

A Banking Star's Inconvenient Singaporean Truth

Contributed by Our Correspondent
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Morgan Stanley's Andy Xie Has to Find a New Job

Investment banks have always been the most outrageous of all the many alley cats in the financial services industry. Nothing must get in the way of profit, least of all telling their investor clients the honest truth about companies and countries.

Text of email attributed to Andy Xie:

I participated in the panels on Commodity (sic) and China-India and in some obligatory dinner parties. On Friday night the Singapore prime minister invited the speakers at the meeting that the Singapore government organized. Trichet, Larry Summers, Paul Volker (sic) Chuck Price, the finance ministers of ASEAN countries were there. No government official from China was there …guess I was there to make it look like China was represented.

The dinner was turned into an Oprah with PM Lee Hsein Long (sic) at the center. The topic was on the future of globalization. People fawned him like a prince. Of course, he is. There are two reigning princes in the world that the Davos crowd kiss up to, Jordan and Singapore. The Davos crowd are Republican on economic issues and democratic on social issues. Somehow they manage to put aside their moral misgivings and kiss up to Lee Hsein Long and Abdullah.

I tried to find out why Singapore was chosen to host the conference. Nobody knew. Some thought it was a strange choice because Singapore was so far from any action or the hot topic of China and India. Mumbai or Shanghai would have been a lot more appropriate. ASEAN has been a failure. Its GDP in nominal dollar terms has not changed for 10 years. Singapore's per capita income has not changed either at \$25,000. China's GDP in dollar terms has tripled during the same period.

I thought the questioners were competing with each other to praise Singapore as the success story of globalization. Actually, Singapore's success came mainly from being the money laundering center for corrupt Indonesian businessmen and government officials. Indonesia has no money. So Singapore isn't doing well. To sustain its economy, Singapore is building casinos to attract corrupt money from China.

These western people didn't know what they were talking about. Aside from the nauseating pleasantries some useful information came out of it. Trichet sounded very bullish on euro-zone economy (sic). He noted that euro-zone was catching up with the US in growth rate (sic) and talked about further gain in 2007. His tone was much more bullish than

our house view. As Japan is surprising on the downside, I don't see how the rise of euro-yen could be stopped.

Larry Summers and Paul Volker (sic) were very worried about the US economy. As you probably know, Alan Greenspan is talking the same way. At the CLSA conference last week, he talked like one of his critics. There is fear of a US collapse. Many Americans think that an RMB reval (sic) would save the US. This is just a dream, in my view.

Most were worried about the future of globalization due to income inequality. As average workers in the west are not seeing wage increase (sic), they may vote against globalization. I thought that they were understating the benefit from cheap consumer goods. However, as inflation comes back, it does diminish the benefits for western consumers.

No-one was worried about the growth outlook for China and India. The Indian Planning Minister was very bullish, talking about 9% forever.

My sense is that policymakers are relaxed (sic) about the short-term economic outlook but anticipate a US collapse at some point. Americans think that RMB reval could save the US. So they would keep pressuring China."

Andy Xie

Morgan Stanley

So it should come as no surprise to find Morgan Stanley finding "An inconvenient truth" in an email sent by an erstwhile star economist, Andy Xie. He was sacked. That the email was intended for internal circulation only is apparently of little concern to the bulge bracket firm. It got far enough to incite the wrath of Singapore and, typically, the bank went into full grovel mode. The Morgan Stanley management as usual put honest comment and matters of fact into second place behind its commercial need to pander to the whims of every state, however illiberal, however obnoxious, that could influence its bottom line.

Xie, whose forceful views have long gained attention, had the temerity to cast some doubt on the wonders of Singapore's economic success and drew attention to its role as money launder for assorted crooks and corrupt officials from Indonesia. In particular he wondered, according to the email, why, given its record in this regard, it had been given the honor (such as it is) of hosting the IMF/World bank annual meeting last month.

Xie's nine-paragraph email says in part that "I tried to find out why Singapore was chosen to host the conference. Nobody knew. Some said that probably no one else wanted it. Some guessed that Singapore did a good selling job. I thought that it was a strange choice because Singapore was so far from any action or the hot topic of China and India. Mumbai or Shanghai would have been a lot more appropriate. "

In point of fact, when the World Bank and IMF chose Singapore as the venue for their 2006 meetings, they had been shell-shocked by a long series of violence-strewn meetings in European and other world capitals as protesters took to the streets to demonstrate against the institutions' role in promoting globalization. Singapore was picked as a garrison state that could hermetically seal off their meetings against inconvenient marchers. But Singapore proved too assiduous in quelling dissent for the two institutions. It was too much even for Paul Wolfowitz, the president of the World Bank and,

prior to his appointment one of America's chief neocons. He demanded successfully that Singapore at least allow in a handful of demonstrators.

Xie went on to say that "ASEAN has been a failure. Its GDP in nominal dollar terms has not changed for 10 years. Singapore's per capita income has not changed either at \$25,000. China's GDP in dollar terms has tripled during the same period."

Some of the participants, he thought, "were competing with each other to praise Singapore as the success story of globalisation. Actually, Singapore's success came mainly from being the money-laundering centre for corrupt Indonesian businessmen and government officials. Indonesia has no money. So Singapore isn't doing well. To sustain its economy, Singapore is building casinos to attract corrupt money from China."

The leaked email was soon making its way around the region. That proved to be embarrassing enough to guarantee Xie's departure. A spokesperson for Morgan Stanley merely told the press that: "We do not comment on personnel issues. We do not elaborate on the reasons of our employees' departure."

Xie's email points up the fact that Singapore was not only the conduit for the flight of billions of dollars in Indonesian (especially Indonesian Chinese) capital during the 1997 crisis, nor that it offered refuge to owners of Indonesian banks who had looted them before leaving for the safety of this ethnic enclave. Nor that the 2001 collapse of Asia Pulp and Paper — with US\$12 billion worth of debts one of the biggest corporate disasters of all time and by southeast Asian standards at least the equal of Enron — went very close to members of the Singapore elite who miraculously emerged unscathed from the supposedly incorruptible and strict enforcers of corporate and banking law and regulation.

Morgan Stanley has proved once again that Singapore has western institutions in its pocket, and none more so than the bulge-bracket banks. But being browbeaten isn't exclusive to Singapore. In a famous briefing note to investors in 1996, maverick strategist Albert Edwards of the investment bank then known as Kleinwort Benson, described Malaysia's economic policy of promoting high economic growth against a high current account deficit and shrinking foreign reserves as "Noddynamics." That occasioned a personal trip from Kleinwort officials to Kuala Lumpur to apologize after Edwards' note made its way to Reuters news service.