Thailand heads 'down Mexico way'

by Michael and Gail Billington

Friday, Aug. 29, closed the darkest week so far for financial markets in Southeast Asia, as the collapse of currencies and stock markets slid to near panic levels, while concern rises that the rippling shocks in the region must, sooner, rather than later, produce even greater seismic effects in the European and U.S. markets. Only four weeks earlier, on Aug. 4, the International Monetary Fund (IMF) signed a "stabilization deal" with Thailand providing up to $20 billion for the ostensible purpose of stemming the speculative attack on the Thai economy, the most vulnerable of the former Southeast Asian "Tigers." Touted by IMF Managing Director Michel Camdessus as the biggest IMF package since the 1994 Mexico deal, when $50 billion supposedly "saved" Mexico, the deal, in fact, simply cannot work, just as the Mexico bailout did not work. Despite the early repayment of the loans to Mexico, collected through vicious austerity imposed on the Mexican economy and population, the bubble is back, as detailed in a study published in the Feb. 28, 1997 issue of *EIR,* entitled "The Debt Bomb Is Set to Explode in Mexico—Again."

EIR also reported, at the time of the 1994 Mexican breakdown, that it was *not a Mexican crisis,* but a reflection of the looming bankruptcy of the international banking system, and that the Mexican collapse had very nearly brought down the entire global financial structure. The same is true of the current Southeast Asian collapse, only now the bubble is far bigger. In response to a question on the Thai crisis in a radio broadcast on Aug. 19, *EIR* Founding Editor Lyndon LaRouche said: "We're not looking at a business cycle collapse coming up. We are in the middle of an earthquake for which there is no comparison in European *history* since the 14th-century New Dark Age collapse of the banking system. . . . So, we shouldn't look at it as a stock market collapse. This is something much more serious, and what happened in Southeast Asia is a warning to all of us: *It will happen here,* unless the United States government takes some very specific precautions between now and no later than October."

IMF attacked by name

IMF officials are clearly aware of the potential global disaster which is percolating out of the boiling Southeast Asian markets. The *Wall Street Journal* reported on Aug. 28 that IMF Asia Pacific Department director Hubert Neiss, who had negotiated the Thailand package, held an "unusual on-the-record briefing for journalists and economists . . . to allay fears that its rescue package is insufficient." He failed in that effort.

Two days after "Black Friday," Malaysian Prime Minister Dr. Mahathir Mohamad, who has been at the forefront of Southeast Asian leaders in denouncing George Soros and other international speculators as criminals, who use their ill-gotten wealth to loot weak nations like common thieves, dramatically escalated the counterattack by directly accusing the IMF itself of *sponsoring* the speculators, and of acting as an institution of *subversion*. Dr. Mahathir took issue with the IMF's request that Malaysia slow down construction of a series of capital projects, stating, "That is what the IMF has been saying all the time. Because we didn't slow down, they are now very happy that the actions of the foreign investors have shown that they are right. The IMF is only interested in saying, 'I told you so,' even if they had to subvert our economy just to prove that they are right."

Mahathir then specifically warned its neighbor Thailand against the efficacy of the IMF loan: "The baht [Thailand's currency] is still sliding and the Thai economy is still in bad shape after borrowing $21 billion from the IMF. So why do you borrow from the IMF if it is not going to help at all?"

The IMF conditions

To see what is in store for Thailand under the gun of the IMF—even if the global system were somehow to survive for several more months—it is useful to compare the conditions imposed on Thailand with the *results* of the 1994 conditions imposed on Mexico. First, the Thai situation.

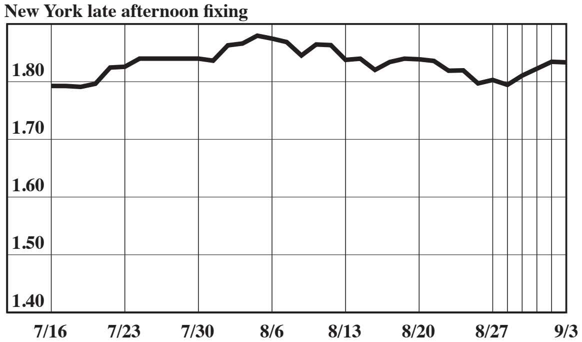
Thailand's Finance Minister Thanong Bidaya described the following conditions accepted by Bangkok in exchange for the emergency loan:

- $3 billion in budget cuts, a 3% increase in the regressive Value Added Tax, from 7% to 10% (effective Aug. 16), and a mandatory "balanced budget";
- the establishment of on-shore derivatives markets, essentially assuring the right to unrestricted speculation;
- the closing of an additional 42 of the nation's 91 finance companies, in addition to 16 closed earlier, and the agreement

Currency Rates

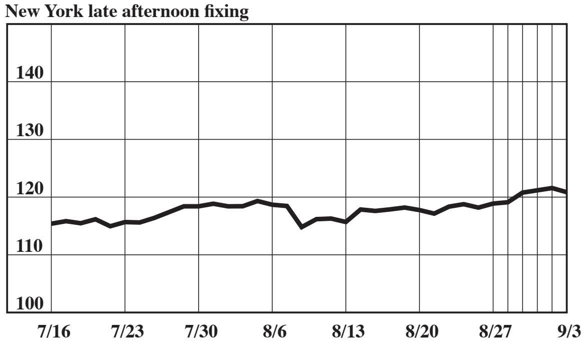
The dollar in deutschemarks

New York late afternoon fixing



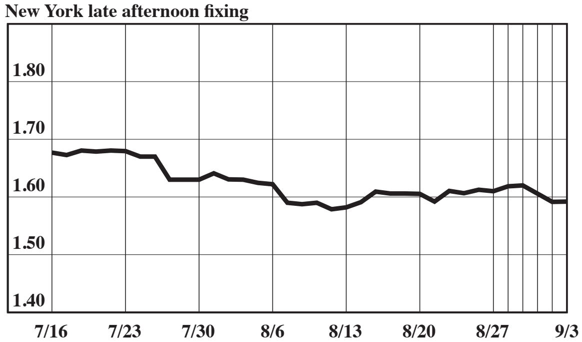
The dollar in yen

New York late afternoon fixing



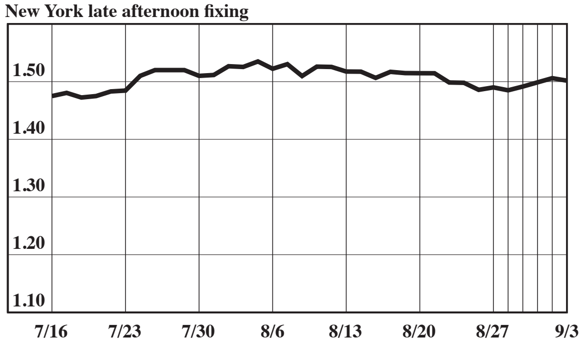
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



to allow foreign banks to own an even higher percentage of Thai firms than the current limit of 25%;

- the privatization of more state enterprises, and an end to state subsidies to state agencies;
- a freeze on wages to the nation's workforce.

Some of the acknowledged consequences of these conditions are: vastly increased unemployment, cancellation of at least some of the major development projects currently under way, high inflation, and further stalling of the effort to develop the interior regions of the country—i.e., allowing the overcrowded, polluted capital of Bangkok to be further destroyed, while the rest of the country rots. Any competent actuary could calculate the number of people who will die as a result of these conditionalities, who would otherwise have lived, as perhaps the best measure of the source of the profits to speculators envisioned by the IMF program.

Finance Minister Thanong repeated the required IMF mantra for the press: "Will we be placed under [the IMF's] control, as has been widely reported? The IMF was established to help create stability in the world's financial system. It is well experienced in solving the economic problems of more than 40 countries worldwide. Its efficiency in achieving economic recovery has been highly recognized. . . . It is a step backward in preparation for firm steps forward."

Let's look at the *leap backward,* called "economic recovery," in Mexico since 1994, to see what the IMF has in mind for Thailand.

Mexico's 'recovery'

Mexico, before the 1994 crash, was described as the "Mexican Economic Miracle," and cited as a model for other developing countries. The reality was quite the opposite, just as the "Asian Tiger Miracle" was, in fact, a bubble ready to be burst. After the 1981 debt crisis in Mexico, which was the first of the exploding "debt bombs" of the 1980s, the IMF launched early stages of the "globalization" process. Mexico's small, but growing manufacturing sector was dismantled, while thousands of *maquiladoras* were constructed along the U.S. border, employing some of the growing army of unemployed at a pittance, to work in low-technology, export industries, living in wretched shantytowns. Later in the 1980s, Thailand and the other Asian economies would experience exactly the same boom in low-skill, low-pay "process" industries, contributing nothing of value in terms of infrastructure, technology, or educational improvement to the host nation.

In Mexico, the "miracle" increased unemployment (including disguised unemployment and under-employment) from 25% to 41% between 1981 and 1991, while foreign debt rose from $75 billion to over $100 billion during these same years (despite debt *payment* of over $150 billion in that period).

When the bubble burst in December 1994, the IMF conditions imposed in exchange for the bailout demanded *more* deregulation, more "freedom" for foreign companies to build *maquiladoras,* and more privatization of state industries to foreign interests. As documented in the *EIR* study, the productive capacity of Mexico's real economy, measured in the national output of standard market-baskets of consumer goods, producers' goods, and infrastructure, collapsed a *further 6%* after 1994, on top of the 16% collapse between 1981 and 1984, while providing enormous profits to the international financial institutions. Foreign debt, public and private, leaped from $136 billion to $180 billion, a 32% increase between 1994 and 1996. All of this must be paid, of course, in dollars purchased with devalued pesos.

Another result of the IMF program was revealed in the Aug. 22 issue of *EIR,* in an article entitled "British Banks Establish Death Grip over Ibero-America." As in Thailand today, the Mexican banking system, loaded with foreign debts, faced collapse under the weight of the non-performing debt accumulated during the speculative bubble-economy years. In 1995 and 1996, the Mexican government pumped $29 billion into bailing out the private banks—and then sold the *performing* parts of these institutions to British Commonwealth banking giants for a fraction of their value. In 1992, only 2% of Mexico's banking assets were under the control of foreign banks (with "control" measured conservatively as 20% or more direct partnership). Today, that figure is 59%. Of the largest four Mexican banks, three are controlled by the Hongkong and Shanghai Banking Corp., the Bank of Montreal, and the Bank of Nova Scotia—all three identified in the book *Dope, Inc.* as leading British drug-money-laundering institutions. This British invasion has not been limited to Mexico—over half of the banking assets in most Ibero-American nations are now under British imperial control.

Thailand's future under the IMF

The parallels to the Thai "stabilization" package are obvious. The IMF is particularly anxious to assure two things on the financial side: first, that the billions and billions of profits made by George Soros and his fellow speculators in the run on the baht are paid when due; and, second, that the bad debt of the financial institutions is taken over by the government (i.e., the taxpayers), rather than through further foreign borrowings *before* these institutions are sold off to foreign banks. To that end, the IMF deployed a team from the World Bank to Bangkok on Aug. 27, assigned the task of creating a government body, based on the Resolution Trust Corporation set up in the United States to take over the bad debt of the savings and loan banks, before the S&Ls were sold off to the New York multinationals.

The new institutions would take over the bad debt, placing the losses on the government account. The IMF conditions already assured that none of the $20 billion loaned to Thailand will go to meet the bad debt of these financial institutions, while also setting in motion the lifting of restrictions on foreign takeover of the "sanitized" institutions, once the bad debt has been passed on to taxpayers. Even before the run on the baht, the government had injected about $17 billion into bailing out the financial institutions.

Bank of Thailand Gov. Chaiyawat Wibulswasdi revealed on Aug. 21 that, besides the several billion dollars spent directly in trying to defend the baht against the speculators in July, the government also purchased $23.4 billion in forward contracts—promises to sell dollars at the old rate—which come due in September. This is one of the primary reasons the IMF money is to go entirely into backing up foreign reserves—the piper must be paid, first. Thus, the nearly $40 billion in reserves held by Thailand before the crisis is practically wiped out; an incredible, criminal looting by speculators, with the full support and defense of the IMF! IMF official Neiss tried to play down the enormity of this crime by claiming that some of the contracts might be rolled over, "sparing the central bank any *immediate* losses" (emphasis added). This $23.4 billion debt is *in addition to* the nation's $90 billion in foreign debt, of which some $40 billion is short term, due within one year. The source of most of this short-term debt was the Bangkok International Banking Facility, the offshore facility set up in 1992 to launder untraceable hot money into the system—one of the innovations praised by the IMF minions as evidence of the "Tiger" miracle in Thailand.

'Goo-goo'

Thailand is also a test case for the IMF's current push to expand its "world government" powers over target nations beyond the role of economic policy per se. Under the guise of needing "good government" in order to succeed in imposing their economic dictates, the IMF is getting directly involved in setting *political* conditionalities, in addition to economic and financial ones. This is nothing new, of course. At the end of the 19th century, as the British were successfully subverting the American System policies implemented by Lincoln and his circles, the Morgans and other British agents financed "Good Government" societies (known as the "Goo-goo" movement) to target pro-development nationalists on allegations of "corruption." So, also, today, are the British rebuilding their Empire.

The Thai target of these "Goo-goos" is Prime Minister Chavalit Yongchaiyudh. Prime Minister Chavalit has, in the nearly 10 months since his election, played a critical role in neutralizing British destabilizations of Thailand's neighbors, Myanmar and Cambodia, while forging strong ties with China and India for regional peace and development. This includes plans for building a southern route to the Eurasian Land-Bridge, initiated by China, through the Southeast Asian nations and into India. It also includes the development of the Mekong River, pacification and development of the "Golden Triangle" in Myanmar (a necessary precondition for eliminating drug production in the region), and rebuilding the "Burma

Road" connecting India with China and Southeast Asia. These are precisely the programs the British want to quash, in favor of further "globalization" and speculative looting.

Chavalit has attempted to balance his development perspective with that of globalization, an impossible task. Now that the bubble has burst, the IMF is demanding Chavalit's head, in favor of trusted toadies who will scrap the development and peace perspective in favor of austerity, and the likelihood of renewed regional conflict. Leading the offensive against Chavalit is Anand Panyarachun, a long-standing front man for IMF policy in Thailand. Anand was twice prime minister, and is now heading a committee drafting a new constitution. In classic British colonial style, Anand declared that "the people have lost faith in their own government and prefer their financial and monetary affairs to be managed by the IMF." He described the IMF as a good doctor, who will provide the painful surgery required and apply the proper medication, including the new constitution being prepared under his direction.

The problem, according to Anand, has nothing to do with globalization, speculation, or the global financial crisis, but is all due to the lack of "Goo-goo": "A major problem," said Anand, "is that we have not got a government which can administer the country effectively." Backing Anand is the Anglophile press in Thailand, led by *The Nation,* which railed against Chavalit in its Aug. 17 issue: "It is surprising that the prime minister has still not fully realized that his prolonged presence in office is a major liability to the country and will only further aggravate the situation, now that public confidence in his leadership has evaporated because of the bad company he refuses to dump."

Despite these and similar diatribes calling for Chavalit's resignation from IMF-backed interests, the prime minister still enjoys support in the country and may retain his position. Resistance to IMF demands may buy a little time, but there is no solution to the crisis within Thailand itself. The truth is that the *IMF is bankrupt,* as well as the Western banking system as a whole. As that fact becomes self-evident over the coming weeks and months, Thailand, like all developing nations, must position itself to be part of a new, "Great Project" development effort, such as the Eurasian Land-Bridge and the regional Mekong development program, precisely the policies pursued by Chavalit, in league with his Asian neighbors. Such commitment to nation-building, which serves the shared, common interest of all nations, must become the objective of a new world monetary system—the prerequisite to reversing the current collapse into a new Dark Age.