

Job of reducing Thai debt goes to investment banker.2

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As head of the debt restructuring agency, Somjate Moosirilert will have his work cut out in tackling the mountain of debt

BANGKOK - The task of flattening Thailand's mountain of bad debts has fallen on the shoulders of an investment banker, who is known to have close ties with the Thaksin government.

The new man at the helm of the nation's debt restructuring agency, Thailand Asset Management Company (TAMC), is Mr Somjate Moosirilert, who took up his appointment this week.

He replaced Mr Yodchai Choosri, a senior central bank official, who was said to have quit under pressure after just one year at the post.

Prime Minister Thaksin Shinawatra was reportedly unhappy with his performance. Only a quarter of the 800 billion baht (S\$33 billion) of non-performing loans (NPL) have been restructured by the TAMC under Mr Yodchai's watch.

This was despite the TAMC being given a wide mandate to liquidate distressed assets, including financially troubled companies and pledged properties, without having to go through the lengthy and cumbersome bankruptcy process.

With the Thai economy poised for a firm recovery, the government has now focused on salvaging billions of dollars of loans made by banks and defunct finance companies to local firms, which became non-performing after the Asian crisis.

The management shake-up at the TAMC, set up a year ago to take over the burden of these loans from financial institutions, was seen as a move to speed up debt and corporate restructuring in the country.

It would enable banks to reduce their bad loan provisions and increase lending to local companies.

The International Monetary Fund (IMF), in its recent assessment of Thailand, praised the economic recovery under way in the country.

But the IMF's bullishness was tempered by the NPL problem, which the global agency warned could undermine the economy, which is forecast to grow at around 4 per cent this year.

The effectiveness of the TAMC in handling bad debts remained unclear, said the IMF, which put together a US\$17 billion (S\$30 billion) rescue package for Thailand in 1998.

The total NPL in the Thai financial system is estimated to be about 1.2 trillion baht. The bulk of it is with the TAMC, the remainder with local banks.

The speed with which Thailand resolves its NPL issue will determine foreign investor sentiments there.

An analyst told The Straits Times: 'Investors are watching the performance of the TAMC to see if there is corporate governance and transparency.'

A major reason for the TAMC's tardiness was interference from influential figures, he said.

A number of the distressed companies were owned by politicians and businessmen with ties to the powers-that-be, he said.

Not all of them support debt restructuring as it often entailed changes to the management structure resulting in the loss of control over the companies.

There were also speculations that although the government wanted the financial system to be spruced up, it did not want to dampen the public with a flood of corporate bankruptcies.

There is mixed feedback on Mr Somjate's appointment. Critics said he would face the same problems as his predecessor unless the government sets a clear direction.

The new TAMC chief is relatively unknown outside the securities industry, his last stint was as head of National Finance, a state-owned finance company.

He is believed to be close to Finance Minister Somkid Jatusripitak, who appointed him to head the National Housing Bank for a brief period.

Right man?

MR SOMJATE Moosirilert is relatively unknown outside the securities industry.

Analysts wonder if he has the right background for the job as it requires a fine balance of diplomatic and tough negotiating skills.

"More importantly, he needs to be independent," said one analyst.

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