

**Asia faces tougher battle in new global slowdown**  
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Asian economies still scarred by the 2008 world recession are likely to have a harder time grappling with a new round of turmoil than they did three years ago, regional analysts said.

Fears of a new global meltdown are growing after the United States received a credit downgrade for the first time and markets tumbled on expectations that Italy and Spain could join other European countries in seeking a bailout.

"Back in 2008, rotten debt in the banks was the problem," Singapore's DBS Bank said in reference to global financial rescue measures that helped bring economic growth back on track.

"Governments took the debt off the banks - and spent a lot of money propping up economies - and now they themselves are in trouble. That's why the situation may be worse than before: there's no one left to turn to."

Stimulus spending during the 2008 crisis by nine East Asian economies including China and Japan - which depend heavily on US and European demand - totalled about US\$1.3 trillion, according to an Asian Development Bank estimate.

The US Federal Reserve pumped over a trillion dollars into the country's economy after the 2008 crisis and added US\$600 billion more in 2010.

Singapore, one of Asia's wealthiest countries, dipped into its reserves for the first time in 2009 as the economy sank into its worst recession since independence. It rebounded strongly and grew by 14.5 percent in 2010.

As Asian markets tumbled on Monday, Prime Minister Lee Hsien Loong trimmed Singapore's growth forecast for 2011 from a band of 5-7 percent to 5-6 percent, saying "the global outlook remains uncertain".

Credit watchdog Standard and Poor's (S&P), whose downgrade of Washington's top-notch AAA rating spooked markets, on Monday said the fiscal capacities of Japan, India, Malaysia, Taiwan and New Zealand had shrunk relative to pre-2008 levels.

"If a renewed slowdown comes, it would likely create a deeper and more prolonged impact than the last one," it said in a statement.

Regional financial systems may face "reduced liquidity and a heightening of refinancing risk in the near term" as borrowing costs rise.

**'Gold - and mattresses - start to look attractive'**

Asia could also be affected to varying degrees as governments are again forced to use their balance sheets to support the financial sector, S&P said.

"The implications for sovereign creditworthiness in Asia-Pacific would likely be more negative than previously experienced, and a larger number of negative rating actions will follow," S&P added.

DBS said that "when investors discover that governments are as constrained as they are, gold - and mattresses - start to look attractive.

"And the impact on the real economy, as 2008/09 makes clear, can be dramatic," it added.

But Rajiv Biswas, Asia-Pacific chief economist at research firm IHS Global Insight, maintained that the

region's central banks are prepared to deal with another crisis, given their experience in 2008.

Central banks "have developed much stronger support mechanisms to ensure the stability of their financial systems and instruments to support provision of liquidity to their financial institutions", Singapore-based Biswas told AFP.

"This time around, these mechanisms are still available and central banks are much more experienced in addressing liquidity-related problems in their financial systems," he said.

The continued strength of the Chinese economy and Japan's resilience after the quake, tsunami and nuclear disasters in March may mitigate the effects of the US and eurozone debt crisis on Asia, Biswas added.

Jonathan Galaviz, a US-based economist who tracks Asia closely, said the region has enough liquidity at the moment but this is being supported by volatile US dollar funds that have sought higher returns and can also exit swiftly.

"Many perceive that Asia's governments are in a strong financial position, but that financial position can quickly turn ugly in an extreme economic downturn," said Galaviz, chief economist of Galaviz & Company consultancy.

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