

International Business News

Asean economies resilient

AFP, Singapore

Asean's finance ministers reaffirmed the region's economic and financial resilience on Wednesday -- the same day as Asian stock markets plummeted to levels not seen in years.

"We expressed full confidence in Asean member states' economic and financial resilience, and their ability to weather the current difficulties in global financial markets," the 10-member bloc said in a statement received in Singapore, which held the group's rotating chair until earlier this year.

The Association of Southeast Asian Nations (Asean) issued the statement from Dubai, where the ministers were holding a seminar to lure capital from the Gulf.

Trading on the stock market in Indonesia, an Asean member, was suspended due to "irregularities" Wednesday after the main index plummeted more than 10 percent in mid-morning trade, officials said.

In Singapore the local bourse was down more than six percent and shares in Asean member Thailand fell more than eight percent in a global rout over fears for the global economy during an accelerating credit crisis. The crisis began in the US subprime, or higher-risk, mortgage sector.

The Asean ministers said the region's economic fundamentals remained sound and significant reforms have been undertaken since the 1997-98 financial crisis hit the region.

Oil prices tumble close to one-year lows

AFP, London

Oil prices sank close to one-year low points on Wednesday as plunging stock markets generated fresh fears of slowing economic growth and in turn weaker global demand for energy, traders said.

London's Brent North Sea crude for delivery in November fell to as low as \$81.00 dollars per barrel in electronic trade -- a point last reached on October 15, 2007.

New York's main contract, light sweet crude for November, tumbled to \$86.05 dollars a barrel, also a 12-month trough.

Brent oil later stood at \$81.99 dollars, down 2.67 dollars from Tuesday's closing level. New York crude was down 2.95 dollars at \$87.11 dollars per barrel.

Prices had risen Tuesday as markets speculated about a possible reduction in crude oil production by Opec and a coordinated global round of interest rate cuts to combat the ongoing worldwide banking crisis.

"Brent is already trading below the range of the fourth quarter of 2007 and is approaching a key support line at 80 dollars per barrel," said Petromatrix analyst Olivier Jakob.

"Some of the same banks that are currently under distress are key commodity investors," he added.



Louie Sacdalay, 29, peddles plastic wares on a Manila street and earns more or less US\$6 yesterday. The Philippines government says inflation in September eased slightly to 11.9 percent from the previous month's 17-year-high of 12.5 percent.

China invests heavily in uplift of renewable energy

XINHUA, Guangzhou

China invested a total of 12.0 billion US dollars in development of renewable energy in 2007, ranking second in the world, according to the Guangzhou-based South China Coal Trading Center.

Since the 1980s, China has made much headway in development of renewable energy which refers to non-fossil energy of wind energy, solar energy, water energy, biomass energy, biomass energy and geothermal energy.

The country's utilization of renewable energy reached about 220 million tons of standard coal in 2007, accounting for 8.5 percent of the consumption of primary energy, laying a solid foundation for China's to achieve its target for increasing the percentage to 10 percent by 2010.

In 2007, China's installed capacity of hydropower reached 145 million, kw, and new installed capacity of wind energy was about 3.40 million kw, adding the total to six million kw.

At the same time, it has achieved remarkable progress in development of biomass energy. The rural mash gas tanks have helped 80 million farmers have access to clean fuel. More than 1,500 large mash gas tanks have been built in the country, producing more than 1.0 billion cubic meters of gas each year. China's renewable energy industrial sector develops rapidly with the government support.

AirAsia looks to US, African markets

ANN/The Star

Having made a successful foray into the European market via London, low-cost carrier AirAsia is now looking at the United States and Africa.

Group chief executive officer Tony Fernandes told reporters he was particularly interested in Hawaii as another of the carrier's long-haul destinations.

"I know many Malaysians want to go to Hawaii although we have better beaches here," he said, quipping that he "wanted to surf before he got too fat".

"We are going to Europe soon with AirAsia X so we want to expand next to the United States and South Africa. We want a strong presence in these three continents."

Fernandes said he remained optimistic of the travel and low-cost airline industry despite the current world economic crisis brought on by the collapse of several banks in Europe and the US.

VIEWPOINT

Recession looms for S'pore

AFP, Singapore

Singapore appears headed for its first recession since 2002 as the city-state suffers from a US economy wilting under its worst financial crisis since the Great Depression, economists say.

Southeast Asia's wealthiest economy in terms of GDP per capita is heavily dependent on trade, which makes it sensitive to hiccups in developed economies, particularly key export markets the US and Europe.

The crisis that began last year in the US subprime, or higher-risk, mortgage sector is now infecting European shores, and Singapore may very likely find itself in an extended downturn, economists said.

They expect this Friday's release of preliminary economic data for the third quarter to confirm Singapore is in a technical recession, generally defined as two consecutive quarters of quarter-on-quarter contractions in economic output.

"We are pencilling in the worst for Singapore.... We might see two straight years of (economic) contractions (from 2009 to 2010)," said Song Seng Wun, a regional economist with CIMB-GK Research.

While the last technical recession came six years ago, the most recent full-scale recession was in 2001 when the economy contracted 2.4 percent during the year.

After years of growth, signs of a slowdown emerged with recent disappointing trade data and contractions in the important manufacturing



A view of Singapore city, Southeast Asia's wealthiest economy. Singapore appears headed for its first recession since 2002 as the city-state suffers from a US economy wilting under its worst financial crisis since the Great Depression.

sector, which includes the country's export-dependent electronic and pharmaceutical industries.

In August, key non-oil domestic exports fell for the fourth straight month, with electronic shipments continuing a decline begun in February 2007, and manufacturing dropped by 12.2 percent.

The August fall in output followed a 21.5 percent decline the previous month.

In the second quarter to June, Singapore's economy contracted 6.0 percent on an annualised, quarter-on-quarter basis and the negative trend likely extended into the third quarter, said economists.

"Things are bad globally," said Kit Wei Zheng, Citigroup's

vice president for regional economics and market analysis.

"There are a lot of downside risks and in such a scenario, one cannot hope for a quick recovery," he said in Singapore.

Kit is optimistically forecasting a fourth-quarter recovery, with full-year growth at 2.8 percent.

Song said his revised 2009 forecast would likely be for negative growth.

He said that given the rarity of the global crisis, "the numbers we may be looking at may be once in a century for Singapore."

According to economists' calculations, more than two-thirds of the country's economy, valued at 243.17 billion

Singapore dollars in 2007 (166.46 billion US), is driven by external demand.

The island nation has no significant domestic economic drivers to lean on because its market of almost five million is simply too small, said economists.

"If the world is in a recession, there is little that we can boost," said Song. "Our plan B is really to try to make the local population bigger."

Economists from Credit Suisse also see Singapore's economy slowing further next year.

"Signs that growth will be lower in 2009 than in 2008 are everywhere... lower job and income growth, falling asset prices, and flat to negative export growth," they said in report.

"By sector, the global financial turmoil could hit financial services growth hard, exports are likely to drag down manufacturing, and the biomedical sector is expected to remain under pressure from competition from generic drugs."

In early August Singapore's government cut its forecast for economic growth this year to between four and five percent.

But Finance Minister Tharman Shanmugaratnam warned this week that the country could be stuck in an economic downturn that may last "several quarters" as the global crisis evolves.

"It is now an economic crisis," he was quoted as saying Monday in The Straits Times.

"So globally the economy is slowing down. This is a fact that we cannot escape."

RECESSION FALLOUT

'Economic 9/11' exacting grim psychological toll in US

AFP, Los Angeles

The murder-suicide of a Los Angeles financial manager who shot dead five members of his family before killing himself has highlighted the psychological toll of the economic meltdown.

The bodies of Karthik Rajaram, a 45-year-old business school graduate, and his wife, three children and mother-in-law, were discovered at his home in an upmarket gated community on Monday.

In a letter to police, Rajaram said he had been driven to murder because of his dire economic situation: already unemployed for several months, his remaining finances were reportedly wiped out by Wall Street's collapse.

Rajaram's tragic case has become a grim symbol of the US financial crisis. Or as Los Angeles deputy police chief Michael Moore put it, "a perfect American family destroyed by a man stuck in a rabbit hole of absolute despair."

The Los Angeles case came less than a week after a 90-year-old woman in Ohio shot herself as she was about to served an eviction notice on the home she has lived in for the past 38 years.

The two harrowing incidents have drawn attention to the mental-health impact associated with the most serious US financial crisis since the Great Depression of the 1930s, experts say.

Chicago-based psychologist Nancy Molitor told AFP the numbers of people seeking help because of finance-related anxiety had skyrocketed.

"In my 20 years of practice I have never seen anything like this, the anxiety is through the roof," Molitor told AFP, estimating she

had seen a 50-percent increase in volume of calls.

The sense of bewilderment caused by financial crisis was comparable to the effect of the September 11, 2001 terrorist attacks, Molitor said, impacting people of varying ages and backgrounds.

"This compares to 9/11 in terms of the impact, definitely. And it's significant that it isn't a Wall Street crisis as I see it -- it's affecting the entire consumer economy, and almost every individual that I see."

"It's not just affecting adults, it's affecting the children. I had one 14-year-old who came to see me and said 'I'm worried my parents are going to go broke, because they're arguing more.'"

"It's filtered down to almost every household I deal with. I've never seen something that has affected such a wide range of people."

Molitor said the problems varied greatly: affluent people who had lost a million dollars; couples fretting over the ability to pay for college tuition, or in one case, a 79-year-old woman who "couldn't afford to die."

"I thought she was kidding," Molitor said. "But she told me 'I used to have a pretty good inheritance that I could leave my three children. If I die tomorrow they're going to get half of what they were going to get.'"

Judith Bardwick, a professor of clinical psychiatry at the University of California, San Diego, said the tidal wave of grim economic headlines had exacerbated widespread feelings of impotence in an era of job insecurity.

"It is a sense of fear, depression and anxiety that says no matter how hard or well I work, I have no

control over my future," Bardwick said. "So the present stinks and the future will be worse. And there's no one to help me."

"In a period of fiscal crisis, in which very visibly major institutions fail or are bailed out, and the market is riding a rollercoaster, the number of people who have these despairing views of life will naturally increase."

The fact that the macroeconomic causes of the meltdown were not easily explained added to the sense of impotence, Molitor said.

"It's a perfect storm because what breeds anxiety is a fear of the unknown," she explained. "I had a very bright person with a PhD in economics who said to me 'Even I don't get it. And if I don't get it, how is the average person managing a household supposed to get it?'"

"There's a sense of total helplessness, which if it goes on long enough becomes hopelessness. And if that goes on long enough it becomes depression."

In Los Angeles, authorities are urging anyone in despair to seek professional help immediately.

Ken Kondo, a spokesman for the Los Angeles County Department of Mental Health, said a 24-hour service was available for anyone seeking help.

"One in five people in the United States will experience mental illness and these stressors from the economic crisis could trigger that," Kondo said.

"What we're saying is that people should talk to friends and family members, don't try and handle it by yourself. And if they feel chronically depressed or suicidal, seek professional mental health help right away."



Workers put up a sign outside a branch of the China Merchant Bank, which is undergoing a facelift, in Hefei, eastern China's Anhui province yesterday. China Merchants Bank, the country's sixth-largest bank, said it holds \$70 million in bonds issued by collapsed US investment bank Lehman Brothers, the first mainland Chinese lender to disclose its exposure to Lehman after the Wall Street titan filed for bankruptcy protection in New York.