

The World Bank-IMF program takes Thailand in precisely the wrong direction; it precludes Thailand's following the model of Japan and South Korea, where government direction and backing successfully industrialized these countries. For Thailand to "take off" economically requires precisely the kinds of projects the IMF-World Bank program—run on the inside by the "IMF boys"—has nixed. Kissinger's personal obsession in the case of Thailand is known to be, at least since January of this year, the stopping of the Kra Canal project, which would develop the neglected south of the country, now being studied by a parliamentary committee and being pushed by the communications ministry.

The result of the IMF-World Bank program will not simply maintain Thailand at a point of stagnation; it will cause the collapse of the physical economy. The World Bank et al. argue that this is necessary for reasons of financial debt and a budget deficit, which in Thailand's case are minimal anyway. This also is a hoax. The same veto of industrial projects was the message the World Bank brought to Thailand in 1959—when neither of the problems cited now existed.

In 1959, the World Bank titled *A Public Development Program for Thailand* (report of a mission organized by the International Bank for Reconstruction and Development at the request of the government of Thailand) indicated that Thailand would best forget any prospects of industrialization. The report states, "Thailand lacks the basic fuel and metal resources needed for large-scale heavy industry" and that "iron ore deposits exist which may prove suitable for export, though domestic processing probably would not be economical."

The World Bank demanded the same axing of industrial projects as it is demanding today: "In the industrial field it is noted that the record of government industrial ventures, including nominally private ventures sponsored by the government, has been for the most part poor. Further government ventures into industrial operation are considered inadvisable, and a review of existing government industries is proposed to distinguish between those for which continued operation may be justified and those which should be discontinued."

The objective of this program was to preclude industrialization, as the World Bank mission indicated: "Thanks to a flourishing agriculture, Thailand has neither unemployment nor the foreign exchange difficulties that in some countries create heavy pressure for industrialization."

In the section on future policy, "There is clearly little case for a 'forced draft' program of industrialization based on government investment and operations in industry. This may mean that for some time to come ambitious schemes for starting iron and steel mills, fertilizer plants, and other heavy industries will have to be shelved. The Mission believes that the government should not only refrain from seeking to increase its industrial participation, but should try to disengage itself from its present commitments. . . . We believe that certain of the existing ventures would be recommended for immediate closure and sale, even at scrap value."

Interviews

'No improvement for Thai economy'

An interview with a Thailand specialist at the Washington-based Kissinger Associates, Inc.

Q: I know Dr. Kissinger is meeting with Prime Minister Prem as are the boys from Chase Manhattan Bank. I was hoping you were preparing a nice briefing paper for Dr. Kissinger for the meeting?

A: I have been dealing mostly with the after-effects of the coup attempt. . . . I think that Prem is going to stick to the economic policy. I guess you should say Sommai [Hoonratkul, Finance Minister] is going to stick to the economic policy. . . .

I guess the best explanation is that Colonel Manoon wanted to have another go at things. He felt he would get widespread support in the military because of some people who were passed over in September promotions, and from people who are disappointed with Prem's sort of indecisive leadership, and from people who have been hurt from the economic policies in general, including labor and small business groups. And probably more importantly, people who were hurt by the government's crackdown on high-interest-rate money-market chit funds which had a lot of military involvement.

Q: The railworkers union joined the coup and it is rumored to receive Soviet money.

A: Directly from the Soviets? You never know, anything is possible. Again, that is irrelevant. The trade unions in Thailand are fragmented and many of them are infiltrated by the military. I am sure there could probably be outside support. Obviously, the trade unions, given this kind of austerity program, are going to oppose current economic policies. There is no doubt about it. They are the ones hurt, just like the small businessmen because of the tight credit. There is a basis for opposition to Prem's economic policy. But remember that they put through a devaluation in November. They have held to it. It has been a year almost.

Q: They went with the devaluation because they were told it would expand their exports. But it didn't happen.

A: Well, there are all sorts of reasons why your exports would not show an immediate response to devaluation. And you would have to agree that a 10-month period is too short

a period in which to judge the impact of a devaluation. Right away, the value of your goods drops in dollar terms or baht terms, so your exports are going to go down in value, just because of the devaluation. That is why they did it. It is a standard IMF austerity program.

Q: Isn't Finance Minister Sommai Hoonratkul the critical person?

A: Sommai is very good. The key element is that Sommai has the support of Prem and the royal palace. He is not subject to political constraints or influences because he is not a member of any political party. He is the quintessential technocrat of the Thai bureaucracy. The Thai bureaucracy still has an enormous amount of control over economic policy. Political pressure has rarely influenced Thai economic policy in the past. If you were to assert that it might make a difference now, you would probably be attributing more or too much to what appears to be an evolution toward democratic processes in Thailand. You would be suggesting that political parties have more power than they actually have. People I have talked to do not feel that Sommai is going to be inclined to change his economic policies because of the coup.

Q: Are you saying that the political pressure against the IMF program is of no consequence?

A: I'm not saying it doesn't matter. I am saying that there will be political pressure and that it might be a force that would lead Prem to back away a little bit.

Q: Your analysis is premised on the projection that the austerity program will result in something better. How long do you think they will accept swallowing the bitter pill? Especially in the context of the threat posed by the Jenkins bill which could pass Congress.

A: I think your point is well taken. It is certainly unclear whether you are going to see a dramatic turn-around in the Thai economy in the near future. Obviously, there will be people who say that things are not working. I agree with you that there will not be any dramatic indicators of improvement in Thailand in the near future. . . . If the Jenkins bill were passed in its present form and if a veto was overridden, which is a big "if," I think it would have profound implications for the Thai economy and political stability. There is no doubt about it.

First of all, Thailand is a tiny player in the picture of trade policy in the United States. The pressures from Thailand would barely make a blip. Prem and Sommai are not simply doing this economic policy to please the United States. They do please the international financial community and everyone supportive of the international financial community. But they are pursuing the policy because it is good for Thailand. They are not going to say, "Look, we are going to give these policies up or compromise on these policies unless you give us assurances that the bill will not pass." There is no stick to hold over the United States.

Q: Do you think that the Prem government is pretty stable?

A: Anything could happen. Coups have not disappeared in Thailand. . . .

Prem is generally regarded as a weak figure. There is no one particularly happy with him except for the palace. That is because there is no alternative that is particularly appealing either. My general impression is that there are no obvious politicians either. There are no politicians that would command support in the military and the palace, which is necessary. None of them have the stature of Prem except for Kukrit, and people like that would only be transitional figures.

Thailand is a tiny player in the picture of trade policy in the United States. The pressures from Thailand would barely make a blip. They are not going to say, "Look, we are going to give these IMF policies up unless you give us assurances that the bill against importing Thai goods will not pass." There is no stick to hold over the United States.

The other basis of support for Prem is that people favor a general reduction in the role of the military in Thai politics. A continuation of the trend to a more professional military is supported. They are obviously spenders. Of course they are going to want to increase the military budget. . . . There have been many excuses for the military to flex its muscle more. I am optimistic they will not be more prominent in the future. . . .

You should be aware that there are people at Chase who don't think things are going to go well in Thailand, and would sort of like to see a disengagement from Thailand or view the situation with much more pessimism than others do.

An interview with a Chase Manhattan area economist for Thailand.

Q: What do you think is Thailand's immediate political future?

A: There may be some cabinet changes. We have rumors of this. Cabinet changes that may attempt to respond to perhaps some of the economic concerns, that were supposedly one of the motivations for the coup. In particular, there seems to be a rumor that the finance minister may be out. It is only a rumor.

Q: Isn't Sommai, [National Economic and Social Development Board consultant] Virapongsa, Dr. Snoh [of the NESDB] . . . aren't they the backbone of. . .

A: Oh! Yes, they are rather the IMF, I mean they are very much for fiscal austerity, conservatism and all that. They would have the support of the IMF and they do have an IMF program currently.

Q: But it is Sommai and Dr. Snoh who are keeping Prem in because they please the international banking community. . . .

A: Yes, but on the other hand, Prem is certainly under a lot of criticism. There is a lot of questioning and criticism of the government because of the slowdown in the economy this year. Growth is still going to be positive relative to other countries. For Thailand, it is a disaster, you know. He seems to be under a lot of pressure. There seems to be an awful lot of pressure. There seems to be a lot of criticism.

Q: Who would be likely replacements?

A: I don't know. Previous coup attempts, at least the 1981 attempt, they took a very forgiving attitude toward everyone. This time they seem to be perhaps ready to deal rather harshly with the direct perpetrators, which might be a deterrent and stabilizing factor for the future. It is not going to leave those people around to pull a repeat.

Q: There are some people saying they would like to disengage from Thailand . . . somewhat parallel to the Philippines case.

A: Thailand presently has the stamp of approval of the IMF, although those things do not always last. A lot of things have been going against them. They have been churning out a tremendous volume of commodity exports. The problem is that the prices have been so dismal. Manufactured exports have responded to the devaluation. Imports have been depressed this year. The other thing is that we have observed and sort of said, "politics is politics but the economy goes on in Thailand."

They have never been able to address the sticky issues. The sticky issues of the bus fares, the oil prices, the domestic oil prices, and admittedly they are getting to the point particularly under this IMF program where they will have to. That is going to be very difficult for them and perhaps recent developments will make it more difficult for them.

An interview with a Chase Manhattan investment analyst.

Q: I'm looking for your overview assessment on Thailand.

A: We have a political and economic analysis. We believe that for the Young Turks in the military backed by the general that attempted the last coup, and probable backing by the old Prime Minister Kriangsak, the consensus is that the economic rationale was an excuse more than a real discontent. It was more an excuse of this faction of the military to try to take

over Thailand. Apparently, they were a lot weaker than they were trying to publicize themselves.

Q: Is the consensus that the baht devaluation did not work?

A: No, I think it helped because without it the spending would have been worse. The government spending would have been exacerbated. In the last four or five years, the debt has been enormous as compared to 10 or 20 years earlier. The devaluation helped because it put a brake on the fast-paced spending. So we may not see the selling of goods as much as the government said would happen, but it certainly helped with the spend-thrift approach of the last couple of years. . . . The problem was not so much a function of the currency as that of the commodity market this year. Commodity prices took a nosedive. But I think the spending side is the more problematic.

Q: What about attacks on the IMF by Kukrit?

A: That is why his party is called Social Action Party. He is old so he will not be there too long, but his party is the biggest party in Thailand. It has always been the majority party. I think that there is a danger in politics, that the politicians take advantage of broadcasting, "This social action, this nationalistic program, etc." Most of the people are going to say that is true. However, the more educated people think that Prem is a very good choice. Aside from him, all the other people are much more radical. . . .

Even though they say the Young Turks have leftist tendencies, inside the leftist group there are right-wingers who are for much more government control, more military presence. You know the traditional role of the military to dominate politics. Whereas Prem is more the moderate figure. You have the civilian party like Kukrit's who will never be in power without the military. They are very popular and advocate more of the Keynesian type, you know spend, spend, spend. On both sides you have problems. On the Kukrit side, you have all these Keynesian government projects—money for the rural areas, etc. On the other side, you have the military spending money on F-16s, on all the latest equipment. Both of these are very dangerous for the country. . . .

Q: Was this policy developed by the National Economic and Social Development Board?

A: That board is more of a figurehead. the IMF. . . . The point I am trying to make is that there is a danger that if the Jenkins bill goes through and the economy worsens and Prem cannot hold on to the government and either one of the other two factions comes in, that may worsen the ties with the U.S. . . . I know that Social Action would be more nationalistic. I think that could be a problem because the economy would deteriorate and more of a chance for a resurrection of communist or leftist or Soviet influence. So I think to have the economy of a close U.S. ally like Thailand worsen, I think that would contribute to the worsening of the relationship with the U.S. in the long-run.