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6-14-2002

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Khanna, Vikram, "Thai bad debt agency off to good start - PM's adviser" (2002). *YPFS Documents (Series 1)*. 10188.

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Thai bad debt agency off to good start - PM's adviser.2

Thai bad debt agency off to good start - PM's adviser.

By Vikram Khanna.

507 words

14 June 2002

Business Times Singapore

STBT

English

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(SINGAPORE) The Thai Asset Management Company (TAMC) charged with taking bad loans off the books of Thai banks has got off to a good start and is hastening the country's recovery, says the economic adviser to Thai Prime Minister Thaksin Shinawatra.

Thanong Bidaya, who was Thailand's finance minister after the economic crisis there broke out in 1997, said yesterday that since January this year when TAMC started full operations, bad loans with a face value of 750 billion baht (S\$31.7 billion) - more than half the bad loans in the banking system - have been transferred to the agency.

Moreover, around 200 billion baht of loans have already been 'resolved' - that is, the companies concerned have been rehabilitated through such mechanisms as interest relief, debt restructuring and debt-equity conversion. By the year's end, total resolutions are expected to reach around 300 billion baht. TAMC is concentrating mainly on rehabilitating companies rather than selling assets, Dr Thanong said.

His sanguine report on TAMC - which he helped establish - is in contrast to the assessment of some analysts that the agency could become 'a warehouse for bad loans'.

Dr Thanong acknowledged that growth in bank lending has been slow, but said this is because regulations imposed by the central bank require stringent screening of borrowers. 'It's not that banks don't want to lend,' he said. 'It's that businesses still need to learn to adapt to the new lending environment.'

He gave two other reasons for the low levels of bank lending: Excess capacity in Thai industry means demand for loans is low; and increased bond issues by Thai companies obviates the need for them to tap the banking system.

Turning to Thailand's broader economic strategy under Mr Thaksin, Dr Thanong suggested it is an over-simplification to say that Thailand is relying exclusively on a domestic-demand based strategy.

He said that after the terrorist attacks on Sept 11 last year, there was a sense that exports would not do so well, which prompted the government to inject funds into the rural sector to raise consumption. 'It was necessary for last year,' he explained. 'But now that consumption has picked up, we know that our growth will not be stable unless we also increase exports and inward foreign direct investment.'

Dr Thanong added that Thailand is targeting five key sectors for inward investment: automobiles, tourism, food processing and selected areas of software and electronics.

He said economic growth in 2002, helped by strong consumption and stable exports, will be more than 3.6 per cent, rising to 4.5 per cent next year. This compares with 1.8 per cent in 2001.

Dr Thanong, who is also chairman of Thailand's National Economic and Social Development Board, was in Singapore to preside over a franchise-signing ceremony between a Thai coffee producer, Black Canyon (Thailand), and its Singapore franchisee, YWS-Black Canyon.

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