



Asian Crisis Is Cultural As Well As Economic

by David I. Hitchcock

“He came clean,” was “disarmingly frank,” “told it like it is.” Admirable qualities to Americans, but uncomfortable ones in much of Asia where indirectness is an art, public embarrassments are to be avoided, and dirty laundry isn’t aired in public. Yet in efforts to restore economic confidence and jump-start recovery in the wake of the Asian financial crisis, the International Monetary Fund insists on “transparency” – complete information available on all financial dealings. Not only are Western experts demanding this, but Asians, too, who know how hard it will be.

Cleaning up unreliable financial institutions is one thing; washing away behavioral priorities in globalization is something else. Singapore’s former Prime Minister Lee Kuan Yew says what’s needed is “full disclosure and transparency.... My greatest concern is the inability of the emotional and cultural makeup of a man to catch up with the technological changes that have been brought upon us.” And former Japanese Prime Minister Kiichi Miyazawa says: “Transparency is a must ... [this] means sometimes a very brutal confrontation, which is not really part of our culture.”

Asia’s crisis is not only economic, but cultural. In the early 1990s, some Asian leaders credited Asian values for their countries’ rapid growth, comparing Western decay and economic stagnation with their own success. Today, Asian hubris has been replaced by Western hubris. But many Asian leaders insist that such “Asian” values as hard work, respect for learning, and society over the individual can still help the region.

But they don’t mention – and Americans overlook – other characteristics that could impede recovery. In a 1994 survey by the Center for Strategic and International Studies, 100 respected Asian observers in Thailand, Malaysia, Singapore, Indonesia, China, Japan, and Korea were asked to estimate the priority their countrymen placed on various values. Americans were similarly polled. The most highly rated values among Asians were orderly society, group harmony, and respect for authority. These were among the lowest-rated by Americans. Freedom of expression and resolving conflict through open debate scored higher with them.

While Japanese are disillusioned over scandals in their Finance Ministry, many in the region may still feel, as Lee Kuan Yew unblinkingly puts it, that “authoritarian arrangements are essential to economic success.” Deference to authority is the way: shareholders don’t confront directors; students don’t debate with their teacher. Any public unpleasantness might threaten harmony and social order. So how, in cultures where sensitive public matters are often handled in private and where media exposés are often discouraged, can transparency suddenly rule the day?

With so little light shining in many Asian nations, “special” relationships among businessmen, politicians, and bureaucrats thrived, favorite companies were awarded contracts, payoffs smoothed the way, and bureaucrats were lavishly entertained by those they were supposed to oversee. These practices aren’t unknown in the US, but with a free press and watchful Congress, the truth usually will out.

“Transparency” will have to overcome cultures where deals are made behind closed doors, through connections, and where bad loans and indebtedness can be hidden. A few examples: \$50 billion of underreported Korean debt; \$600 billion in bad or questionable Japanese banking loans - more than double previous estimates; Indonesian foreign exchange reserves that may be considerably less than the official estimate of \$16 billion.

The economic transformation of many East Asian countries into booming centers of finance and industry took place under Western influence and because of values some Asians believe were stronger there than in the West. But the cascade of change in much of Asia left societies in considerable social, moral, and political stress. Now more rapid change is being pressed on cultures already trying to adjust to harsher capitalism and a less personal world.

The IMF and its American and European cohorts would do well to take these Asian assessments seriously. The recovery of the region’s economies will require blending financial reforms with ways of life many East Asians want to hold on to. Cleaning up unreliable financial institutions is one thing; but washing away differing behavioral priorities in a tidal wave of globalization is something else.

We may see develop across the Pacific an even greater mix of East and West, with “transparency” not total but tinted; a brand of capitalism still cozier than free market purists want; and societies still trying to avoid conflict and preserve more mutually dependent human relationships than may be possible in the US.

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