

BRIEFING CHARTS ON ASIAN BUSINESS ENVIRONMENTS

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AUSTRALIA'S POLITICS

STABLE TWO PARTY DEMOCRACY

--MODERATE, BASICALLY CENTRIST LABOR & CONSERVATIVE & PARTIES

HIGHLY COMPETENT CIVIL ADMINISTRATION

LABOR GOVERNMENT CURRENTLY IN POWER

DESPITE GREAT POWER OF LABOR UNIONS, LABOR GOVERNMENT IS
IMPLEMENTING CONSERVATIVE POLICIES

--TIGHT MONEY

--GOVERNMENT BUDGET AUSTERITY

--DEREGULATION OF IMPORTANT SECTORS

--DEVALUATION

LABOR UNIONS ADOPT ADVERSARIAL STANCE, AS IN BRITAIN

--GOVERNMENT HAS OBTAINED LABOR COOPERATION WITH CURRENT
POLICY, BUT HAS NOT DEALT WITH THE FUNDAMENTAL PROBLEM

AUSTRALIA'S ECONOMY

HUGE TERRITORY WITH VAST NATIONAL RESOURCES

SMALL POPULATION (16 MILLION)

PROSPEROUS, DIVERSIFIED INDUSTRIAL SECTOR

--BUT PROTECTED AND INTERNATIONALLY UNCOMPETITIVE

UNCOMPETITIVE MANUFACTURING IMPLIES EXPORTS MOSTLY PRIMARY PRODUCTS
(AGRICULTURE, MINERALS)

--HIGHLY DIVERSIFIED, BUT TERMS OF TRADE HAVE SUFFERED A SEVERE
AND LARGELY PERMANENT DOWNTURN

WEAK INDUSTRIAL EXPORTS/LOW COMMODITY PRICES IMPLY TRADE DEFICIT

RESULTING DEBT IS VERY LARGE:	TOTAL FX TERM DEBT	\$39.4 BILLION
	DEBT SERV RATIO	26.7%
	NET DEBT/EXPORTS	1.34
	RESERVES/IMPORTS	33.7%

STERN ADJUSTMENT MEASURES MAINTAIN LENDERS' CONFIDENCE, MAKE DEBT
CRISIS UNLIKELY

TIGHT MONEY, AUSTERITY ENHANCE RISKS TO FINANCIALLY WEAKER
CORPORATIONS AND THEIR CREDITORS

CHINA'S POLITICAL-ECONOMIC ENVIRONMENT

POLITICS

REGIME IS CONSOLIDATING ADMINISTRATIVE, POLITICAL SYSTEM

COMPLETE REPUDIATION OF RADICALISM OF 1966-76 BY ALL SECTORS OF SOCIETY AND LEADERSHIP

--IMPLIES NO POSSIBLE RETURN TO RADICALISM

SUBORDINATION OF MILITARY/FOREIGN POLICY TO ECONOMIC GOALS

--MILITARY JUST REDUCED BY 1 MILLION MEN

WHEN DENG DIES, SIGNIFICANT BUT NOT DESTABILIZING SHIFTS ARE LIKELY

ECONOMY

HUGE, DIVERSIFIED, IMPOVERISHED, BUREAUCRATIZED ECONOMY UNDER REFORM

RURAL MARKET ECONOMY CONSOLIDATED

MUCH OF OPENING TO FOREIGNERS NOW IRREVERSIBLE

SIGNIFICANT URBAN MARKET-ORIENTED REFORMS

--INITIAL STEPS TOO RAPID, OVERHEATED ECONOMY

--FOLLOWED BY RAPID CONTAINMENT OF INFLATION, FX DECLINE

--DEMONSTRATED WILL & ABILITY TO HIT BRAKES AS NECESSARY

--NOW PROCEEDING CAUTIOUSLY FORWARD

GREAT DEBATE: MARKET-ORIENTED URBAN ECONOMY VS. SOVIET-STYLE CONTROLS

--OUTCOME NOT FULLY PREDICTABLE

--NEITHER OUTCOME POSES MAJOR BANKING RISKS

ECONOMIC GROWTH RAPID AND BROADLY BASED

--LOW OIL PRICE CREATES FX CONSTRAINT

DEVELOPMENT OF FINANCIAL MARKETS EXTREMELY RAPID

--FROM PRIMITIVE BASE

--MANAGEMENT HIGHLY CONSERVATIVE

CHINA RISK ENVIRONMENT

I. SOVEREIGN RISK

CHINA REPUDIATED ITS PRE-1949 OBLIGATIONS, AS DID USSR, CUBA

--REPETITION OF SUCH A REPUDIATION WOULD OCCUR ONLY AS A
CONSEQUENCE OF ANOTHER FULL-SCALE REVOLUTION, WHICH IS
ABOUT AS LIKELY AS REPETITION OF THE FRENCH REVOLUTION

--THE 1949 REPUDIATION IS ON WAY TO RESOLUTION

CHINA'S ATTITUDE TOWARD ALL POST-1949 DEBTS HAS BEEN FASTIDIOUS

EXTREME AVERSION TO HIGH INFLATION, DEFICITS, DEBT

--DERIVED FROM HISTORICAL TRAUMA & IDEOLOGY

CHINA'S SOVEREIGN CREDITWORTHINESS HAS BEEN SUSTAINED THROUGH EVEN
THE EXTRAORDINARY UPHEAVALS OF THE CULTURAL REVOLUTION

--NO COMPARABLE UPHEAVAL IS EVEN REMOTELY POSSIBLE

--FULLY REPAID KOREAN WAR DEBT TO USSR AT HEIGHT OF MUTUAL
ENMITY WHEN CHINA STRAPPED, ALTHOUGH CHEATED BY USSR

WITH MORE MODERATE POLITICS, CHINA'S RADICAL UNWILLINGNESS TO INCUR
DEBT HAS ALSO MODERATED, BUT IT IS STILL FAR MORE CAUTIOUS THAN
ITS BANKERS.

SOVEREIGN RISK INDICATORS - 1986	CHINA	KOREA
--DEBT SERVICE RATIO:	8.2%	22.2%
--NET DEBT/EXPORTS RATIO:	-0.1	1.1
--FX RESERVES/IMPORTS:	50.3%	15.4%
--TOTAL DEBT	\$12.4 BILLION	\$45.4 BILLION

II. CREDIT RISK

CREDIT RISKS REQUIRE CAREFUL MONITORING

--LEGAL SYSTEM STILL IN FORMATIVE PHASE:
CONCEPTS LIKE FORCE MAJEURE HAVE DIFFERENT MEANINGS;
NEGOTIATION RATHER THAN LITIGATION;

--CHINESE TREAT WESTERNERS' CONTRACTS DIFFERENTLY (BETTER)
THAN OVERSEAS CHINESE

CHINESE GOOD FAITH HAS BEEN CONSISTENT & CONSPICIOUS

CREDIT RISKS ARE IDENTIFIABLE, MANAGEABLE

--SHOULD BE CONFINED TO SOVEREIGN/TOP TIER/GOVERNMENT-BACKED

HONG KONG POLITICAL-ECONOMIC ENVIRONMENT

POLITICS

BRITISH COLONY, REVERTS TO CHINA IN 1997

CHINA HAS GUARANTEED AUTONOMY, CAPITALIST SYSTEM TO 2047

CHINA'S GUARANTEES CREDIBLE:

- CHINA NEEDS HONG KONG AS A FINANCIAL CAPITAL, TECHNOLOGICAL WINDOW
- CHINA HAS PROTECTED HONG KONG EVEN IN MOST RADICAL PERIODS
- CHINA USING HONG KONG AUTONOMY TO PERSUADE TAIWAN TO ACCEPT SIMILAR FORMULA
- CHINA HAS ALWAYS HONORED INTERNATIONAL AGREEMENTS

CHINA COULD NONETHELESS MAKE SERIES OF MISTAKES THAT COULD REDUCE HONG KONG DYNAMISM

- WOULD REDUCE OPPORTUNITY, NOT CREATE UNACCEPTABLE RISK

HONG KONG IS INTERNALLY STABLE

ECONOMY

GROWTH RATE AMONG WORLD'S HIGHEST

EXTREMELY ADAPTABLE

ECONOMIC ROLES

- FINANCIAL CAPITAL OF ASIA (BEING SUPERSEDED BY JAPAN AS DISTRIBUTION CAPITAL)
- FINANCIAL CAPITAL OF CHINA
- TECHNOLOGY/ENTERPRENEURIAL CAPITAL OF CHINA
- REGIONAL ENTREPOT
- MAJOR LIGHT INDUSTRIAL EXPORTER TO WEST

CHINA INSISTS UPON HIGHLY CONSERVATIVE FINANCIAL MANAGEMENT

PROPERTY/STOCK MARKETS/MIDDLE FINANCIAL MARKET HIGHLY VOLATILE

HIGHLY DEPENDENT ON TRADE: TRADE (G&S) = 204% OF GDP

CURRENCY FREELY CONVERTIBLE, TIED TO DOLLAR THROUGH INNOVATIVE SYSTEM THAT REMOVES RISK OF COLLAPSE

SOVEREIGN RISK INDICATORS 1985:

NET FOREIGN DEBT: MINUS US\$8.9 BILLION

INDIA'S POLITICS

STRUCTURE: DEMOCRATIC ELECTIONS/FEUDAL POWER STRUCTURE

--REAL POWER LIES WITH HUGE, SOCIALIST BUREAUCRACY

--TOP LEADERSHIP DYNASTIC: USUALLY FROM NEHRU/GANDHI FAMILIES

STRONG NATIONAL UNITY BASED ON NATIONALISM, BUREAUCRACY, ARMY, COMMUNICATIONS

BUT FIERCE ETHNIC, CASTE, REGIONAL STRAINS, MUCH VIOLENCE

--MOST NOTABLY, MOVEMENT FOR SIKH AUTONOMY

(ASSASSINATED MRS. GANDHI, THREATENS PRIME MINISTER RAJIV)

INSTITUTIONAL CAPABILITY TO CONTROL (OR STIFLE) ECONOMY

POWER STRUGGLES HAVE WEAKENED PARLIAMENT, CABINET, COURTS, STATE GOVERNMENTS, BUREAUCRACY; MANAGEMENT SYSTEM THUS WEAKENED

HOPES FOR AN AGE OF REFORM UNDER RAJIV HAVE DIMMED

INDIA'S ECONOMY

HUGE, DIVERSIFIED, VERY POOR ECONOMY, GROWING SLUGGISHLY

--RELATIVELY SELF-SUFFICIENT, AUTARKIC ECONOMY OF 700MM PEOPLE

--LARGELY CAPITALIST, FAIRLY SUCCESSFUL SMALLHOLDER AGRICULTURE

--DYNAMIC LIGHT INDUSTRY, FORMERLY CONTROLLED, NOW LIBERALIZING

--SOCIALIST, SLUGGISH HEAVY INDUSTRY, COMPARABLE IN SCALE TO A MAJOR EUROPEAN COUNTRY

RAJIV'S REFORMS SEEK IMPROVED STATE SECTOR MANAGEMENT, DECLINE IN REGULATION, TRADE LIBERALIZATION, GREATER FOREIGN INVESTMENT

--INITIALLY MADE RAPID PROGRESS, CURRENTLY NOT MOVING FURTHER

FINANCES FORMERLY VERY CONSERVATIVE, NOW BORROWING & IMPORTING MORE

--RETAINS SELF-SUFFICIENCY, ABILITY TO MANAGE IMPORTS IF NEEDED

STOCK MARKET TAKING OFF DUE TO LIBERALIZATION

RISK INDICATORS (1985):
(COMPARE CHINA)

TOTAL DEBT:	\$38 BILLION
DEBT SERVICE RATIO:	17.2% (RISING)
NET DEBT/EXPORTS:	1.9 (HIGH/BAD)
FX RESERVES/IMPORTS	43.8% (HIGH/GOOD)

OVERALL SITUATION: REFORM CREATES RISING OPPORTUNITIES
WEAKENING POLITICAL MANAGEMENT ENHANCES RISKS

INDONESIA'S POLITICS

HIGHLY PERSONAL RULE BY SUHARTO BASED ON STRONG MILITARY ROLE AND DOMINANT PARTY ORGANIZED AROUND CIVIL SERVICE AND MILITARY

ELECTIONS DO NOT PRESENT SERIOUS CHALLENGE TO REGIME, BUT ALLOW OPPOSITION GROUPS TO ASSERT THEIR INTERESTS

MULTI-ETHNIC SOCIETY WITH MANY TENSIONS, ESPECIALLY CHINESE-PRIBUMI AND MUSLIM FUNDAMENTALIST-NON-FUNDAMENTALIST

BUT MILITARY UNITY, ECONOMIC COMPETENCE, SENSIBLE MANAGEMENT KEEP THESE TENSIONS WITHIN BOUNDS

POVERTY AND UNEMPLOYMENT ARE MASSIVE PROBLEMS

ECONOMIC STRINGENCY HEIGHTENS STRAINS WITH CHINESE AND MUSLIM FUNDAMENTALISTS AND WITH PETITION OF 50 GROUP THAT DEMANDS MORE DEMOCRACY

DESPITE THIS, TENSIONS LIKELY TO BE MANAGEABLE

INDONESIA'S ECONOMY

ECONOMY BASED ON OIL/GAS, DIVERSIFIED AGRICULTURE, RAW MATERIALS

--EXCESSIVE DEPENDENCE ON OIL/GAS

--OVEREMPHASIS ON PROTECTED HEAVY INDUSTRY

--NON-OIL EXPORTS VERY WEAK

--FINANCIAL MARKETS FAIRLY PRIMITIVE

BEST MANAGEMENT OF ANY POPULOUS OPEC COUNTRY

--SOUND INSTITUTIONS, MANAGED IN NATIONAL INTEREST

--DIDN'T GO BUST LIKE MEXICO, NIGERIA

--BUDGET RESTRAINT USUALLY GREATER THAN NECESSARY

--MAKING SUBSTANTIAL EFFORTS TO DEVELOP NON-OIL EXPORTS

NONETHELESS, OIL PRICES IN LOW TEENS WILL SQUEEZE INDONESIA SEVERELY AND CREATE RISK OF RESCHEDULING

NEEDS PAINFUL 5-7 YEAR ADJUSTMENT TO LOW OIL PRICES

1985 RISK INDICATORS:	TOTAL DEBT:	\$39.3 BILLION
	DEBT SERVICE RATIO:	28.7, RISING
	NET DEBT/EXPORTS:	1.7
	RESERVES/IMPORTS	28.5%

JAPAN'S POLITICS

STABLE DEMOCRACY DOMINATED BY LIBERAL DEMOCRATIC PARTY

EXTREMELY STRONG GOVERNING INSTITUTIONS

STABLE ECONOMIC POLICY

FEW FOREIGN THREATS

JAPAN'S ECONOMY

PROSPEROUS, HIGHLY DIVERSIFIED, COMPETITIVE, MARKET-ORIENTED

SAVINGS CAPITAL OF THE WORLD: 1986 CAPITAL OUTFLOWS \$76 BILLION

--IQ 1986 JAPAN HOLDS \$238.6 BILLION IN FOREIGN SECURITIES

YEN KEPT FROM EXCESSIVE APPRECIATION BY NOT REPATRIATING FUNDS,
ENCOURAGING OUTFLOWS

LIBERALIZATION OF FINANCIAL SYSTEM, COMBINED WITH HUGE FOREIGN &
DOMESTIC SAVINGS, IS CREATING A CAPITAL MARKET FIRESTORM

GROWTH HIGHLY DEPENDENT ON EXPORTS

--SOME VULNERABILITY TO PROTECTIONISM

--EXPORT DEPENDENCE RESULTS FROM VICIOUS CIRCLES:

(1) FARM SUBSIDIES SQUEEZE BUDGET FOR URBAN INVESTMENT;

(2) LAND POLICIES OVERVALUE REAL ESTATE (\$1000/SQ M IN
TOKYO, WHICH MAKES HOUSING TOO CRAMPED FOR SUSTAINED
CONSUMER-LED GROWTH

ECONOMY CURRENTLY EXPERIENCING STAGNATION, DEFLATIONARY PRESSURES,
CANNOT OVERCOME THESE BY EXPANDING EXPORTS

--WHOLESALE PRICES DECLINING 1% PER MONTH

DOMESTIC-LED REFLATION ONLY POSSIBLE THROUGH MASSIVE INVESTMENT
THAT MIGHT REDUCE JAPANESE DEMAND FOR DOLLARS, FORCE YEN UP

--STRONGER YEN WOULD KILL MANY EXPORT DEPENDENT INDUSTRIES

--HENCE GOVERNMENT STIMULATING ADDITIONAL CAPITAL OUTFLOW

LIBERALIZATION, TRADING, CAPITAL OUTFLOWS CREATE OPPORTUNITIES

RISKS ARISE IN INDUSTRIES IMPERILLED BY RISING YEN OR DEFLATION,
FROM FINANCIAL INSTITUTIONS DEPENDENT ON SUCH INDUSTRIES,
AND FROM FINANCIAL INSTITUTIONS WITH FIXED COST OF FUNDS.

KOREAN POLITICS

BASIC KOREAN MANAGEMENT INSTITUTIONS EXTREMELY COMPETENT

UNUSUALLY BROAD CONSENSUS ON ECONOMIC MANAGEMENT

--NO SERIOUS CHALLENGE TO CAPITALISM, BIG FIRMS, PRO-WEST
POLICIES

PRESIDENT CHUN HIGHLY UNPOPULAR, VULNERABLE

--HIS REMOVAL WOULD NOT THREATEN ECONOMIC, FINANCIAL
VIABILITY, BUT COULD CREATE 6-12 MONTHS SERIOUS
UNCERTAINTY

--SYSTEM WOULD CONTINUE WITH MINOR POLITICAL MODIFICATIONS

KOREAN ECONOMY

WORLD'S OUTSTANDING PERFORMER IN 1986: GROWTH 10.9% (1ST HALF)
INFLATION 2.7% (CPI)
MINUS 1.2% (WPI)

BROADLY DIVERSIFIED PRODUCER OF LIGHT/HEAVY INDUSTRY

ONE OF WORLD'S GREATEST EXPORTERS: C. \$30 BILLION IN 1986

HIGHLY RESILIENT IN FACE OF OIL SHOCKS, PROTECTIONISM, RECESSIONS

CURRENTLY BENEFITTING FROM HIGH YEN, LOW INTEREST RATES, CHEAP OIL

DEBT LARGE (\$45.4 BILLION) BUT NOT GROWING

--END-1985 DEBT SERVICE RATIO 21.5%, DECLINING

--RESERVES RISING (8/86: \$8.15B = 29.9% OF IMPORTS)

--NET DEBT/EXPORTS = 1.1

--SMALL CURRENT ACCOUNT SURPLUS EXPECTED IN 1986

RAPIDLY LIBERALIZING FINANCIAL MARKETS

--COMMERCIAL BORROWING DECLINING

--NATIONAL TREATMENT OF FOREIGN BANKS INCREASES COMPETITION

--CAPITAL MARKETS OPPORTUNITIES EXPANDING RAPIDLY

NEW ZEALAND'S POLITICS

STABLE TWO PARTY DEMOCRACY

--MODERATE, BASICALLY CENTRIST LABOUR & CONSERVATIVE PARTIES

HIGLY COMPETENT CIVIL ADMINISTRATION

LABOUR GOVERNMENT CURRENTLY IN POWER

LABOUR GOVERNMENT IMPLEMENTING CONSRVATIVE POLICIES

--DEVALUATION

--INTEREST RATE LIBERALIZATION

--TIGHT MONEY

--FISCAL AUSTERITY

--TAX REFORM

--PRIVATIZATION

REFUSAL TO PERMIT PORT VISITS BY NUCLEAR SHIPS HAS BROKEN ALLIANCE WITH US, BUT ECONOMIC CONSEQUENCES ARE MINIMAL

NEW ZEALAND'S ECONOMY

TINY TERRITORY AND POPULATION (3.26 MILLION PEOPLE)

AGRICULTURAL ECONOMY: EXPORTS MEAT, WOOL, DAIRY, ANIMAL PRODUCTS

HURT BADLY BY LOW COMMODITY PRICES, PROTECTIONISM BY EEC, OTHERS

FOREIGN ACCOUNT SEVERELY IMPACTED BY PREVIOUS GOVERNMENT'S EFFORT TO SPEND THROUGH RECESSION, DEVELOP HUGE PROJECTS:

--TOTAL DEBT:	US\$13.8 BILLION
--NET DEBT/EXPORTS	1.6
--RESERVES/IMPORTS	18.9%
--DEBT SERVICE RATIO	25.4%

POLICY MEASURES ARE APPROPRIATE TO ARREST FINANCIAL DECLINE, BUT IMPROVEMENT WILL BE SLOW BECAUSE EXPORT DIVERSIFICATION DIFFICULT

INFLATION (NOW ABOUT 10%) DECLINING RAPIDLY

FINANCIAL LIBERALIZATION CREATES MAJOR MARKET OPPORTUNITIES

STRENGTH OF REFORM POLICIES COULD BE AFFECTED BY 1987 ELECTORAL POLITICS

--ISSUE SPLITS OPPOSITION, CURRENTLY LED BY OPPONENT OF AUSTERITY

PHILIPPINE POLITICS

REGIME HIGHLY POPULAR, DEMOCRATIC

--MARCOS A TROUBLEMAKER, NOT A THREAT

INSTITUTIONS OF GOVERNANCE (CIVIL ADMINISTRATION,
MILITARY...) EXTREMELY WEAK

SERIOUS COMMUNIST GUERRILLA MOVEMENT

MAJOR POWER STRUGGLES/DISSENSION WITHIN CABINET ON ECONOMIC POLICY

FUTURE PROSPECTS DEPEND ON ECONOMIC PERFORMANCE

--PERSISTENT UNCERTAINTY COULD LEAD TO INSTABILITY

PHILIPPINE ECONOMY

UNUSUAL NATURAL RESOURCES, HUMAN CAPITAL

CURRENTLY VERY DEPENDENT ON SUGAR, COCONUT, COPPER EXPORTS, WITH
LOW PRICES, POOR PROSPECTS

MISMANAGEMENT, INSTITUTIONS DESTROYED BY MARCOS REGIME FAIL TO
REALIZE POTENTIAL

HUGE LEGACY OF DEBT: \$26.6 BILLION = 2.8 X EXPORTS = 78% GNP

--DEBT SERVICE RATIO 32.9% (1985)

DEBT NEGOTIATION COMPETENT, REFLECTIVE OF GOOD WILL

SOUND BASIC INSTINCTS IN ECONOMIC MANAGEMENT

-- EMPHASIZING PRIVATIZATION, MARKET ECONOMY...

DEEP CONFLICTS OVER LABOR POLICY, TARIFFS...CHILL INVESTORS,
INHIBIT REVIVAL OF REAL ECONOMY

ABILITY TO REVIVE ECONOMY & PAY DEBT REMAINS IN DOUBT

--UNTIL DOUBTS RESOLVED, LOAN VALUES DEEPLY DISCOUNTED

PRIVATIZATION, ENCOURAGEMENT OF DEBT/EQUITY SWAPS, AID PROGRAMS,
STOCK MARKET REVIVAL PRESENT SOME OPPORTUNITIES FOR PROFIT
OR REDUCTION OF LOAN PORTFOLIO

SINGAPORE'S POLITICS

STRUCTURE: DEMOCRACY DOMINATED BY LEE KWAN YEW'S PEOPLE'S ACTION PARTY, WHICH HAS NEVER LOST MORE THAN TWO SEATS

HIGHLY STABLE, DUE TO EXTRAORDINARY ECONOMIC ACHIEVEMENTS

--IDEOLOGICAL CONSENSUS, CONSTITUTIONAL CONSENSUS, RACIAL HARMONY

EXTREMELY COMPETENT GOVERNING INSTITUTIONS

SMOOTH SUCCESSION IS LIKELY

MILD RESENTMENT HAS EMERGED OVER LEE'S EXCESSIVE PATERNALISM

SINGAPORE'S ECONOMY

TINY BUT EXTREMELY DYNAMIC ECONOMY, BASED ON LIGHT INDUSTRY, SERVICES, ENTREPOT

COMPETITOR OF HONG KONG AS A FINANCIAL CENTER, REGIONAL HEADQUARTERS FOR MULTINATIONAL CORPORATIONS

HISTORICALLY ONE OF THE WORLD'S FASTEST GROWING ECONOMIES

--THIRD WORLD'S MOST PROSPEROUS ECONOMY, BUILT SINCE 1959

HIGHLY EXPORT DEPENDENT: TRADE = 343% OF GNP

CURRENTLY STALLED OUT, DUE TO:

--EXCESSIVE REGULATION

--REAL ESTATE OVERBUILDING

--EXCESSIVELY RAPID WAGE RISES

--DECLINE OF KEY INDUSTRIES (SHIPBUILDING, OIL SERVICES)

--SQUEEZE BY INDONESIA, MALAYSIA ON KEY ENTREPOT FUNCTIONS

BASIC STRENGTHS REMAIN INTACT, PROBLEMS BEING ADDRESSED, ECONOMY BEGINNING TO SHOW INITIAL SIGNS OF COMEBACK

RISK INDICATORS 1985:	TOTAL DEBT:	\$11.5 BILLION
	DEBT SERVICE RATIO:	6.2%
	NET DEBT/EXPORTS	MINUS 0.2
	RESERVES/IMPORTS	35.5%

TAIWAN'S POLITICS

STRONG ONE-PARTY STATE, DOMINATED BY KUOMINTANG PARTY
BROAD POPULAR SUPPORT DUE TO RAPID GROWTH, EGALITARIANISM
OPPOSITION VOCAL BUT DEEPLY DIVIDED

--CURRENTLY BEING ALLOWED TO ORGANIZE FOR FIRST TIME
GOVERNMENT INSTITUTIONS EXTRAORDINARILY COMPETENT
CURRENT WEAK LEADERSHIP DUE TO ADVANCED AGE OF PRESIDENT & MOST
OF CABINET

SUCCESSION LIKELY TO BE RELATIVELY SMOOTH

CHINA INSISTS TAIWAN IS ITS PROVINCE, PRESSES TAIWAN TO ACCEPT
STATUS OF A POLITICALLY AUTONOMOUS CAPITALIST REGION LIKE
POST-1997 HONG KONG

--TAIWAN REFUSES TO NEGOTIATE

--CHINA UNLIKELY TO THREATEN TAIWAN ECONOMY

TAIWAN'S ECONOMY

ONE OF WORLD'S FASTEST GROWING, MOST EGALITARIAN ECONOMIES
A MAJOR EXPORTER: \$30.7 BILLION IN 1985

--EXPORT-DEPENDENT: 1985 TRADE = 105% OF GNP

HIGHLY DIVERSIFIED PRODUCER OF LIGHT & HEAVY INDUSTRY

HIGHLY DIVERSIFIED OWNERSHIP

EXTREMELY RESILIENT ECONOMY OF SMALL FIRMS

FINANCES MANAGED WITH EXTREME CONSERVATISM

ONE OF WORLD'S GREAT SAVERS: FOREIGN ASSETS = \$36 BILLION

--COMPARED WITH DEBT OF ONLY \$7.7 BILLION

--HENCE SOVEREIGN RISK/COMMERCIAL BANK OPPORTUNITIES
NEGLIGIBLE

HUGE FOREIGN & DOMESTIC ASSETS OF BANKS WILL FORCE RAPID
LIBERALIZATION

--HENCE MAJOR CAPITAL MARKET OPPORTUNITIES

THAILAND'S POLITICS

STRUCTURE: BALANCE AMONG CIVILIAN POLITICIANS, MILITARY, CIVIL BUREAUCRACY, KING

PRIVATE BUSINESS & ESPECIALLY BANKERS PLAY LEADING ROLE

DELICATE BALANCE LEADS TO FREQUENT CHANGES OF TOP LEADERS VIA ELECTIONS, ATTEMPTED COUPS

BASIC INSTITUTIONS, ECONOMIC POLICIES EXTREMELY STABLE, COMPETENT

--LEADERSHIP CHANGES MAINTAIN BALANCE, PRESERVE SYSTEM STABILITY

--MILITARY PROTECTS SECURITY, KING PROTECTS LONG-TERM FINANCES, POLITICIANS PROTECT SOCIAL INTERESTS, BUREAUCRACIES MAINTAIN CONTINUITY & IMPLEMENT POLICY

VIETNAMESE/CAMBODIAN WARFARE AN IRRITANT, NOT A THREAT

THAILAND'S ECONOMY

LONG TERM: ONE OF WORLD'S OUTSTANDING PERFORMERS

--ACHIEVED 40 YEAR PERIOD OF AVERAGE 7% GNP GROWTH

CURRENTLY SUFFERING FROM WEAK COMMODITY PRICES, GROWING 4-5%

HIGHLY DIVERSIFIED AGRICULTURE & LIGHT INDUSTRY

DIVERSIFIED OWNERSHIP & CONTROL

MARKET ORIENTATION AND DIVERSIFICATION MAKE IT RESILIENT

STRONG INFLUENCE OF BANKERS MEANS MOST INDUSTRY CONSERVATIVELY FINANCED

ALLOWED DEBT TO BECOME LARGE, NOW CONTROLLING IT

RISK INDICATORS 1985:	TOTAL DEBT	\$18.4 BILLION
	DEBT SERVICE RATIO:	30.2%, FALLING
	NET DEBT/EXPORTS	1.4
	RESERVES/IMPORTS	24.3%