
Conference Report

Thailand's prospects for rapid agro-industrial development

"The International Monetary Fund has become a modern-day Shylock and it is long overdue that Portia speaks out on the question of legitimate bonds," declared Dr. Boonchu Rojanastien, former finance minister and deputy prime minister of Thailand, to a conference Dec. 2-3 sponsored in Bangkok by *EIR*. The meeting was attended by 100 Thai military, business, and government leaders.

Dr. Boonchu particularly hailed the "courageous voice" of Peruvian President Alan García, and declared that heavily indebted developing countries "should follow the example of Peru by asserting national sovereignty over debt payment."

Also speaking at the conference was Gen. Edgardo Mercado Jarrín (ret.), a former foreign minister and prime minister of Peru, who reported on the economic destruction wrought by the IMF across the Ibero-American continent. "The debt problem and the promotion of a new international economic order are inseparable," General Mercado said. "They are internally linked and need in all respects the urgent coordination of the forces of Latin America and of the Third World to be able to achieve this new order. . . . If we insist on this new economic order, it is because we see clearly that the principle of 'welfare for the majority' is the design for democracy and equality in international economic relations."

"The Peru Model" was thus decisively placed on the table in Thailand, where the IMF and World Bank are forcing through ever-harsher austerity measures which have brought the once-healthy Thai economy to a grinding halt. On Dec. 4, the Thai currency, the baht, was devalued by 2%, and the government announced a rise in fuel prices by 30%.

The conference also heard from Thai Trade Union Confederation leader Paisal Thawatchainan, who described how World Bank and IMF-dictated policies have gouged the living standards of the population, and how his union has fought to stop the World Bank plan for privatization of Thailand's state sector. Paisal vowed his confederation's support for Peru and its fight against the IMF.

Colonel Molloy Vaughn (U.S.A.-ret.) reported on a plan to form a joint security command for the ASEAN countries—Thailand, Malaysia, Singapore, the Philippines, Indonesia, and Brunei. The purpose, Colonel Vaughn explained, is not only to defend against the external threat to ASEAN signified by the Soviet military buildup in the region. Nearly as important, a joint command is required, if the ASEAN nations are to wage a war against the drug trade in each country.

This theme was expanded by Dr. Uwe Henke v. Parpart, director of research for the Fusion Energy Foundation. Henke outlined a proposal for ASEAN economic integration, pointing out that ASEAN's security rests on its economic ability. The gravest threat to the region comes from economic instability, which creates the conditions for Chinese- and Russian-backed insurgency. He further demonstrated that Thailand has reached the limit of economic growth, given the economy's current structure. Without the creation of a modern industrial base, to increase agricultural productivity, Thailand will soon face a crisis in the economy.

Henke and also George Leong, deputy director of the Malaysian Industrial Development Authority, and C. O. Fong, of the University of Malaysia, advocated ASEAN integration on the model of Japan's and South Korea's emphasis on heavy industry. The centerpiece for such economic growth would be the construction of the Kra Canal in southern Thailand and the creation of an industrial zone around it. This would require cooperation from all the ASEAN countries, Japan, and India.

Dr. Deb Kumar Ghosh of the Indian Institute of Technology in Bombay explained the applications of laser technology in industrial production and remote sensing. Dr. Ghosh leads a team of scientists which has built the first laser laboratory in India. He stressed that underdeveloped countries have the capacity to move to the highest levels of technology and productivity; they do not have to tolerate a "pick and shovel" program.

The final panel of the conference was an appraisal of the current economic situation in China, by *EIR*'s Asia Editor Linda de Hoyos, who attacked the return to 19th-century open-door methods against China by the Anglo-Swiss financial establishment. The failure to carry out an in-depth industrialization of China will create conditions of social convulsion, posing a major security threat to ASEAN. This appraisal was contested from the floor only by representatives of the Russian and U.S. embassies.

In another presentation, Dr. Henke showed how, in the past 20 years, the Soviet-U.S. military balance in the region has shifted decisively toward a Soviet advantage. This is all the more reason why the ASEAN countries urgently require a solution to the IMF siege against their economies and a renewed, strengthened alliance in Southeast Asia based on rapid economic growth.

Speech by Thailand's Boonchu Rojanastien

The following report is taken from The Nation, Thailand's English-language newspaper, dated Dec. 3. The article was headlined, "Boonchu hits out at IMF/World Bank 'imperialism.'

Former Deputy Prime Minister Boonchu Rojanastien yesterday blasted at the International Monetary Fund (IMF) and the World Bank for imposing unfair conditions on developing nations "sometimes even violating the latter's national sovereignty by seeking to impose conditions on countries suffering balance of payments problems in exchange for some seal of approval."



He said the IMF conditions are embodied in the so-called "Stabilization Programmes" and spelled out in a letter of intent.

"A government signing such a letter binds itself to these conditionalities, with the hope of getting in return a new credit line to improve its balance of payments situation," he said.

Boonchu, speaking on "Economic and Security Prospects for the Asia-Pacific Region 1985-95" sponsored by the Executive Intelligence Review and Fusion Energy Foundation listed the following "classic IMF conditions":

Classic IMF conditionalities include:

- **Currency devaluation**
- **Exporting more for less**
- **Reducing imports in order to save foreign exchange**
- **Slowing down investments in projects to avoid increasing foreign borrowings**
- **Belt-tightening measures for the general population including tax increases, and increased prices for public utilities and services, and**
- **Reductions in government expenditures of all types, usually with the single exception of defence [emphasis in original].**

He said: "I imagine this IMF menu of conditionalities

sounds familiar. It should, because this is exactly the same advice, disguised in the term structural adjustment, that the government of Thailand has been following for the last few years."

Boonchu's speech also touched on the following:

So we have a global economy which for the last 15 years has been without any ground rules. The results are only too clear for all to see. The domestic fiscal and monetary policies of the world's dominant economic power cause unpredictable and unplanned havoc throughout the developing world. A sharp hike in US interest rates followed by an equally sharp, but totally unrealistic appreciation of the dollar, can undo overnight the hard-won gains of a dozen developing countries.

At the same time, the Bretton Woods institutions, no longer constrained to operate within the system which gave them lift, a system which has already collapsed, have taken on the role of debt collector for the international banking system, a role for which they have no authority and no mandate, except that of obeying the voice of their dominant shareholder, the United States of America.

The IMF has become the modern-day Shylock and it is long overdue that Portia speaks out on the question of legitimate bonds. Today, Portia should say to the IMF and other Third World creditors something to this effect: Demand repayment of debt, but in doing so, let not that nation and people sink into poverty and despair. You may take your pound of flesh, but not a single jot of blood.

Little wonder that the recent courageous voice of Peruvian President Alan Garcia has found so many sympathetic ears across the developing world. His decision to allot no more than 10 percent of his country's export earnings for debt servicing in any one year is an example that is certain to be followed sooner rather than later by many other of the heavily indebted Latin American nations:

Little wonder that Cuban President Fidel Castro has praised the IMF for having helped feed the communist revolutionary process. By subjecting the debt crisis nations to unrealistic and unsustainable adjustment programmes, the IMF is destroying the social fabric of these countries and their young, fragile democratic institutions as surely as any communist insurgency.

Faced with "Big Brother," Shylock, IMF, I believe that the heavily indebted developing countries should follow the example of Peru by asserting national sovereignty over debt repayment. Debts should be reimbursed but never at the expense of life, liberty and the pursuit of happiness.

I believe that the situation I have described cannot continue for long. Concerted efforts must be launched at the global, regional and national levels if the economic potential of the Asia-Pacific area is to be realized.

AT THE GLOBAL LEVEL, concrete steps must be taken to establish a new international monetary system. This new system should strive to create conditions for stability and productive investment. In the process of debt reorganization,

new credits for productive investment should be made available to debtor nations at low interest and on a long-term basis. It is only in this way that economic prosperity will once again reign, to the advantage of creditors and debtors alike.

AT THE REGIONAL LEVEL, the ASEAN group has a critical role to play. After 18 years ASEAN's leaders have finally begun to admit that the association's successes have been confined to the diplomatic and foreign policy areas.

Economic cooperation has not even gotten off the ground. Many of you will be aware that for many years I have been a strong proponent of accelerated ASEAN economic cooperation, leading eventually to a fully integrated ASEAN Common Market. I don't regard this as an impossible dream, as something that would be nice to have if only there were no costs involved. Of course, there must be short-term sacrifice, but I really believe we have no choice. The events of 1985 should be sufficient to underline the fact that individually the ASEAN countries cannot remain immune from the instability and speculative forces that characterize the global economy today. But together with the greatly enlarged regional market, with intra-regional coordination and cooperation, ASEAN can achieve a degree of self-sufficiency which will act as a substantial cushion against external shocks. We would have a louder and stronger voice in international arenas which shape the global economy, and greater control over our own destinies.

At the national level, in Thailand's case, the interrelationship between the economic and security issues, and the undesirable impact of IMF and World Bank advice can be seen all too clearly.

Our economic performance in 1985 will be the worst for 20 years, and 1986 is likely to prove even worse. Unemployment is rising rapidly and the situation of the rural majority deteriorating sharply. World commodity prices, upon which our country continues to depend, are at their lowest levels in constant terms for more than 20 years while protectionism in the industrialized world threatens our manufactured exports. On top of all this, because our exports in dollar terms will actually decline this year, our external debt positions must now be regarded as approaching critical levels.

Faced with this plague of problems our national economic management seems devoid of both leadership and direction. Above all it lacks a sense of urgency.

I don't believe this country should simply sit back and wait for the world economy to pick up. That is not one of the options available to us since there is absolutely no indication that the world economy is capable of regaining stable growth.

The basic lesson, which the government seems incapable of remembering, is that the health of Thailand's economy depends primarily upon the health of the agricultural or rural sector. This is where the pump-priming exercise must begin so as to stimulate domestic demand. All available resources, including additional domestic borrowing, must be directed into the farm sector in the form of production oriented infrastructure investments such as irrigation, storage and trans-

portation facilities. At the same time, since world commodity prices face a long-term structural decline, we should create a special, low-interest investment fund directed solely at boosting the processing of commodities, in other words, for agro-industrial purposes.

Of course, there are many more components in the overall package of measures required, but none of these components are impossible to implement as long as we can mobilize the necessary leadership, determination and political will.

As a nation and as a region we need to be more assertive and more self-sufficient. We should refuse to be dragged along by forces beyond our control. We must regain some voice in the direction and management of the global economy, just as we must regain control of our own national destiny.

Boonchu also made the following points:

I don't think anyone of us needs a crystal ball to predict that the next few years are going to be a critical period in the

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history not only of our own country Thailand but also of Southeast Asia and the world in general.

For at least the last 15 years, in spite of apparent growth and prosperity in some areas, the global economic system and the delicate fabric of international relations have been exhibiting increasing tension and disequilibrium. The basic structures of international order, as evidenced at the micro-level by increasingly violent act of terrorism, are deteriorating: the whole continent of Africa is caught in a vicious downward spiral of hunger, poverty and economic contraction: Unemployment in the industrialized world remains at historically record levels and the heavily indebted countries of Latin America are perhaps within six months of finally calling a halt to their valiant attempts to obey the extraordinarily unjust demands and coercion of the international financial system.

Against such a backdrop the Asia-Pacific region may appear as a sea of relative calm and prosperity. I have always believed that the ultimate security and stability of a nation or a region lies in its economic prosperity. This view I would

suggest is supported by what has happened across most of the Asia-Pacific region over the last two to three decades. The region's individual economic delivery systems have worked to a degree unparalleled in the rest of the world. As a result, this region which comprises two-thirds of the world's population, has emerged as the key growth centre of world economic activity. . . .

But this Asia-Pacific sea of economic progress could not withstand indefinitely the structural economic ills that have been plaguing the rest of the world. With the exceptions of China and India, with their primary dependence upon their own huge domestic markets, the relatively high level of integration with the world economy of most other Asia-Pacific nations has finally taken its toll. In 1985 growth rates across the region have stalled, most dramatically in Southeast Asia. This year is ASEAN's worst performance on record. Of the six member countries, two will actually suffer from negative growth, two will have only 2.5 percent growth and only Thailand and Malaysia will edge over four percent growth.

It seems that finally even ASEAN's resource-rich armour has been penetrated by the slow growth and instability which most of the rest of the world has been suffering from for so long.

To understand ASEAN's difficulties we must search for the root causes of the general world economic dislocation. The post-World War Two Bretton Woods system, even with its limitations, did create an environment of stability, and consequently growth, in the fifties and sixties. But the Nixon administration's 1971 declaration of the non-convertibility of the dollar undermined the very core of this international financial order.

Ever since, we have all been living in the speculators' world of chance and uncertainty. Assets went less into medium- and long-term productive investments and more into short-term monetary gains to be made on speculative differentials. In short, such an erratic international financial environment of floating exchange rates has not been conducive to global economic stability, which is the prerequisite for growth.

Successive oil crises sparked off by sharp declines in the real value of dollar oil receipts contributed to jacking up the oil bill of non-oil producing countries, further dwarfing those countries' plans for industrialization in the seventies.

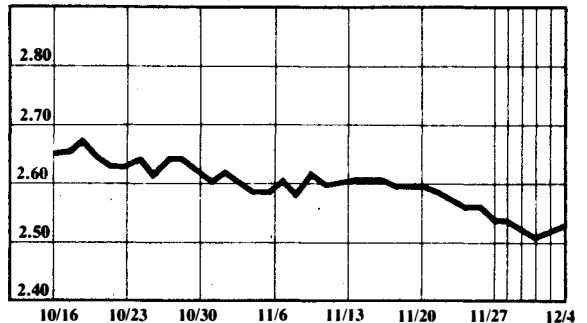
Then in 1979, the high-interest rate policy of the Carter administration, caused the doubling of Third World debt, which has today reached the staggering level of \$970 billion.

The truth of the matter is that the declaration of the non-convertibility of the US dollar in 1971 made the Bretton Woods accords void of content, thus requiring the creation of a new monetary system at that time. The United States, the country best-placed to lead the reform of the system, refused to acknowledge the need for such reform, let alone its responsibility. Some people would suggest that since the Bretton Woods accords were broken, the Bretton Woods institutions, namely the International Monetary Fund and the World Bank, lost their legitimacy at that time.

Currency Rates

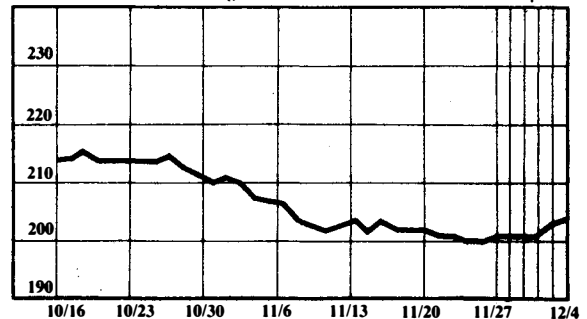
The dollar in deutschemarks

New York late afternoon fixing



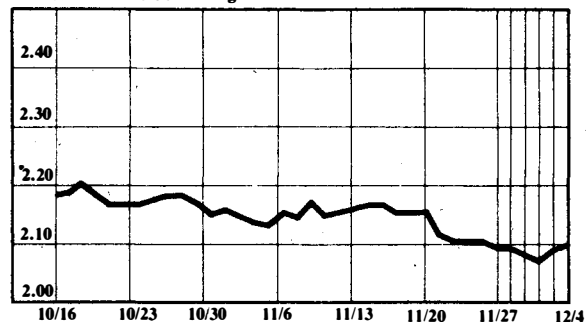
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

