

# Thailand resists 'privatization' push

by Sophie Tanapura

In the face of growing pressure from the International Monetary Fund and World Bank to privatize state enterprises, the Labor Congress of Thailand and the Thai Trade Union Congress have set up a joint action committee to counter the squeeze. The two unions together represent over 300,000 employees of state enterprises who are in danger of being laid off, if these firms fall into private hands.

At the end of February, the joint labor committee staged a protest rally against privatization plans in front of the National Economic and Social Development Board (NESDB) building, the seat of the key IMF/World Bank-created governmental agency. A seven-page report arguing against the privatization plan, authored by the joint labor committee's economic commission, was recently submitted to Deputy Premier Sontee Boonyachai.

The World Bank has been running the privatization campaign for over five years. One by one, industrialized and developing countries have succumbed. A Merrill Lynch delegation visiting Bangkok in early February praised privatization to the sky. The top investment advisers asserted that privatization of some state enterprises would net funds for Thailand's depleted treasury and add stability to the Prem government. The state enterprises are blamed for 60% of Thailand's overall public sector foreign debt and budgetary shortfall.

To justify the scheme to the public, it is generally publicized that state enterprises are performing poorly because of bad management and corruption of government officials. State enterprises have become the scapegoat for a country's chronic budget deficit, lack of investment capability, and inability to repay its debts.

However, the *EIR* Bangkok office has received a 1985 report on the real state of public enterprises compiled by the prime minister's office, which shatters the cited World Bank arguments. The report shows that state enterprises in 1982 totaled a net profit of 13.06 billion baht, of which 4.86 billion baht went to the government treasury. In 1983, they generated a profit of 15.66 billion, of which 6 billion went to the state. In 1984, the profit margin of Thai state enterprises reached 12.6 billion baht. Needless to say, this report was quickly suppressed.

Precisely because state enterprises are generally far from performing poorly (only 7 out of 67 incur a chronic deficit), they have become targets for privatization. As Andrew Kerner, managing director of Merrill Lynch in Asia, put it recently during a visit to Bangkok, "The first privatized company must be high-profiled, well-run, and therefore, profitable to encourage buyers and further privatization." The point of the scheme is to allow the private sector to buy up profitable enterprises dirt cheap and to create a slush fund for the government to repay its foreign debts. Merrill Lynch is especially eyeing the national airline company, THAI International, one of the rare international airlines still registering a profit. Likewise, the Telephone Organization of Thailand is being pressured to privatize the profitable Metropolitan Bangkok sector, leaving the non-performing rural network in the hands of the state company.

Backers of the privatization scheme, notably the World Bank, know full well that they are in for a real deal. A special insider's report of the World Bank admitted that Thai state enterprises are in tip-top financial shape, contrary to general belief. Their revenues increased from the average 12.7% of the Gross Domestic Product during the Fourth Five-Year Plan to 18.2% of the GDP in 1985, at the end of the Fifth Five-Year Plan. Their average deficit of 3.3% of the GDP for the Fourth Plan period dropped to only 1.6% in 1985, and profits were recorded at 10-14.5% of the revenues. On average, self-financing is as high as 35% in 1985.

## Debt-for-equity swindle

The "success" of the British example, one of several cases of implementation of the IMF/World Bank privatization schemes since 1980, was flaunted by the visiting Merrill Lynch delegation to Bangkok, which also included Hong Kong-based Merrill Lynch (Asia) chairman M.S. Dobbs-Higginson.

The reality behind the privatization scheme, however, is the international financial institutions' attempt to implement their policy of debt for equity. Governments are being forced to privatize state enterprises in order to repay foreign debts. These enterprises are then usually sold dirt cheap to private representatives of IMF/World Bank interests following devaluation of the national currency advised by those very same international financial institutions. Finally, the new "private" managers are given a free hand in determining the price of public service rendered, according to cost-benefit considerations rather than according to criteria of public utility.

The tug-of-war continues between defenders of the national interest and those representing supranational institutions. Under the Cory Aquino government, whose "legitimacy" is apparently derived from "peoples' power," state enterprises have been liquidated at rock-bottom prices to private persons who turned out to be either relatives of President Cory Aquino or her cronies. The question remains: Are Thailand's state enterprises going to suffer the same fate as those of the Philippines?