Hyenas closing in on 'Asian Tigers'

by Michael and Gail Billington

How do you know when lunacy has taken over the teaching of economics? When "experts" tell you that the International Monetary Fund (IMF) "stabilization" program for Thailand "should give investors a nice, warm feeling about the whole situation." Try telling that to Thailand's more than 60 million people; or, better yet, try taking that to a bank in Thailand—forget finance companies, more than half have been closed.

The full details on the more than $16 billion bailout announced on Aug. 12 are not yet available, nor will they be until the IMF executive committee signs off on the accords, probably by the end of August. But everyone, from IMF Managing Director Michel Camdessus on down, is putting the best possible face on the agreement, which has been tagged, repeatedly, if not monotonously, as the second biggest bailout since Mexico's $40 billion deal with the IMF in 1995. Despite that "nice, warm feeling," the week following the agreement gave rise to increasing speculation about who No. 3 on the IMF's list of "successful" bailouts will be, and No. 4, and so on.

The truly sad part is that Thailand, and the rest of the Asian Tigers, got into this mess by doing exactly what the IMF and World Bank have been telling them to do all along. The so-called "tiger" model sprang up with the 1993 release of the World Bank's "East Asian Miracle" report, which sold the idea that countries with tens of millions of people (in Indonesia's case, now almost 200 million) could achieve the economic and financial "growth" rates of city-states such as Singapore and Hongkong (with 3-5 million populations), which are totally dependent on food and capital-goods imports, which carry out production in for-export, assembly industries, and which are heavily reliant on financial services and speculation—the more "offshore" the better.

Don't worry about in-depth infrastructure development, such as roads, rail, shipping, energy density per capita, and water projects, said the IMF-backed "experts," and certainly not on educating and employing scientists, because, without a fully developed industrial production capability, there is no need for R&D. Especially after U.S. Treasury Secretary James Baker III threatened Japan in the mid-1980s, that it would not be allowed to invest in creating "new Japans," Tokyo had plenty of yen to sink into outsourcing, and speculation.

In a radio interview with "EIR Talks" on Aug. 12, Lyndon LaRouche identified three key points in understanding Thailand's situation: first, "the Asian Tigers [are] finished. . . . They're only Cheshire cats, and the smile is fading." Second, "the process by which the Thai financial system collapsed was very much helped by a bunch of hyenas. . . . The chief hyena was named George Soros, . . . a British operative, who runs around the world in billion-dollar denominations, looting countries. . . . The third complication is that governments wanted to pretend they had solved the problem, including the IMF. . . . So, the IMF came up with a bailout package on allowing the hyena, as a cannibal, to eat a certain amount of the Thai people every week."

IMF tries to save itself

What has been said about the Thai package makes clear that the top priority is not to shore up Thailand, which, by all accounts, faces "hard times" in the coming years, but to shore up "investor confidence" in the IMF system itself. That hasn't worked either; the morning after the agreement was announced, the rest of the tiger currencies were hit by "offshore" shocks that sent them plummeting to record lows against the dollar, and led Malaysia and Indonesia to abandon intervention in support of their currencies. Both Malaysia's Prime Minister Mahathir Mohamad and Indonesia's President Suharto have cautioned that continued instability in the capital markets will force reevaluation of some large infrastructural projects and development commitments.

The number of countries that participated in the Thailand-IMF talks in Tokyo in mid-August underscores the point that, when talking about current global monetary and financial affairs, lunacy in the form of a "shared delusional disorder" has taken hold. In attendance for the Aug. 11 meeting were the United States, Japan, Australia, Canada, China, Britain, France, Germany, Hongkong, Indonesia, South Korea, Malaysia, and Singapore. Thailand has said from the beginning that it needs a minimum $20 billion package to salvage its hemorrhaging financial and banking system. At a joint press conference, Thai Finance Minister Thanong Bidaya and IMF Deputy Managing Director Shigemitsu Sugisaki reported on a $16 billion loan package, $4 billion each from the IMF and Japan, with an additional $1 billion each from Australia, Malaysia, Singapore, and Hongkong. South Korea and Indonesia will kick in $500 million each, and, as of Aug. 14, China has committed itself to $1 billion. It remains to be seen if the Asian Development Bank and World Bank will put up the remaining $2 billion.

The following day, Thai authorities were to meet in Tokyo with senior IMF officials (Camdessus was in town for these meetings), and 21 Japanese creditor banks; the objective was to get the Japanese banks to roll over outstanding debts, particularly of the Thai private sector. Thanong had told the joint press conference that of Thailand's $89 billion in foreign debt, some $73 billion was owed by the private sector, and $40