Article Side

Eurozone crisis to jeopardize growth in Asia ADB by Ahtasham Ul Haq

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Eurozone crisis to jeopardize growth in Asia ADB:

Even China may face difficulties if demand from Europe, its largest export market - slows further.

Asia s projected growth rate of 7.5 percent next year could be jeopardised as the eurozone crisis threatens its export-driven economies, the Asian Development Bank chief said.

ADB president Haruhiko Kuroda said even China may face difficulties if demand from Europe -- its largest export market - slows further.

"Developing Asia (excluding Japan, Australia and New Zealand), from our forecast will grow 7.5 percent this year as well as next year," he told AFP late Tuesday on the sidelines of a major aid forum.

"But the 7.5 percent growth next year is subject to greater uncertainty because Europe is having a financial crisis," said Kuroda, adding he was still "cautiously optimistic" about the continent s economic outlook for 2012.

Kuroda said Asia s financial sectors have been hard hit by capital flight by European banks -- with currencies weakening, stock markets falling and corporate funding costs rising.

Eurozone woes so far have not hurt Asia s export-reliant economies as severely as the 2008-2009 US subprime mortgage crisis that sharply reduced global trade, he said.

But the situation may change if Europe falls into recession, the former Japanese finance minister warned, saying even China is not immune.

"For China, Europe is their biggest market, bigger than the US and bigger than Japan. So about 9 percent growth (projected for) next year in China is subject to possible downward risk."

Kuroda said he was hopeful Europe could weather the storm and ruled out a need for more aggressive Asian assistance.

"I think the Asian countries with large foreign exchange reserves could of course help European countries... but Europe has enough resources," he said. "The greatest contribution Asia can make to the global economy is to maintain rapid economic growth in Asia, including India, China and Indonesia."

Kuroda is attending the Fourth High Level Forum on Aid Effectiveness, a global gathering discussing ways to give foreign aid more of an impact.

He stressed the role of the West in helping the region s poorest nations like Afghanistan and Bangladesh. Kuroda said Asia still has 750 million people living on $1.25 a day, giving the continent the largest concentration of people in poverty despite the rapid growth of India, China and other nations.

"The emerging donors are helping... but it s not just enough. So I hope traditional donors continue to help poorest countries, particularly in Asia," said Kuroda, calling their role vital.

China and other emerging economies have become prominent global aid donors in recent years. But they operate outside globally coordinated efforts, such as the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development.

China in particular has offered massive aid to resource-rich Africa in a bid to fuel its booming economy, despite criticisms over the close ties with nations that have questionable rights records.

The practice has prompted calls from the West for emerging economic powers to follow agreed aid standards, including anti-corruption efforts and political reforms.

Kuroda said emerging donors need more time to adapt to their new roles. "The most important point is that emerging donors and traditional donors should engage in dialogue, whether emerging donors become members of OECD DAC or not," he said.

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