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Reactions to Currency Crises in Mexico and Thailand: A Comparative Perspective*

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Introduction

Why Mexico and Thailand ?--From “Tequila Effect” to “Tomyam Crisis”

The objective of this paper is rather a modest one. It aims to compare and contrast reactions to the currency crises happening in Mexico and Thailand, particularly from a cultural aspect. It seems likely that these phenomena will become a common disease for the less developed world in the globalization era, especially after financial liberalization. In addition, it is worth learning how people in these two countries generally perceive and react to these phenomena.

The currency crisis occurred first in Mexico in 1994 and then expanded to other Latin American countries (Tequila Effect). While the currency crisis occurred first in Thailand (Tomyam Crisis) and then expanded to other East Asian Countries (they share common ground as a starting point although the crises are manifested differently and their timing varies. In fact, the crises come from the same causes, i.e. financial liberalization due to globalization.)

1. Reactions to currency crisis in Mexico

1.1 Brief background of the Peso Devaluation in December 1994

On December 20, 1994, ten days after the conclusion of the Summit of the Americas and twenty days after Ernesto Zedillo came to power, Mexico devalued its currency by 15%. On December 22, the peso was free floated. This event triggered a major crisis that threatened to engulf the region. Foreign financiers reacted with panic and began to withdraw funds throughout Latin America.⁽¹⁾

The main cause behind the Mexican peso crisis was an unsustainable current account deficit that, starting in 1992, was financed by very large capital inflows.⁽²⁾

It was estimated that Gross domestic product (GDP) fell in 1995 by 6.9 percent, more than in any year since the Mexican revolution and ensuing civil war which ended more than 65 years ago. Some 2 million more people were unemployed than the year before. Inflation rose by more than 50% and real wages plummeted by 20%. Consumers could not meet housing and car payments. Companies, like leaves in autumn, were falling into bankruptcy. It would cost 5 to 10% of GDP--perhaps up to \$30 billion--for the government to buy out bad loans from commercial banks. More than 800 crimes were reported daily in Mexico City, double the number in 1994.⁽³⁾

1.2 Reactions to Peso crisis in Mexico

There are at least two important reactions to the currency crisis in Mexico. One is the Barzon Movement (the Debtors' Movement) begun in rural Mexico in rural in 1993. The movement started before the devaluation of the Peso and spread throughout the urban middle classes by mid-1995. At that moment the Barzon movement becomes a new civic expression against neoliberalism in Mexico. The other reaction is the strengthening of opposition parties.

1.2.1 The Barzon Movement ⁽⁴⁾

The Barzon or the debtors' movement, which had been originated in the state of Jalisco, central Mexico, is now a nationwide movement. In fact, the Barzon started from a rural movement, in the agricultural sector where the problem of non performing loans had already reached a very serious point by 1993 - before NAFTA and before the devaluation.⁽⁵⁾

In early spring 1993, a group of small farmers and rural -commune members in the town of Autlan got together to defend themselves against the local banks that were preparing to repossess their land. This debtors' alliance quickly spread throughout the state of Jalisco.

In August of the same year, about 500 barzonistas attracted the national attention by walking or driving their tractors to the main plaza in Guadalajara, the capital of Jalisco, and announcing that they had come to negotiate with the authorities. The authorities refused to receive them, so the barzonistas stepped up the pace of their protest, using their tractors to block the highway between Guadalajara and Chapala.⁽⁶⁾ This was their first political action. To pull out the tractors and put them into the streets, took the economic problem out of the cabinet discussions and out into the streets. This also brought together people who were not previously allied or even sympathetic to one another.⁽⁷⁾ In November, they aimed their tractors southward, toward Mexico City. Federal authorities stopped the barzonistas and arrested their leader, claiming violation of federal highway regulations.⁽⁸⁾ The group has maintained their campaign in the public eye, staging sit-ins in municipal palace, courtrooms, bank offices, manufacturing plants and other key locales.⁽⁹⁾ Throughout 1994, the barzonistas extended their geographical reach in 19 of the country's 32 states.⁽¹⁰⁾ Since then the Barzon has rapidly become a national movement.⁽¹¹⁾

In the early stages, the movement represented rural producers who suffered because of overvalued currency rates that made their goods less competitive on the domestic market.⁽¹²⁾ After NAFTA, Mexican agriculture, including the vast fabric of peasant farmers who worked millions of small plots organized as communal lands, underwent an upheaval. Price controls and direct subsidies were being withdrawn while markets were opened to cheaper foreign imports, especially American corn. By 1995, Mexico was importing more than nine million tons of basic grains, one third of its domestic consumption, while the price supports for tortilla producers were steadily reduced. A country of small farmers that had once been a net exporter of foodstuffs was becoming dependent on the large-scale, capital-intensive agriculture from the north.⁽¹³⁾

In early 1995 at the height of the financial crisis, the interest rates had tripled and reached 100% and more. A \$500 business loan became a \$1,000 liability in a year's time, and then \$ 1,500 if the client did not pay on time. The interest accumulated under these conditions sent even successful businessmen into bankruptcy.⁽¹⁴⁾ Under these circumstances, many Mexicans, farmers, landowners, small businessmen, middle and upper level market growers(in rural and urban areas), credit card holders, as well as taxi and truck drivers,⁽¹⁵⁾ found themselves suddenly in a common fate - i.e. bankrupt. ⁽¹⁶⁾ In other words, debt results as a socio-political unifier.⁽¹⁷⁾

It is reported that there are approximately 40 million Mexicans with non performing loans. According to a Salomon Brothers' study in 1996, the 12 largest Mexican banks have about 30% of non performing

loans.⁽¹⁸⁾ For example, about 20% of Mexican housing mortgages were no longer being paid.⁽¹⁹⁾ Approximately 250,000 car loans or 30% of the total were non performing loans ⁽²⁰⁾.

It was estimated that the size of the organization under the Barzon umbrella varies between 500,000 and a million members. In this sense, the Barzon has developed from a local (farmers) movement to a national (and urban middle class) movement, or from El Barzon (in 1993) to El Nuevo Barzon (in 1995).⁽²¹⁾ The national organization of the Barzon incorporated its first national congress in June 1995 as the Civil Association Representing the National Union of Agricultural and Livestock Producers, Businesspeople, Industrialists, and Service Providers.⁽²²⁾ This was also the first national meeting of what was then called “El Nuevo Barzon” or the New Barzon -distinguishing itself from the farmers-only movement that had originated the name in Guadalajara in August 1993. In another interpretation, the Barzon is called the entrepreneur revolt.⁽²³⁾

The Barzon has been able to organize protests around the country because these protests are remarkably functional. In fact, the Barzon encourages people to fight back rather than take their lives or torch their homes. For example, as part of the demonstration, if the bank takes their house, the Barzon will open the door and occupy it. If they take a tractor, the Barzon reclaim it and put it into work.⁽²⁴⁾ The barzonistas have even occupied the banks, but the government could not use force to demobilize the protest.⁽²⁵⁾ On legal action, the Barzon protected members’ houses, machinery, cars, stores and farms from the banks through three types of actions. A lawyer preparing documents and financial testimonies will go side by side with public protests and financial and or production advice. Each component alone was insufficient to block the bank branches’ legal teams and repossessors.⁽²⁶⁾ The Barzon have engaged the services of nearly 500 Mexican lawyers and presently have a total of 350,000 cases pending in the courts.⁽²⁷⁾ All in all, the barzonistas say that through court action, they have saved nearly 12,000 properties from the auctioneer’s gavel.⁽²⁸⁾

The Barzon’s offices is arranged like a service center for desperate people. One office was for small-business people, another for truckers, another for the homeowners with failed mortgages.⁽²⁹⁾

Above all, the barzonistas have been relatively well-treated by the Mexican federal authorities in comparison to other movements in the past. The reason for this is partly due to the fact that the debtors are generally well-educated, well-connected, and until recently, fairly prosperous. The brief history of two important leaders will be discussed here.

The first Barzon group was organized by Maximiano Barbosa, a young militant of the ruling PRI, who was born in the village of Casimiro Castillo, 25 miles from Autlan. Barbosa cultivated sugar cane, corn, and cantaloupe in about 500 acres of watermelon for export to the United States. When the economic crisis rolled over Mexico, rising fuel, water and fertilizer prices coupled with government controlled sugar cane and corn prices, forced him to sell off various plots of land to settle his debts with the banks. When the El Niño washed out all his crops in early 1993 and reduced him to his last and original farm, Barbosa became an overnight militant and the organizer of the Barzon.⁽³⁰⁾

Another important leader of the Barzon is Juan Jose Quirino Salas from the PRD. He is a native Zacatecas farmer, rancher, and owner of an English-language school . Better educated than the average rancher, Quirino holds a master’s degree in Economics from Mexico National Autonomous University. Quirino, whose own debts have fallen into the non performing loan category, tutored the original barzonistas on the terms of their debts.⁽³²⁾ Before his business dealings began to wind down he also traded in grains, fertilizers, cheese, and cattle, interests which he says he could no longer afford to pursue, since he had exhausted his working capital and still owes the banks some \$300,000.⁽³²⁾

It is worth noting that the Barzon’s way of framing its campaign, its membership, and the debt issue helps in explaining why the movement was able to recruit members so rapidly. The organization is quite large because there are so many debtors who need ongoing help in fighting repossession. It is likely that as debt remains a crisis, the organization will gain support from the debtors who see the Barzon as the only

means of retaining possession of their properties.⁽³³⁾ As the Barzon movements grew in number and aggressiveness, its demands for selective protection, demand stimulus to industry, and fiscal relief were echoed by a diversity of groups: business associations long linked to the rich, peasant organizations long linked to the poor, and the Catholic hierarchy, long linked to all classes in Mexico.⁽³⁴⁾ In this sense, the Barzon, the organization that cuts across all classes of Mexican people, is a citizen front,⁽³⁵⁾ a new form of civic movement,⁽³⁶⁾ or a historic bloc in a Gramscian perspective.

Of equal importance, beyond making indebtedness and bankruptcy respectable as well as creating the “culture of nonpayment,”⁽³⁷⁾ the Barzon cultivated alliances and public sympathies that put the organization at the forefront of a broad coalition of civil groups that were opposing the government’s economic policies.⁽³⁸⁾ The movement voices a broad discontent with neoliberal policies.⁽³⁹⁾ and calls for a platform of national economic policy which most closely match the principles of Keynesian demand management.⁽⁴⁰⁾ The Barzon leaders also identified technocratism and greed as sources of evil in the society. Instead, they propose new social values as patriotism and Catholicism.⁽⁴¹⁾

1.2.2 The Strengthening of the opposition parties

Until recently, the opposition parties performed a stabilizing function in the Mexican political system.⁽⁴²⁾ But it seemed that the elections of July 6, 1997 changed Mexican politics probably forever, after the domination of the ruling Partido Revolucionario Institucional (PRI) since 1929. Congress will be transformed from a rubber-stamp, subordinate entity, into a testing ground for democratic politics. Mexico’s Nobel laureate Octavio Paz noted that the elections were a triumph for the Mexican people.⁽⁴³⁾

Table 1: The congressional make-up, 1994 and 1997.

	1994			1997		
	Total	Directly elected	Proportional	Total	Directly elected	proportional
PRI	300	273	27	240	163	77
PAN	119	20	99	121	65	56
PRD	71	7	64	124	71	53
PT	10	0	10	7	1	6
PV	0			8	0	8

Note : PT : Partido del Trabajo ; PV : Partido Vertido Verde Ecologista Mexicano
 Source : MEXICO & NAFTA Report, 12 August 1997, p.2.

It is also worth noting that the PRI's share of votes had dropped with each presidential election. The votes fell from 84% in 1964 to 80% in 1970 and 1976, 69% in 1982, 50% in 1988, and 48.8 % in 1994.⁽⁴⁴⁾ During the 1994 elections, the PRI was losing ground in almost every other corner of society. Urban Mexicans, who were rapidly becoming the majority of the population, had voted for the PRI in much smaller numbers than residents of rural areas.⁽⁴⁵⁾ Even in rural areas, however, the PRI's safe vote continues to erode. (w.a.c,96,p.64) Meanwhile, well-educated Mexicans as well as Mexicans working for the private sector had voted for the PAN (Partido de Accion Nacional).⁽⁴⁶⁾

The PRI was punished for a multiplicity of sins. Apart from the worst financial crisis in 1994, two other critical issues should be raised here.

1) *Political murder of 1994*

On March 23,1994, Luis Donaldo Colosio, a presidential candidate from the PRI, was assassinated in Tijuana.⁽⁴⁷⁾ The Colosio assassination frightened investors as well.⁽⁴⁸⁾ And on September 28, 1994, Jose Francisco Ruiz Massieu, who was serving as Secretary General of the PRI in late 1994 and a close friend and former in-law of President Carlos Salinas, was assassinated in downtown Mexico City.⁽⁴⁹⁾ It was reported that on November 23, 1995, more than \$1.5 billion left the country after Mario Ruiz Massieu's resign from Deputy Attorney General and his renunciation of high- level participation in the cover-up of his brother's assassination. This amount was much more than had been withdrawn from the banking system after the Colosio and Jose Francisco Ruiz Massieu murders.⁽⁵⁰⁾

Whatever the truth about these political assassination, the basis of legitimacy of the ruling party was severely undermined, not only with the population in general, but with businessmen. What is critical, however, is political credibility.

2) *Political credibility* a) *Salinas' scandal*

On February 28,1995, Raul Salinas, brother of Former President Carlos Salinas was arrested in connection with assassination of Ruiz Massieu.⁽⁵¹⁾

The accusation of the PRI spent the equivalent of \$65 million, nearly fifty-nine times its legal campaign-spending ceiling for the 1994 election.⁽⁵²⁾

Politics within the PRI included disputes over mundane issues such as ownership of a cornmeal plant in Guerrero or the vacation conflicts of Jose Francisco Ruiz Massieu and Adriana Salinas's fifteen-year-old daughter.⁽⁵³⁾

All in all, the economic crisis coupled with political scandal ruined Salinas's reputation. One public opinion poll in March 1995 revealed that 83% of the Mexican people had "no confidence" in Carlos Salinas, the 'would be' modernizer of Mexico. Salinas had become so unpopular and had finally been forced to withdraw his candidacy for the directorship of the World Trade Organization.⁽⁵⁴⁾ In one political scientist's opinion, the decay of Mexico's ruling elite- the stories of brutal internal fighting that emerged in the aftermath of Raul Salinas's arrest- is an inevitable process akin to biological decay.⁽⁵⁵⁾

2) Zedillo's lack of leadership

One of the main problems that the PRI is facing today is a lack of strong leadership. This is quite true for Ernesto Zedillo who was the substitute candidate after the assassination of presidential candidate Luis Donaldo Colosio. Another fact was that those who voted for him in the August 1994 election were voting for Salinas.⁽⁵⁶⁾ The president's lack of a strong base of support in the PRI hampered the government's capacity to handle a new round of economic crisis.⁽⁵⁷⁾ The crisis, however, undermined the popularity of economic reform. A national survey in January 1995 revealed a strong opinion against the neoliberal economic reform - 29% of the respondents wanted it to be discarded.⁽⁵⁸⁾ Moreover, a survey in March 1995, declared a widespread picture of deterioration of national well-being. 89% said that economic conditions were worse, while 52% agreed that political conditions were worse, and 48% thought that social conditions were worse.⁽⁵⁹⁾ A poll of Mexico City residents conducted six months after the August 1994 elections showed that only 20% of them would vote again for the PRI if new election were held today. The remainder revealed their preference by dividing their votes for the PAN, the PRD and some smaller parties.⁽⁶⁰⁾

In sum, Ernesto Zedillo's approval rating had dropped from 53% in March 1995 to 31% in June 1995.⁽⁶¹⁾

2. Reactions to currency crisis in Thailand

2.1 Brief background of the Floating of Baht in July 1997

On July 2, the Bank of Thailand announced the elimination of the basket mechanism in favor of a managed float. The Baht promptly dropped by 15-20% in value against the dollar.⁽⁶²⁾

Asian economies, especially those in ASEAN and South Korea, became embroiled in the financial crisis that came from Thailand.⁽⁶³⁾

The main reasons for the crisis were:⁽⁶⁴⁾

1. Huge deficits in the current account:

- Thailand's deficit was 8% of GDP in 1995 and 7.9% in 1996.
- The export growth rate decreased from 23.6% in 1995 to zero in 1996.
- The deficit caused the country to rely heavily on external borrowing.

2. Excessive external debt:

- It is estimated that in 1997 the country's external debt was approximately \$99 billion, or about 55% of GDP.
- The majority of this debt was private debt, approximately \$71.7 billion, while the public debt was \$27.3 billion.
- The debt service ratio of the country had increased from 11.4% in 1994 to 15.5% in 1997.

3. Exchange rate mismanagement:

- With a fixed exchange rate and the liberalization of international capital flows, foreign money poured into the country attracted by high interest rates.
- The Baht became overvalued against other currencies, in particular the US dollar.
- About 80% of the basket of currency was in US dollars.

4. Political instability:

- Chavalit Yongchaiyudh's administration, which came to power after the 1996 November election, performed poorly in economic management. Its economic teams lacked a common goal, and failed to deal with mismanagement by the technocrats, in particular, the Bank of Thailand.
- confidence of foreign and domestic investors slipped away and the economy continued to worsen.

2.2 Reactions to currency crisis in Thailand

In Thailand, following the floating of the Baht in July 1997, there were three crucial reactions. The first was the Mop of the Rich (by the urban upper middle class) against Chavalit Yongchaiyudh's coalition government for mismanagement of the country's economy. Secondly, the "Save the Nation Fund" (kong boon Kuu chart) was instigated by an outspoken Buddhist monk, Phra Phayom Kalyano of Wat Suan Kaew, Nonthaburi. This reveals the Buddhist monks' role in a time of crisis : *without the nation, Buddhism cannot survive*. In addition, it introduces a new concept of "merit making" (karn tam boon) which states that, instead of making a merit for the next life one should donate to help the nation in this life. Thirdly, "Self-Reliance" emerges as an alternative development paradigm enlightened by The King, who has a "Paternal role" as the one people trust and listen to.

2.2.1 *Mob of the Rich*

Thailand had launched her first economic development plan in 1961.

Thirty-five years later, the National Economic and Social Development Board (NESDB) reports the following results of success. The Thai economy had performed relatively well with an average GDP growth rate of over 9 % per annum during the past decades.

However, behind this spectacular economic prosperity of the country lies the disparity of political development. During 1969-1996, there were more than 10 elections. After the new constitution of 1969, numbers of businessmen had occupied the majority of seats in the Assembly, and they also came to dominate seats in the cabinet.⁽⁶⁵⁾

Of course, these elections had drawn Thai politics into a new scenario: the declining influence of the bureaucratic power, the increasing participation of business interests in the political process, and also the wide spread use of money in political campaigns (money politics). However, the role of the Thai middle class seems to be marginal. This also includes “Mob Silom” or the “Mob of the Rich” during October 20-22, 1997. It was reported that the main cause of the demonstration against General Chavalit Yongchaiyudh, the Prime Minister, was the suspense of 16 finance companies in June 1997 and another 42 finance companies in August 1997, consecutively. In December 1997, 56 of them were closed permanently. In this sense, the rising concern that the rich are getting richer through connections to the power politics was not true, at least during the Chavalit’s regime.

The Rak Chart-Rak Prachattippatai Group (Love the Nation and Love Democracy), a group of businessmen and academics, began to protest on October 20, 1997 at Silom Road (the Wall Street of Thailand) which ended in a mass street demonstration. It is interesting to note that the middle-class gathered on those days was the largest rally since Black May 1992. Office workers poured on to Silom Road to join businessmen, academics, students and the general public in front of Bangkok Bank headquarters. Protesters used parts of an elevated train site as a stage, taking turns to call on General Chavalit Yongchaiyudh to step down or by using his nickname “Jiew” (High ranking Thai soldier) shouting “Big Jiew go.” This time it was not a protest against authoritarian regimes, like October 14, 1973 or May 17-20, 1992, but against a democratic government. Protesters held placards condemning layoffs, rising valid prices and the role of the International Monetary Fund (IMF) in the economic bail-out attempt. But General Chavalit was the main focus in the opinion of the protesters due to his mismanagement of the economy and bringing disaster to the once-booming economy and ruining prospects for their children. His departure was the only cure for the economy. In the afternoon, the number of protesters increased from a few hundred before noon to about 6,000. The southern side of Silom street was closed to traffic as the crowd grew.⁽⁶⁶⁾

On October 22, 1997, the number of demonstrators rallied to move to the Government House. The numbers increased when protesters from labor unions joined. Anti-Chavalit protests were also held in Chiangmai (Northern Thailand) and Nakorn Ratchasima (Northeastern Thailand), as well as some other provinces⁽⁶⁷⁾.

The mass demonstrations in October 20-22, 1997 differed significantly from the demonstration in May 1992 which was called “Mob mue teu” (or “hand-phone Mob”) and “Mob rot keng” (or “automobile mob”) in which the majority of them were “middle class.”⁽⁶⁸⁾ Protesters arrived at the demonstration site well-dressed and with portable phones.

On the day of October 21, 1997, Pujadkarn Newspaper (The Manager) conducted a survey of 205 samples at the demonstration in Silom street. The survey reported that the majority of the demonstrators were from high-class or upper middle class backgrounds. In terms of income, 17.50% received less than 10,000 baht/month; 47.70 between 10,000-50,000 baht; 15.10% between 50,000-100,000 baht; 4.80 % received between 100,000-1,000,000 baht; 6.70% between 1-10 million baht; and 3.40% above 10,000,000 baht. In terms of literacy, 39.00% had a B.A. degree, and 21.50% had a higher degree. More than 40% of the total

samples comprised salaried workers in the private sector and business owners. The remainder included salaried workers in private sectors (37%), civil servants (10%) and students (3%). It was reported also that more than 50 local businessmen had joined the Silom protest and more would join in. That was why the character of the “Mob” was reported as “Mob kon ruay” or “Mob of the rich.” They included business executive office workers and the educated.⁽⁶⁹⁾

The active participation of demonstrators from upper urban middle class or “Mob of the Rich” in October 20-22, 1997 was a new kind of political event in Thai history. It reflected not only how serious the economic problem of the country was, but also that people lacked faith in the government. The government failure stemmed partly from disunity within the coalition. Political instability caused further damage to investors’ confidence in the economy.

Meanwhile, democracy groups including the Campaign for People Democracy and Students’ Federation of Thailand, sought General Chavalit’s confirmation to speed up legislation of the three organic laws in one month, dissolve the House of Representatives and call for a clean election.⁽⁷⁰⁾

It is not exaggeration to say that if the student uprising of October 14, 1973 and the Black May 1992 can be interpreted as part of a continuing process in the political participation of the “middle class,” then the case of “Mob of the Rich” during October 20-22, 1997 should be included as well. However, it is only after the “bubble” economy burst, that can it be seen in the context of Thai politics.

2.2.2 Save the Nation Fund (Kong Boon Kuu Chart)

The image of South Korean housewives waving one-dollar bills to be donated to help save their country from financial collapse might appear odd to foreigners familiar with Koreans’ nationalistic nature. Similarly, patriotic fervor that the Thai people should help themselves is starting to gain momentum.

On December 19, 1997, Phra Phayom Kalyano, the outspoken abbot of Wat Suan Kaew, Nonthaburi, announced that he would donate his meager income of 1,000 baht/month for one year to help the country in its struggle to overcome the crisis. He also called on his monk colleagues and fellow countrymen to make similar sacrifices. He did not think that a little sacrifice from monks would cause any problem as most did not need much more than food and other necessities given by lay people. Phra Phayom is indeed a rather unusual monk. While most of his fellows prefer to distance themselves from secular affairs, he has taken the initiative to campaign for public donations to raise funds to help the country.⁽⁷¹⁾

According to him, the suffering from the currency crisis we are now facing is mainly of our own making. Our bubble economic lifestyle should serve as a valuable lesson that we need to change our enthusiasm for excess and get back to the basics. This includes eating less, spending less and being content with less.⁽⁷²⁾ In addition, Phra Phayom has offered us words of wisdom and relief. There is still hope for life which will continue after the financial shock. In life there is nothing permanent other than death. The wealth we amass today may one day be exhausted. A rich man suddenly can become poor and a pauper can build his fortune. This is one crucial Buddhist perspective in which everything is subject to the law of nature, of change. But man is able to determine his own actions and is responsible for what he does. We can start over again. While the past was no paradise, his present is no hell either. It is what it is and we have to make the best of it. What matters in the national crisis is for Thais to show compassion and help each other as best they can⁽⁷³⁾.

His action reflects the role of Buddhist monks in Thai society, particularly in a time of crisis. As leaders of society, it is the monks who should act first to save the nation.

In fact, it is a group of monks in Chumphon province led by Phra Kru Prasatsaweeket, Abbot of Wat Pan-gun, Sawee district, Chumphon, who announced their Pha Pa⁽⁷⁴⁾ fund raising ceremony to ease the country’s debt to the International Monetary Fund. They planned a Pha-Pa Kuu Chart, “Save the Nation

Fund,” on January 6, 1998. After this event they will expand the same activity to cover other temples in Chumphon and the Southern region. It is expected that this pilot Pha Pa will collect about 2 million baht (or about US\$ 50,000). In his original thought, Phra Kru Prasatsaweeket believes that if each Thai donates one dollar, the government will get about 60 million dollars. This can pay for some part of the IMF’s debt.⁽⁷⁵⁾

However, it is Phra Phayom Kalyano who coordinates fund raising at a national level. The fund-raising campaign has attracted widespread interest among local Thais and Thais overseas. Phra Phayom said that he had received 200 pledges of more than 100,000 baht the day after he announced the setting up of a fund for national recovery. Donations would be received until February 28, 1997. After which the proceeds would be given to the Finance Ministry.⁽⁷⁶⁾

A few days later, the Chuan Leekpai government had set up the “Thais help Thais” panel following initiatives from the monks. Ministers agreed to establish a committee, headed by Prime Ministry’s Office Minister Supatra Masdit, to oversee donations from people who wanted to help pay off the IMF’s debt. They called for the public to donate cash, gold and US dollars to a number of centers have been set up to collect donations to help the country’s economy. The government owned Saving Bank also plans to contribute at least 100 million baht while the Finance Ministry will issue bonds abroad to mobilize funds from oversea Thais.⁽⁷⁷⁾ But still this will not help much to address the country’s economic debt. The deeper intention is to stir the patriotic spirit, to encourage Thais to come forward, and with each other’s help pull the country up from the depth of the economic downturn. While patriotism gains momentum, it is indeed sad that compassion is poorly lacking among many businessmen who are partly the cause of the debt crisis⁽⁷⁸⁾.

The soliciting of donations from the public, initiated by monks, confirms the role of monks in a time of crisis. It shows a social responsiveness and cultural leadership of the monks. On the other hand, many monks are busy competing to build bigger temples and Buddha images, or cashing in on superstitions to fatten their personal accounts.⁽⁷⁹⁾ In contrast, Buddha, teaches that we must tackle the roots of suffering which are manifested here on earth. It also makes a critique of consumerism and greed which are major values in Thai society and even in the Buddhist Sangha.

2.2.3 Self Reliance as an alternative development paradigm: A Great Leap Backward

It was during the crisis that the King’s delivered a speech on the evening of December 4, 1997 to a crowd of well-wishers on his 70th birthday. The speech hit at the root causes of the country’s worst economic difficulty since the Second World War. The economic meltdown after the financial crisis seemed also to be the best time for Thai people to have a second thought on partial development. As an attempt to ‘turn the crisis into an opportunity,’ the most important part of the King’s speech was to call Thai people to opt for self-reliance:⁽⁸⁰⁾

"Correcting mistakes of the past would not be easy and would need a lot of time. But a change to a self-sufficient economy would help better the situation."

"It was not important for Thailand to become an economic tiger. What mattered was Thais should live with that would make them have enough to eat and capable of supporting themselves financially."

"People should produce to have enough for their own consumption first, and then they could sell the rest."

"Production with the aim of making local communities self-sufficient that would help pull Thailand out of current crisis."

To get a better understanding of the King's message, it is necessary to assess the negative impact of economic development during the last three decades. This task would seem possible to use in an indirect way. Suffice it to say, economic development brings only certain wealth to the economy but without changing the whole structure of production relations. Three aspects of social development indicators will be raised here.

1) Poverty and Income Disparity

Despite the rapid growth brought about by high investments in the modern sector, such successes in growth did not contribute much to any significant improvement in the living conditions and welfare of the masses, particularly of those in the rural areas. Thus, after more than three decades of attempts at economic development in Thailand an unprecedented crisis emerged. For the majority of the farmers the crisis represents an immediate struggle for material survival, as well as a day-to-day confrontation with an array of agents and structures of exploitation, such as repression from local mafias, officials and village elites. In other words, poverty, indebtedness, low productivity, and malnutrition, as well as environment degradation are still among the major problems facing Thai farmers everyday. The penetration of a world capitalist economy tends to wear away the practice of traditional cooperative agriculture. This altered pattern of labor brought disadvantages to most farmers. Also commercialization and technology, imposed on the village by the state policy, undermined the moral basis of a farmer society. The majority of farmers see the accumulation of great wealth as a sign of selfishness, not success. To sum up, the economic development strategy of the Thai state has siphoned off village capital and natural resources, narrowed farmer economic choices, and contributed to discontent.

We will now put a little more statistical flesh on some of the above remarkable points. Table 2 details about poverty lines and poverty incidence during 1975-6 to 1988. Table 3 summarizes income inequality between the agricultural and non-agricultural sectors, while Table 4 illustrates income distribution during 1975-1991.

2) Environment Degradation and Pollution

The development pattern of the Thai economy, with high emphasis on economic growth favoring the urban and industry sector, has certainly brought about a significant impact on the agricultural sector. Of equal importance, the agricultural diversification has been accompanied by increasing destruction of the country's rich natural resources and rapid deterioration of the environment, in particular the massive degradation of forests, agricultural land and mangroves. In the last 30 years, as shown in Table 5 forest areas have been decreasing tremendously by about 50 per cent. And at the beginning of the 1990s the proportion of forest areas to total land area was reduced from

53.3 % to only 26.5%. This means that the increase in agricultural productions was made possible mainly through expansion of the area planted. This has resulted in an extensive loss of forest areas. Land was also turned over to non-crop production activities, in particular,

mangroves for shrimp farming. It was reported that during 1961-1989, mangroves area in Thailand had been decreased more than 50%. There were 2.3 million rai or about 0.73% of total area in 1961, while in 1989, there were only 1.1 million rai or 0.35 % of total area. In 1989, shrimp farming had expanded to cover 23 coastal provinces with about 75,000 metric tons of total export volume worth of 16,000 million baht.⁽⁸¹⁾

Industrialization and high income growth have no doubt made possible the substantial health improvements that Thailand has seen over the last three decades. However specific problems arise with the rapid growth of industries. Thai industrial expansion and heavy concentration in Bangkok have taken a heavy toll in terms of pollution and traffic congestion which is clearly evident in Thailand's capital city. Less obvious however is the inexorable toll, over 50% of the 52,000 factories and 23 industrial estates in the country, generating three quarters of manufacturing GDP and industrial waste. Analysis of promoted industries shows that the share of hazardous-waste-generating industries increased from 25% in 1987 to almost 60% in 1990. The largest quantity of hazardous waste originates from the manufacturing sector, which accounts for 90% of all such waste in the country. Industrial hazardous waste was estimated to be about two million tons in the early 1990s and is projected to grow to six million tons by the year 2000. Current biochemical oxygen demand (BOD) from industrial sources is estimated at 0.5 million tons and is expected to reach two million tons by the year 2010. Other pollutants in the form of air pollutants, gas emissions, noise levels, dust and particles have localized effects, but these can become quite serious. A high concentration of lead in the air, for example, can pose considerable health problems.⁽⁸²⁾

3) Education, Health and Human Resource Development

As exports of medium-high technology products are booming, Thailand's comparative advantage in labor intensive manufactured exports is coming to an end. This structural change will create numerous problems as about 80 per cent of the country's workforce possess only primary education or less, as illustrated in Table 6. The link between economic development and industrialization with education in Thailand seems to be a rather unusual one. The notion that expanded education is both a cause and consequence of economic development only has weak support from the evidence for Thailand,⁽⁸³⁾ as shown in Table 7. Labor force statistics show that only 30% of children are enrolled in secondary education, and only 10% of children from rural areas enter secondary schools after six years of primary education, usually at the age of 11. As a result of rural poverty these rural children are sent to work in cities to supplement the family income. The existence of illegal child labor is well-known. Children who do not work in factories have often ended up as street children, or even worse as prostitutes (both girls and boys). With an estimated 500,000 prostitutes in the country, about 0.5 % of the total or 2,500 are child prostitutes (under 15 years), while 50% or 250,000 were between are 15 and 19 years old. 90% have migrated from rural areas, with mainly 62% coming from the north.⁽⁸⁴⁾ Statistics on child labor is set forth in Table 8.

Still, the most serious health problem relating to human resources in the service sector and the tourism industry in particular is AIDs. It is believed that the spread of this disease in Thailand started with the tourist industry. AIDS may have a greater economic impact than other diseases because it primarily affects adults in their most economically productive years. A conservative estimate is that by the year 2000 at least two million Thais will be infected with HIV, if the annual rate of increase can be decreased by 1994. However, if slowing down does not occur until 1996, about 3.4 million Thais can be expected to be infected by the year 2000.⁽⁸⁵⁾

The success of the Thai economy, as illustrated by its tremendous growth and development since the second half of the 1980s was well perceived as Thailand is approaching NIC status or "the Fifth tiger". This section will briefly mention some of the adverse affects of economic growth, in particular industrialization, and will note some of the factors that may inhibit sustainable development in the future. These examples plus the present situation of growing welfare inequality leads one to believe that every development has its own cost, including industrialization and modernization.

In fact, self-reliance, cooperation, simplicity of lifestyle, harmony between culture and nature, and a spiritual orientation are seen as central to traditional rural Thai life, as well as valuable models for present practices and for direction of social change among Thai NGOs.

The Thai NGOs seek an alternative paradigm of development focusing on self-reliance against the capitalist or industrialized path⁽⁸⁶⁾. Therefore, under the circumstance of economic crisis, self-reliance wins wide support, in particular from grassroots people. For example, the Interior Ministry will set up a committee, including the interior ministry, academics and non-governmental organizations, to translate His Majesty's idea into plans of action.⁽⁸⁷⁾

Table 2 Poverty lines and poverty incidence, 1975-76 to 1988.

	1975-76	1981	1986	1988
<i>Poverty line (baht per person per year):</i>				
Urban	2,961	5,151	5,834	6,203
Rural	1,981	3,454	3,823	4,076
<i>Poverty incidence (%)</i>				
By community type				
All municipal areas	12.5	7.5	5.9	6.1
All sanitary district areas	14.8	13.5	18.6	12.2
All villages	36.2	27.3	35.8	26.3
By region:				
North	33.2	21.5	25.5	19.9
North-east	44.9	35.9	48.2	34.6
Centre	13.0	13.6	15.6	12.9
South	30.7	20.4	27.2	19.4
Bangkok and vicinity	7.8	3.9	3.5	3.5
Whole kingdom	30.0	23.0	29.5	21.2

Source: Pranee, 1995, p.224.

Table 3 Income inequality between the agricultural and non-agricultural sectors.

Unit : baht/year

Year	agricultural	non-agricultural	ratio of agricultural to non-agricultural
1972	1,552	12,069	1:7.78
1977	3,311	22,197	1:6.71
1982	4,750	39,995	1:8.42
1987	5,907	55,284	1:9.36
1991	8,836	101,712	1:11.52

Source: Thanwa 1995, p.153.

Table 4 : Income share of population by quintiles, 1975-1991.

(per cent)

	1975/6	1980/81	1985/86	1988/89	1990/91
Richest 20%	49.26	51.47	55.63	55.01	56.48
Next richest 20%	20.96	20.64	19.86	20.30	20.11
Middle 20%	14.00	13.38	12.09	12.20	11.92
Next poorest 20%	9.73	9.10	7.87	7.98	7.44
Poorest 20%	6.05	5.41	4.55	4.51	4.05
Richest 40%	70.22	72.11	75.49	75.31	76.59
Poorest 60%	29.78	27.89	24.51	24.69	23.41

Source: Thailand Development Research Institute, 1993.

Table 5 Forest areas of Thailand, 1961-1991

Year	Total Land	Forest Land	(million baht)
			Forest land/Total land (%)
1961	320.70	175.19	54.63
1962	320.70	172.31	53.73
1963	320.70	169.60	52.88
1964	320.70	166.70	51.98
1965	320.70	163.93	51.12
1966	320.70	160.23	49.96
1967	320.70	156.48	48.79
1968	320.70	152.80	47.65
1969	320.70	149.10	46.49
1970	320.70	145.42	45.34
1971	320.70	141.88	44.34
1972	320.70	138.32	43.13
1973	320.70	134.71	42.01
1974	320.70	134.56	41.96
1975	320.70	130.76	40.77
1976	320.70	124.01	38.67
1977	320.70	116.57	36.35
1978	320.70	109.52	34.15
1979	320.70	106.39	33.17
1980	320.70	103.42	32.25
1981	320.70	100.58	31.36
1982	320.70	97.88	30.52
1983	320.70	96.27	30.02
1984	320.70	94.70	29.53
1985	320.70	93.16	29.05
1986	320.70	91.65	28.58
1987	320.70	90.77	28.30
1988	320.70	89.88	28.03
1989	320.70	89.63	27.95
1990	320.70	87.48	27.28
1991	320.70	85.43	26.64

Source: Office of Agricultural Economics, *Agricultural Statistics of Thailand*, various issues.

Table 6 Composition of employees by education, 1977-1990.

Year	(per cent)					Total
	no education/ elementary	secondary and short course vocational	vocational	university	teacher training	
1977	93.0	4.0	1.1	0.8	1.2	100
1978	92.6	4.3	1.0	0.8	1.3	100
1979	91.8	4.4	1.3	1.1	1.5	100
1980	91.6	4.6	1.3	1.1	1.5	100
1981	90.9	4.8	1.4	1.2	1.7	100
1982	89.9	5.2	1.6	1.3	2.0	100
1983	88.5	5.6	1.8	1.9	2.2	100

1984	88.6	5.6	2.1	1.7	2.0	100
1985	87.9	6.3	2.0	2.0	1.9	100
1986	86.0	7.1	2.3	2.5	2.0	100
1987	84.8	7.8	2.6	2.7	2.2	100
1988	84.3	8.0	2.5	3.3	1.9	100
1989	84.5	8.2	2.3	3.3	1.7	100
1990	83.8	8.4	2.5	3.5	1.8	100

Source: Kitti, 1994, p.98.

Table 7 Shares of workforce with primary education or less: selected countries

Country	Per cent of work force
Thailand (1990)	83.0
Republic of Korea (1980)	49.1
Taiwan (1980)	44.0
Singapore (1980)	62.7
China (1982)	71.3
Malaysia (1980)	58.4
Philippines (1980)	56.5

Source : Sirilaksana, 1995, p.303.

Table 8 Number of child population, child labor force & child employment for the entire Kingdom.

(Unit: 1,000)

Age	Child Population		Child Labor Force		Number of Employed	
	Male	Female	Male	Female	Male	Female
13-14	1,253.9	1,213.5	458.6	507.5	449.9	491.6
15-19	3,129.4	3,014.3	2,229.2	2,176.0	2,160.5	2,110.0
Total	4,383.3	4,227.8	2,687.8	2,683.5	2,610.4	2,601.6

Source: Chuta, 1994, p.133.

3. A Comparative Perspective

From the analysis of reactions to currency crises in Mexico and Thailand, we can compare and contrast the Barzon Movement and Self-Reliance Movement as the following:

The Barzon Movement (Mexico) Self-reliance Movement (Thailand)

Political Aspect	Active resistance -new civic movement (existing popular front)	Passive resistance -NGOs, rural people, etc..
Economic Aspect	New development model vs. Neoliberalism	Self-sufficiency vs. Industrialization
Cultural Aspect	Catholicism (usury) vs. Greed	Buddhism (Spiritual) vs. Greed (material)

In sum, it is not exaggerated to say that what makes these two movements different are their cultures, in particular, political cultures.

Notes

1. Smith, 1998, pp.31-32.
2. For more detail analysis on this account, see Kim, 1998; Lustig, 1995.
3. Weintraub, 1996, p.6.
4. In popular usage in Mexico, the Barzon refers to the yoke of debt.(Greider, 1997)
5. Greider, 1997, p.266.
6. Ibid; Senzek, 1997.
7. Greider, 1997, p.266.
8. Senzek, 1997.
9. Ibid.
10. Wheat, 1996, p.23.
11. Ibid.
12. Williams, 1996, p.20.
13. Greider, 1997, p.272.
14. Williams, 1996, p.7.
15. Ibid, p.10 and p.19.
16. Ibid, p.27.
17. Ibid., p.20
18. Wheat, 1996, p.23.
19. Greider, 1997, p.266.
20. Ibid, p.267.
21. Senzek, 1997.
22. Williams, 1996, p.6.
23. Wheat, 1996, p.22.
24. Ibid.
25. Williams, 1996, p.18.
26. Ibid, p.27.
27. Senzek, 1997.
28. Ibid.
29. Greider, 1997, p.266.
30. Senzek, 1997.
31. Wheat, 1996, p.23.
32. Senzek, 1997.
33. Williams, 1996, p.27.
34. Ibid,p.20.
35. Ibid, p.35.
36. Ibid, p.36.

37. Ibid, p.120.
38. Ibid, p.34.
39. Ibid, p.42.
40. Ibid, p.9.
41. Ibid. p.36.
42. Cornelius, 1996, p.67.
43. Dresser, 1998(a), p.55.
44. Oppenheimer, 1996, p.169.
45. Ibid., p.168.
46. Ibid.
47. Ibid, p.61.
48. Smith, 1998, p.41.
49. Ibid., p.36.
50. Oppenheimer, 1996, pp.189-190.
51. Ibid., p.183.
52. Ibid., p.268.
53. Ibid., p.316.
54. Smith, 1998, pp.45-46.
55. Oppenheimer, 1996, p.316.
56. Smith, 1998, p.37.
57. Dresser, 1998(b), p.69.
58. Smith, 1998, p.46.
59. Ibid.
60. Cornelius, 1996, p.101.
61. Smith, 1998, p.47.
62. Chiratas,1997, p.19.
63. Thammavit,1997,p.7.
64. Ibid., p.6.
65. Pasuk and Baker, 1995, p.338.
66. Bangkok Post, October 21, 1997,p.1.
67. Pujadkarn(The Manager), October 22, 1997, p.9.
68. For more details, see for example, Pasuk and Sangsidh, 1993, pp.26-28.
69. See Pujadkarn (The Manager), October 22, 1997, p.1 and p.4.
70. Bangkok Post, October 22, 1997, p.1.
71. Bangkok Post, December 19,1997, p.1.
72. Ibid.
73. Bangkok Post, December 23,1997, p.13.
74. Pha Pa is one of the most popular Buddhist merit making ceremonies in Thailand. It stems from the desire to provide monks and novices with extra

robes in order to allow them to spend their time to perform their religious duties freely. Villagers and town-people are nowadays invited to contribute what they have for a Pha Pa ceremony.

75. Matichon Weekly, December 30, 1997, p.10.

76. Bangkok Post, December 22,1997, p.3.

77. Bangkok Post, December 24,1997, p.1.

78. Bangkok Post, December 23,1997, p.1.

79. Bangkok Post, December 23,1997, p.13.

80. Bangkok Post, December 5 ,1997, p.1.

81. For more details, see for example, Kanoksak, 1992, pp.118-121.

82.This part is largely drawn from Sirilaksana,1995, pp.290-292.

83.Ibid, p.302.

84. Suntraree, 1995, p.255.

85. See more details in Sirilaksana, 1995, p.299; pp.301-302.

86. For more details on this account, see an excellent survey of Thai development approaches in Pasuk(1996).

87. Bangkok Post, December 30, 1997, p.3.

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Notes

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