

He keeps an eye on economies

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Dr Pongsak Hoontrakul, who has been attending the World Economic Forum since the 1990s, tells us what might lie ahead financially

Dr Pongsak Hoontrakul, a senior research fellow at the Sasin Graduate Institute of Business Administration, Chulalongkorn University, has been keeping a close eye on the rise and fall of major global economies, including that of Thailand, over the past two decades.

A long-running participant at the annual World Economic Forum (WEF) in Davos, Switzerland, Pongsak, 49, recalls first attending the forum back in the early 1990s.

"Thailand and Indochina were the darlings of international investors and businessmen then due to our double-digit economic growth rates.

"I held my head high at every WEF event I attended. The mood was very conducive to international trade and investment as Indochina had left the battlefield and turned to economic liberalisation instead.

"[In the footsteps of China,] Vietnam, for example, opened up to a new era of economic boom.

"Then came the 1997 Asian financial crisis [which was triggered by the baht devaluation]. Everyone from Thailand, including myself, felt ashamed.

"Meanwhile, the global economy, led by the US, continued to enjoy an unprecedented period of economic boom," he says.

At that time, China and other emerging economies were just starting out, and everyone looked to the United States, and to a lesser extent Western Europe, as models.

According to Pongsak, the atmosphere at the latest WEF, which ran from January 26 to February 2, was completely different from that of the 1990s.

"First, there were no senior US administration officials. Lawrence Summer [now head of the US National Economic Council] was supposed to be attending but eventually did not.

"Second, the US was blamed by other countries, such as Russia and China, for causing the current global economic crisis due to its financial meltdown and consequences.

"Ironically, I heard China telling the US that the latter shouldn't nationalise its ailing banks. Instead, it should try to sell them [to other investors] and that the Chinese would be potential buyers.

"In other words, some form of nationalisation is taking place in the US financial system, even though it is against the principle of free markets.

"Even Wen Jiabao, the Chinese premier, who attended the event, quipped that our teacher now appeared to be in trouble. The Russian leader also had a similar attitude when he attended a session in which the chairman of US-based Dell participated," says Pongsak.

In his opinion, China is now in a good position to capitalise on the current economic downturn due to its huge international reserves, a large domestic market and fast-expanding middle class.

But any increase in China's domestic consumption that will result from its economic-stimulus package of about four trillion yuan (Bt20.4 trillion) will not be enough to offset the big drop in US demand as far as the global economy is concerned.

As for India, the economy is still more domestically driven than other Asian economies, so there could be a less significant impact on intra-regional trade and investment.

"As for Japan, its prime minister unveiled a US\$16-billion (Bt560-billion) aid package for Asia during the Davos conference. Japan is probably seeking a bigger role in Asia in the wake of China's economic rise.

"Nevertheless, I think China plus Asean will soon become a dominant force in the global economy.

"As for Thailand, the state sector is heading to double its share of GDP from around 16 per cent to over 30 per cent in the coming years as the government needs to step in to rescue the economy. In the end, Keynesian economics [government intervention] is everywhere," he says.

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