

Thailand Aims To Stem Run On Banks -- Government Guarantees Deposits, Urges Calm

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BANGKOK - Thailand's top financial officials appealed on national television to stem a run on deposits they said threatened to topple the financial system.

"People have to be confident," said Bank of Thailand Gov. Chaiyawat Wibulswasdi. "Don't panic. Don't withdraw."

The government guaranteed deposits in banks and finance companies in an effort to shore up confidence a day after it shut almost half the country's non-bank lenders.

Officials said the finance companies lacked enough capital because of mounting bad loans and shrinking deposits.

Those closures, part of an agreement with the International Monetary Fund aimed at cutting public spending, surprised even senior Cabinet officials and triggered concern about the stability of all but the biggest Thai banks.

It underlines the obstacles Thailand's six-party governing coalition faces enacting the tough conditions of an IMF bailout, designed to pump as much as \$15 billion into the shattered economy.

"There are too many `flash points' in the proposals, meaning that politicians will fight any changes that would hurt their vested interests," Enzo von Pfeil, research director of Clarion Securities Asia, said in a research report.

The IMF rescue package, which will include loans from banks and governments, is contingent on Thailand meeting six stringent conditions: raising taxes, cleaning up

the finance industry, balancing the budget, ending subsidies to state companies and utilities, keeping a tight monetary policy, and continuing the current foreign-exchange system.

While the package was intended to reassure foreign investors, it rattled Thais.

A Cabinet member and leader of one of the coalition partners, Korn Dabaransi, stormed out of yesterday's Cabinet meeting when the prime minister disclosed the plan to shut all but 33 of the nation's 91 finance companies.

Shares of small and midsize banks were hammered today amid concern they may follow some finance companies down the road to insolvency, even with the government assurances.

First Bangkok City Bank fell by its 10 percent daily limit.

"Part of the problem is misunderstanding and rumor," said Uthai Akkarapattanakoon, the bank's president. "Our bank is very strong."
