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Viewpoint by Jeremy Warner

Throw the kitchen sink at RBS and stop this constant political meddling

What's that terrible smell wafting its way down Whitehall and into the poshed-up atrium of HM Treasury? Only the Royal Bank of Scotland, which this week dumped another lorry load of the proverbial all over its largest shareholder – you and me, the taxpayer.

That the losses keep rolling in with no apparent end in sight, more than five years after the bailout, almost beggars belief. With virtually every insolvency, scandal or compensation claim that emerges, RBS seems to have been right there in the thick of it. It's as if its managers had deliberately sought out and climbed aboard all the very worst risks and practices the banking world had to offer.

On top of everything else, the IT system is on its last legs and needs a complete overhaul, costing possibly billions. Sometimes it seems it might be better simply to close the whole thing down and start again.

That said, there is at least some reason for thinking this is the last of the bad news. There's a new man at the helm, Ross McEwan, and he'll have been most unwise if he hasn't fully "kitchen sinked" the bank with this latest announcement – the practice of getting all the bad news out of the way in one fell swoop, chucking in everything up to and including the kitchen sink, so as to establish a new base from which, hopefully, the only way is up.

With a still deeply impaired bank, however, it may not be quite that easy. Stephen Hester, Mr McEwan's predecessor, struggled to achieve the clean break with the past that Mr McEwan seeks, if only because the unrecognised losses were so vast that they would have wiped out the capital if announced all in one go.

Instead, he was forced to spread the pain out over a period of years, drip-feeding the bad news in the hope that a recovering economy would eventually come to his rescue. It did not.

It's possible that the same sort of constraints confront Mr McEwan. Certainly, there is a suspicion in the City that he's still under-provisioned, if only because he hasn't yet got the capital to pay for realism. George Osborne has already said there's not a penny more to be had from the taxpayer, so a rights issue is out of the question.

As I say, it's hard to imagine a bank more exposed to the losses and scandals of the crisis than RBS, but in fact there is one: JP Morgan Chase. Like RBS, JP Morgan has taken a beating on virtually all aspects of the crisis, and then some. Not even Fred Goodwin was able to match the scandal of the London Whale:

banking recklessness at its very worst. And yet JP Morgan and its long-serving captain, Jamie Dimon, sail on regardless.

The only difference is that JP Morgan is big enough, and perhaps more importantly has the forward momentum, to absorb the losses. RBS, by contrast, has been under the political cosh for more than five years. Progressively pushed out of investment banking, the bit that makes all the money, to spare the Government's blushes over bonuses, it has fallen into a spiral of decline.

Fred Goodwin must still bear the lion's share of the blame for the neverending horror of RBS, but the politicians have scarcely helped matters with their constant meddling. They've not served taxpayers well.

Where have all the Chinese companies gone? There used to be a whole host of them quoted on London's Alternative Investment Market – West China Cement, Asia Citrus, China Medical Systems and so on. Yet virtually all of them have since uprooted and relisted in Asia, which offers better valuations.

One exception is Hutchison China MediTech (ChiMed). Still majority-owned by Li Ka-shing's Hutchison Whampoa, it's stuck with London, despite the fact that its shares sank as low as 35p in the depths of the financial crisis five years ago. It was never entirely clear why they plumbed such depths – there have been no obvious setbacks – but certainly it didn't help that Lansdowne Partners, in a fit of madness, dumped virtually all its very considerable holding right into the Lehman's sell-off.

Even top hedgies – and Lansdowne's flagship fund was one of the top performing ones in London last year – don't always get it right. The shares have since soared to 635p.

It's easy to see why. ChiMed sits slap bang in the middle of potentially the biggest healthcare market in the world. By specialising in tradition Chinese "botanical" cures and treatments, it also knows how to appeal to local tastes.

British employers often complain about punishingly high National Insurance contributions, but, in parts of China, payroll taxes to fund pension, healthcare and other welfare costs can be as high as 46pc – bad for start-ups, perhaps, great for healthcare spending.

In the past 15 years, the numbers covered by such insurance have risen from around 100m to more than 500m. With no let-up in urbanisation, there's still huge potential for growth.

ChiMed's burgeoning portfolio of promising new treatments, some of them being developed in partnership with Western pharmaceutical companies, further adds to the appeal.

The shares have already risen a long way, but the best is yet to come.

I've every sympathy for the plight of developing world economies, caught in the crosshairs of US Federal Reserve tapering.

Raghuram Rajan, governor of the Reserve Bank of India, is right to worry about the Fed's disregard for others in withdrawing monetary support from its own economy. It's not just that the consequent capital flight is proving hazardous to emerging markets, such as India. Self-interest alone should make the US more cautious.

If the effect of tightening is to trounce demand in the developing world, then there is every possibility of some sort of dangerous, negative feedback loop establishing itself. It's odd, to put it mildly, that so little attention has been paid to this possibility in the Fed's deliberations over tapering.

As for the G20, it seems to have become almost wholly useless as a forum for policy coordination. Its moment of triumph, during the Lehman panic, seems to have been just a one-off.

Today, the G20 is little more than an excuse for international travel, fine dining and general junketing.

All the same, Mr Rajan protests too much in suggesting that the West owes the emerging markets for the stimulus provided during the crisis. It is now the turn of advanced economies to step up to the plate, he implies, and help the emerging markets.

Er, no. The idea that emerging markets bailed out the West during the crisis is little short of laughable.

In fact, it was the other way around. Without the extreme fiscal and monetary stimulus provided by the West, all ships would have gone down together. Self-interest instructed policy then, and so it must today.

At this stage, emerging market troubles are very much country specific. It is those that have failed to reform – countries with big external imbalances – that find themselves most vulnerable to capital flight. It's an old lesson, I fear, but the time for fixing the roof is when the sun is shining. The past several years have provided plenty of opportunity for such work; sorry guys, but in many cases, it has not been taken. There's no help quite like self-help.

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Ross McEwan, new CEO at the Royal Bank of Scotland, needs to get all the bank's bad news out of the way in one go, to establish a new base