International Monetary Fund 'model' in Thailand meets stiff resistance

by Michael O. Billington

The International Monetary Fund (IMF) continues to hold up Thailand as the "good boy" who has taken all his medicine, as opposed to his delinquent brother to the south, Malaysia, who has not only refused the medicine, but announced to the world that the IMF medicine is poison and set about curing itself, while looking for new doctors.

The effects of the poison in Thailand, as in South Korea and Indonesia, are no secret. Although the Thai government continues to follow IMF guidelines, as evidenced by the sixth quarterly letter of intent to the IMF issued in early December, the IMF itself has been forced to relax its draconian conditionalities—slashing spending on industry, infrastructure, and subsidies for the population in order to pay the debt—which have aggravated the disaster caused by the speculative destruction of the currency and equity markets in the spring of 1997. The new letter of intent allows a 5% deficit in the federal budget, rather than the 3% permitted by the previous letter, and the 1% surplus demanded by the first letter in August 1997. The additional deficit will allow some increased spending for public works and agricultural projects, to provide jobs for the millions of newly unemployed workers.

Nonetheless, the new letter of intent maintains the fraudulent premise that austerity, privatization, and the foreign takeover of Thai banks and industries is the only path to recovery. The IMF also continues to insist that the additional deficit spending should go to bail out banks, by relaxing the conditions required for banks to receive government bailouts. Many Thais, both in and out of government, want the extra spending to go into direct investment in infrastructure or support for industry and agriculture.

A collapse of productive capacity

The facts of the continuing collapse speak for themselves: Only 52% of the nation's productive capacity is now in use; the economy has contracted by 14.4% since 1996, and production continues to collapse at a rate of more than 5%; unemployment, at 3 million, is more than 10%, and private investment is down by 20%. Overall, some 11,000 firms have closed their doors already in 1998.

The IMF continues its rosy prognosis even as its patients are dying. "The worst is over for Thailand's troubled economy, and the one-time tiger economy should return to growth next year," reads a typical quote from an IMF official in the Dec. 2 issue of *The Nation* in Bangkok. The IMF, and its strongest supporters within the administration, Finance Minister Tarrin Nimmanahaeminda, and Bank of Thailand Governor Chatumongol Sonakul, point to the partial recovery of the baht (Thailand's currency), the rise in foreign reserves, and lower inflation and interest rates, as signs of recovery. However, as the real economy shows, no one is lending or investing, scared off by the nearly 40% "bad loan" rate in the bank system. In any case, the rise in the baht is largely due to the weak dollar rather than any confidence in the Thai economy, while the reserves are threatened by the deterioration of exports, which are now declining in dollar terms. A full one-third of the $27 billion in reserves is still earmarked to cover derivatives contracts issued during the original effort to defend the baht against the speculators in May 1997.

Even worse, the agriculture sector is facing a 20% collapse in earnings next year, due to the falling world prices and the continuing economic problem within the nations that have traditionally been purchasers of Thai food exports. Thus far, the urban unemployed have survived by returning to their upcountry family farms. Social chaos could well result from a further deterioration in the farm sector.

Loss of sovereignty

A package of 11 bills has been introduced into the Parliament under pressure from the IMF. Three of them, in particular, have further convinced many Thai political and business leaders that Thailand is on a rapid course toward colonization by the IMF and the British-American-Canadian banking oligarchy. Senate speaker Meechai Ruchuphan, much to the surprise of Finance Minister Tarrin, strongly criticized the IMF and questioned whether the bills would not sell out Thai sovereignty to foreign interests. Headlines over the following days, for example, read, "Rebellion Against the IMF," "The Day Thailand Lost Sovereignty to the IMF," as academics and political leaders retraced the year and a half of shame and destitution under IMF dictates.

The three most controversial bills would make changes in regard to foreign rights in bankruptcy, foreclosure, and property ownership. Foreign creditors would be allowed to foreclose and take over businesses which are behind on debt payments, threatening a mass transfer of Thai industry and finance to foreign control. The property bill would allow foreigners to lease Thai property for 100 years. Commentator Thongbai Thongpao, in the Dec. 6 *Bangkok Post,* asked, "Is Thailand up for rent?" He wrote: "China agreed to let the United Kingdom rent Hong Kong for 99 years. But Thailand will allow foreigners to rent its land for up to 100 years. The only difference is that China was forced to accept the deal by gunboats while Thailand voluntarily opens its door to aliens."

The outpouring of opposition to these bills has forced the government to hold public hearings, now scheduled for Dec. 9, which will be simultaneously broadcast to the nation on radio and television. The panic in the administration was demonstrated by Deputy Finance Minister Dr. Pisit Lee-Ahtam, who wildly claimed that "passage of these laws is not one of the available options, but the only way out for the country."

But passage is not assured. Paisal Kumalvisai, who chairs the Senate panel studying the bills, said that the Parliament is not required to sign the bills just because of agreement between the government and the IMF. "Parliament could throw away those bills which would not benefit the country," he said. Brazil's Congress has demonstrated recently that elected representatives are totally capable of defending their nation by rejecting IMF-dictated looting schemes.

The British government expert, Rolf Soderstrom, who has been in the country for six months advising the Thais on privatization, warned the Thai Parliament that any delay in passing the bills would "trigger doubt about the seriousness of Thailand's privatization plan," and argued that foreign investors would try to find better bargains in South Korea and Indonesia! Not surprisingly, Soderstrom was one of the leading advisers to British Prime Minister Margaret Thatcher, whose privatization policies in England contributed to the collapse of that nation's economy into becoming a rust bucket.

Former Finance Minister Virabong Ramangkura, now deputy chairman of the Senate Finance Committee, called the reform measures "impractical" and "futile," and warned that the IMF's predictions of recovery were all based on the false premise of a recovery worldwide. "With the global economy getting weaker," he warned, "the Thai economy could deteriorate and deflation might occur."

China and Japan intervene

Behind all the debate is the ever-present reality of Malaysia's declaration of sovereignty on Sept. 1, when it imposed strict currency controls, and the mounting support for such an approach from China, Japan, and elsewhere in Asia. The dramatic agreements in November between China and Russia, and China and Japan, including plans for collaboration on the development of industrial corridors along the "Eurasian Land-Bridge" routes connecting Europe and Asia, prove the seriousness of these nations in posing a true alternative to the IMF course of self-destruction.

Japan and the Association of Southeast Asian Nations (ASEAN)—including Cambodia, which is expecting to join ASEAN soon—formed an alliance on Nov. 23 called the ASEAN-Japan Economic and Industrial Cooperation Committee. The founding meeting in Bangkok was co-chaired by Japanese Minister for International Trade and Industry Kauru Yosano, and Thailand's Deputy Prime Minister and Commerce Secretary Supachai Panitchpakdi, who has been the most outspoken advocate within the current administration for real development rather than IMF monetarist austerity policies. At that meeting, Supachai said, "At the moment, I am afraid that the so-called 'real sector' has not been able to reap the benefits of whatever rescue operations have been put in place during the past year." The committee will focus on infrastructure and heavy industry, in conjunction with the $30 billion Miyazawa Plan for Japanese development aid to the ASEAN nations and South Korea. It includes a renewal of plans for the development of the Mekong River region, plans which were put on hold after the onslaught of IMF austerity last year.

China, also, has renewed the Mekong River development projects. Thailand and China signed an agreement to build a $2 billion dam on the Chinese section of the Mekong in Yunnan province, which will deliver 80% of the 1,500 megawatt capacity to Thailand via power lines through Laos. The master plan for the Mekong project includes nine dams, producing 15,000 MW of electricity and providing water control for the entire region, including Myanmar, Thailand, Cambodia, Laos, and Vietnam.

In addition, China may step in to save the partially completed skytrain elevated rail system in Bangkok, started by Hong Kong-based Hopewell Holdings, but deserted after the collapse of the Thai currency. China is also interested in building four upgraded railway lines in the north and the northeast of Thailand, totalling 800 kilometers.

Renewed interest in the Kra Canal

Yet another sign of Thailand's resistance to IMF austerity is renewed interest in the Kra Canal, a proposed 102 km canal across the southern peninsula in Thailand. The parliamentary subcommittee on military affairs has come out in support of the project, and may present it to the entire Parliament this month. The $10 billion Kra Canal would provide a more direct shipping route between Europe and Asia, and could transform southern Thailand and northern Malaysia into a major industrial and trade center.

Without a definitive break from the IMF, such Great Projects will die on the planning boards. The potential for Thailand and its ASEAN allies to join with the new "Land-Bridge coalition" is greater and more urgent than ever before. Such an initiative would also contribute significantly to persuading President Clinton to break with the IMF and with his bungling Vice President Al Gore, to bring the United States into collaboration with these policies, to create a just, new world economic order.