

TAMC must not be used as a tool for the politically connected2

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The notorious "three No's" uttered by frustrated, debt-ridden real steel industrialist Sawat Horroongrueng read "no money [to repay debts], no intention to pay [in the near future], and no escape [from the responsibility]." The phrase was later adopted by other debtors, entrepreneurs and company managers facing pressure from commercial banks and financial institutions to repay their debts.

Some of the debts were owed directly to foreign financial institutions. Numerous Thai banks and financial institutions are, in turn, also indebted to foreign creditors.

Sawat, like many others, became heavily-indebted first to the Thai Military Bank (TMB), and later to the Phaya Thai Asset Management Company (a TMB affiliate) in the wake of the 1997 financial meltdown kicked off by world hedge fund king, George Soros.

The Thai Rak Thai Party, under the leadership of Prime Minister Thaksin Shinawatra, promised in its general election campaign to resolve this level of indebtedness by setting up a national asset management corporation. So, a few months ago, it created the Thai Asset Management Corporation (TAMC), which was expected to be buying up non-performing loans by Oct 1.

However, disagreements over the valuation of collateral have popped up. Banks and financial institutions prefer to have high collateral prices in order to collect the highest possible repayment for their loans, while debtors want to pay the lowest possible amount.

The Thaksin government has not yet demonstrated to the public, especially those who voted for the Thai Rak Thai Party's candidates, that it can successfully clear this problem up.

It seems now that most large-scale debtors would like to see their debts transferred to the TAMC, instead of having to continuously negotiate with creditors.

TAMC is likely to carry out its main task, despite doubts over whether it will meet with success any time soon.

The Thaksin government must be able to respond to the criticism raised recently by a member of the Senate, who claimed that the "rotten debts" to be transferred to the TAMC would come mainly from companies run by people connected with incumbent politicians, including Prime Minister Thaksin Shinawatra.

If this criticism proves to be true, then it could be interpreted that this government is not much different from its predecessors.

Large scale debtors who can call upon the aid of politicians in power will be in much better financial shape than the thousands of small scale debtors.

If such is the case, what is the use of the TAMC?.

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