

MIDDLE EAST TIMES. 25TH ANNIVERSARY

World Top Financiers Start Thinking Global

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At last the world's top finance officials, including those in China, have started thinking globally. This week's coordinated interest rate cuts suggest that the central banks are at last working together. Governments, legislatures and cartels have yet to learn the same lesson.

Start with cartels. Iran and Venezuela are leading the demand for an emergency meeting of OPEC to cut production targets so that the oil price can rise from its current \$84 a barrel back toward the \$140 a barrel bonanza they enjoyed in the summer. Perhaps they do not understand that the high oil price has been a factor in the current nightmare, and that a new price increase could bring on the global depression that would hit everybody.

Then consider the legislatures. The West and its banks need money, and there is lots available. The Chinese have some \$2 trillion. The Japanese have over \$1.2 trillion. India, Taiwan and South Korea have another \$1 trillion between them and the Arab states of the Gulf Cooperation Council probably account for another \$2 trillion.

Naturally, what they do with their money is up to them, but it might be helpful if they had the option of making truly useful profits, doing well by doing good and buying into temporarily depressed Western assets. Indeed, they have already made the effort. The Abu Dhabi Investment Authority is facing a \$3 billion loss on its investment in Citigroup, and China's CIC is showing a loss on paper of over \$1.25 billion in Morgan Stanley, although they both have the patience and foresight to wait until those losses turn into healthy profits.

This is not a matter of charity but of mutual benefit. Bahrain's Investcorp has launched a \$1 billion fund to buy up cheaply the toxic loans and mortgages that cannot find a market, knowing that there are gems buried in that dung heap. It will help the U.S. economy if someone buys them up, and help Investcorp's investors when recovery comes and they show a profit.

The question is whether the U.S. Congress and the European and Japanese parliaments understand this and stop making cheap political capital out of the cry that foreigners are buying the family jewels. Too many economic illiterates like Ohio Congresswoman Marcy Kaptur have blustered "Will we sit back and let the [sovereign wealth funds] of the world fire at will, claiming our assets and extirpating our businesses?"

The ball is now in the court of Western governments and politicians. Can they coordinate their rescue policies as well as the central banks? Will they rout their own xenophobic populists and welcome foreign capital without offensive conditions? Are they ready to whatever it takes to save the system?

The British seem to be pointing the way, with their own \$700 billion effort to re-capitalize their banks, and with their new minister for business, Peter Mandelson, suggesting that sovereign wealth funds should get a new name savior wealth funds. He's right.

Published: October 10, 2008



DANGERS AND REWARDS -- The Abu Dhabi Investment Authority and China's CIC are facing losses on their investments in U.S. financial institutions, but they both have the patience and foresight to wait until those losses turn into healthy profits. (Illustration via Newscom)