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Prof. Desai hails prospects for Asian IMF managing director

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The European debt crisis provides a “great opportunity” for a top Asian official to become managing director of the International Monetary Fund, Prof. Lord Meghnad Desai of the London School of Economics told an audience in Kuala Lumpur today.

Giving the Second Global OMFIF Lecture at Bank Negara Malaysia, Prof. Desai said: “The euro crisis will be a great opportunity for Asia to change the way that the IMF is run. The man who runs the IMF [Dominique Strauss-Kahn, the former French finance minister] has presidential ambitions [in France]. This is the moment for Asia to challenge the premise that the best person to head the IMF should always be a European.”

Mr Strauss-Kahn has played a substantial role in helping engineer the €750bn support package for troubled euro member states unveiled on 10 May. The IMF chief is widely believed to wish to secure the presidential nomination of the French Socialist Party, which would require him to relocate to France to prepare to challenge President Nicolas Sarkozy before the poll in spring 2012.

If expectations harden that he will cut short his IMF mandate, preliminary soundings on candidates for the IMF post – which has always been held by a European since the Fund started in 1946 – would start later this year.

In a wide-ranging hour-long lecture to about 100 Bank Negara staff and other attendees, Prof. Desai urged the West “to get ready for a multi-polar world” fashioned by the rise of Asia over the past 50 years. He gave listeners snippets of down-to-earth advice on careers and lifestyles, telling Asians to be “slightly more rebellious and disorderly” to reach their full potential in international competition.

“The days are gone when you had to be like your parents, who were stressed by the need to get a job and hang on to it,” he told the predominantly youthful audience. “Asia can now extend itself. This is where the growth is going to be. There is a culture of a bit too much respect [in Asia], but you can move towards changing that.”

Prof. Desai called for Asia to embrace risk-taking in knowledge and technology. Asked how Asia could guard against possible economic and political upsets, he said the region needed to strengthen itself with a culture built on “flexibility, inclusiveness, reconciliation, rebelliousness and surprise.”

Asia’s renaissance in the world growth league tables was “a return to past form,” he said. In the period 1000 to 1500 Asia provided the most powerful economies in the world. “Between 700 and 1500 the most powerful armies were Arab armies. Britain was nothing in the 14th, 15th and 16th centuries.”

Individual Asian countries had been derided as “basket cases” in the 1960s, but now “Asia is moving centre stage.” Asia had taken advantage of weakness in the US and Europe to attain its potential and set its own priorities.

“Asia’s role has changed. The US is no longer as powerful as it used to be.” Prof. Desai reviewed developments of the past century and suggested that these had lessons for Asia. “In 1900 the US was treated as not really civilised enough to deal with global concerns. The world was run by the British, the Germans, the French. But by the 1940s the Americans had emerged as the most powerful, richest nation, the dominant force in the world, with more gold than anyone else.”

“This was the way that the balance changed between the US and the UK. It was all about economic power: it was based above all on economics, not on cultural, social or ideological factors. The Americans worked harder, they saved more and they had more resources.”

Looking at the two largest fast-growing economies, India and China, Prof Desai said of his native India: “The Indian government is generally bad news for growth. India has grown at a time of weak rather than strong government.” China had been through periodic upheavals with great turbulence and large losses of capital, before renewing its upward path, whereas India profited from its innate flexibility. “China is like a Chinese vase. It’s strong but brittle and every now and then it breaks in to pieces. India is a mud pie, a multi-lingual, multi-cultural, multi-religious people. It is constantly breaking and then remoulding itself. It reinvents itself every day.”

The lesson of Asia was: “Do not take growth for granted.” Many things could happen to prevent growth from following orderly, linear movements. “Compound growth tables are the easiest thing to manipulate. He pointed out that the Soviet Union, which looked at one stage like developing into the world’s most powerful economy, had fallen by the wayside. “A lot of people saw the Soviet Union as the alternative economic model. In the 1990s there were 50 Communist states. How many of them are left now?”

Notes for Editors

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