

ASIA'S ECONOMY : THE WORST IS YET TO COME

The United States spearheaded and, then, exported its high-tech economy to nearly every country in the world.

And, then, it exported its economic problems, unwittingly, to nearly every country in the world.

And, today, the world is, still, feeling the results: The American '*bite*'.

The attacks on the World Trade Center in New York on September 11 by Muslim extremists, in terms of disrupting the US economy, came at the best possible time, as far as the terrorists were concerned.

Because the effect of the successful attacks has deepened an economic crisis, which, even before the September 11 attacks, was in sad shape, in any event.

Osama bin Laden must, grudgingly, be given credit for his successes.

He will, now, enjoy the fruits of his successes as the US-led coalition destroys his terrorist harbours in Afghanistan and millions of Afghans suffer as a result of his evil madness.

The problems that the terrorists caused the US economy are being felt in every country in the world, regardless of the type of governments in power, be it authoritarian, as is the case in the People's Republic of China (PRC), or an outright paternal dictatorship, which some people claim is the case for the Republic of Singapore as well as many African countries.

Many, if not most (or all) international airlines are insolvent, with Midwest Airline, Swissair and Sabena, making known just how bad is their situation, financially.

Mr Tung Chee Hwa, Chief Executive of the Hongkong Special Administrative Region (HKSAR) of the PRC (by appointment), sent a warning to the nearly 7 million inhabitants of the territory that he tries to administer, stating that things in the HKSAR economy will get a lot worse before they get better.

And an economic recovery for the 416 square miles was a long way off, he stated.

He offered little to alleviate the plight of the HKSAR economy – probably because he did not have a clue as to how to go about formulating such an economic plan.

The HKSAR, today, faces the worst situation since it was overrun by the Imperial Japanese Army, during World War II.

The PRC is known to be facing a difficult situation, too, but reliable statistics from the world's most populous country are few and far between.

What is known, however, is that tens of millions of workers are being tossed into the streets of every major industrial city in the country.

TARGET has confirmed, during conversations with dozens of HKSAR and PRC industrialists, that material orders for garments, electronic accessories, appliances, telecommunications equipment and a host of other products are being either cancelled, outright, or buyers are using the euphemism: Delaying delivery of prospective orders.

The effect is the same, regardless of the term used: Tens of millions of PRC workers are actively looking for alternate employment.

And this is far from being the end of the situation because, daily, companies are retrenching, closing down facilities, scaling back expansion plans, or, in many cases, simply closing their doors, for good.

The situation for the PRC could not be worse because the PRC has come to rely on a booming economy, with a proliferation of what are termed, Sino-foreign entities.

The number of workers, hitting the streets of the PRC, is going to be destabilising for Beijing, which is preparing, frantically, for the 2008 Olympics.

Unlike the HKSAR, the PRC has Grade A politicians and thinkers at the helm of Government, or advising, actively, those leaders, sitting on the top tier of Government.

US President George W. Bush is hardly the greatest brain, created in the history of Texas, but Dad had the good sense to make certain that Georgie-boy picked the correct people to advise him in the White House.

From a financial failure in private enterprise, Mr George W. Bush has become a political success – thanks to agreeing to have some of the best brains back him and to tell him what to do, when to do it, and how to do it.

He, even, knows the name of the busman of Pakistan.

Whatever, President George W. Bush is the hero of the free world, today.

It is said that one does not consider the validation of the credentials of a hero, only those credentials of a coward, or an absolute failure, of course.

Even though the US-led coalition will win the war against terrorism in the Islamic world, it is unlikely that the US will be able to win the economic war that is bubbling over in The Land of The Free and The Home of The Brave.

Week after week, the number of unemployed in the US grows ... and grows ... and grows.

One of the problems, today, is that statisticians cannot keep up with the growth in the numbers of workers, receiving their pink slips from Management.

Continuing claims of the unemployed in the US hit more than 3.41 million, as at September 29, but it was well known that that was hardly accurate figures for that date due to the fact that the statistics were continuing to flood into the US Labour Department, following the September 11 attacks in the US.

The statistics for initial claims for unemployment benefits in the US since July 21 paint a terrible picture of an economy in very steep decline:

U.S. Unemployment Initial Claims, Seasonally Adjusted (000).

	October 6	September 29	September 22	September 15	September 8	September 1	August 25	August 18	August 11	August 4	July 28	July 21
Initial Claims	468	535	456	393	436	410	403	400	385	388	349	366
4-Week Moving Average	463	455	424	411	412	400	394	381	372	380	395	409

The above statistics, supplied by the US Labour Department, as at last Thursday, are out of date, today, TARGET appreciates this, but, as every student of economics is told on entering this discipline, direction is the key, not identification of specifics.

For instance, it is known that, since September 11, more than 150,000 airline workers have been sacked – and they continue to be sacked.

These statistics are only partially included in the above TARGET table, but statisticians realise that the number of unemployed in the US, today, is equal to at least the 1990-1991 economic recession.

Continuing claims from the unemployed in the US are rising, rapidly, and could well reach the 4-million mark before the end of the year if the past few months is to be considered an accurate guide to future trends.

One has to consider that, with the slowdown in the airline industry in the US, it will have an immediate and devastating impact on other industries: Tourism; hospitality; and, catering, just to mention 3 major recipients of the fallout.

The US Congress is, today, pondering, what amounts to, a \$US100-billion rescue package for the ailing economy.

TARGET wonders whether or not this is the proper medicine.

Time will tell.

The main reason for TARGET's skepticism is that Japan tried the same stunt – and fell flat on its very disciplined Oriental face.

For what reason should the US fare any better than an autocratic economy which, more often than not, has the whip hand on government?

TARGET wrote, some months ago, that the \$US40-billion tax rebates, being dished out to Mr and Mrs US taxpayer, was unlikely to have much impact on the US economy because, as soon as the cheques were cashed, the milkman, the butcher, the grocer, the credit-card companies, etc, would, quickly, jump in to get paid.

TARGET was proved to be correct, even in the face of many high-powered economists, who took issue with this medium's determination at the time.

In Japan, today, the situation is continuing to be critical, bordering on an economic depression (the country has been enjoying an economic recession for about 3 decades, already).

Japan, today, can boast of having 5 percent of its workforce, unemployed. That amounts to about 3.50 million bodies, lining up at labour offices, hoping to land a job.

It is the highest level of unemployment in Asia's most important single economy since the end of World War II.

One must not forget that Japan is the world's second largest economy.

The number of unemployed in The Land of The Rising Sun will, definitely, rise, perhaps to the 6-percent level in the next 12 months, or so, depending on the extent of the domino effect in respect of the US-led coalition, bound and determined to fight international terrorism.

Employment conditions in Japan are deteriorating rapidly as one corporate giant after another bites the dust, declaring insolvency.

The Government of Japan has promised to clean up the economic mess, but it has, also, promised that the process will be difficult for many people since it will lead to even higher unemployment levels.

The situation with regard to non-performing loans at Japanese banks is staggering, with estimates in the hundreds of trillions of yen.

As the US economy continues to stagger, the Japanese economy will continue to sink.

Asia will feel the brunt of the fallout since low-wage countries in Asia have, historically, offered Japanese industry the ability to manufacture and to ship goods to the US and Europe, easily competing with similar products, manufactured in South America and Eastern Europe.

The HKSAR is enjoying a high level of unemployment and the Government of Mr Tung Chee Hwa has demonstrated that it does not know what to do about the situation.

Unemployment in the HKSAR will top 5 percent, to be sure.

But the question is: How high will it reach?

Conclusion: The worst is yet to come.

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