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People should come first in crisis solving

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SINCE the financial crisis hit, millions of Thais have had to eke out a living. Writing in the Thai daily The Nation, Boon Kong Klausner said girls as young as 10 are being encouraged by their families to pick up strangers and bring them home to "ply their trade". All in the name of supplementing the family income.

Since the financial crisis hit Thailand, more than 10,000 businesses have gone bust; the country's assets have depreciated by almost 50 per cent, and millions are out of work. With the devaluation of the baht and skyrocketing consumer prices, expenditures of rural families have increased by 20-60 per cent. It's no surprise to find that 300,000 schoolchildren were forced to quit school last year.

Elsewhere in the region, devastation is as prevalent, if not worse. A United Nations report released last week revealed that unemployment in Indonesia rose from 4.7 per cent in 1997 to 21.3 per cent last year; from 1.9 per cent to 4.4 per cent in Thailand; from 2.7 per cent to 6.4 per in Malaysia and from 2.6 per cent to 7.7 per cent in South Korea.

While the US$17 billion or RM64.6 billion bailout of the Thai economy by the International Monetary Fund is much welcomed, it is no guarantee that these alarming statistics will be arrested. Rather, there are fears that they will only be exacerbated by conditions that come with the IMF loans.

To voice their concern, the Thai people have taken to the streets. For example, 2,000 people protested in front of the Government House in Bangkok late last month against the privatisation of state firms to foreigners.

The Thai Government had justified its actions by saying the sale was needed to bring much needed cash to its impoverished coffers but critics charged this was akin to selling the family's jewels to foreigners on the cheap.

Many foreigners have descended on Thailand in the last couple of years, many to help restructure debt-laden corporations. All this has not gone down well with the locals as it has led to heavy lay-offs and owners losing much of their equity.

Last month, Australian Michael Wansley was murdered. The corporate-insolvency expert had been working on many corporate-restructuring assignments in Bangkok over the last 18 months and his murder was believed to be linked to his job.

Two weeks later, an accomplice to the murder criticised the widespread participation of foreigners in the solving of Thailand's economic problems.

He was not alone. Indeed, the suspicion is that the West is treating the crisis as firesale, snapping up debt-ridden Thai companies, all in the guise of privatisation and good governance.

Understandably, many are resentful that they have been made to pay for an episode which was not of their own doing, but rather, a consequence of integrating with a flawed global financial system.

Although there has recently been much talk of reforming this system, there are fears the end result will favour the big guns. Despite assurances that this new mechanism will not be implemented without consulting civil society (that's you and I), the sad reality is when it comes to the highly complex world of global finance, the high priests of Wall Street (and their cronies) will always have the last word.

But they forgot to reckon with people power.

Late last month, more than 200 participants from five continents - activitists, politicians, academics, members of the public and private sectors, labour and religious groups and Non-Governmental Organisations - came together to push for their say in this new global structure.

As Walden Bello, the co-director of the organisers, Focus on the Global South said, "Unless we do our best to gatecrash this party, what will emerge will simply be a global architecture that will benefit a very small global elite and continue to marginalise the vast majority of the world's peoples."

And it was fitting that the conference, entitled "Economic Sovereignty in a Globalising World" was held in Bangkok as Bello pointed out that Thailand was "ground zero" - the epicentre of the crisis.

In keeping with the theme of the day, the IMF came in for quite a bit of flak. Delegates from IMF-aided countries such South Korea and Thailand talked of the hardship the agency's policies had brought upon their people.

This, as South Korea's Joosung Jun pointed out, was because the IMF's remedy of tightening monetary policy was "a recipe for disaster". While this policy might be applicable to a public sector debt crisis (which was what happened in Latin America), it was not ideal for the Asian crisis as, here, it was the private sector which was buried under bad loans.

One vital component of the IMF reform is the privatisation of public assets. The IMF's (and that of many free market proponents) argument is that in private hands, former state-run enterprises would be lean and more efficient. However, in practice, this seldom works.

Citing the Russian experience, Boris Kagarlitsky said the IMF's prescribed policy of privatisation had backfired.

Instead, he said a 1994 report revealed that the quality of management in these entities had either remained stagnant or declined. At the same time, the government had also lost money from the sale of profitable public companies which had been its main source of income before. To add salt to injury, these assets had been sold off at dirt cheap prices.

Author Susan George, a vociferous critic of the free market, went one step further. Privatisation, which had gained currency during the time of former British Prime Minister Margaret Thatcher, was nothing more than the transfer of public wealth to the private hands minus the promised improved service, she said.

"This is one of the greatest hold-ups of our generations," she said.

Her argument was underscored by the two case studies for privatisation in the developing world.

Universiti Sains Malaysia's Subramaniam Pillay painted a bleak picture of a post-privatised Malaysia as he claimed that the cost of most privatised utilities had shot up while service had deteriorated.

It was no better in Fiji either, according to Darryn Snell. He said most of the utilities sold in the Pacific island state were the most profitable entities, defeating the purpose of privatisation which was to turn around failed State enterprises.

And free of any social obligations, the new owners had also closed down service to many non-profitable areas which were once subsidised by the government.

Prime Minister Datuk Seri Dr Mahathir Mohamad would have been pleased to know that his favourite "hobbyhorse" - controlling the excesses of foreign capital - found ready acceptance among many of the participants.

In fact, many speakers and participants were in agreement that one of the biggest culprits for the crash of 1997 was "casino capitalism" - the movement of huge amounts of money from one market to another, seeking

quick and high returns, often in non-productive sectors of the economy like the share market.

But despite its apparent volatility, many international financiers stand in the way of any plans to rein in these rogue funds. This group - led by the Four Horsemen of the Apocalypse as described by Bello and comprising US Treasury Secretary Robert Rubin, his deputy Larry Summers, Federal Reserve Bank chairman Alan Greenspan and IMF deputy managing director Stanley Fischer - is against any form of international financial regulation in global capital markets.

It is easy to see why. With an explanation that would delight conspiracy theorists but which was not as preposterous as it sounded, Manfred Bienefeld of Canada reasoned, "Nationalism in any form was the only enemy left for globalisation with the end of the Cold War.

"And in that respect, the Asian crisis has allowed the forces of globalisation to open up markets in six months than at any other time."

But can developing countries who are starving for any kind of foreign investment stop the forces of globalisation?

Jessica Woodruffe of the British-based World Development Movement appears to have the answer. She suggested that governments only encourage investments that were beneficial to their citizens.

Malaysia's capital controls also came under the spotlight and to underline its importance, an entire session of a working group was devoted to debating its pros and cons.

While many admired Malaysia's brave stand in imposing such controls, Martin Khor, director of the Penang-based Third World Network warned that capital controls were not a panacea.

"It must be followed by reforms to a system which is not based on patronage and we must remove corrupt managers and increase transparency," was his pronouncement.

Khor has a point. During the boom times, these were tolerated and even edified by the Press as the Asian Way of doing business.

As Philip Bowring, a columnist for the International Herald Tribune and former editor of the Far Eastern Economic Review admitted, "The success of Asia and easy money sucked journalists as well as the rest of society into an uncritical regard for business figures and unwillingness to ask pertinent questions when yet another grandiose project was unveiled."

Although the conference failed to achieve a consensus on its main resolution, which was to ask for the resignation of the IMF managing director Michel Camdessus and his senior staff, the majority of them agreed on that there was a need to ask for a more people-centred development, whatever form it may take.

And this group should not be underestimated as no less a person than Carlos Fortin, deputy secretary-general of the United Nations Conference on Trade and Development himself gave an idea of their influence.

"People power should not be underestimated as their previous pressure was successful in scuttling the Multilateral Agreement on Investment and led to the banning of landmines."

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