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Crisis hampers US trade leadership

Concerns raised at global conference



At a conference yesterday, Carl J. Dahlman, an associate professor at Georgetown University, said in the near future many governments will be focusing on stimulating their economies. (Erik Jacobs for The Boston Globe)

By Robert Weisman

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The global financial crisis - rooted in a US borrowing and spending binge - is eroding America's standing as the world's economic leader, making it harder to reach international consensus on issues ranging from trade and regulation to poverty and global warming, speakers at a Boston conference warned yesterday.

"In the eyes of many of our friends abroad, to say nothing of those who are not so friendly toward the United States, the credit crisis is seen as an inevitable outcome of US-style cowboy capitalism," E. Gerald Corrigan, managing director of New York investment bank [Goldman Sachs & Co.](#), told the US-China-India

Innovation Partnerships Conference. "That's not a pretty thought, but that's the way it is."

Stronger global partnerships, including academic alliances, will be critical to driving economic recovery and solving long-term political and environmental problems, said speakers at the opening day of the conference, organized by Boston research firm Mass Insight Corp. But such alliances could be undermined by a new wave of protectionist sentiment in the United States and other countries, they cautioned.

"The political tendency will be to close our borders, and that would be catastrophic," said Mark Zandi, chief economist at Moody's Economy.com, a research and forecasting firm in West Chester, Pa. "That is a very clear lesson from the Great Depression."

About 400 business, government, and academic leaders from the United States, India, China, and Singapore attended the conference, which continues through tomorrow at the Hynes Veterans Memorial Convention Center. Many participants expressed alarm at the collapse of multinational financial institutions and the deepening global recession rippling out from Wall Street and the US housing market.

Corrigan, a former president of the Federal Reserve Bank of New York, summed up the view of other speakers when he said much of the crisis stemmed from "global imbalances," with the free-spending United States running a widening trade deficit, buying goods and services from China and India, which run growing surpluses.

"One casualty of the crisis, and the suggestion that its roots are largely in the United States, is that US economic and financial leadership has frankly been damaged," Corrigan suggested in remarks that were astonishingly blunt for a prominent figure in American business. "That's in a context in which US leadership on the foreign policy front has not exactly been best-in-class for some time. And what that means, of course, is that President-elect Obama has a rather full plate."

Other participants agreed with Corrigan's assessment, and expressed disappointment with American stewardship.

"You can't say nobody saw this coming," maintained Charles Yang-Sheng Liu, principal at Hao Capital Management, a Beijing investment firm. "The United States has been spending beyond its means for 25 years, borrowing more to keep the party going."

"I think America is where Britain was in the 1920s," said Hemang Dave, a Bedford investment adviser of Indian origin, who predicted that developing nations like China, India, and Brazil will vie with the United States for economic power in coming decades. "There is a risk that the US will not recover its leadership position. Every 60 to 90 years, there's a change of leadership in economic activity."

Not everyone concurred. "The United States continues to be the most dominant economy, and for the foreseeable future it will be the dominant economy," contended Samir K. Barua, director of the Indian Institute of Management in Ahmedabad, India.

Carl J. Dahlman, associate professor at Georgetown University and former senior adviser to the World Bank Institute, said national governments will need to better align their regulatory standards and develop mechanisms for public and private partnerships to move forward on problems like carbon emissions. But in the near future, he warned, countries were more likely to focus on stimulating their economies, putting longer-term issues on the back burner.

Having recently returned from business travel across the Pacific Ocean, where other economies are also winding down debt, Ronald P. O'Hanley, president and chief executive of BNY Mellon Asset Management, said, "The Asian view is at least as pessimistic about the United States as we are about ourselves. There's an incredible sense of disappointment. People say, 'Yeah, we did the same things you did, but we did it because you did it.' "

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