

THERE IS NO LIGHT IN ASIA'S TUNNEL

The attacks on New York's World Trade Center and The Pentagon, in Washington D.C., by Muslim extremists took the US Government by complete surprise; investors, worldwide, responded accordingly – with the widespread selling of stocks and shares and putting on the brakes to most, new financial commitments.

But the biological terror warfare that followed in the wake of the attacks by the coalition forces, spearheaded by the US and Great Britain, on the strongholds of Afghan Taliban Regime, which is protecting Osama bin Laden, the man behind the attacks on the US, is having, and will continue to have, an even greater impact on the world's largest economy.

And Asia, with the People's Republic of China (PRC) and the Hongkong Special Administrative Region (HKSAR), feeling the brunt of that impact, will be excruciatingly painful.

TARGET has been told that millions of PRC workers have hit the streets, over the past 6 months, due to the downturn in business in the US, the PRC's largest single customer.

Because, it will come to mean the financial failure of many an enterprise in these 2 territories.

The cost of rebuilding 'Ground Zero' in New York will run into the hundreds of billions of US dollars (it is still being calculated), and it will be met, no doubt, by the sales of bonds and what-have-you.

But the cost of protecting the 270 million human population of the US against anthrax is likely to cost even more, in the long run.

It is highly unlikely that the US Government can fully prevent an invasion of this nature because the country covers about 3.72 million square miles, with any number of ways to introduce anthrax spores into US major cities.

Anthrax is not, particularly, a very lethal infection to humans, although, to date, there has been one death.

Control of anthrax is, relatively speaking, not difficult, too.

Which makes one wonder whether or not those responsible for sending letters/parcels, etc, to select US addresses, those letters/parcels, containing anthrax spores, will graduate to something much more deadly: Diphtheria, entering the body through the mouth and nose; Hepatitis E, transmitted through contaminated drinking water; poliomyelitis, entering the body through the digestive tract; and, etc.

If Muslim elements have been responsible for the anthrax attack on the US, which is more than likely, then, they are quite capable of doing any act in the name of their cause, using Allah and the Q'ran as an excuse for their evil deeds, simply by rationalising one or more sura of the 114 Chapters of the Holy Q'ran.

Whatever will come, it is putting the US consumer to flight, without question.

It will take quite a considerable length of time for the US consumer to regain the confidence that he had, say, 3 years ago.

Motor car sales in the US are plummeting; retail sales are falling away; the jobless statistics indicate the very poor state of the US economy; most major US airlines are teetering on insolvency (2 major airlines in Europe, Swissair and Sabena, have already owned up to their lack of cash); and, all this is rattling the man-in-the-street across every US city, today.

The situation is quite likely to get much worse in the coming months.

Ford Motor Company, the second-largest motor vehicle manufacturer in the US, announced, just last week, that it took a loss of \$US502 million for its third quarter, to September 30, 2001.

The next quarter for the company, without question, will be worse because the effects of the Muslim extremists' attacks on the US had not been part of Ford's third quarter losses: That will be seen for the financial quarter, ending December 31.

TARGET estimates that the loss could be even greater than \$US1 billion on the basis that nothing, or little, had been done to curtail Ford's losses for the third quarter, that was prior to the current problems with Osama bin Laden, etc, and, therefore, the same infrastructure problems remain within the company – while Mr and Mrs USA turn away from purchasing anything but bare essentials.

According to Autodata Corporation, a US organisation that, among other things, charts the course of sales of motor vehicles in the US, the rot had already set in in the US motor industry even before the September 11 attacks on the US.

The following are the statistics, supplied by Autodata, for the period, ended September 1, 2001:

Motor Vehicle Sales in the US in Millions, Seasonally Adjusted

	September 1	August 1	July 1	June 1	May 1	April 1	March 1	February 1
Motor Cars	7.70	8.10	8.10	8.40	8.30	8.50	8.40	8.90
Light Lorries	8.20	8.50	8.40	8.80	8.20	8.20	8.50	8.40
General Motors Vehicle Sales	4.80	4.70	4.40	4.80	4.70	4.30	4.60	5.10
Ford Vehicle Sales	3.60	3.70	3.70	4.10	3.80	3.80	4.0	3.80
DaimlerChrysler Vehicle Sales	1.90	2.00	2.30	2.30	2.10	2.30	2.40	2.60
Honda Vehicle Sales	1.10	1.30	1.20	1.10	1.10	1.20	1.10	1.20
Toyota Vehicle Sales	1.60	1.70	1.70	1.70	1.70	1.80	1.70	1.60
Nissan Vehicle Sales	0.70	0.70	0.70	0.70	0.60	0.60	0.70	0.70
Totals	15.90	16.50	16.50	17.30	16.50	16.60	16.90	17.30

The above speaks volumes, as the axiom goes.

According to Autodata, it is expected that, before the end of the year, another 150,000 vehicles will disappear from the statistics, with another 300,000 vehicles shaved off, during the first part of the year 2002.

After the violent attacks of September 11 in New York and Washington D.C., consumer confidence in the US took another hit, exacerbating an already ticklish situation.

It, no doubt, took another hit, following the confirmed cases of anthrax in the US.

In response to the ever-worsening situation in the US, motor-vehicle manufacturers are lowering prices and offering all manner of incentives to dealerships, which, in turn, are passing on those incentives to prospective customers.

Even zero percent financing is, now, commonplace.

Thus far, these incentives are having little effect on the marketplace.

Retail sales in the US were down sharply long before the September 11 incidents, but the effects, following the attacks of September 11 and, now, the biological attacks, are expected to be widely felt in nearly every industry, which is feeding the US consumer.

For Asia, what affects the US marketplace, affects it in spades.

According to the US Commerce Department, retail sales in the US, with the lone exception of food and beverage shops, were on the slippery road down long before the September 11 attacks as the following illustrates:

Retail Sales in the US, Seasonally Adjusted, Month-on-Month Percentage Change*

	September 1	August 1	July 1	June 1	May 1	April 1	March 1	February 1
Motor Vehicles and Parts	(4.60)	(0.20)	0.60	0.60	(0.10)	2.90	(0.70)	0.50
Furniture and Home Furnishings	(1.50)	0.10	(0.20)	0.20	1.00	(0.60)	(0.40)	(1.40)
Electronics and Appliances	(1.70)	0.90	0.30	1.30	0.50	0.30	(0.80)	(0.30)
Building Materials	(2.20)	1.10	0.10	(0.20)	(1.40)	3.00	1.00	1.00
Food and Beverage	0.40	0.40	0.40	(0.20)	0.70	(0.10)	(0.10)	0.50
Clothing and Accessories	(5.90)	(0.90)	1.50	(0.30)	(1.30)	0.20	(2.00)	0.90
General Merchandise	(0.40)	0.10	0.50	0.40	(1.20)	2.60	(1.40)	(1.10)
Retail and Food Services	(5.10)	1.20	0.20	0.70	1.00	0.00	0.50	(1.00)

* '(X)' indicates negatives values

Clothing and accessories, the items produced, mostly in low-cost areas, such as Asia and South America, have been hit the hardest as consumers tighten up their belts another notch.

Since the above statistics do not include the full effects of September 11 and the subsequent anthrax invasion, one may expect to view further declines in consumer spending in the months to follow.

A marked reduction in spending by the US consumer will lead, no doubt, to higher unemployment, and no amount of interest-rate reductions will stem the tide.

All this bodes badly for Asia, which depends so heavily on its exports of goods to the US market.

There is no light, seen in the tunnel.

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