

# This week in history: July 11-17

10 July 2022

## 25 years ago: IMF dictates terms to Thai government amid deepening currency crisis

On July 14, 1997, amid the deepening Thai financial crisis, the Malaysian central bank ceased a holding operation on its foreign currency reserves, dropping the currency rate by 4 percent to a 33-month low. The Malaysian central bank had spent more than 12 percent of its foreign currency reserves and pushed interest rates to a staggering 50 percent in a bid to prop up the ringgit.

Just days earlier, on July 11, the Philippines had suffered a 10 percent fall in the value of its peso. Stock prices dropped 22 percent. Then on July 21, the Indonesian rupiah, regarded as one of the more stable currencies in the region, was hit by 5.4 percent decline against the US dollar, falling to a record low.

In the wake of a devastating run on Southeast Asian currencies, the International Monetary Fund (IMF) stepped in to impose a harsh financial “rescue” package on Thailand.

In an operation led by Japan, the IMF provided the Thai government up to \$15 billion in loans, the largest single bailout since the collapse of the Mexican peso in 1994. In return, the government, headed by General Chavalit Yongchaiyudh, was forced to accept a series of austerity measures which drastically lowered living standards and increased the levels of unemployment.

The IMF demands included a 100 billion baht (\$3.1 billion) cutback to the 1998 budget, increased utility charges, and a rise in the value added tax on goods from 7 percent to 10 percent. Such measures destroyed jobs, undermined the country’s already limited social services, and accelerated rising prices.

At the same time, company taxes were cut, the privatization of state-owned enterprises was sped up, and a drastic corporate restructuring was imposed, particularly on the failing finance sector. On August 5, the Bank of Thailand ordered the suspension of 42 finance companies—in all, 58 of the country’s 91 finance companies were forced to cease trading.

The decision immediately provoked a political crisis for the Yongchaiyudh government which came to power the previous November promising an “economic dream team.” No longer believing government reassurances, panicky investors rushed to withdraw deposits from the remaining finance companies and some of the smaller trading banks. The Thai king was forced to intervene directly over the financial crisis.

The 42 suspended corporations alone owed the Bank of Thailand a massive \$21 billion, only a fraction of the debt burdening Thai banking and finance. Much of the country’s debt was short-term, with an estimated \$38 billion falling due in 1997.

The currency crisis was precipitated on July 1 when the Thai government ended the exchange rate link between the Thai baht and the US dollar, allowing the baht to float on world monetary markets. The baht plunged by 23 percent, triggering a series of such falls in neighboring countries with similar economies.

## 50 years ago: “Match of the Century” in chess begins

The World Chess Championship began on July 11, 1972, between the defending champion from the Soviet Union, Boris Spassky, and his American challenger Bobby Fischer. Fueled by the Cold War between the United States and the Soviet Union, the chess championship, normally only followed by the game’s most active enthusiasts, came into the international spotlight, and was widely promoted in the press throughout the world.

Defying the political hostilities, Spassky and Fischer developed a friendship born of mutual respect, and the match became a symbol of cultural fraternization between the US and USSR.

The Soviet Union’s chess players had long dominated the World Championship title, having held the top spot for 24 years. Previous world chess tournaments had been dubbed “the USSR vs the World.” Spassky and Fischer were both young prodigies, having earned the highest rankings in their countries when they were just 16 and 14, respectively. The two players had faced each other before the 1972 championship with Spassky defeating Fischer each time.

The 1972 tournament was close to being cancelled when Fischer initially refused to attend at the last minute. It wasn’t until after the prize money was significantly increased, and after a phone call from Henry Kissinger urging him to play, that Fischer finally agreed to travel to Iceland for the match. Having missed the opening ceremony, Fischer did not arrive at the chess board to face Spassky until nine minutes after the opening move had been played.

The best-of-24 series that followed was dramatic. Having lost the first match, Fischer refused to play the second, forfeiting it to Spassky. Fischer then declared that he would return only if the tournament could continue without cameras and in a less public setting. This done, the balance of the matches switched dramatically in favor of Fischer, who won seven of the 21 total games.

Having continued their friendship, in 1992 Fischer and Spassky would meet again for a rematch in Belgrade, Yugoslavia. In its imperialist drive to carve-up of the region, the US had placed

sanctions on Yugoslavia, making Fischer's participation in the match illegal. Fischer openly defied the sanctions and continued with the match, causing him to become a fugitive and unable to return to the US for the remainder of his life. When Fischer was once threatened with extradition from Japan and imprisonment, Spassky wrote to US President George W. Bush demanding his old friend and rival be released. Spassky added that if that was not possible, he should be "put in the same cell with Bobby Fischer" with a "chess set."

### **75 years ago: Almost 700 people die in Indian ferry disaster**

On July 17, 1947, at least 700 people perished when the *SS Ramdas*, a passenger ferry, was overturned just outside Bombay Harbor. The disaster was one of the worst civilian losses at sea in Indian history and has sometimes been described as the country's Titanic.

The accident occurred on Gatari Amavasya, a Marathi regional celebration associated with Hinduism. It is a festive occasion, on the eve of Shravan, the fourth month of the Hindu calendar, during which adherents are expected to practice austerity and self-restraint.

Some 750 passengers or more had crowded aboard the *Ramdas*, a steam-powered vessel berthed in 1936 and operated by the Indian Cooperative Steam Navigation Company. Early in the morning, the ship set off from Ferry Wharf in Mazgaon, Bombay, en route for the port town of Rewas, 25 kilometers away. Most of those traveling were poor, including laborers in Bombay returning to their hometown to visit relatives during the festival.

Only 30 minutes after setting off, the *Ramdas* was struck by a heavy swell near a rocky outcrop called Gull Island outside of Bombay Harbor. Passengers rushed away from the starboard of the ship, which was being hit by the waves, causing an imbalance. The crew attempted to take the vessel into a nearby coastal creek but were powerless against the swell. Shortly after, the boat sank.

Later in the morning, dozens of bodies washed up on the shore of Bombay Harbor, while fishermen encountered dozens more corpses. The estimates of the death toll range from 669 to 690, with up to 70 survivors.

The same week as the tragic disaster, the British parliament rushed through legislation approving the partition of India into separate Hindu and Muslim-majority states, to be completed the following month. This move, aimed at dividing the oppressed masses along religio-communal lines, set in motion a far broader calamity. The ensuing communal violence would claim up to 2 million lives and leave as many as 20 million displaced by the end of the year.

### **100 years ago: Japanese Communist Party founded**

On July 15, 1922, the Japanese Communist Party was founded at a secret congress held at a private residence in Tokyo. The founders included veteran Japanese socialists and younger students.

Ideas among left-wing intellectuals, and the Japanese labor movement itself, had been in flux since the Russian Revolution of 1917 and the Rice Riots of 1918, the first elemental uprising of the Japanese working class. Anarcho-sindicalist elements tended to dominate the left at this time. But the growth of communism in Asia, Europe and America was more and more beginning to have an impact on Japanese workers and intellectuals. In 1918 and 1919 Japanese students celebrated the German and Hungarian revolutions.

The founding of the Japanese Communist Party was prepared politically on an international scale. Both the Third Congress of the Communist International in Moscow in July 1921 and the Congress of the Toilers of the Far East in Moscow in January 1922 played significant roles, with discussion taking place among Japanese delegates and Chinese, Korean, Russian, American, Filipino, and Indonesian communists.

The veteran Japanese socialist Sen Katayama played a central role in orienting Japanese students toward Bolshevism. Katayama lived in New York City during World War I and worked closely with the left wing of the American Socialist Party. In 1917 he had met the Russian revolutionary leader Leon Trotsky and held discussions with him on opposition to the war. He participated in the founding of the American Communist Party in August 1919 and narrowly escaped arrest in the anti-communist Palmer Raids of the US government.

The 1922 congress clarified the relationship of the party to the international communist movement and to the Japanese labor movement. A critical document, written by one of the participants in the congress, was Hitoshi Yamakawa's "A Change of Direction in the Proletarian Movement," published earlier that year.



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