Thailand: a bonanza for international investors

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The Thai government headed by Prime Minister Chuan Leekpai is being hailed in the world's financial centres as a model for the International Monetary Fund's intervention into the Asian economic crisis.

Since coming to office four months ago, Chuan has implemented the "restructuring" and austerity measures required by the IMF in return for its US$17.2 billion rescue package. His government has slashed the budget, increased taxes, closed 56 finance companies, nationalized four failing banks, opened the finance industry to international investors and begun the privatization of major state-owned companies.

When Chuan arrived in Washington with Finance Minister Tarrin Nimmandhaeminda on March 11 he received red carpet treatment. The Thai leaders participated in a round of meetings with the IMF, the US administration and business leaders.

Former US secretary of state Henry Kissinger hosted a breakfast for Chuan to meet major investors. Billionaire financier George Soros presented him to American businessmen at the Council of Foreign Relations in New York. World Bank president James Wolfensohn described his government as "a group of people we can trust."

The Clinton administration provided Chuan with a $2 billion package of financial aid and concessions, including $1 billion in short-term financing from the US Export-Import Bank to fund purchases of US capital goods.

Why such glowing accolades and generous assistance? Economic commentators have pointed to the stabilization of the Thai baht and the country's banking and financial system as signs that Thailand has "turned the corner." But what does this actually mean? The Chuan government's policies have opened the door for a financial bonanza for international investors and corporations, currently snapping up Thai companies and assets at fire sale prices.

On March 17 the Dutch banking giant ABN Amro bought a 75 percent stake in the Bank of Asia, Thailand's eleventh largest bank, for less than $200 million. According to ABN Amro senior executive Michael Drabbe, the same purchase a year ago would have cost "around a billion dollars."

George Soros himself is part of an international consortium which has acquired a $650 million stake in a Thai steel mill. At least 10 more foreign companies have recently taken up major shares in businesses, ranging from securities to telecommunications.

AP Dow Jones and AAI have taken a stake in the *Nation*, a major English language daily newspaper, and Sithe Pacific Holdings Ltd, a power company, is to take a 33 percent share in Cogeneration PLC, a subsidiary of Sithe Energies Group Inc.

Chuan's government is opening up lucrative investment opportunities by privatising 15 large state-run companies, including Bangchak Petroleum and Electricity Generating, Petroleum Authority of Thailand and the country's two telephone carriers, Telephone Organization of Thailand and the Communication Authority of Thailand. Meanwhile, British Airways, Lufthansa, United Airlines and Air France are in talks with the Thailand's Finance Ministry over the sale of a 25 percent share in Thai Airways International.

These foreign takeovers are certain to escalate. Chuan has pledged to push streamlined bankruptcy procedures through the Thai parliament by the end of this week, in line with IMF demands for a new legal framework to speed up corporate restructuring. In the first instance, international banks want access to an estimated $18 billion in assets tied up in failed Thai finance

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companies.

This looting operation brings into sharp focus the essential nature of the "restructuring" program that the IMF has unleashed against the regimes in Indonesia and South Korea as well. Acting on behalf of American and European big business in particular, the IMF has seized upon the East Asian meltdown to demand the removal of all obstacles--in the form of local business empires--to the global penetration of transnational corporations.

While providing windfall profits to international investors, the financial crisis, exacerbated by the IMF, is having devastating effects on small businesses, workers and small farmers. Hundreds of thousands are expected to lose their jobs this year. In addition, 800,000 foreign workers have been told to leave the country by May 1.

Thailand's output is forecast to shrink by as much as 3 percent in 1998. The country's 400 listed companies have recorded their worst losses since the Thailand Stock Exchange was set up in 1975. The biggest conglomerate, Siam Cement Corp, lost the equivalent of $1 billion during 1997. Many companies are technically insolvent, burdened with a total of more than $60 billion in short-term foreign debt.

The ongoing economic collapse will fuel further social unrest as unemployment mounts and the poorest sections of society are hit by huge price rises. Aware of this prospect, the Bangkok Metropolitan Administration has applied to the World Bank for emergency loans to develop programs for an estimated 1.2 million slum dwellers impacted by the economic crisis.

A number of small strikes and protests have erupted already. In late January, police attacked and beat up workers from the Thai Summit Auto Parts Industry Company who were protesting on the Bang Na-Trat highway against management's decision to cut their bonuses and diligence pay.

On several occasions police have clashed with hundreds of impoverished farmers, street vendors and others outside Chuan's office at Government House. On March 16 about 500 protesters threw bags of refuse at police, tore down barricades and scaled walls to break into the official compound. They demanded the government provide more food, better shelter and mobile toilets for their nearby camp.

On the same day Chuan intervened directly into a long-running industrial dispute involving 449 garment workers at the Par Garment Company in Pathum Thani. The factory has been closed since last October, when management refused to increase welfare benefits. The owner agreed to restart work and pay bonuses and holidays after the government offered the company a substantial loan.

The IMF, the US and international investors will be very closely monitoring the government's ability to contain and suppress opposition to the IMF's program. Chuan's predecessor, General Chavalit Yongcahiyudh, was forced to resign last November 6 after his government failed to meet IMF demands.

The Chuan government, supported by various trade unions, nongovernment organizations and middle class liberals as a "democratic alternative," has quickly proved to be an anti-working-class regime imposing savage cutbacks on living standards.

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