Thailand suspects hoax in 'classic belt-tightening' of IMF-World Bank

by Linda de Hoyos

The World Bank has begun to publicly voice its worries in Thailand that "recent comments forecasting a gloomy future for Thailand's economy could prompt what they see as harmful changes to the structural adjustment policy, better known as belt-tightening," reported one Thai daily on July 25. Indeed, a consensus is emerging in Thailand that the economic program adopted by the Thai government of Prem Tinasulamond, under the guidance of the World Bank and the International Monetary Fund, has brought nothing and portends nothing in the interests of the country.

The World Bank officials stationed in Bangkok, reportedly "fear that criticism of the government's handling of the economy may force economic ministers to seek a 'quick fix' to tackle politically embarrassing problems such as recession and unemployment. 'If the reform measures are not continued, it really would be possible for serious difficulties to arise in about three years time,' said a senior World Bank official. But if the government's self-imposed austerity policies are maintained, he said, 'we would not share the generally gloomy view about the Thai economy.'"

Thailand's severe "structural adjustment" program, which has brought recession and unemployment in its wake, began in November 1984, when Thailand enacted a surprise devaluation of the baht, under IMF prompting, followed by a policy of fiscal contraction and a "zero-growth" budget. The devaluation, which separated the baht from the dollar, was designed to decrease Thailand's minimal trade deficit and make it more competitive. Instead, the devaluation has lowered the price of Thailand's major agricultural products so drastically, that farmers in the country are going bankrupt, while the industrial sector has been forced to slow its growth because of the decrease in necessary capital imports. In the last six months, the price of export rice has fallen from $260 a metric ton to $222, and this is half the price rice sold for in the mid-1970s.

Shortly after the devaluation, the Thai government announced a new tax program which raised the percentage the government withholds on interest payments; hiked taxes on high-speed diesel fuel; and raised the excises on beer, liquor, and cigarettes. The tax package, especially that on fuel, also blunted the industrial sector, and generated bitterness. The IMF has also demanded the privatization of public-sector industries, which in Thailand are profitable enterprises. This policy has met with major opposition from within the government and the trade unions. The situation has also forced cutbacks in industrial development projects, including a slowdown of the Eastern Seaboard Project.

The Bank of Thailand has now revised the country's growth rate downward to 5% for this year from earlier forecasts of 5.5-6%. The cause: the "painful readjustment" of the economy—that is, the IMF program.

That program has been backed up 100% by the U.S. embassy, which issued a report calling the devaluation a "courageous attempt to reverse trends in the foreign sector."

The World Bank's "structural adjustment" program hinges on cutting off any motion for Thailand to build up its industrial economy and markets, to become a fully industrialized nation. Instead, as the U.S. embassy report states, Thailand must "engineer three significant resource shifts at the same time, namely:

- From consumption to savings and investment;
- From the public sector to the private sector;
- From domestic activity to export."

That is, Thailand must turn itself into a looting ground for advanced-sector financial interests. Thailand will be permitted industrialization, but in light-industry sectors that produce goods to be immediately taken out of the country. Heavy industry, the backbone of any industrialized country, is not on the agenda presented for investment in the embassy report.

Already a disaster

On July 18, Commerce Minister Kosol Krairuk announced that the Thai economy, which has been spinning downward since November, would not be improving during the next six months, either. But what prompted the World Bank's public outburst against Thai naysayers, was a seminar July 21 of highly respected Thai economists on "Thailand's Future" held by the Social Science Association. Their prognosis: "Thailand's future does not look rosy with the economy in the worst shape it has ever been in, a lack of political and national leadership, a misguided educational system, a stagnant bureaucratic system, and dwindling national resources."

The participating panel was composed of former Foreign Ministry Permanent Secretary Anand Panyarachun, Bangkok Bank executive board chairman Dr. Amnuay Virawan, and Social Action Party Deputy leader Dr. Kasem Sirisirisamphan. Anand, now president of the Saha Union Company, declared that the major economic problem is that the Thai economy is no longer growing at a time when there are 80,000 unemployed graduates and about 700,000 unemployed in total. Dr. Amnuay further pointed out that the budget allocation for 1986 designates 50% of the budget to the military and to service on foreign debts, and allocates little to the expansion of the economy.

"Twenty years ago," Dr. Amnuay pointed out at the July 22 seminar, Thailand "was on a par with South Korea and Singapore as far as technology goes. But they strived to develop their own technology and this is where they have the advantage. Korea has a slightly smaller population than we do, but they have 23 times more scientists and technicians than we. We, on the other hand, have six times as many social scientists as they do."

What the country requires, said Amnuay, is good leadership, "someone who will dare to speak and dare to do things." This attack on the Prem government, which has sought to maintain a balance among all parties, echoes statements first launched in April by Socialist Action Party leader and banker Boonshu Rojanastien. Boonshu, a major proponent of the Kra Canal great project for Thailand, argued that the Prem government was carrying out policies destructive to the economy, with no clear vision for the country's future.

The underlying implication of the criticisms was that the Thai economy is suffering *unnecessarily* as a result of wrong policy decisions, whereas the IMF reportedly believes that Thailand's "classic belt-tightening . . . is necessary, if bitter, short-term medicine." This is the argument the IMF has used to fool one Third World country after another into the *long-term* destruction of their productive capacity.

The July 22 seminar is but one indication that Thai policymakers are not about to let this happen to their country. On July 4, R. Kukrit Pramoj, head of the Socialist Action Party and a former prime minister, fielded a straight-on attack on the IMF in parliament. Kukrit charged that the country had ceded its independence in fiscal and monetary policy formulation to the IMF. It is the IMF, he said, which ordered the baht devaluation and the tax increases in April.

Soon thereafter, Communications Minister Samak Sundaravej signaled where all this could eventually lead. In a press conference July 16, he announced that unless the World Bank agrees to change its provisions for contractor responsibility in its recent agreements, "we will seek financing from other alternative sources."