

picked by Prem and Bhichai.

No matter what Kriangsak's role, the handling of his case by the Prem government has already broken precedent. In the 15 coups or coup attempts that have taken place in Thailand since the country became a constitutional monarchy in 1932, never has a leader of the military been brought before a civilian court. Rarely has a military leader been jailed for his alleged role in a coup attempt. In the case of Kriangsak, he has not only been jailed, but his repeated requests for bail have been denied.

There is a precision in Kissinger's targeting of Kriangsak. The former prime minister is regarded in Washington and Bangkok as the potential rallying figure for a counterattack on the World Bank-IMF technocrats who have been imposing the austerity plan on Thailand.

Like President Ferdinand Marcos of the Philippines, as prime minister of Thailand from 1978-80, Kriangsak brought into office with him a list of 14 projects designed to bring about the industrialization of the country. These included a natural-gas project to be completed by mid-1981; the conversion of the Sattahip naval port into a commercial deep-sea port; a rail link to this port; the improvement of the Don Muang airport; development of lignite mining in Lampang Province for electricity generation in the north; irrigation projects for the underdeveloped north; the development of zinc smelting and

ect as the basis for building a heavy-industry sector. These projects, and others on the table, have been ruled out of order by the technocrats of the National Economic and Social Development Board, who have been elevated in status and power under the Prem administration.

Kriangsak also came into power precisely at the point that the United States, playing out Henry Kissinger's China-card policy during the Carter administration, was rapidly withdrawing from the region. Kriangsak's foreign policy was an attempt to forge an independent course for Thailand amid the manipulations of Moscow, Peking, and Washington. Under Kriangsak, Thailand re-established relations and trade with Laos and opened the possibility for direct talks with the Vietnamese. Kriangsak continued this outlook as a parliamentarian, leading a delegation to Hanoi for preliminary discussions in 1983.

But most dangerous to Kissinger has been Kriangsak's insistence that the solution to the Indochina conflict must be regional cooperation in the development of the Mekong River Delta—a great infrastructural project that would finally set Cambodia back on its feet. It is this project, promised by the 1973 Paris Treaty, which has been vetoed by Kissinger.

As an officer who fought in the Korean War and later the Vietnam War, Kriangsak regards himself as a loyal ally and friend of the Americans. Kissinger's treatment of him and of Thailand is one indication of the degree to which Washington's policy is being shaped by considerations dictated by the Anglo-Soviet "New Yalta" deal against the United States.

## Prem's program is a World Bank hoax

by Sophie Tanapura and Linda de Hoyos

On Oct. 17, Dr. Virapongsa Ramangkura, economic adviser to the prime minister's office, declared after an eight-hour meeting of the Thai government's cabinet committee, that he has given up on his attempts to halt a plan to support the price of rice. After eight hours of bitter argument, he said, he had been overruled and was forced to abide by the majority.

Virapongsa, one of the key spokesman for the pro-IMF technocrats in the finance ministry, the prime minister's office, and the National Economic and Social Development Board (NESDB), has been fighting to permit the price of rice to be controlled by "market forces," with the expected slide in prices, already at their lowest after the devaluation of last year. He has also been demanding that the rice export premium and stockholding requirement, measures designed to protect the farmer, be eliminated.

As *EIR* has reported, Article 67 of the Thai constitution states that it is a duty of the government to uphold the price of rice, to ensure the survival of the country's agriculture.

That Dr. Virapongsa, along with Finance Minister Sommai Hoonratkul, should have attempted to scrap the protective mechanisms for Thailand's rice farmers, is a barometer of how ferocious the technocratic attack on the Thai economy and national sovereignty has become. There is no support for such policies inside the country; diplomatic sources in Bangkok report their fears that if the economy continues to spiral downward at the hands of Virapongsa et al., there will be a full-scale revolt of the farmers, trade unions, and students against the government.

Dr. Virapongsa is one of a troupe of technocrats ensconced at the prime minister's office, the NESDB, and the finance ministry, trained at Wharton or Harvard, who are, as one Chase Manhattan analyst puts it, "the IMF men." Convincing Prime Minister Prem that Thailand's economic performance must please the international financial community, these technocrats have succeeded in bringing a total halt to the economic growth of the country.

In his Sept. 23 speech on the eve of his departure for New York to address the United Nations General Assembly, Prem showed that the technocrats had already convinced him of *their* concept of national sovereignty: It is better to cut your own throat than let others do it for you.

Prem declared, "The lingering economic problem which has been worrying us during the past 20 years is that of the trade deficit," and "We have now reached the point at which the problem cannot be left any longer"—even though the

IMF-imposed baht devaluation of November 1984 was to take care of this problem. The new solution, Prem indicated, involves two sets of measures.

The first calls for "reduction of national expenditure that is neither necessary nor urgent. . . . This might be done through the cancellation or postponement of major investment projects that require large amounts of funds, that involve a high proportion of imports, and that are not urgently necessary for the country." This also means "retrenchment" of on-going projects.

The second set involves measures allegedly designed to raise national income: restructuring of the tax system; monetary and other measures to encourage export; accelerating rural development "in order to mitigate *problems caused by the reduction of agricultural product prices*"; promotion of *small and medium-scale* industries in provincial areas in which *labor is high while machine and energy input are low*"; and promotion of tourism.

With that, and a "good luck to all," the Thai prime minister went to New York, where another trap was waiting for him.

### **Prem walks right in**

Bringing a high-level business delegation with him from Bangkok, Prem held meetings with investment bankers and other U.S. business executives, but his main hosts were Henry Kissinger and David Rockefeller of Chase Manhattan Bank, an arrangement apparently made by U.S. Ambassador to Thailand William Brown.

Prem also went with the intention of placing before American business the disaster that would be caused to the Thai economy if the Jenkins Textile Protection Act, now before Congress, were to be passed. The Jenkins bill would significantly decrease Thai textile exports to the United States. According to a study conducted by the University of Southern California, the Jenkins bill would result in a decrease of 55% in the Thai textile industry; for Indonesia, the figure is 80%.

According to sources, Prem was given assurances by Kissinger et al., that President Ronald Reagan would veto the Jenkins bill, but that Thailand must stick to its current economic austerity plans. However, as one Chase economist explained, the IMF-World Bank program is not expected to bring about Thailand's economic recovery. The objective of Kissinger and Rockefeller's assurances to Prem is to maintain *political control* over the economy.

In addition, protectionist measures from the United States have come crashing down on Thailand in the last month. On Oct. 2, the United States announced that it was imposing a "countervailing duty" on circular welded carbon steel pipes and tubes from Thailand, on the grounds that grants provided to Thai firms from the government were damaging U.S. industry! The IMF program for Thailand therefore calls for encouragement of exports, while the major consumer country, the United States, is geared to penalize the country for the use of export subsidies.

On Oct. 16, the U.S. Commerce Department announced that it was set to embargo all exports of Thai textiles and apparel to the United States by Oct. 26 because Thailand has allegedly failed to comply with the U.S. demand that it cut back as much as 40% its textile export quota to the United States. The embargo is to continue for two months.

### **Technocrat program in action**

What possible inducement could be mustered therefore to justify the continuation of the IMF-World Bank program on Thailand now? Farmers' income for 1985 is expected to decrease by 3% because of the drop in export prices of rice alone. The devaluation has also, as expected, increased the debt load. It increased the debt of the Metropolitan Electricity Agency by 1,200 million baht, for example.

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In the investment sector, within the first five months of 1985, the baht devaluation, high taxes, and inflexible interest rates have caused a 42% drop in the value of government-supported projects in Thailand. The number of privately funded new projects also decreased by 11%. The Board of Investment in September scrapped another seven projects, bringing the total of killed projects to 26. Among the last seven projects killed were plans for constructing merchant ships. In the same sweep of the knife, the Investment Board killed five joint ventures for industrial production.

Under the guidance of the finance ministry, furthermore, the external debts committee shelved the Electricity Generating Authority of Thailand's multibillion-baht plans to expand and upgrade two power plants. According to Finance Minister Sommai, the country's power-generating capacity already exceeds demand—under conditions of economic retraction.

New Industry Minister Chirayu Isarangkura explained that the government policy is to restrain any projects that are large, capital-intensive with long-term returns, requiring imports and financing. Details of which further projects are to be axed will be worked out by the finance ministry and the National Economic and Social Development Board, he said. He further urged that the public and private sector be "aware of the government's debt and financial position."

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."

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## Interviews

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# '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