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7-17 ALL EYES TO EUROPE ON CREDIT, CURRENCIES

EUROPE is Asia's (and especially China's) largest export market, so the economic meltdown there will be causing some sleepless nights in Beijing and other Asian capitals. Slashing of European budgets, coupled with a fall in consumer spending and a Euro which has fallen in value against Asia's

US\$-pegged currencies, does not augur well for regional exporters. Pressure will increase on Asia to ramp up even further efforts to stimulate domestic consumption to offset Europe's slowdown (pages 6-11).

PERHAPS, though, an even bigger worry for Asia is a move by the G-20 countries to implement new banking regulations which would see trade credit and infrastructure financing reclassified as high-risk, immediately forcing up the cost of trade finance and limiting the amount of trade credit available to global business. Banks in just three economies – the US, the EU and Japan – would be forced to raise an estimated US\$0.7 trillion in common equity, and issue US\$5.4 trillion in long-term wholesale debt to meet new capital and liquidity requirements (pages 12-17).

6-7 THE EURO IMPACT ON ASIA – If there is one silver lining, the European economic crisis may take the heat off Asian growth and inflation fears, because a lower Euro makes Asian exports less competitive.

9 'POWERFUL SIGNALS' TO RETHINK TRADE – Morgan Stanley's Asia Chairman, Stephen Roach, says there could be other post-crisis shocks to come.

9 ASIAN CONSUMPTION EXPANDING – Asian household consumption, excluding Japan, grew by US\$170 billion last year – compared to US\$30 billion in the United States.

10 CHINA DEBT UP FOUR-FOLD, SLOWDOWN COMING – Capital misallocation in China last year has led to massive over-capacity in its capital goods sectors.



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11 EURO FALL MAY HAVE COST CHINA US\$80 BILLION – And the world's central banks face a potential US\$42 billion haircut on European sovereign bonds.

12 BANKS TO EXPOSE SHAREHOLDERS, CREDITORS? – The peak global banking body, the Institute of International Finance, is proposing that banks prepare to expose both their shareholders and their creditors to losses in the event of a bank collapse. The IIF says an increase in the risk rating of trade finance could strangle the nascent global economic recovery.

13 CREDIT INSURERS JOIN CHORUS OF CONCERN – Berne Union members worry about the consequences of proposed regulations on the banking sector. They say the global credit market is already deteriorating.

15 SUPPLY CHAIN FINANCE CRITICAL – A new White Paper from credit insurer Atradius suggests large companies will need to help finance their suppliers as trade credit tightens.

16 ICC APPEALING TO BASEL COMMITTEE – The Committee is throwing out the baby with the bath-water, says Victor Fung, Chairman of the International Chamber of Commerce.

17 TRADE PROTECTIONISM STILL A WORRY – WTO Director-General, Pascal Lamy, says that if China had not joined the WTO in 2001, the global economic crisis would have crushed Chinese exports.

ANALYSIS

5 TAIWAN COMING IN FROM THE COLD? – Beijing is offering tariff reductions on Taiwanese export items valued at up to US\$12 billion as China and Taiwan finalise an 'early harvest' list of concessions to allow signing of an Economic Co-operation Framework Agreement.

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