The Buck Stops Here

By ZHOU JIANXIONG

Amid the fuss and jitters over a $700-billion emergency bailout package going through the U.S. Congress, meant to rescue America's ailing economy, and panic and plunges across stock exchanges worldwide, China has remained calm and confident of its ability to stave off the current world financial crisis and has expressed its aspiration to make positive contributions to helping stabilize the turbulent global financial sector.

The U.S. financial turmoil, initiated by the subprime mortgage crisis last year and fueled by the collapse of some leading realty and banking institutions over the recent weeks, has triggered great concerns among political leaders, business executives and financial analysts from around the globe, and led to a generally accepted assumption that a recession is befalling the U.S., which will adversely affect the rest of the world.

Some Chinese economists have attributed the rapidly spreading U.S. financial crisis to a combination of factors, such as "excessive liquidity in finance," the "virtual economy" and advanced derivative tools. Others have cited the absence of effective supervision and policy adjustments as well as "unbalanced development in the local financial market." Whatever the causes, it is the U.S economy and, possibly, the world economy at large that will suffer from the consequences of the disaster. Needless to say, the U.S. authorities will be expected to bear the brunt of conducting a critical and thorough examination of their financial system and implementing reforms and measures where necessary to uproot the basic causes and restore confidence and order to the world financial market. This mirrors a popular Chinese saying, "The one who creates a problem should be the one to solve it."

Confronted with this escalating financial woe, China naturally also will suffer, given the fact that it is well merged into the global economy as one of the world's top holders of foreign exchange reserves and a leading capital exporter. But it is nonetheless upbeat about the stability and safety of its financial industry, as much as about its overall economic growth. Premier Wen Jiabao has noted that China's economy is "developing in a direction guided by the government's macroeconomic control policies." And in its most recent statement, the People's Bank of China, the nation's central bank, has echoed Wen's comments by saying that relevant government agencies have been putting in place a number of steps in an effort to reduce the effects of the crisis to the lowest level possible. These steps include tightened supervision, effective risk management, cuts in benchmark deposit and lending rates, a tax exemption on individual deposit interest, and the fact that Chinese financial institutions have enhanced their capabilities of earning more profits and tackling market risks as a result. Meanwhile, China also has displayed its readiness to cope with the ongoing crisis, proposing to coordinate and cooperate closely with American market regulators to help prevent the crisis from spreading. A news release also disclosed that China, along with Japan and South Korea, are working on an $80-billion reserve fund to counteract any potential threats posed by the crisis.

China's voice and deeds do ring a bell—reminding the world of its responsible action during the 1997 Asian Financial Crisis, when the country persisted in maintaining the value of its currency and in the process kept its neighbors afloat. The current financial upheaval may once again provide proof that China is a trustworthy and responsible country in the face of a global crisis. ■