

## **"Minutes to midnight" for eurozone crisis -- Dutch bank**

SINGAPORE, Sept. 10 (Xinhua) -- It might be minutes to the midnight in terms of the eurozone crisis, an economist with Dutch bank Rabobank said on Monday. Speaking at a press briefing in Singapore, the bank's global head of financial markets research said that the eurozone crisis goes in cycles as policymakers are pressurized to take actions, and that he expects one more cycle before things get better.

"We might have one more cycle to go through this, one more cycle that things have to get worse before they get better. And that is perhaps Spain," Jan Lambregts said. He said the upcoming two to three months will be the most intense in terms of the measures taken to lay the groundwork for the fiscal union. It will be probably about three to six months for the eurozone crisis to run through the "next cycle," though it will take years for the crisis to be completely resolved. MINUTES TO MIDNIGHT Lambregts said it may now be minutes to the "midnight." "We are cautiously optimistic the crisis can be resolved, as key policymakers have agreed on the need for a closer fiscal union and a more important role for the European Central Bank to play. Yet various countries still differ on the timeline, which could still see turbulent times ahead in the next 12 months before a sustainable solution can be achieved," he said. The upcoming weeks will be intense in terms of the actions for a fiscal union. Germany's high court is expected to decide on the fate of Europe's bailout soon, followed by the Dutch election. There is a risk for Greece to exit the eurozone, but the chances are not high, though the increasing spending cuts will be hard to sell.

"We believe the majority of the Greece fully understands that their fortunes are probably best served staying in the eurozone," Lambregts said.

SYSTEMATIC, BUT NOT FUNDAMENTAL The Dutch bank said the problem in the eurozone is not fundamental as the European countries overall are not that heavily indebted, but systemic because of the absence of a fiscal union. Countries like Japan are more deeply indebted but they have stronger fiscal union, Lambregts said. The bank projected a growth of 0.8 percent for the eurozone in 2013, 1.6 percent for the United States and 1.1 percent for Japan. Adrian Foster, head of financial markets research Asia Pacific, said the crisis served as a "reality check" for the Asia where growth has been slowing down, too, as the external demand turns weaker. The global cycle is still relevant for Asia's export performance, including intra-Asia exports. The eight economies in Asia, such as Indonesia, South Korea, Malaysia, Philippines, Singapore, Thailand, and China's Hong Kong and Taiwan, are forecast to grow by an average of 3.4 percent this year and 3.9 percent next year, respectively. India is expected to grow by 5.4 percent this year and 6.2 percent next year, respectively. NOT SO

PESSIMISTIC ON CHINA The bank projected a growth of 7.9 percent for China this year, followed a growth of 8.1 percent next year. Foster said it is natural for China's growth to slow down as the economy gets bigger and richer. The demographic trend is changing, too. In 2000 China's gross domestic product (GDP) was about 11 percent of the United States economy. As the economy grows fast and the yuan appreciates against the U.S. dollar, the Chinese economy accounts for 53 percent of the U.S. economy, he said. However, Foster said he was

not so much of a pessimist on the outlook for the Chinese economy. The inland provinces in the central are now taking over as the fastest-growing part. Foster said China's contribution to Asia's economic growth in percentage terms has actually grown as other economies in the region slow, too, amid the current downturn. China has been running significant deficits over the last several years as the government rolled out stimulus measures, but fiscal constraint will eventually come someday, he said.