World Bank says own plan failed

Prime Minister Prem has backed down from harsh austerity measures to preserve his government.

World Bank/International Monetary Fund financial pressure has finally reached the limits of toleration in Thailand. As soon as the new 200-page World Bank *Report on Thailand* came up for discussion in Bangkok early this month, their tops. The World Bank stated that the fifth five-year plan ending this year had failed to achieve its target "and serious macro-economic imbalances remain stubbornly resistant to control."

Nothing could be more humiliating for National Economic and Social Development Board (NESDB) officials than to be told off by the World Bank after precisely following World Bank guidelines.

According to *The Nation*, informed sources said that World Bank loans to Thailand have dramatically declined in recent years—from $450 million annually during 1980-83 to a mere $100 million each year for 1984-86. Reportedly, the World Bank office in Bangkok has been scaled down gradually to the point that top bank officials are now contemplating closing it down entirely, due to lack of activity.

Thai government officials are now shifting away from World Bank guidelines, i.e., cancelling austerity programs. A recent Council of Economic Ministers' meeting approved a request by the Bank of Thailand to cut deposit and lending interest rates, from 17% to 15% on bank loans and from 20% to 18.5% on loans made by finance companies. Deposit rates of non-bank financial institutions under special conditions were down from 15% to 13.5%. For others, the ceiling was reduced from 14% to 12.5%

Leading bankers think that the interest rate cuts will allow consumer-goods producers to lower prices and that the rate of inflation could even hit zero. NESDB Secretary-General Snoh Unakul hopes that the reduction of interest rates along with falling oil prices will help to improve economic growth to more than 4% this year.

At the same time, Prime Minister Prem Tinsulanonda decided to backtrack on increases in registration fees for diesel- and gasoline-fueled vehicles. The revised policy will exempt users of older vehicles from the increases, and new vehicles will be taxed at only twice the old rate, instead of the four-fold increase of the original decree. Originally, the government had intended to increase the diesel oil price. When there was too much protest, the government decided to tax diesel- and gasoline-fueled vehicles instead. Then, when this also met with opposition from both government and opposition members in parliament, Prem was forced to back down in order to survive politically. The government is even going through a painstaking process of reimbursing those who had already paid.

At the time of this writing, world oil price drops have sparked tough negotiations between the Petroleum Authority of Thailand (PTT) and Thai Shell Exploration and Production Company, Ltd. on the question of the price of crude from the Shell concession in the Kampaengpetch province. PTT is trying to impose unilateral cuts on phet crude to $13.45 per barrel, whereas Shell is insisting on the current $24.57 per barrel.

The drop in world oil price has also led to the decision by the Electricity Generation Authority of Thailand (EGAT) to reduce electricity prices for private subscribers, industry, and hotels. These cuts were made possible because of the recent government decision to reduce the retail price of bunker oil by 29 satangs (100 satangs = 1 bhat) and the price of liquified natural gas sold to EGAT by 4.38 bhat for every million BTU. The hotel business is expected to gain the most from this measure.

How did this shift away from the IMF/World Bank guidelines occur? The 17% devaluation of the bhat of November 1984 and subsequent economic austerity measures for more than a year have in fact created a quite consolidated opposition to these supranational institutions. The anti-IMF/World Bank momentum was mainly led by the largest labor group, the Thai Trade Union Confederation of Paisal Thawatchainan and the M. R. Kukrit Pramojboonchu Rojanastien group in the Social Action Party. In a recent interview with the Thai economic daily *Koa Sod,* Bangkok Fusion Energy Foundation representative Pakdee Tanapura warned that "persistent implementaion of World Bank/IMF policies will lead to a social revolution and favor the rise of communism."

Perhaps the Prem government is beginning to learn the lesson of the Philippines. In February, rumors were numerous of the imminent fall of Prem and early elections. However, the recent shift in economic policies may perhaps have bought the government some time.