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Editor:
Thanong Khanthong

Business

Asian markets 'still very weak'

■ *Wichit Chaitrong*
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DESPITE THE LESSONS of the 1997 financial crisis, Asian capital markets have yet to fully strengthen, while corporate governance, accounting systems and credit-risk assessments are still weak, a prominent economist has said.

In the seven years since the crisis, no significant improvements have been seen in Asian capital markets, so the best strategy for companies is to go global, said Dr Hilton Root, professor of economics at Pitzer College in Claremont, California.

Speaking at the 12th Annual Conference on Pacific Basin Finance, Economics Accounting and Business, Root made a comparison between Asian financial meltdown in 1997 and the situation of the United States during the Great Depression in 1929.

After the 1930s, the US financial market changed completely, he said. Large companies became publicly owned, rather than family-owned. The US government created social-safety nets in response to the crisis.Regulatory frameworks were put in place to ensure firms operate honestly.

However, such developments have yet to take place in Asia. No country, with the exception of Singapore, has put in place a comprehensive social-safety net. Company ownership in Asia is still dominated by the same families that held sway before the crisis, Root said.

A lack of information is also a major cause of weakness in Asian capital markets. Credit risk information and company balance sheets are unreliable, he said.

Thailand has not been serious about market reform – in fact in some areas it has slipped back, he said. Thailand is unable to handle bankruptcy problems effectively, and there is no strong supervisory mechanism for the financial market.