Indonesia proves why the IMF is finished

by Gail G. Billington

Five hundred million dead: The greatest genocide in history, and no one stands in the dock. A decade ago, Egypt's President Hosni Mubarak was quoted, charging that International Monetary Fund (IMF) conditionalities had led to the deaths of more than 500 million people, through the cutoff of subsidies for essential foods, budget cuts affecting health care and access to clean water, inputs to improve agricultural productivity, forced devaluation of currencies, elimination of tariffs to protect fledgling industrial sectors, and general improvement in infrastructure, including distribution of goods and services necessary to maintain a healthy national economy.

Genocide trials have become a popular topic of late, especially in Asia, following the demise of one of this century's most notorious butchers of his own people, Pol Pot, "Brother No. 1" of the Khmer Rouge. Yet, no one has dared suggest that those responsible for, now, far more than 500 million dead, should be brought to account. Whole new generations of prospective witnesses are lining up, victims of the IMF's most recent "bailouts" in Asia, South Korea, Thailand, and Indonesia. That 500 million is roughly equivalent to the entire population of Southeast Asia today.

The largest and most serious student protests, followed by riots, have erupted in Indonesia, and show no signs of abating, triggering the "worst ever critical× crisis in Indonesia's history, according to a senior Indonesian military spokesman. Workers in South Korea are threatening unprecedented mass strikes. In Thailand, a broad coalition cutting across economic and social sectors has launched a national resistance movement to suspend IMF conditions and stop the foreign takeover of the economy, modeled on the "Seri Thai" ("Free Thai") underground resistance against Japanese occupation during World War II.

Without a doubt, a new paradigm is in the offing. The crisis in Indonesia demonstrates why the ideas behind IMF policies are as deadly as crimes committed by the likes of Pol Pot. When the global "financial architecture" is so clearly disintegrating before our eyes, Indonesia, the fourth most populated and one of the most ethnically diverse countries in the world, an archipelago of more than 17,000 islands straddling 3,000 miles of the world's most important strategic sealanes, proves the "moral hazard" of the IMF's continued existence.

A sure bet

During May 11-13, Egyptian President Hosni Mubarak hosted the G-15 summit in Cairo, bringing together leaders of, now 16, member-countries representing Ibero-America, Asia, and Africa. The focus of the meeting was a discussion among these nations of the "South," of the international lessons to be learned from the economic and financial crisis that has wrought havoc in Asia since July 1997. Indonesian President Suharto spoke on behalf of the Asian countries present: India, Indonesia, and Malaysia.

President Suharto reported on the effect of the crisis, which, in Indonesia's case, included a more than 75% collapse in the value of its currency, the rupiah, the catastrophic collapse of the stock market, the instantaneous bankruptcies of its banking and corporate sectors, and the disintegration of the distribution system for essential food and services throughout this island nation. The effect of the crisis, President Suharto said, has been equivalent to wiping out three decades of progress in the eradication of poverty. Worse, he said, the crisis "does not show signs yet that it will end," while its impact has been widespread, especially in the social and political realms.

Indonesia entered a new phase of crisis during the week of May 4. Under the terms of its *third* IMF "reform" program in less than seven months, Indonesia has committed itself to the most rigorous timetable of compliance ever exacted by the IMF. Literally, week by week, the IMF would keep a scorecard on Jakarta's performance. Under the first two regimes, Indonesia was repeatedly chastised by the IMF, by Group of Seven (G-7) government officials, and by the Western establishment press, in particular, for showing too much "defiance" and stubborn clinging to "the old ways." Finally, after withholding assistance until precisely such a controlled situation had been created, the IMF Executive Board announced that it would release, not the full $3 billion second tranche of funding, but $1 billion, each month for the next three months, on condition of continued rigorous compliance. Jakarta, in accordance with the terms of the date-by-date, week-by-week, terms of the IMF-III timetable, proceeded to implement one of the category of measures that have been the most contentious since the first IMF program was agreed to on Halloween 1997: that is, the lifting of subsidies on essential commodities. This resulted in 25-71% increases on a range of fuels, from cooking oil to premium gasoline, and an immediate increase of 20% in electricity rates, to be followed by similar increases in August and November. The results were absolutely, dead-on certain—a sure bet. Before the clock struck midnight on May 4, riots broke out.

The point is not, per se, the lifting of subsidies. The core of the problem is the embedded implication and foreseeable consequence of acting on such a policy. And, that is precisely why Jakarta had resisted for so many months, until that refusal itself would most likely have triggered a literal economic strangulation of Indonesia by the international community.

In other words, the reaction to Indonesia's *rigorous compliance* with IMF demands proved that Indonesia, under the IMF, is damned if it complies, and damned if it doesn't. The events of May 4 exposed the *political* intent behind *every* IMF program.

That idea was nowhere more clearly stated than by British Foreign Secretary Robin Cook, on the sidelines of the ministerial meetings of the G-7 in London on May 9. "There is a clear lesson here, which is that open financial markets require an open political system and that getting on top of the financial turbulence also requires progress on social reform and political development. That is a lesson that is applicable across the region," he said.

One of the gravest threats to Indonesia comes from those shouting the loudest and most stridently for "political reforms," without addressing the cause of the economic crisis. There will be no political stability in Indonesia, nor elsewhere, without solving the *systemic* nature of that problem. The problem is not and cannot be solved within Indonesia, within Thailand, or within any single country. The root of the problem is the system itself, and the lack of political and moral will by leaders to do the obvious: build a new system.

Furthermore, it should come as no surprise that those organizations and institutions which stand behind the most fervent demands to dismantle the Suharto government, back a strategic plan to dismantle the nation itself, relying on the centrifugal forces of a religiously and ethnically diverse country, under conditions of extreme economic and political strife to destroy national unity. That such institutions, as those connected to the East Timor and Aceh causes, including British Member of Parliament Lord Avebury's Tapol, Christian Solidarity International, and the Unrecognized Nations and Peoples Organization, are safehoused in the motherlands of Indonesia's former colonial masters, Portugal, the Netherlands, and Britain, should also come as no surprise.

Then, and now

Step back, and compare Indonesia's track record, prior to the onset of the "Asian contagion," in improving the general welfare of its population to, say, the third most populous nation in the world, the United States. In October 1997, the month that Indonesia would sign its IMF-I accord, President Suharto received the UN award for poverty eradication, "In recognition of outstanding accomplishment in and commitment to the significant reduction and continued eradication of poverty in Indonesia, and for making poverty eradication an overriding theme of national development efforts." Over 30 years, the number of people living below the poverty line had been reduced from 60% to 11%. President Suharto told the G-15 meeting that annual growth had averaged 7% per year for two decades, but, in 1998, it will collapse to –4%. Over that same time frame, the total population rose 72%, from 120 million to 184 million. The ratio of doctors rose from one doctor for 47,000 people, to one doctor per 7,000, and overall school enrollment increased from 50% to 75%, with elementary school enrollment rising to 92%. When it comes to voter participation in elections, in the legislative elections of 1997, over 90% of 125 million eligible voters went to the polls.

There are those who would dismiss this, saying that, no matter what, elections in Indonesia are not "democratic." How does the United States compare? Forget the bubble talk of "booming economy." Wall Street will unquestionably "bull" its way to the biggest bust in history, and soon. *EIR* has exhaustively demonstrated that over the same 30-year period, the U.S. economy has contracted by an average 2% per year, such that, today, the same market basket of consumption-production requires 50% more per household in hard-to-scrape-together earning power. In 1996, when Indonesia had reduced the percentage of people living below the poverty line to 11%, the same figure in the United States was 13.7%. And, as for the gap between rich and poor—which some might call a "cronyism" problem—the 20% of U.S. households with the highest incomes received 49% of the total national income; in other words, 20% received nearly half, while 80% of the U.S. population "shared" the rest. But, only 5% enjoyed the proceeds of nearly one-quarter of total U.S. national income.

And as for "free and fair elections," in the 1996 U.S.

Thais launch resistance movement against the IMF

A new "Free Thai" movement is taking shape in Thailand, modelled on the underground resistance movement, the "Serei Thai," against Japanese occupation during World War II. This time the "invader" is the International Monetary Fund, and the resistance intends to put an end to the IMF's brutal austerity and pressure to sell off national assets to foreigners. On May 11, some 1,000 people, representing a broad-based coalition of 28 non-governmental organizations, including industrial and civic leaders, academics, doctors, farmers, state-sector workers, and an environmental protection network from 16 universities, gathered in Bangkok to demand full public disclosure of Thailand's fourth letter of intent with the IMF, followed by suspension of any further talks. The group will be named the "Community to Build and Revive the Country," according to a report in the *Bangkok Post* on May 12.

The founding meeting took place on May 11, the anniversary of the birth of Prof. Pridi Banomyong, a scholar and statesman who founded the renown Thammasat University, and who led the "Serei Thai" underground resistance during World War II. The group compares the economic crisis to a loss in wartime, and chose Phra Sumen Fort, as the site for their founding meeting. A further report will follow in next week's *EIR*.

—*Gail G. Billington*

Presidential elections, 49.1% of registered voters went to the polls. But, best estimates are that perhaps only half of eligible voters are registered. The President of the United States can be elected with, at best, 25% of eligible voters casting their votes in his favor. In 1992, the figures were only slightly better, in terms of the percentage of registered voters, who actually voted. In 1988, Democratic Presidential candidate Michael Dukakis received more votes than President Clinton did in his first campaign in 1992, but Dukakis lost his race to George Bush!

The IMF loves 'people's power'

In the past weeks, as student demonstrations have increased in number and violence across Indonesia's numerous campuses, "people's power," echoing the social, political revolt that sealed the fate of the government of Ferdinand Marcos in the Philippines in 1986, has been more liberally bandied about. A sage observer noted that the IMF's demand to lift subsidies on essential commodities and services was particularly devastating to this generation, the first generation of Indonesians ever to have such a broad social safety net. The students are also likely to be the most hard hit by the record unemployment projected this year. Even in its early calculations, the Department of Manpower included the entirety of those entering the labor force for the first time this year, in its estimates of the full-time unemployed. Thus, it is stunning that the role of the IMF in imposing "tight monetary and fiscal policies," as a condition for eeking out credits to Jakarta, has not been a target of these demonstrations. On the contrary, "democracy" advocates have demanded cutting off IMF funds, to force the ouster of the Suharto government.

In the Jan. 19, 1996 issue of *EIR,* this author and *EIR* Ibero-America editor Dennis Small compared the 1982 Mexican debt crisis to the IMF coup in the Philippines, which was torturously dragged out over 1983-86. It is useful to revisit that report here, with the caveat that, as *EIR* said at the time, and again recently, the global debt crisis of 1982 could have been solved, if measures Lyndon LaRouche outlined in his "Operation Juárez" proposal had been carried out. That is categorically *not* true today. This time around, we have reached the end of the system itself.

Until the fateful shooting of Filipino opposition leader Benigno Aquino on Aug. 21, 1983, Marcos had kept the banks and the IMF at bay, to some extent. But within six weeks of the assassination, the Philippines' foreign reserves plummeted to less than enough to cover one month's imports. Marcos declared a debt moratorium on principal payments, and a 20-month wrangling with the banks ensued, while his political ouster was mobilized and orchestrated from abroad. An IMF letter of intent was not agreed to until November 1984, contingent on reaching agreement with the creditor commercial banks. This was not signed until May 1985, and even then, the standby loan was not released until after Marcos was out in February 1986.

Manila's 1983 bailout package with the IMF set out the regimen that would dominate financial and economic policymaking to the present, and it was a classic IMF swindle. The entire package went either for debt rescheduling, or to pay off overdue debts and current obligations. Nothing went to private industry; no new development loans were made available to the government. Instead, this was the typical IMF racket: "no money in, all money out," to pay the debt. The "restructuring" measures included:

- takedown of any protectionist measures with respect to tariffs, including removing certains items from the restricted imports list, and liberalization of imports;
- promotion of exports, with restructuring of investment incentives to that end;
- "rationalization" of certain industries;
- implementation of a "flexible" exchange rate;
- deregulation of interest rates and other bank reforms;
- dismantling of monopolies, aimed at the so-called Marcos cronies, particularly in the agricultural sector;
- privatization of government corporations; and
- diversification of energy resources.

The Philippines went into its worst depression since World War II, from which, it was forecast in 1983, the country would not recover before the mid-1990s. And, it has not. President Marcos's 11 "major industrial projects" were shelved.

'People's power': debt comes first

From the onset of the debt crisis in the Philippines in 1982, until 1994, i.e., under the continuous IMF regime from Marcos, through the Corazon Aquino administration, and two years into the Fidel Ramos administration, debt service as a percentage of the total government budget more than tripled, leaping from 9.6% to 33.9%. Defense spending was cut by more than half, from 13.9% to 6%; health care was cut by 40%, from 4.2% to a pathetic 2.5%; and education stagnated at 12-14%. The slashing of military expenditure took place in the context of decades-old insurgency campaigns against the constitutional government of the Philippines, from both the leftists of the Communist Party, New People's Army apparatus, and an Islamic separatist insurgency in Mindanao.

But the top priority of the "people's power" government of Corazon Aquino was to make peace with the banks and the IMF. From the outset, Aquino massively indebted the government, under the rubric of "pump priming." The result was that debt service, as a percentage of the total government budget, increased 85% in her first year in office, and stayed at over 40% of the national budget throughout her term. Under her successor, President Fidel Ramos, debt service has averaged 34% of the total budget. Aquino's Policy Agenda for People-Powered Development imposed the austerity necessary to match such budget commitments to debt service, including further devaluations of the currency, abolition of subsidies, and liberalization of foreign investment. Average interest rates ranged from 21% to 27%; ceilings on foreign ownership of banks were raised to 40%; subsidies to farmers and production loans were withdrawn, and land reform policies contributed to the disastrous situation today, in which the Philippines, once a rice-exporter, is now dependent on imports.

If all of this sounds familiar, it should. It goes to show that the IMF is one old dog that doesn't learn new tricks, it simply perfects its synchronization with "market" determination of the fate of nations. Recent editorial statements, remarking on the new-found "harmony of interests" between Indonesian student demonstrators and the "markets," should be re-examined in this light.

Eliminating hazardous debt

Solving the problem of Indonesia's private sector foreign debt provides an opportunity for the world at large to prove its commitment to solving the "moral hazard" of the current speculation-driven global economy. An estimated $74 billion out of $80 billion in foreign debt is held by the Indonesian private corporate sector, with nearly 800 firms compelled to make full disclosure of their debts to the central bank, Bank Indonesia. Some $35 billion of that debt is short-term. A committee of 13 foreign creditor banks have now held two sets of talks with the Indonesian government and private sector team tasked to solve the stalemate. At the latest talks in Tokyo, progress was made in addressing the problem of trade financing and bank debt, but not the corporate debt.

The first question that should be asked is: Who is more bankrupt, the debtors or the creditors? The 13 creditor banks include American, European, and Japanese institutions. Indonesia's private foreign debt, of banks and companies, is $66.3 billion, according to a May 14 Antara News Wire, of which roughly $8.7 billion is held by banks and the balance of $57.7 billion by non-bank corporations. The estimate of outstanding, highly leveraged derivatives debts of the 13 creditor banks equals $21.9 *trillion,* using 1996 figures, and the announced mergers of Citicorp to Travelers Insurance, and Bank of America to NationsBank, would add an additional $5.7 trillion in such risky debts. Moreover, the U.S. financial sector has repeatedly blocked Congressional attempts to force full disclosure of off-balance-sheet obligations, i.e., to block "transparency" of the financial sector.

A second question that should be asked is: How much did these same creditor banks make in currency speculation against the currencies of Southeast Asia since July 1997? Financial results for 1997, released by British banks on Feb. 27, 1998, revealed that Standard & Chartered's foreign exchange profits rose 84% to $600 million. Standard & Chartered was formerly head of the Indonesian creditors committee. The Hongkong and Shanghai's foreign exchange profits rose 72%, to $1 billion, and National Westminster made $700 million in such speculation, a 41% increase. Surely, that is only the tip of the iceberg.

On April 30, Indonesia's senior economics minister, Ginandjar Kartasasmita, briefed a select group of journalists on the country's private sector foreign debt. "It's like opening up a Pandora's box, but we need to know," he said. "We just cannot fail, there is no room for failure." Ginandjar identified three separate groups among the corporate debtors: 1) those which need no assistance, no matter the exchange rate, i.e., those that can pay; 2) those with good assets and viable projects, but which fell victim to the 75% collapse of the rupiah, and the stock market; and 3) those that were bad investments from the beginning, and should not have received funds.

It is the second group, those viable firms clobbered by the financial rout, that are the subject of the debt talks. As for the third group, Ginandjar made very clear, as Indonesia has said all along, there will be no government bailout. "The third category will just have to go bankrupt," he said. "But creditors are at fault for approving these kinds of projects."

Here is a clear-cut example where a major feature of the talk of "new architecture" for the world monetary system boils down to a very simple act: give Indonesia the support to write off this debt, and the extended grace period required to restart its economy. Do not hold another 200 million people hostage to the greedy, and willful, choices of the banks, and their debt collector, the IMF.

Documentation

Commentary on the eve of the Birmingham summit

Rubin upholds role of the nation-state

U.S. Treasury Secretary Robert Rubin, speech to the Group of Seven finance ministers meeting, London, May 8. *The session was part of preparations for the G-8 heads of state summit in Birmingham, England, on May 15.*

Rubin placed great emphasis on the role of sovereign nation-state governments in solving the global financial crisis. "Some have argued," he said, "that in this world of huge global markets, government has, in essence, become largely irrelevant. . . . The underlying strength of a modern economy is a productive and competitive private sector. But, as both the President and Prime Minister have also said, government remains critically important, although its role is changing. In a modern economy, governments have a necessary and vital role in creating the legal, institutional, and economic setting in which the ingenuity, skill, enterprise, and dynamism of the private sector can flourish, and in which the benefits of growth are broadly shared."

Rubin reiterated that the euro, the single European currency which is scheduled to come into existence on Jan. 1, 1999, does not pose a threat to the United States, *if* the monetary integration brings about economic prosperity in Europe. "Some have raised concerns about the effect of a successful euro on the international role of the dollar," he said. "We do not share these concerns. We expect the dollar to continue to play a central role in the international system. This role stems from the size and strength of the U.S. economy, the extensive ties between the U.S. economy and the rest of the world, the depth and liquidity of U.S. financial markets, and sound macro-economic policies. None of this will change with the creation of a successful euro. We look forward to a successful euro that would benefit Europe, the United States, and the rest of the world. As the euro helps to further integrate some nations in Europe, it is critical that Europe does not build walls between itself and the rest of the world. . . . As to ties among European nations, it is our view that monetary integration should not delay bringing the transitional economies of eastern and central Europe into the EU."

Rubin then turned to the Asia crisis, focussing on the dangers facing Japan and China, noting that, in both cases, the "enormous shifts in policy will pose great political challenges." "The crisis in Asia has illustrated the importance of the work that the international community began three years ago to strengthen the international financial architecture to help prevent such crises and to deal with them more effectively when they occur," he said. "The Bretton Woods institutions have served the international community well for 50 years, but—as will be discussed in our meetings today and tomorrow and at the upcoming leaders' meeting in Birmingham—that architecture needs to be modernized for the challenges of today's global economy."

In that context, Rubin raised the "so-called moral hazard problem," and called for better mechanisms to be devised "to facilitate debt-creditor negotiations and exploring lending into arrears." He concluded by focussing on the priority of "continuing to promote growth and reform in the poorest countries," particularly singling out recent U.S. commitments to Africa.

Chorus of attacks on the IMF

Jeffrey Garten, "Adrift in the Global Economy," *New York Times*, May 11. *Garten, now the dean of the Yale School of Management, was, during 1993-95, Undersecretary of Commerce under the late Ron Brown.*

Garten warns that the global financial system is facing more crises on the scale of the Asia collapse, and that these crises won't abate until there is more concerted action by world leaders to redress the flaws in the present system.

When the G-8 heads of state gather in Birmingham, he writes, "one of their most important tasks will be to figure out how to prevent another Asia-type crisis." "Unfortunately," he complains, "they cannot succeed."

Garten details how the international financial system has become "crisis-prone" over the past two decades, through the globalization and deregulation of international finance. He singles out Japan, China, and Brazil as three likely places where the next big financial crisis could erupt. He notes that financial regulation "lags well behind" the phenomenal growth in exotic trading instruments, such as derivatives. He cites the $1.5 trillion per day foreign-exchange trade as another point of vulnerability, and notes that "lenders have become emboldened to take even greater risks with increasing sums of money because they believe—with good reason—that in a crisis Uncle Sam and the IMF [International Monetary Fund] will bail them out to limit global fallout."

Garten concludes: "None of these factors should deter the leaders at this week's summit meeting from doing the best that can be done now. But down the road they'll have to do more, like stabilize exchange rates among major countries and establish real global financial regulation. For the time being our leaders resemble King Canute, who, in the old legend, tried vainly to hold back the tides."

Renato Ferraro in Hong Kong, "Toward a 'Great Depression': Asia, Stock Markets Crash; Everybody Is Against IMF Austerity," *Corriere della Sera,* May 14:

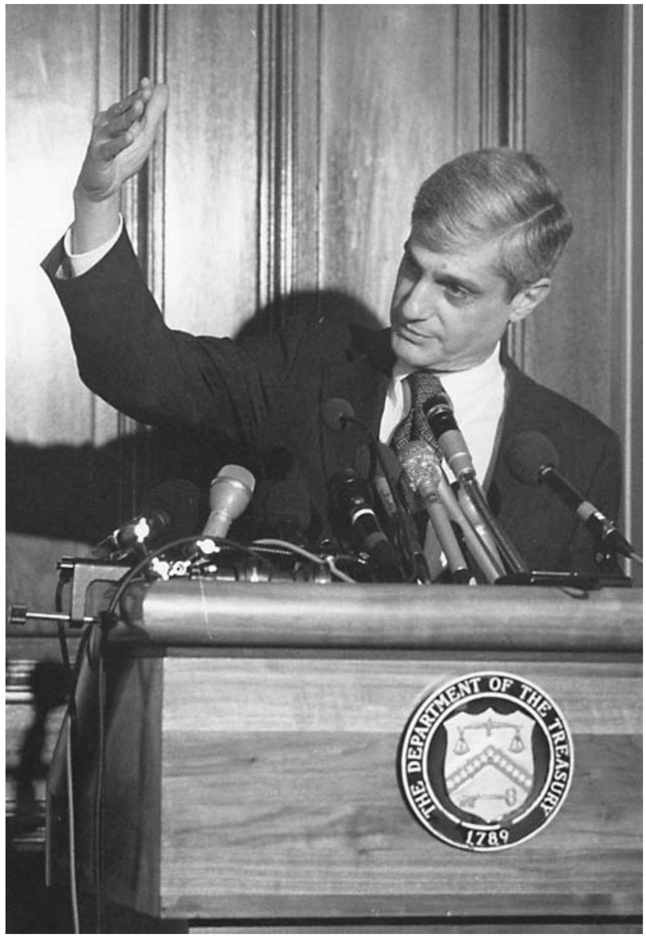
"There was a general crash of the Asian stock markets yesterday. The revolts of Indonesia, the signs of recession in Hong Kong and Singapore, the bankruptcy of the industrial groups of South Korea, the fall of exports in China, the reprisals against India for the atomic tests: All this led the continent closer to a second crash, after that of last October.

"Minus 7% in Singapore, –6% in Indonesia, –4% in India (the Bombay market lost 123 points after the announcement of the nuclear experiments) and Hong Kong, –3% in Thailand and Malaysia. . . .

"Everywhere, the entity under attack is the International Monetary Fund, which, with its austerity policy, ends up strangling the economies and unleashing social conflicts, provoking a crisis that involves even the most solid countries of the Asian-Pacific area.

" 'In Indonesia, South Korea, and Thailand, the recipes of the IMF have an impact that can be compared to the American Great Depression of the 1930s,' says a document issued by the International Labor Organization. When—and it is happening in Indonesia—growth goes suddenly from 8% to –5%, governments are no longer able to face the problems.

"The strategy of the IMF, with its ferocious fiscal and monetary squeeze, is insane. It will lead to an Indonesia catastrophe and a collapse of Asia, Steve Hanke, an economist from Baltimore hired as a consultant by [Indonesian President] Suharto, stated yesterday in Geneva. The region is falling apart. In Indonesia, interest rates will rise 100%; unemployment and inflation will escalate; there will be non-stop social revolts.



Treasury Secretary Robert Rubin repeats his call for a new world "financial architecture," and emphasizes the role of the nation-state in this process.

"Negative as well, but for opposite reasons, is Jim Mellon, president of the Hong Kong financial group Regent Pacific. 'You can put a stone over Asia for the next five years,' he said. 'The crisis is deep but the governments spit out the medicine of the IMF. They refuse to face the problems that they let rot, until they explode.'

"In Thailand, demonstrations against the IMF are planned, starting next week, and in South Korea, the trade unions are preparing for a confrontation to defend employment levels. Even Singapore and Hong Kong are going down the tube. In the former British colony, Peter Churchouse, director of Morgan Stanley, foresees a recession, an event that has not happened in the last 70 years. And in the north, in the People's Republic of China, for the first time yesterday a government economist recognized that 'the facts do not encourage optimism.' because the export toward the Asian countries is collapsing. The big international speculators are preparing another attack against the currencies, starting, perhaps, with the Hong Kong dollar like last October, the analysts say. 'The writing is on the wall,' stated the broker Howard Geroges.

"According to Mark Faber, who manages institutional funds, 'it is useless to delude yourself that the disaster of the Asian markets will spare the American and European markets: The West cannot be protected when a continent sinks that includes 56% of the world population, produces 25% of the exports and supplies 60% of the growth in the world.'

"In Tokyo, people are worried about the consequences, including the strategic ones. 'Regional security is in danger,' argued political economist Satoshi Morimoto, former diplomat and fomer executive of the Defense Ministry. 'It is possible that the Indonesian military will take over, or that they will fight each other, because they are split. ASEAN can split; and in that case Chinese influence will increase in the region, destabilizing the equilibrium."

Sopon Onkgara, "Time To Get Tough with the IMF," editorial, *The Nation,* English-language Bangkok daily, May 11.

Commenting on the ongoing talks in Washington of Thailand's Finance Minister Tarrin, on the fourth tranche of IMF funding, the editorial reviews the absence of any sign of improvement in the condition of any of the three Asian "bailout" cases of 1997, and comments that, in Indonesia, "things have become much worse," including that "a repeat of the anarchy of the 1960s cannot be ruled out." Furthermore, "a dreadful specter is emerging that another wave of turbulence could spread across Asia with unpredictable results. More economic bubbles could burst in countries that remain vulnerable to a meltdown." Whatever the result of the Washington talks, the fact remains that Thailand "has not been very responsive to the IMF all-purpose prescription." Early warnings that the Asia crisis is not a repeat of Latin America in the 1980s, but reflects a "much more diverse" economic structure and environment, went unheard.

"That's why the IMF package, which has been released in various tranches, resembled a bottle of snake oil concocted and handed out to cure the Asian flu." Will the Thai delegation in Washington have "the nerve to ask the IMF executives . . . why their magic potion has obviously failed to work"; why the continuing collapse of small and medium-sized businesses due to high interest rates and lack of liquidity; why capital flight has not stopped; why confidence in Thailand has not returned; why currency speculators continue to be pessimistic?

The editorial concludes with sharp warnings to the government: "If more harsh conditions are applied, then the government can expect a public backlash and a plunge in its popularity. The Chuan Cabinet knows as well that it cannot find new targets for its accusing finger. . . . But there is still one more villain that has yet to own up to its failures, which like a sitting duck, waits to be shot by the Chuan government. It must take the ultimate blame for the current malignant economic climate and the spreading hardships as a result of the failure of its rescue package.

"It's the IMF, of course."

The crisis is not over

Continental European banker, discussion with *EIR,* May 14:

"Below the surface of the uneasy calm, there is a huge volcano. We have had a major shift in mood in the financial markets over the past two weeks. Now, the realization has finally dawned that the crisis is not 'over.' Most people who handle financial investments in the major international banks or fund managers have little idea or interest in the real economy. They think when the IMF and other moves calm the financial problems, it's over and time to hunt for bargains. But when a country undergoes a 10% plunge in its GDP in a year, that ruptures the entire domestic economic fabric. These economic realities are now coming to the surface, and it is dawning on investors how serious things are. Something big is going to crack somewhere, it's not clear where, but it's a very nervous market out there right now, despite the new record highs in New York and Europe."