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Asian companies come under the icy hammer

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HARVARD: The frigid weather in Boston on New Year's eve was exactly what was needed to prevent the ice sculptures from melting. It had taken 10 workers, one week to complete each ice sculpture.

The sculptures which received rave reviews here were "poor" when compared to the ice sculptures of Japan. However, they were part of the "First Night" celebrations in Boston and thus were among the main attractions.

The annual "First Night" new year celebrations in Boston are said to be the largest New Year's eve party in North America. The celebrations drew more than 1.5 million Bostonians, visitors and tourists out on the streets to help usher in 1998.

Asia was depicted as a maiden holding a fan in one of the ice sculptures. However, this was not the only reference to the region. Asia was not only etched in ice, it also made more headlines in US papers in the past few months than it has in many recent years put together. The icy news about the Asian crisis has woken many Americans to the golden opportunities that are available on the "cheap" in Asia.

The cold weather was ideal for the ice sculptures and the Asian maiden but it also sent chills down the spines of many in Asia. "Cheap" and "sale" are words which many Americans can easily identify with.

There are sales - spring sales, summer sales, winter sales, Christmas sales and new year sales - almost all year round. There is a shop in New York which has had the "going out of business sale" sign on its door for almost two years.

However, there is an additional "sale" this year, which the Americans have their attentions focused on - the sale of businesses and properties in Asia.

With the depreciation of the Asian currencies and their battered stock markets, many analysts, economists and fund managers are looking to the region for business and other opportunities.

Businesses and companies which had not even been on their radar screens and were not in their portfolios are now very much in focus as they are "cheap". In fact, one newspaper listed the market value of a number of South Korean firms before and after the crisis. It hailed the "cheap" prices now which it said offered great opportunities.

The currencies and stock markets in the region may be "battered" but the economic fundamentals in many of the economies in Asia remain strong. They will probably continue to grow at rates faster than those in the West. Some analysts and economists have expressed confidence that the Asian governments - which have taken measures before to get their economies on the right track - will continue to do whatever is within their power to restore confidence.

The current situation, nevertheless, offers new opportunities to the West. Fund managers are said to be waiting on the sidelines like vultures ready to make their move just as soon as possible to buy into companies in the region - companies which they wanted a stake in all along but were unable to buy or which were "too expensive" then.

Now, with the International Monetary Fund (IMF) rescue packages, which are designed to open the markets and make the foreign ownership of companies a part of the agreement, many of these companies are well within reach of many entrepreneurs and are on the "cheap too".

The situation is certainly conducive to takeovers. The control of many economic activities by foreigners may hasten and further entrench "economic colonialism" in Asia. Prime Minister Datuk Seri Dr Mahathir Mohamad has warned of this phenomenon on numerous occasions and the current situation in the region may well speed up the process.

The bids for Thailand's Finance One is just the beginning. Citibank recently signed a letter of intent to acquire control of First Bangkok City Bank Ltd while other American and European companies are searching for opportunities in Thailand, Indonesia, South Korea and the Philippines.

In addition, investment and banking firms such as Goldman Sachs and Merrill Lynch are said to be on the lookout for "bargains" in Asia.

While previously the Asian economies were dubbed as "miracle" economies and were the envy of many in the developed world, today these same economies are being battered with adverse reports and downgrades of their banks and sovereign ratings by the very same agencies that had been giving them high marks.

The "race to the bottom" for these economies appears to be encouraged by the rating agencies, analysts and economists who seem to have nothing beneficial to say. Instead, their statements and actions, including the downgrading of the sovereign bonds, only serve to hasten the downward spiral of investor confidence.

It seems that the Asian countries can do nothing right this time around. These are the same economies which less than eight months ago were being hailed as "miracle economies" and whose government policies were hailed as being worthy of emulation by other developing countries.

Even so, it must be remembered that the leadership in Malaysia, Singapore, Indonesia and the Philippines, remain unchanged and it is these very same leaders who implemented the policies which resulted in the highest gross domestic product (GDP) growth rates for almost a decade.

In addition, the growth has benefited the larger population and not just a small group as in some countries. The number of people living in poverty in Malaysia, for example, has been drastically reduced unlike in the US, where the number of people living in poverty has risen over the years.

Despite these achievements, some in the west continue to harbour negative thoughts and have even campaigned for the removal of democratically elected leaders - Dr Mahathir, in particular. The Wall Street Journal in its last editorial for 1997 asks whether "... there is any way the good doctor might be encouraged to return to private practice?"

Neither the private practice, the Prime Minister's elected position in Malaysia nor those of other democratically elected leaders in Asia - as in other parts of the world - are up for sale no matter what the asking price.

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