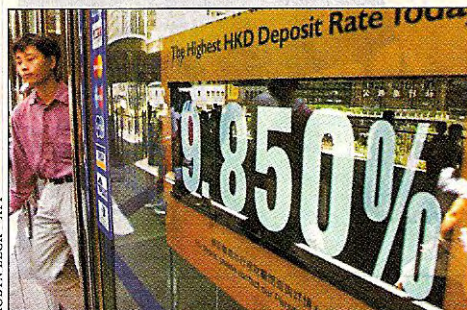
BY SIN-MING SHAW

ONE BIG CASUALTY OF THE Asian financial crisis is the debasement of public discourse. Malaysia must stand at the forefront of the offensive and the xenophobic. It first rattled foreign investors by promoting the idea that "currency speculators conspired" to devalue the Malaysian ringgit and to "impoverish" the country. At times, officials intimated that Jews were responsible for Malaysia's plight because the country is Muslim.

Malaysia is now joined by Hong Kong, historically an open, tolerant, cosmopolitan city. As the Hong Kong government wields its financial reserves in its fight against the so-called speculators in the stock and money markets, its vitriolic rhetoric is unprecedented. Conjectures are taken as facts, half-truths as absolutes. The main salvo was fired by Joseph Yam, head of Hong Kong's Monetary Authority, after he led the charge into the stock market, declaring war against "currency manipulators" to make sure they lose money. Webster's defines "manipulate" as an act "to control by artful, unfair or insidious means, especially to one's own advantage." A manipulator is clearly a bad guy.

The Hong Kong government described with great clarity what the manipulators do. They engage in a "double play," trying to profit by borrowing Hong Kong stocks and dollars, then massively selling them, betting that the value of both will go down. This double-play mechanism is intrinsic to Hong Kong's financial system, a fact that everyone in the market understands and Yam admits readily. How then can he regard the practice as "insidious," which the dictionary defines as "stealthy, subtle, cunning or treacherous"? There is no guarantee that any double-play bet necessarily wins if the player gets the fundamentals wrong. And the double play in reverse—buy shares and buy Hong Kong dollars—resulted for many years in low interest rates and high property and stock prices. In that play, everybody, local and foreign, manipulator or not, benefited. It propelled a small number of property tycoons in Hong Kong, friends of the territory's Chief Executive Tung Chee-hwa, to rank among the top 20 richest on the Forbes list of global billionaires.

Perhaps the answer lies in the word "speculate," another damning label. The enemy is a "speculative manipulator," as uttered by Yam with venom. Webster's defines a speculator as one who "assumes a business risk in hope of gain." To speculate is "to buy or sell a security or property in expectation of profiting from market fluctuations." To speculate also means "to meditate on or



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ponder a subject." Clearly a pension-fund manager, individual investor, property developer and anyone else who participates in the marketplace is by definition a speculator. Every time a factory goes up, a building is erected, stocks are bought or sold, it involves an act of divining the future, risks assumed, profit or loss incurred.

Perhaps it is the concept of "profit" that troubles the government: time and again, officials attack the speculators for making money. The term "speculative profit" crops up in every government statement as "proof" that the double play is a bad thing, the player a bad guy. One progovernment fund manager wrote that "the government is only making a tactical move to reduce the opportunities for speculators to make a profit out of Hong Kong's problems." This raises an interesting point. Does that mean it is OK for a speculator to make a profit only when Hong Kong has no problems?

If "speculators," "manipulators" and "profits" are not as evil as the government mandarins wish us to believe, who are the real enemies? Officials have another ready answer: the foreigners and rumor-mongers. A leading Beijing paper recently lambasted unnamed foreign fund managers for spreading "lies" about the possibility of the renminbi's devaluing. To lie is "to make a statement known to be untrue by the speaker with the intent to

deceive." A liar is clearly a very bad guy deserving of 10 Ken Starr investigations. But it was the Chinese government that often made thinly veiled threats to devalue unless the Japanese yen recovered. Recently, none other than party Chairman Jiang Zemin stated that there couldn't be a 100 percent guarantee that the renminbi would never be devalued. So who is lying?

Xenophobia has now reared its ugly head in much of Asia. In Hong Kong, officials and their supporters routinely differentiate between "foreign speculators" and "local investors," "us" against "them." A local broker recently arranged a meeting between a high-ranking official and a group of Chinese fund managers working for foreign companies. The broker warned the guests not to express any antigovernment views, adding: "It's unfair to Hong Kong to allow foreigners to make easy money in our market." Even democratic Taiwan, the one solid Asian economy in the current turmoil, has banned the sale of George Soros's Quantum Funds, mindlessly blaming him for Asia's problems. Through all this, Singapore has stood out as the one country that has refused to descend to intellectual mediocrity. For clarity and brutal honesty, public servants in Hong Kong and Malaysia should be required to read Senior Minister Lee Kuan Yew's analysis of the Asian crisis.

Asia has many problems. They must be debated with intellectual rigor. Governments should be at the forefront of intelligent discourse instead of demeaning themselves with half-truths and propaganda. Officials must learn that the financial market is a global village filled with people at least as educated and at least as smart as they are. By engaging in jingoism, they embarrass themselves and the people in whose name they govern. They also expose themselves as unfit to rule.

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