Professor Charles Adams started the seminar with an overview of the current context of the ongoing international economic crisis. He emphasized the disorderly unwinding of key global macroeconomic and financial imbalances that emerged under exceptionally benign conditions during the first half of this decade. According to his view, the large current account deficits of the United States have been cheaply and unsustainably financed by the high savings in Asia, especially China. He summarized the breakdowns of the three lines of defence leading to the current global crisis: risk management of financial firms, market and official analysts and credit rating agencies, and US supervisory regulatory bodies. He pointed out three main macroeconomic culprits for this crisis which are the very accommodating monetary policy by the US, the global net savings glut and the very benign global economic conditions in recent years.

Professor Adams then spoke about the crisis in Asia, emphasizing the Asian export collapse that virtually all Asian countries are experiencing. The integration with the global economy and strong export orientation causes the region’s growth to slow sharply and some countries have fallen into recessionary conditions. He concluded that due to this unwinding of global imbalances, Asia will meet with more challenges and will not easily bounce back as it did after the Asian Crisis in 1997-98. Asia, and Vietnam in particular, needs to look for ways to rebalance within itself.

The discussion followed Professor Adams’ speech was very lively. Topics and issues related to the problems in the US such as income flows, government spending, cause and effects of global imbalances, mechanisms for crisis prevention and resolutions are debated among the audience and the speaker. The seminar discussed lessons for Vietnam during this crisis. It was noted that Vietnam, unlike most Asian countries, entered the crisis with current account deficits so Vietnam needs not look short-term only. What should Vietnam do in the current context is still an open question but solely internal looking and/or shifting completely away from export-growth model is not suggestable.