

# Dubai debt crisis raises financial turmoil fears

## Fallout from Dubai debt crisis raises fears of renewed financial turmoil

- By Jeremiah Marquez, AP Business Writer
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HONG KONG (AP) -- The fallout from Dubai's debt crisis rippled across the globe Friday, raising concerns of a renewed wave of financial turmoil and showing how fragile the world economic recovery remains.

As world stock, commodity and currency markets went into a tailspin, the possible spillover effects from Dubai surfaced from London to South Korea, with banks big and small drawing concern for any losses they could suffer as a result of their exposure to the massively debt-laden emirate.

A year after the global downturn derailed Dubai's explosive growth, the emirate revealed this week it was asking for a six-month reprieve on paying its bills. Its main investment arm, Dubai World, said it would ask creditors for a "standstill" on paying back its \$60 billion debt until at least May.

Following a rout in Europe, Asia's stock markets tumbled Friday while the dollar hit a fresh 14-year low against the yen. Crude oil at one point fell more than 6 percent to \$72.39 a barrel.

With Dubai World hard pressed to pay its bills, banks could take the biggest hit, analysts said.

Heavyweight lenders HSBC Holdings and Standard Chartered could face losses of \$611 million and \$177 million respectively, according to early estimates from analysts at Goldman Sachs. Both have substantial Middle East operations.

Japan's Sumitomo Mitsui Financial Group, the country's No. 3 bank, could be exposed to Dubai World's main real estate arm to the tune of several hundred million dollars, according to a person familiar with the matter.

In South Korea, where the stock market plunged almost 5 percent Friday, the government estimated that the country's financial institutions have just \$88 million in exposure to the Dubai.

Construction firms in Japan, South Korea and Australia behind Dubai's recent development boom, which gave rise to ambitious and eye-catching projects like the Gulf's palm-shaped island, also might be on the hook.

While most have the wherewithall to absorb any losses, it could lead banks to scale back their lending. That could make it more difficult for companies to borrow money and weigh down a world economy still emerging from the throes of its deepest recession in decades, analysts said.

Particularly unnerving for investors was uncertainty over which companies were exposed and how much money they might actually lose.

"It triggered investors' sensitive nerves," said Cai Junyi, an analyst for Shanghai Securities. "The world is watching whether that will have any substantial impact ... Dubai World is just like a small window that might reflect another financial tsunami."

HSBC declined to comment. Calls to Standard Chartered representatives were not returned.

AP Researcher Bonnie Cao in Beijing and AP Business Writers Kelly Olsen in Seoul and Yuri Kageyama in Tokyo contributed to this report.

<http://finance.yahoo.com/news/Dubai-debt-crisis-raises-apf-500325276.html?x=0&sec=topStories&pos=8&asset=&ccode=>