

# Thailand battles against its first colonization

by Michael O. Billington

Thailand has always taken pride, and rightly so, in the fact that it has never been a colony of a European power. Every other Southeast Asian nation was colonized during the 17th, 18th, or 19th centuries, only winning their independence in the post-World War II era—in several cases through brutal wars of liberation. But Thailand remained an independent kingdom throughout.

Today, however, in the turmoil of the global financial crisis, which broke out in Asia last year, Thailand is faced with its most severe test in history: the loss of control, ownership, and sovereignty over its economy to the international financial oligarchy, centered in London. This oligarchy uses the International Monetary Fund (IMF) in much the same way that the British used the British East India Company, as a market-vectored “business” for looting and seizing political power over target nations.

Thailand’s historically unique freedom from colonization was in part due to its willingness to compromise with demands of belligerent European powers, provided it could retain its national sovereignty. This was tolerated by the British, who controlled the nations to Thailand’s west and south, and the French, who controlled those to the east and north, as a sort of buffer between their respective colonial claims, while demanding and receiving general freedom of movement and business operations within the Thai kingdom. The British managed to impose much of the same evil upon Thailand, which it had upon its colonies, including especially the introduction and mass distribution of opium. But, nonetheless, Thailand prized its independence and maintained relative economic stability, even while its colonized neighbors suffered military repression and colonial forms of looting in the mining and plantation sectors.

It is of note that the United States has more than once contributed to the defense of Thailand’s sovereignty against the British and French empires. In the mid-1800s, the networks associated with Abraham Lincoln, the American System economists and nation-builders around Henry Carey, supported Thailand’s King Mongkut and his son King Chulalongkorn, in combatting the diplomatic and military intrigue of the colonial powers. (See Anton Chaitkin, “Mission to

Asia: Report on Dan Beach Bradley and the American Missionary Movement,” unpublished manuscript, 1986.)

Then, following World War II, the British attempted to impose colonial-style conditions on Thailand, declaring the kingdom to be a defeated enemy, due to Thailand’s formal declaration of war on the side of Japan. It was clear to the world, however, that Thailand had allowed Japanese occupation, and formally declared itself to be an ally of the Japanese war effort, only because it had no choice. The British had been unable to defend their own colonies, and would certainly not lift a finger to defend Thailand—so Thailand retained relative peace and sovereignty by allowing the Japanese a military presence and becoming a passive ally. However, a “Free Thai” movement, led by Pridi Bhanomyong, provided intelligence to the allies through the U.S. Office of Strategic Services (OSS), both from underground cells in the countryside and through secret networks within the top levels of the government, which was “officially” allied to the Japanese. After the war, the British insisted that their forces occupy and control the “enemy government” in Bangkok, and demanded reparations from Thailand in the form of free rice supplies for the reestablished British colonies.

Although Franklin Roosevelt’s untimely death undermined his intention to prevent the re-colonization by the European powers, the United States nonetheless intervened forcefully to deny London’s *new* colonial grab against Thailand. Supporting “Free Thai” leader Pridi as the new head of an independent Thailand, the United States helped to preserve the kingdom’s sovereignty and integrity.

## Enter the IMF

Despite many painful compromises with colonial powers, Thailand always preserved its sovereign control over its land and its national economy. It is precisely this sovereignty which is now being challenged by the conditions imposed by the IMF, in return for a partial bailout of Thailand’s bankrupt financial system. The \$17.2 billion IMF package, however, is going *almost entirely* to pay massive derivatives losses to foreign speculators, who ran the attack on the baht,

the Thai currency, in 1997. In exchange for bailing out the predators who destroyed Thailand, the IMF has demanded that Thailand turn over its banks, industries, infrastructure, and land to the predators themselves, for a fraction of their actual worth.

In December, a new, allegedly more “IMF-friendly” government was brought into power. For several months, it appeared that Thailand might acquiesce to every demand put forward by the IMF. However, there are now many voices of protest against the looting and the threatened loss of sovereignty from across Thailand’s social and political structure—including from the government itself.

A review of the destruction of Thailand’s economy and its population brought on by the IMF demands makes it clear why all but those who defend the sanctity of “the markets” over the general welfare of the population, are screaming “Foul!” Massive speculation by the hedge funds, led by British-owned mega-speculator and drug legalizer George Soros, during the first half of 1997, depleted the Bank of Thailand’s foreign reserves, forcing a free float of the baht, which was driven down by at least 50%. Speculators also sold the Bank of Thailand more than \$25 billion in forward swaps—derivatives contracts which locked the Thai government into the delivery of dollars at the pre-float rate in either three months, six months, or one year. With the “success” of the speculators in breaking the baht, they made off with a cool \$12 billion-plus profit from the swaps alone—all out of the pockets of the Thai people. This is the criminal reality of financial market “liberalization.”

All foreign debts, of course, increased automatically by 50% in local currency, while domestic markets collapsed across the board. As for the population, unemployment has skyrocketed, and a recent study found that 7 million Thais live on less than the equivalent of 60¢ per day. A bowl of noodles from a street vendor costs nearly 40¢. This is a nation, which until last year, needed millions of foreign workers to meet the demand for labor.

This is the process which led to the IMF “rescue package,” a prescription for colonization. The conditions included massive budget cuts of over 20%, interest rates of over 20%, the scrapping of nearly all infrastructure development programs, privatization of all state-sector industries and banks, lifting of subsidies on kerosene and other necessities, lifting restrictions on foreign ownership of businesses and land, and so on. The effects on the economy, sector by sector, were devastating:

## Banking

*EIR* warned in a Sept. 12, 1997 article, “Thailand Heads ‘Down Mexico Way,’” that Asia would be subjected to the same treatment as Ibero-America following the 1994 Mexican financial crisis; namely, that foreign, primarily British Commonwealth banks, would swoop in to take over

national banking institutions. One of the IMF conditions in the Thai package required the “recapitalization” of the banks—even those which were not facing severe bad-debt problems. Since there was virtually no domestic credit available, the banks are putting out the “fire sale” sign for foreign takeover. Under the gun of the IMF, the government rammed through new laws, lifting the legal limits on foreign ownership of banks and financial institutions. Even the oldest, most conservative banks are threatened with closure if they don’t find foreign partners. The Nakornthorn Bank, the flagship of the Wanglee conglomerate, one of the largest of the Chinese-Thai merchant family businesses, going back over 100 years, is being subjected to a humiliating takeover by one of the premier British Commonwealth drug banks, the Bank of Nova Scotia. (See *Dope, Inc., The Book that Drove Kissinger Crazy*, 3rd edition [Washington, D.C: *EIR*, 1992]). The Canadian bank is demanding an enormous discount, control of management, and a name change.

Many local banks are trying to find Asian buyers, especially from Taiwan, Singapore, or China (including Hong Kong), but all the Asian economies are in difficult straits. The European banks, and certain Wall Street interests, flush with liquidity from the biggest financial bubble in history (and hyperactive printing presses), are picking over the Thai banking system. The bad debt in the banking system is expected to reach as high as 40% during this year, but the foreign purchasers are demanding that the government swallow the bad debt, and sell the viable assets at steep discounts, on top of the currency and market devaluations. The government has now issued decrees (perhaps fearing that growing anger in Parliament would have prevented passage of such legislation), allowing the issuance of about \$10 billion in “Yankee bonds” (i.e., U.S. dollar-denominated bonds), half for the Bank of Thailand to meet payments on the swaps from last year, and half to the Financial Institutions Development Fund, which is taking over the bad debt of financial institutions and selling them off mostly to foreign buyers. Since Moody’s, Standard & Poor’s, and other rating agencies continue to rate Thai debt at junk-bond status, it is assured that Thailand will be charged usurious interest rates for its new dollar bonds.

The demise of Thailand’s sovereign control over its banking system is expressed in two recent developments. The first was the acknowledgment by the head of the Bank of Asia, which is itself now 75% owned by the Dutch ABN Amro Bank, that the Thai Bankers Association may as well simply dissolve itself into the Foreign Banks Association, since there will soon be at most four banks owned by Thais! The second was the announcement by Finance Minister Tarin Nimmanahaeminda that he has created an international commission which would “advise and oversee the reform of the Bank of Thailand.” Candidates for the commission initially included a former governor of the Bank of England

and former U.S. Federal Reserve Board Chairman Paul Volcker, the person responsible for implementing the Thatcherite strangulation of the U.S. productive economy in the late 1970s and early 1980s, a process Volcker himself dubbed “controlled disintegration.”

## Industry and agriculture

The industrial sector has fared no better. The IMF has demanded privatization of all state-sector firms, although there is considerable resistance. As expressed by the *Bangkok Post*: “The standard rationale for privatization is that it leads to increased investments, technology transfer, and efficiency. In the case of Thailand, however, the justification for the recent round of privatizations is primarily economic. The government needs funds to pay its foreign debts and ease the nation’s financial crisis. Understandably, many critics wonder if this is an acceptable reason.”

A leader of Thai Airways International, a firm scheduled to be divided up among British Airways and others, said: “The government should keep in mind that it has a responsibility not just to the IMF, but to the public. The government must also ensure that the rights of consumers and workers are protected.”

The Electricity Generating Authority of Thailand (EGAT), with support from the electricity workers’ union (the strongest union in the country), has stalled the planned shock-therapy approach to privatization. While the union threatened a crippling strike, and a potential general strike over the privatization question, the company hired the U.S. firm Arthur Anderson to put forward an alternative to the original plan, which is run by British experts. The alternative plan would both slow down and limit the extent of privatization in the power industry.

In the oil industry, the refiner and marketer Bangchak Petroleum, which is 72% owned by the government, is fighting a sell off to Kuwait Petroleum (which has headquarters in Kuwait and London). The company’s director for 20 years, Sophon Supapong, has support throughout the country for his argument that the still-profitable company funds numerous social programs for the rural population, which would be scrapped if it were privatized.

The chairman of Thai Telephone and Communications, Dr. Adisai Photharamik, gave a more ominous warning: “Foreigners, Caucasians, and Japanese will eventually control politics in Thailand. It will be a battle that will use money to facilitate their takeover and order us to do what they want.” In regard to the mass of foreign debts of both private and public corporations, Dr. Adisai pointed out that, in the heyday of the Asian Tiger bubble, “we were encouraged [by foreign investors] to take projects which we did not want to do at first.” The result, with the forced devaluation, is unpayable foreign debt.

Then there is the case of Siam Cement, the nation’s

biggest conglomerate, owned in part by the royal family. The company has always been enormously profitable, but has a foreign debt of more than \$4 billion. The result was a huge \$1.3 billion loss in 1997 on foreign exchange alone. When the “international community” tried to blame these losses on Siam Cement itself, for failing to hedge its foreign debt (i.e., play the derivatives game to cover the eventuality of a currency collapse), the company pointed out that if it had hedged, the baht would have been forced to depreciate because of its “bets” against the nation’s currency. Besides, it added, the bet would have wiped out their entire profit. Such is the insanity of the “globalization” of financial services.

The most stunning case is that of the Nakornthai Strip Mill, a state-of-the-art, recently completed facility, which is facing insolvency due to foreign exchange losses. Soros, the architect and lead speculator against the Thai and other Southeast Asian economies, and one of the greatest thieves of history, presented himself as a latter-day Robin Hood, friend of the poor and troubled, and benevolently offered to buy a piece of Nakornthai for a fraction of the loot he extracted from the country last year. It is important to note that, although Soros portrays himself as “American,” he is British-trained (Rothschild) and British-inspired (his mentor is arch-positivist, Sir Karl Popper), and he keeps his money in offshore British havens, outside the purview of U.S., or any other, regulators.

Rice production has not suffered as badly from the crisis, although the drought that is now devastating much of Asia has taken its toll. The production of pigs and chickens, however, heavily dependent on imported feed, has collapsed by 30% and 25%, respectively. Such a collapse must be measured in the decline of the protein content of the diet of Thai people.

## Will Thailand fight back?

Last December, then-Prime Minister Chavalit Yongchaiyudh was forced to resign under the pressure of the continuing speculative collapse of the currency and the economy. In his place, Democratic Party head Chuan Leekpai formed a government with his close ally Supachai Panichpakdi as Deputy Prime Minister and Commerce Minister, and Tarrin Nimmanahaeminda as Finance Minister. Tarrin, educated at Harvard and Stanford, reflects the crisis in education today — that much of what is taught in leading institutions and then re-exported, especially in economics, is absolutely deadly. Tarrin’s early experience in the 1970s was at Citibank. From 1989 through the early 1990s, Citibank stood out among American banks; it was under “informal” U.S. Federal receivership, at the same time that it was secretly funding Soros’s attacks on the British pound and Italian lira. More recently, Citibank has been exposed, due to its aggressive solicitation of such clients as former Mexican President Car-

los Salinas de Gortari's cocaine cartel-connected brother Raúl, as a leading U.S.-based money-laundering center for Dope, Inc. As Finance Minister in Chuan's previous cabinet in the early 1990s, Tarrin brought to Thailand some of the less desirable practices of Citibank, including deregulation policies, which helped create the hot-money bubble. In particular, he established an offshore banking operation, the Bangkok International Banking Facility, in 1992, which allowed untraceable and unregulated short-term lending throughout the Thai economy. The BIBF was first proposed by former Prime Minister Anand Panyarachun, who headed an interim government in 1991, and guided the first Chuan administration.

It was also under Tarrin that derivatives markets were established. Tarrin tapped former Bank of Thailand Governor Nukul Prachuabmoh to run a commission, investigating the failed defense of the baht in 1997, which largely blamed the previous Chavalit administration for the disaster. While that administration is not blameless, the fact is that the hot-money bubble, and the derivatives mechanism that bankrupted the nation, were the creation of Tarrin himself. As an investigative report by *The Nation* revealed on April 3: "Rerngchai Marakanond, former Bank of Thailand Governor, as well as all the strategists of the baht defense, had virtually no understanding of the implications of the foreign exchange swap contracts they accumulated as a smokescreen to conceal the Bank's dwindling reserves." Like Orange County, California and dozens of other U.S. municipalities, schools, and pension funds which have been bankrupted by derivatives shysters, Thailand was set up for the kill by the globalizers and the derivatives traders, years before the bubble itself burst.

The return of Chuan and Tarrin in 1997 was heralded by the financial community, but the baht continued to fall, and the economy continued to collapse. Chuan was touted as the superstar of IMF policy in Asia, even getting a cover story in *Time* magazine. However, back at home, Thais were far less enthusiastic. The country's largest circulation newspaper, *Thai Rat*, denounced Tarrin for accepting every demand put forward by the IMF. "Foreign creditors will certainly get their money back," editorialized *Thai Rat*, "but the Thai people will soon shrivel up and die because they cannot obtain loans. . . . Only the IMF can be happy with the way the problem is being solved, but the Thai people can only drop dead. . . . All of this is the current government's achievement that the creditor countries are so proud of."

In the past weeks, especially in the wake of the IMF and G-22 meetings in Washington, D.C. the week of April 13, where the reality of a global financial collapse was on everyone's mind, but was *not* reflected in the official documents, Prime Minister Chuan's public statements reflect a growing determination to put the general welfare first, ahead of "market" demands. Although Tarrin continues to

insist that interest rates must remain high to satisfy the "international community," Chuan is reported to have exploded at a cabinet meeting, blasting the Bank of Thailand for an "inadequate response to the acute shortage of funds that is making life miserable for Thai manufacturers and exporters," as paraphrased in the Singapore *Business Times* of April 23. He ordered the Bank to report to the cabinet in one week with a solution. Of course, the high rates are IMF policy, so a confrontation is looming.

Although Prime Minister Chuan has not attacked his Finance Minister by name, Deputy Prime Minister Supachai, senior to Tarrin in the cabinet, and Chuan's closest ally, according to some Thai press, is widely reported to be at odds with Tarrin on such policy issues. Supachai told a press conference, "We don't want foreign firms to come and buy out our businesses." He has also insisted that liquidity for industry is as important as foreign debt. The regional press has carried such headlines as, "Growing Dispute Between Two Economic Czars," and "Supachai-Tarrin Rift Dilutes Thai Efforts in Tackling Crisis."

Two days after the Prime Minister's explosion over the credit crunch, the Bank of Thailand announced that it will allow commercial banks to lend into arrears, meaning "lending additional amounts to contractors of non-performing loans, without booking the new loans as non-performing." Such loans "should not be used for refinancing purposes, and documents should be ready for inspection at all times," according to a Bank of Thailand official. Such a policy, reminiscent of the Hamiltonian approach to debt which succeeded in freeing the young United States from British economic control, has been publicly supported by U.S. Treasury Secretary Robert Rubin, as part of his call for a "new architecture" for the world financial system. It is definitely frowned on by the IMF.

On May 4, the Bangkok daily *The Nation* reported that the chairman of the Federation of Thai Industries (FTI), Tawee Butsunthorn, announced that the FTI, the Board of Trade, and the Thai Bankers Association will make a joint proposal to Finance Minister Tarrin calling for help to small and medium-sized firms, by negotiating a suspension of principal payments on their debts until the second half of 1999; in other words, a de facto debt moratorium. At best, Tawee said, these firms can only pay the interest on their debts, and, if they can pay that much, they are considered "a prime customer." He added that several major businesses have already suspended payment on their debts, and that some 4,000 members of his association are facing severe liquidity problems. Initial reports on the meeting with the Finance Minister on May 7, reported in *The Nation*, quote the chairman of the Thai Bankers Association, Banthoon Lamsam, saying, "In principle, we have agreed that all parties must make sacrifices. The debtors will take a hit and so will the creditors, otherwise real restructuring cannot

take place.” Tarrin also signaled a possible lowering of interest rates.

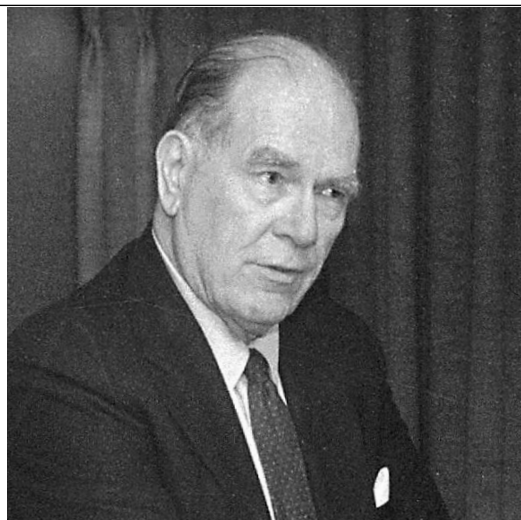
Prime Minister Chuan has taken other steps as well, which indicate that he is unwilling to allow the IMF program to destroy his country. At the April 19 meeting of the UN Economic and Social Council, Asia Pacific (ESCAP), in Bangkok, Chuan warned of the intolerable social costs of the continuing crisis in Asia. “It is time we viewed people as more than just resources, more than cheap labor to fuel Asia’s growth machine. It is time we viewed people not as the means to development, but as the end.”

Also, the Chuan administration has decided to recall two bills before the Parliament, which would have gone a long way to lifting restrictions on foreign ownership of land in Thailand. The bills would have permitted anyone willing to invest over \$650,000 to own Thai land. Soros and other mega-speculators have, in fact, been purchasing huge tracts of land in Ibero-America, and would certainly do the same in Thailand and elsewhere in Southeast Asia, if given the opportunity. One can imagine what would happen if drug-legalizer Soros were to buy territory in the famous Golden Triangle in northern Thailand, adding that to his stake in the coca-growing area of Bolivia.

## Great projects renewed

But by far, the most dramatic sign of a new approach by the Chuan government was the signing on April 23, by Chuan and Malaysia’s Prime Minister Dr. Mahathir bin Mohamad, of a \$2.4 billion oil and infrastructure development project in southern Thailand. The joint venture, linking the Thai and Malaysian state oil firms with the American oil firm Triton Oil, includes oil and gas exploration in once-contested waters of the Gulf of Thailand, pipelines, and a gas-separation plant. Chuan described the project as “a powerful catalyst” which could “restore stability and economic prosperity.” Dr. Mahathir said that the development would revitalize both countries. At the same time, plans for a new seaport in the region, and other large-scale projects that have been on hold since the IMF moved in, are again on the table.

This kind of optimism, combined with the willingness to identify the crisis as a global, not a regional, breakdown, and one requiring a new global financial structure based on growth and development, can not only *prevent* the colonization of Thailand, and its neighbors, but will contribute to the international political momentum necessary to create the new institutions needed to replace the IMF.



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