

# The Consequences of Economic Globalization

## Introduction

“Is marginalization a real word?” the proof-reader asked. “Of course it is,” I replied. “Not only that, it’s required ecumenical English. You’ve got to have at least one marginalization in every text.”

It was, admittedly, a dated response. Nowadays the required word is globalization.

The world has moved on and the jargon with it, but the underlying concern remains the same. Injustice. Exclusion. What we are doing to each other and to our planet. And what we as Christians should do about all that.

This issue of *Reformed World* is inspired by two symposia on globalization organized by Warc in November 1999, in partnership with the World Council of Churches. The first symposium, on the consequences of economic globalization, took place in Bangkok, and was hosted by the Church of Christ in Thailand; also involved were the Christian Conference of Asia and the Asian Cultural Forum on Development. The second, on globalization and the Asian crisis, was held in Seoul, with the participation of the Korean Council of Churches.

The longest piece in the issue is the report of the organizing committee for the two symposia, slightly shortened and reorganized.<sup>1</sup> We also print two articles by economists from Thailand and Korea on the impact of the Asian crisis on their countries.

Scattered through the report is the sketch of a Christian theological perspective – even, perhaps, a Reformed theological perspective – on economic globalization and its impact on both people and planet. Our final text, however, is something of a departure for us. For the first time, so far as I know, we publish a piece of Buddhist theological reflection.

It is interesting and, if I may borrow the word, enlightening to watch someone from the Buddhist tradition use the resources of that tradition to grapple with realities with which we as Christians must also grapple. And including this text is, I hope, more than merely a gesture towards our commitment to promote dialogue, not just with other Christian communions, but also with other religions.

*Páraic Réamonn*

## The consequences of economic globalization

### Report on the symposia in Bangkok and Seoul

Impressed by alarming reports from many churches and conferences of churches in the two-thirds world, the 23rd general council of the World Alliance of Reformed Churches (Debrecen, 1997) decided unanimously to “call for a committed process of progressive recognition, education and confession (*processus confessionis*) within all member churches at all levels regarding economic injustice and ecological destruction”.<sup>2</sup> A direct echo of this decision was heard at the 8th general assembly of the World Council of Churches (Harare, 1999). After intensive discussion on the consequences of globalization for the poor indebted countries and the environment as a whole, the assembly expressed its “appreciation” of this Alliance initiative and

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<sup>1</sup> The full report, together with the six messages from the Bangkok symposium, is available from the Warc office and may also be found on our website: [www.warc.ch](http://www.warc.ch)

<sup>2</sup> *Debrecen 1997: Proceedings of the 23rd general council*, ed. Milan Opočenský (Geneva: Warc, 1997), p.198.

decided unanimously to “encourage the WCC member churches to join this process”.<sup>3</sup> On the basis of these two decisions, several contacts took place in 1999 between Warc and WCC staff to find out how they could implement these decisions jointly.

### **The urgency of the task**

Warc and the WCC were moved to cooperate in this programme of work by a deep sense of urgency, rooted in their awareness of the painful consequences of economic globalization as it is now developing and influencing the daily life of almost all the citizens of the world.

The dominant view in the west is that globalization is a factual process of worldwide economic and technological development and increasing international trade, with benefits in which, in principle, all countries may share. Even more often, globalization is described as an inevitable and therefore neutral process of ongoing worldwide modernization to which there are simply no alternatives – so that it does not matter whether you are for it or against it.

For a number of years now, however, Warc and WCC member churches from the two-thirds world have been giving a very different picture of globalization. A stream of messages from the south signal the emergence of a new and bitter reality. This reality, as they report it, consists of:

- many forms of deliberate exclusion of the poor and the weak,
- ruthless competition by and between international concerns,
- the progressive breakdown of education, health care and social welfare provisions, especially affecting women and children;
- an ongoing and sometimes even brutal disrespect for the environment, and
- a sweeping disregard for existing cultural values and social and political institutions.

For these churches, the supposed “neutrality” and “inevitability” of the present dominant global financial, economic and technological processes appears to be a flagrant lie, disguising the real and deliberate choices which are being made in practice:

- the choice of an aggressive style of competition which is oriented to the principle of the survival of the fittest,
- the choice of the self-aggrandisement of the already powerful, and
- the choice of growing intervention in the political, social and cultural domains of other countries, in which the large transnationals and the wealthier countries are aided by the clear partiality of such institutions as the World Trade Organization and the International Monetary Fund.

These churches also mention repeatedly the growing dominance of the financial markets and the turbulence caused by massive capital flows. Capital, they say, can enter your economy freely, but also leave it overnight. It is as destructive as a hurricane, leaving in its wake a trail of bankruptcies, distorted projects, and rapidly increasing poverty, caused by growing unemployment and inflation. The extreme volatility of “global capital” is at the root of the Asian crisis which began in 1997 and continues to this moment. The free movement of capital forms, so to say, the spearhead of the present style of economic globalization. The main effect of this whole globalization project is to lower the barriers for the full entry of western interests and the western type of economy into other economies: in the ruling neoliberal perception of a global economy, all protection of domestic markets in the south has to be abolished. Many in the west see this as good and fruitful in itself, but these churches ask if this is really true. They point, for example, to continuous western commercial efforts to steer the minds of people in the south towards a whole number of new needs, while so many urgent existing needs remain unsatisfied.

Thus the preparatory documents for the 23rd Warc general council speak of a new “colonization of the mind”, made possible by the new western technologies of information and

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<sup>3</sup> *Together on the Way: Official report of the eighth assembly of the World Council of Churches*, ed. Diane Kessler (Geneva: WCC, 1999), p.183.

communication, and warn that this goes along with an increase of materialism, especially among young people.<sup>4</sup> In a similar way, the report of the 8th assembly of the WCC points to how the present capital-led globalization, with its drive towards limitless economic expansion, increases the poverty of the poorest and most indebted nations, and intensifies the conquest of nature in a merciless attack on the integrity of creation.<sup>5</sup>

So two very different and even conflicting pictures of globalization now exist side by side: one positive and the other far more negative. Both are directly related to the daily reality of billions of people, and both clamour for acceptance, inside as well as outside the churches.

Already that simple fact has to alert all Christians around the world. What is really going on here? It seems a historical task for all churches to find out for themselves what is really happening: to seek what is true, and to communicate their findings with all people of good will.

But, of course, there is more at stake. Insofar as it is true in this whole development the poor are excluded, not just accidentally but even deliberately, from the God-given goods of this earth and the minds of billions of people, north and south, are increasingly “colonized” just to give more room for the expansion of the economic interests of the already rich, then it demands a kind of awakening of the church itself. Churches should then see it as their calling to take a public stand in the deep spiritual battle which has to be fought in the world today, even if the opposition to this stand comes in part from within. For in that case the globalization project challenges the Christian faith of all ages, including long-standing confessions that the earth is and should remain the Lord’s in its fullness, that the human spirit should be free and never be subdued to other interests, and that the fruits of the Lord’s earth are there to be shared by all.

Even referring to this possibility, however, is clearly a matter of the utmost delicacy. That was why the 23rd general council decided not to take an immediate confessional stance on these issues. Instead, the council chose deliberately to invite Warc member churches to embark on a process of learning, involving steps of careful investigation, research, education and conscientization. The decision of the 8th assembly of the WCC to support this process was clearly related to a willingness to take the same path of searching and careful listening, so that this process would not only be in full accord with the principles of the conciliar process on “justice, peace and the integrity of creation” (JPIC), but could also be seen as implementing the solemn covenants which were made in the JPIC assembly (Seoul, 1990).

For the Bangkok and Seoul meetings this outlook implied from the beginning a double task. The first task was to gather the first elements or pieces of information, primarily from the afflicted and suffering people, which are needed by the churches to build up gradually a truthful, coherent and really ecumenical view of globalization and all its possible consequences. The choice of Bangkok for the first major symposium was thus not accidental, but deliberate. For Thailand in 1997 was the first country to be hit severely by the Asian crisis, followed by countries like Korea, Malaysia and Indonesia – a crisis which can be seen (and consequently studied) as one of the clearest expressions of the character of the present pattern of globalization. The second task, towering above the first, was to begin to address others. Not only to address some crucial actors in the global arena, like the IMF and the WTO, to make them aware of our findings, but also and even primarily to begin to address directly or indirectly all Warc and WCC member churches. For they have to get involved in the process, and should be stimulated from now on to take their full part in it. The intention of the general council in Debrecen was to deepen awareness step by step in a faith-laden process in and among all member churches, so that they see what is going on in our world today not as a “neutral” or “innocent” development, but as posing a challenge to the heart of our Christian faith. Churches in our time need be enabled to listen

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<sup>4</sup> “Toward an Economy of Life”, *Update* vol.6 no.2 (June 1996), p.2; “Reformed Faith and Economic Justice”, in *Break the Chains of Injustice: Study texts for the sections and subsections of the 23rd general council*, p.44.

<sup>5</sup> “Resisting Domination – Affirming Life: The Challenge of Globalization”, in *Together on the Way*, pp.254–61.

carefully to each other's voices, if they are to discern their true ecumenical role and to become obedient to God's calling in these critical moments of world history.

This second task appears almost impossible. But thanks to the remarkable results of these symposia in Thailand and Korea, it seems possible to say that a door has now opened before us and that we can indeed take steps forward. So we offer our report here with joy, hoping and praying that it will help and stimulate the churches to join wholeheartedly in this process of growing understanding, conscientization and reactivation.

## The findings

In Bangkok, the poor and excluded were indeed the subject of the symposium. Their stories, their experiences, hopes and disappointments, were at the centre of the meeting, along with their desire to address others: global actors like the WTO and the IMF, but also the churches in the north. Most of the time was therefore spent in listening to what various groups of poor and excluded people had to say about their own experiences with the Asian crisis, together with what experts had to tell us about the origins of that crisis in the broader context of globalization.

Here follows a summary of our findings, condensed into four theses. This form is chosen to make it easier to use them in designing the symposia that will follow, and also to include the experiences of participants from other countries, along with some of the most important conclusions of the Korean symposium.

**Thesis 1:** *While the usual statistical evidence indicates that the Asian crisis is over or in any case has passed its turning point, there are growing signs that the crisis is internally still deepening.*

In Southeast Asia most countries' GNP grew between 6 and 10 per cent per annum from 1985 to 1995, a process which sometimes is described as "fast-track capitalism". Thailand played a full part in this process. At an early date, it decided on a full liberalization of its financial sector, maintained high domestic interest rates to suck in foreign capital (mainly "portfolio investments"), and pegged its currency (the baht) to the dollar to reassure foreign investors that there were no currency risks. This attracted billions in capital, leading to a boom in banking, building, and advanced industrial activities like the automobile and electronics industries. But, as Walden Bello recently wrote, and as was also confirmed by what we heard from the groups in Bangkok, that capital "never found its way into the domestic manufacturing sector or agriculture... these low-yield sectors that would provide a decent rate of return only after a long gestation period".<sup>6</sup>

When the economy overheated, and the balance of payments turned into a huge current account deficit (no less than 8% of GDP) in 1996, and consequently capital, in fear for a devaluation of the baht, began to move out of the country, it was possible to think that this would only harm the limited "modern" sector of the Thai economy, and that most other sectors would be able to go on as usual. And to expect that when the economy restored itself, exports grew again, and the currency was restabilized – as the statistics indicate: by the end of 1998 the current account again showed a surplus of 11%<sup>7</sup> – then the crisis would be over, and the pain belong to the past.

The groups and people consulted in the Bangkok symposium, however, presented a completely different picture of continuing and even deepening misery, of growing suffering on the part of children, and of permanent social and economic damage. "The worst is still to come",

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<sup>6</sup> Walden Bello, *The End of the Asian Miracle*, Chulalongkorn University Social Research Institute in Bangkok (analysis and action programme, "Focus on the Global South")

<sup>7</sup> Sauwalak Kittiprapas, "Social Impacts of the Thai Economic Crisis", in *Social Impacts of the Asian Economic Crisis in Thailand, Indonesia, Malaysia and the Philippines*, p.26.

Prof. Leonor Briones, a highly respected expert from the Philippines, told the symposium. In Korea we heard similar voices.

But how can this be? The chief reason is that in addition to the economic “first-order” consequences of a crisis like this, which show up clearly in the statistics, there are also “second-order” economic and social consequences which only appear partially in the figures, and even serious “third order” consequences which escape almost all the statistics, because they are mainly qualitative in nature and take a long time to emerge. Facts illustrating each of these three categories were presented during the symposium.

*First-order consequences* include the flood of bankruptcies and layoffs because loans could no longer be paid, and a general rise in prices due to the strong depreciation of the baht. Fifty-six finance companies had to close down,<sup>8</sup> and the number of workers employed in the construction sector fell within two years from 3 million to 2 million. The import-sensitive modern industrial sector was severely hit by the sudden rise of import prices. The government ran into a substantial deficit because of lower tax receipts, especially in corporate taxes (40% down), and there was a general decline in buying power and overall consumption.

A lot of suffering and distress is already hidden behind these figures. For what if you are suddenly unemployed and at the same time prices go up? Impoverishment is inevitable. Later on, statistics may indicate that employment is rising again and inflation going down, but it is usually the younger and most capable people who get the new jobs, while the older remain unemployed and in poverty.

This experience in Thailand was paralleled by reports from other countries, especially Indonesia and Malaysia. Both have a labour system which strongly promotes “labour flexibility” on the grounds of efficiency. This undermines what meagre provisions for work and income security still exist. Subcontracting, often exploitative, flourishes in this environment, and labour unions lose almost all their countervailing power (which in Indonesia is already minimal; strikes are usually broken with the aid of the military). In Indonesia, the value of the national currency (the rupiah) fell during the Asian crisis to less than half its previous value. Many prices related to import products doubled, without any compensating change in wages for the poor. Poverty grew dramatically.

*Second order consequences* occur when policy makers begin to react to this new situation and programmes are developed for “rapid economic recovery”. In most Southeast Asian countries (Malaysia was the exception), these programmes of “discipline and austerity” were imposed by the IMF as a condition for all kinds of financial aid.<sup>9</sup> For Thailand, this meant severe restrictions on government expenditure, high interest rates (even after depreciation), and a significant rise in taxes on consumption (VAT). As a result, spending on social services fell in a year by almost 10%, spending on public health by almost 6%.<sup>10</sup> Gross domestic product also fell.

Women living in the slums and the other poor districts in Bangkok (the Housewives Groups for Community Development, and Women Workers Group for Liberation) helped us to see what this really means. If many families in a neighbourhood lose their jobs and at the same time face sharp increases in prices and in rent, while cuts take place in social compensation, educational provision and public health care, it is as if society has just written off the whole neighbourhood. Any sign of protest is seen as political resistance. “Police come into our neighbourhood with dogs that bite us”; “we are seen as the people who make trouble” – this is what they told us.

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<sup>8</sup> *Idem*, p.20.

<sup>9</sup> This is the phrase used by Amaret Sila-On, chairman of the financial sector restructuring authority of Thailand, in his article, “Thailand: Path of Financial Restructuring”, in Jan Joost Teunissen, *Regulatory and Supervisory Challenges in a New Era of Global Finance* (The Hague: Fondad, 1998), p.224.

<sup>10</sup> Sauwalak Kittiprapas, p.25, table 2.

During the visit to Korea, we heard similar things from the small Labour Union of Daily Workers. Because of the Asian crisis, the average income of urban daily workers in Korea fell by about 50% within two years, while at the same time the price of rice went up, their working–hours increased, and the contractors stopped the practice of payment in advance. Most workers were forced to borrow money just to be able to live, at a rate of 8.5% at the cheapest. “They changed our system,” was their bitter complaint, “while others are at the same time enriching themselves, grasping all opportunities.”

Both in Korea and in Thailand income inequality grew during the crisis. The rich minority in Korea increased its share of the national income from 22% to 24.5%. In Thailand, with a total population of 63 million, the number of people with an income below the poverty line grew from an estimated 7 million to an estimated 12 million today, while the share of the rich minority in the national income rose from 20.5% to 22.5%.

The *third order effects* are perhaps the most impressive and severe. They relate to what happens to people and to their environment in the medium and long term, when social and cultural consequences become clear. Several concrete illustrations were given in the symposium:

- If people in the cities lose their livelihood by becoming unemployed, they sometimes see no way out but to commit suicide. In Thailand, the suicide rate jumped from 10 to 15 per 100,000. The symposium in Seoul heard that 2,288 Koreans committed suicide – sometimes as whole families – during the first three months of 1998, which gives a suicide rate of 25 people a day. Psychiatric hospitals recorded a growing number of patients as a result of the crisis; while in Thailand their level of expenditure was cut in the same period by more than 13%.<sup>11</sup>
- In Bangkok, 38% of female workers lost their jobs. These women were often the only breadwinners in their families, and as a result many families could no longer send their children to school. The Thai ministry of education estimates about 100,000 dropouts from primary schools and 90,000 from junior secondary schools. The other side of this coin has been a substantial increase in child labour: about 350,000 more children on one estimate. A substantial number of those children now work in the prostitution sector. In a city like Pataya, which we visited, more than 200 child prostitutes approach foreign visitors every day.
- When people in the cities lose their jobs, they often try to migrate back to the countryside. In Thailand, they migrated mainly to the north–east (67% of all migrants from Bangkok went to that region).<sup>12</sup> This increases the problems in poor rural districts (more than 70% of poor people in Thailand are rural poor). Poor fishermen spoke with us about those problems, which are aggravated by the enduring loss of their fishing grounds. Poor farmers reported to us a substantial loss of their lands because of a continuous reorientation of agriculture to the export sector, which is accompanied by a significant increase in the use of insecticides. Availability of and access to fresh water is diminishing rapidly for the growing number of poor people. References were sometimes made to the campaigns supported by the World Bank for the “privatization” of water.
- During the symposium, the Thai women’s section reported a rapid breakdown of trust in many poor communities, both rural and urban. This breakdown occurs especially when problems coalesce: growing unemployment, increasing indebtedness, increase in the use of drugs, more prostitution. There has been an alarming rise in violence against women – rape, harassment, domestic violence – with the age of the victims getting lower every year. These findings are remarkably confirmed by a recent case–study, supported by the World Bank, of the complete breakdown of community trust in a slum settlement in Khon Kaen (in Thailand).

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<sup>11</sup> Idem, p.41

<sup>12</sup> Idem, p.36.

There is increased competition for jobs among neighbours who once cooperated and an increased incidence of theft, violence, drug-dealing and other crimes.<sup>13</sup>

- In Indonesia, the steep rise in import prices hit the living conditions of the poor directly, but also led to an increase in ethnic and sometimes also religious tensions. Many shops in Indonesia are run by the Chinese minority, who are often Christians; when many retail prices doubled in a short period of time, they were seen as trying to enrich themselves in a period of trouble. Many Chinese women were raped, and churches were set on fire.

If we take this whole range of third-order effects together, then the inevitable conclusion is that the Asian crisis cannot be seen as an isolated financial crisis. It has spread like a cancer throughout the whole society, causing continuing damage at the level not only of “human capital” (deterioration in health, school dropouts), but also of social capital (loss of sense of trust, community, social peace) and natural capital (loss of care for the land, use of more aggressive fertilizers, sale of forests in Indonesia to international investors).

All this raises serious doubts, to say the least, about the net benefit of transnational capital for the countries of the two-thirds world – capital which can go out again just as easily as it came in. It casts serious doubt upon the “blessings” of the present pattern of enforced globalization and liberalization. What is ruined today in the name of supposed progress in the future?

**Thesis 2.** *The role of the most important actors (the international agencies, the speculators, the political authorities) in the Asian crisis is open to severe criticism: partly because they acted so clearly in the framework of distorted and reductionist worldviews, and partly because of (strong indications of) unacceptable pressure or force.*

During our symposia there was a consensus that the frequently negative facts presented did not spring from a kind of fate. We saw it as a common task to get as close as possible to the real causes, which in our view were human causes, including the worldviews in the heads and the hearts of the actors. Distorted or perverted ways of looking at reality lead to wrong types of behaviour. If, for example, the idea prevails that the global economy, with its related international financial circus, is mainly a world of anonymous and interacting market mechanisms, then words like “responsibility” or “accountability” simply lose their meaning. It may be for this reason that so many speculators and speculative power-groups cherish this view of the economy, but it remains a perverted view, hiding from the eyes of the public a part of reality which is in fact filled with power plays and all their related tricks and abuses.

Demasking evil and exposing illusions has always been seen as one of the most important tasks of the church: calling sin by its proper name. But how to do this concretely and (maybe even more difficult) honestly in this case?

We began by distinguishing possible actors, national as well as international, and studied their behaviour. Where possible we also listened to them: in the Seoul symposium, for instance, a high-ranking official defended the Korean government’s policy during the Asian crisis. Several anomalies struck us in these reports.

1. Remarkably, countries like Thailand and Korea, which really suffered because of their vulnerability to the whims of international short-term capital, did not draw the logical conclusion that they had to review their policies in this regard. Their dependency on foreign short-term capital grew especially when both countries opened their capital markets to the free entry of capital – Thailand already in the eighties, and Korea especially since 1996, when it also became member of the OECD – but the Asian crisis did not lead to any diminution in their liberalizing efforts. One of our guest speakers, Ms Nicola Bullard (Global South), even said that Thailand now adheres to a greater degree of liberalization than before the Asian crisis. Is that a question of an unbroken, though distorted, faith in the benign working of

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<sup>13</sup> Idem, p.42.

market forces? Or is it mainly a question of fear – the fear of being left aside, of missing out on necessary credits in the future – maybe related to forms of international pressure or intimidation?

2. It was similarly strange, that the governments of both countries, while the balance of payments was already deteriorating (a clear sign of overinvestment) tried for so long to maintain the fixed external value of their currencies, which certainly aggravated the problems. Faith in free-market forces cannot have been the reason here, but – again – what about pressure – maybe also from within, from the new vested interests? There are strong indications of such pressure, in Thailand from the new import-dependent business sector, and in Korea from the highly state-protected chaebols (whose output in 1996 amounted to about half of Korean GNP).
3. Even more striking is the role of the International Monetary Fund. It was asked for financial help and support, but, according to Nicola Bullard, its prescriptions turned the financial crisis into an economic recession. In both countries, the IMF “advised” high capital rates, and strong policies of austerity and restriction of government expenditure (mitigated in the Korean case by some social safety-nets), measures which could only result in a further decline of the domestic economy. Here no doubt the assumption has been that “servicing the external debt should be the overriding concern of crisis-stricken countries”, instead of the view that priority should be given to “the domestic implications of the crisis”.<sup>14</sup> This assumption betrays a sacrificial tunnel-view of human societies, as if burdens have continually to be borne, especially by the very poor, in order to reach the light at the end of the tunnel later on: namely, at the moment when you again reach in your economy the high level of external credit-worthiness and competitiveness which is seen as necessary for each modern country in the global market. This seemed to us the, mainly hidden, basic philosophy of international institutions like the IMF. But it has to be rejected, for it is in fact a pseudo-religious philosophy which legitimates unjust burdens for the poor as necessary sacrifices.

Several experts in the symposia indicated that even more could be said about the background of economic interests. Although a change has taken place in the rhetoric of the IMF – it declared, for instance, that it places now “poverty reduction in the heart of its programme” – it can scarcely be denied that it has increased its role and influence in the world far beyond its original task – mainly, to assist countries in structural or temporary balance of payments deficit. “The IMF dictates,” it was said in the Thai symposium; and in Seoul an IMF letter of intent was quoted in which some political measures were announced in the name of the IMF and the Korean government together: “we decided”. What is the reason for this schoolmasterish attitude on the part of the IMF?

The IMF still refuses to see itself “as a part of the problem”, said Prof. Briones, the present treasurer of the Philippines; it can see itself only as (part of) the solution. Others formulated similar suspicions. Has the IMF ever given any advice which ran contrary to the economic interests of the big countries, especially the USA? Why did the IMF advise Korean banks to make strong mergers with well-known international banks? Is the USA not reaping huge benefits from the existing IMF programmes, programmes which serve so well the US corporations? “The financial crisis offered in any case a golden opportunity for Washington.”<sup>15</sup>

During our symposia it was pointed out that a depreciation of the currencies of the countries of the south always makes it easier for all the rich countries to buy corporations and land in the poorer countries – as also happened in Latin America in the seventies. And the possibility that economic considerations like these sometimes play a role was also articulated with reference to the extreme proposals for further liberalization of capital foreseen in the

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<sup>14</sup> Charles Wyplosz, “Globalized Financial Markets and Financial Crisis”, in Jan Joost Teunis-sen, ed., *Regulatory and Supervisory Challenges in a New Era of Global Finance*, p.82.

<sup>15</sup> Walden Bello, *op.cit.*, p.3.

multilateral agreement on investment (MAI), pushed by the USA and 28 other rich countries, but now temporarily withdrawn.

Suspicious like these should not be kept secret, but be stated and heard, so that the actors in question can defend themselves against these accusations if they find that appropriate. In any case, it would be wise for the churches in future years to test these suspicions. For if they are true, the process or project of globalization again loses its seeming innocence and supposed neutrality.

**Thesis 3.** *The project of globalization and growing consumerism are deeply intertwined. Too little attention, however, is given to what a further stimulation of consumption in the already rich countries implies for the condition of the environment worldwide and the possible loss of human integrity, but also for the decline of possibilities to meet urgent basic needs in the countries of the two-thirds world.*

Buddhism is the majority religion in Thailand. In the Bangkok symposium, a substantial input was made by a distinguished Buddhist monk and scholar, Pracha Hutuanuwatr, in his lecture on globalization from a Buddhist perspective. He explained that from the Buddhist perspective the process has at its core the globalization of *tanah*, or “craving” – the root of all suffering – and is moreover rooted in the belief that the “progress” of humanity is linear and anthropocentric. “Through globalization,” he stated, “the scale of suffering has vastly amplified around the world: vast masses of largely self-sufficient third world communities are being rapidly transformed into consumers of capital-intensive goods and services, mainly those provided by transnational corporations.” He uttered a clear protest against the “creation of an almost total consumer monoculture (which) is evangelized through the global advertising agencies, the information highway, satellite and cable television and western studios”, and thereby placed the issue of consumerism and its consequences in the heart of our discussions. “We are in the midst of galloping time, plastic time, in which the system is unstable and thus can dramatically transform,” he said, quoting S. Inayatullah. “For 80% of the world’s population, globalization means global poverty.”

A deep discussion took place about possible differences in the place of consumption and wealth in the Buddhist and Christian view. The common conclusion was that neither of the two religions reject material wellbeing as such; the point is to recognize the limits of material wellbeing, so that we do not confuse the means with the end, as modern people tend to do. The correctness of that view was strongly underlined during the symposium in at least three different ways.

1. It was underlined by looking into the long-term *environmental* consequences of a continuing rise in consumption in the already rich countries of the world. Our speaker from the Pacific, Ms Suliana Siwatibau, spoke about the links between the intensive growth of production and consumption in the industrialized countries and the increase of greenhouse gases in the atmosphere, leading to accelerating climate change and an alarming rise of the sea-level in the Pacific. “We feel like the canaries of the world,” she said – referring to the practice, which still exists in places, in which miners take canaries with them into the galleries: if the canaries die because of the gases, the miners know that it is not safe to go further. Will the islands of Oceania be the first to die? And will the rich world really wait until that moment has come? “First cut down your greed before you cut down trees,” she said.
2. Growing consumption in the north has enormous negative effects on the final *availability of resources* for the people in the south. Dr Annuey Tapingkae, another distinguished Thai speaker, stressed that we are living in a single world with limited resources; Christians have to see “caring and sharing as our mandate”. As the 5th assembly of the WCC (Nairobi, 1975) already said, “the rich should live more simply, so that the poor may simply live.” The latest annual report (September 1999) of the United Nations environment programme (UNEP) states: “It is widely recognized, at least by many NGOs and the wealthiest governments in the OECD, that a tenfold reduction in resource consumption in industrialized countries is a

necessary long-term target, if adequate resources are to be released for the needs of the developing countries.” The priority to meet the basic needs of the poor implies that rich economies should learn to live with sufficiency, giving up the desire to become ever richer materially.

The Korean symposium made similar points in referring to the existence of *two interrelated spirals* in the world economy today.

First, there is the spiral of further enrichment in the already rich societies. It is a spiral built on the foundation of monopoly access to the creation of international liquidities, and it is sustained not only by the expansion of new monetary devices (derivatives), but also by the creation of new forms of scarcity. This is only possible through a continuous infiltration of the human mind by the new information and communication technologies. But it works, in the sense that in this “new economy” new desires are formed and new markets are hewn out – which gives rise to further “positive” expectations, and so necessitates a further creation of international liquidities. And in this way the spiral is indeed closed.

Second, and deeply intertwined with this, there is the spiral of growing impoverishment in the already poor and indebted countries. These countries have no direct access to the creation of international liquidities, and so have to borrow before they can expand. If their indebtedness becomes too heavy, they have also to “adapt” their economies downward. They can scarcely attract long-range capital to expand their domestic markets – the expectations of profitability are too low – with the result that they never have sufficient means to meet their economic needs.

The outcome of these two spirals in combination in the world economy of today is that the rich economies increasingly display a parasitic nature. They sap for their own growth the life and the energy of weaker economies. The possibility of meeting the multitude of already existing basic needs in the poor countries is, as it were, crowded out by the claims laid on resources by the newly created luxury needs. The new economy drives out all the old economies.

3. The third indication that present consumption patterns in the rich world are perverted comes from the bodily, psychic and even spiritual damage of a growing consumerism. As Dr Tapingkae put it, “people are taught by the advertisers to eat to death... they are just victimized by the media.” Increasingly the human mind is manipulated to remain unsatisfied. Consumerism within a culture is therefore a sign of its imminent death, Dr Tapingkae said, just as Bangkok, which was once a city filled with real life, has become a city of death. The psychic damage done to children by aggressive advertising is, in fact, a way of murdering them. He concluded that “the means have now become an end in themselves”, and that the church has to proclaim that we must choose here between God and mammon. His pointed intervention was one of the impulses which led to a letter written by the symposium to the churches of the north.<sup>16</sup>

**Thesis 4.** *Remarkable new initiatives are taking place which could open or break the chains of injustice, and make clear at the same time that for the present style of globalization no alternatives are possible. Proposals to develop and enforce a further recognition of human rights look especially promising and need to be supported.*

Globalization as such is not the enemy – so it was said several times during these symposia. In fact, the Christian church was global from its very beginning, related to the whole inhabited world (*oikumene*). The apostle Paul even speaks of God’s own globalization, when he refers to his “administration” of times in the perspective of the coming of the shepherd king, his plan for the fullness of time to gather up all things in Christ, things in heaven and things on earth (Eph 1). From a Christian perspective what matters is the style of globalization, a style which should be characterized not by the survival of the fittest, but by the survival of the weak.

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<sup>16</sup> See Update vol.10 no.1 (March 2000), p.4.

Here too concrete suggestions were made. They were often related to the social and economic strength of communities, where people decided to work together and to sustain each other by building up cooperation and taking common concerns seriously. The patterns of economic growth in those communities are usually very different from that in modern tunnel-economies: they are of an inclusive nature, not overburdening the environment, and related to the idea of sufficiency.

Examples were given of initiatives and actions of resistance and protest.

The Korean Taegu Round is a group of social scientists, business people, and representatives of labour unions and civil movements that came together to study the origins and consequences of the Asian crisis and decided together to work towards public accountability; Prof. Lee Chan-Keun, the chairman of the group, was also present in Bangkok. The group came to remarkable conclusions: "We demand," reads their manifesto of October 1997, "that all global institutions, particularly the IMF, the World Bank and the WTO, be held accountable to internationally agreed human rights standards, in conformity with their member governments' UN treaty obligations."

In that line also, public support was given to the legal action by the Korean Federation of Bank and Financial Unions, which decided to take the IMF to court on the grounds that it had violated "the social and economic rights of the Korean people by the destructive impact of its programmes".

The general feeling in the Bangkok meeting was that the significance of actions like these can scarcely be underestimated. Not so much in terms of their chances (probably low) of immediate success, but more because they lay bare the one-sidedness of the dominant view of globalization as the neutral, impersonal outworking of unchangeable economic laws. So long as this view prevails, actors will not be called to account for their actions and all (good) alternatives will be seen as unrealistic and utopian. Above all, they pave the way for mobilizing the enormous potential for change and correcting abuses which is hidden in the various UN treaties on human rights – for instance, the treaty on the rights of children. These solemnly declared nation-binding treaties should be made fully effective in the present chaotic field of economic globalization. For example, the UN human rights subcommittee declared in its Resolution 1999/12 that "the integration of human rights in an international financial institution's policy cannot be restricted to adding social programmes to macroeconomic policies", and affirmed the "centrality and primacy of human rights obligations in all areas of government and development". That principle can become a crowbar to prise open structural adjustment programmes and similar policies which in the name of economic survival attack the rights and living conditions of the weakest.

During the Bangkok symposium we found ourselves in agreement that, because every socioeconomic system is always the expression of an underlying culture, every culture should be seen as *entitled* to express itself in its own socioeconomic system; this in opposition to the idea that the western economic system at the heart of today's globalization efforts, and exemplified above all in the USA, should be seen as the natural path for the whole world. This brings us back to our opening remarks in this fourth thesis. The false universalism of the present globalization project is in sharp conflict, both theoretically and practically, with the attempt to enforce in practice human rights which are now generally recognized to be universal.

### **The consequences**

The main conclusion to be drawn from the Bangkok and Seoul symposia is that, under cover of a supposedly necessary further globalization, several economic and financial processes are taking place which are, in fact, evil – because their outcomes are so often destructive and unjust, and because they are internally related to delusion, seduction and a culture of sacrifice.

Now public evil, however it may show itself, can never be accepted or tolerated by Christian faith. It has to be fought on all possible levels: legal, political, structural, cultural and even spiritual. International institutions need to be reformed and restructured. Cultural tendencies

to overconsumption and economic aggression need to be attacked. And next to this there is the spiritual challenge to fight against those delusive views which suggest that we should just go on trusting the idols of our time and believing in the spontaneously benign outcome of the play of market forces.

This seems, however, just an impossible task, and not only because of all the work which then has to be done. The heart of the problem is that our churches themselves, especially the churches of the north, are not ready. Of course it is possible for us to find ways to protest together against social and economic evil, and even to charge key actors with what they are doing wrong. But how are our churches to act if the opposition also comes from within – from all those Christians, for instance, who see no connection between their own luxurious lifestyle and the dwindling possibilities of life for so many other people on the globe? A confession of faith which ignores its practical consequences can hardly be called a confession at all.

So a process is indeed needed, not just of external action, but – first and foremost – of building up a new awareness in the worldwide Christian community. A common awareness that sharing with the other and caring for the earth in fact adds to the happiness of all, as signs and expressions of a regained maturity (Bonhoeffer's concept of worldliness, *Mundigkeit*). From such a renewed outlook we may discern better – and maybe for the first time – how evil can and must be challenged to sustain life for all on this earth.

Four theses have been formulated above as a result of our two symposia. They have the character of initial hypotheses, which need to be tested with a view to verification or falsification. New facts have to be gathered, new information has to come in, before we in the churches can really take a stand on these and comparable issues. Further study and reflection are also needed – preferably in the form of interdisciplinary teamwork – to come to trustworthy statements which can be used to enter the debate and convince others within and without the church community.

This gathering of further evidence and deepening of insights – in which the testing of the initial hypotheses is included – is one of the important tasks of further ecumenical symposia or hearings in relation to globalization in general and economic injustice and environmental destruction in particular. These meetings should see it as a moral obligation to react to, and where possible to build on, the fruits of the previous meetings in the series; also adding their own hypotheses to the list if they wish. In that way, they become links in a chain of events, steps in a journey of ecumenical cooperation at the beginning of this new millennium. Two further recommendations in this context. The value of each meeting increases if the highest forms of available expertise are used. Those who understand the world of banking, business, international policy, should be invited to come in, alongside social scientists and theologians. All this is needed to enlarge and guard the quality of the process, so that it involves more than repeating the same arguments or using always the same, often vague labels (“neoliberal”, “capitalistic”, etc.). It is also strongly advised not to exclude, but to include fully nongovernmental movements which have similar concerns and are willing to take part in this worldwide ecumenical process.

Every good process has an appropriate range of activities as well as a horizon or perspective within which to work. The two, of course, are interrelated. If our aim is to bring forth real changes in the present globalization project, especially where it leads to economic injustice and environmental degradation, and to demonstrate that there are other ways – then a range of conferences, busy with testing earlier hypotheses and developing new ones, is not enough. *The community of churches as a whole has to be involved and to become involved.* The Debrecen call was addressed to “all churches... at all levels” of their life. Churches involved in this process need to be encouraged not just to remit the question to a committee or specialized working group, but should make a strong effort from the beginning to include their grassroots groups and ecumenical networks.

The core of the harshness of the present pattern of globalization appears to lie in the often selfish behaviour of international corporations, agencies, governments, banks and investors that are mainly of western origin. So it has to be expected that the strongest resistance will also come

from the west – many rich western citizens included. Therefore, it seems wise to build up a kind of tension in space and time. First, some further meetings or hearings need to be organized outside the west. In this way, pressure is built up which in the end may help to lead to some real structural and cultural changes in western attitudes and policies. At least one concluding hearing or conference could then take place in the heart of the west. This could face the challenging theme: what kind of programme of structural and cultural adaptation is now needed in and by the west? After all, the west has always been good at developing structural adjustment programmes for others; is it now also able and willing to do the same for itself? What changes are needed for the lifestyles and the institutions of the west to become again serviceable to the world as a whole, and what are the implications of that for the international monetary system?

### **The crisis of the Thai economy and the IMF**

Narong Petprasert

#### **The period of the bubble economy**

From 1988 until the recent crisis, the Thai economy was prosperous, creating a large class of newly rich people. The price of land increased by 100% to 200% in a year. The stock market boom encouraged a large number of middle-class Thais to become investors; many became rich within days. This condition is termed by academics a “bubble economy”, a condition in which asset prices increase rapidly because of speculation.

What were the main factors in the Thai bubble economy?

**1.** In 1984, Thailand faced serious economic problems: 25 finance companies were closed; the current account deficit was 9% of gross domestic product (GDP); foreign debt was 19.5% of the total value of exports. Finally these problems brought about the devaluation of the baht [the Thai currency].

Nobody could forecast that the depression of 1984 would become the bubble economy of 1988. Global changes in the world economy generated luck for Thailand.

In the 1980s, Japan became an unbeatable giant in the economic world, building up a huge trade surplus. This led to a very strong yen and a relative depreciation of the US dollar. Hence the dollar prices of Japanese exports were very high, undermining their competitiveness. Associated with this was US pressure on Japan to liberalize its trade.

In order to maintain competitiveness in the world market, Japanese producers needed to cut costs and to face the difficulties caused by the strong yen. Therefore, they shifted their investments to ASEAN [Association of Southeast Asian Nations] countries like Thailand with cheap labour and low-valued currencies.

The following table shows direct investment from abroad.

From the table, it can be seen that Japan is the largest external direct investor in Thai businesses. In 1987, Japanese investment was only 4,711.5 million baht, but it increased to 14,607.6 million baht in 1988 and reached a peak of 27,931 million baht in 1990. Also apparent in the table is the later influx of Hong Kong capital, due to fear of the consequences of the return of Hong Kong to Chinese rule in 1997.

| <b>Countries</b> | <b>1988</b> | <b>1989</b> | <b>1990</b> | <b>1991</b> | <b>1992</b> |
|------------------|-------------|-------------|-------------|-------------|-------------|
| Japan            | 14,607.6    | 18,761.6    | 27,931.0    | 15,593.4    | 8,571.8     |
| USA              | 3,184.7     | 5,220.3     | 6,154.0     | 5,918.6     | 11,788.3    |
| EU               | 2,248.4     | 3,818.8     | 4,212.1     | 3,964.1     | 6,886.9     |
| Hong Kong        | 2,794.5     | 5,715.7     | 7,027.4     | 11,565.4    | 14,549.0    |
| ASEAN            | 1,646.9     | 2,811.5     | 6,665.5     | 6,575.4     | 7,170.0     |
| Taiwan           | 3,163.3     | 5,062.3     | 7,159.9     | 2,753.5     | 2,220.8     |

|        |       |         |          |          |         |
|--------|-------|---------|----------|----------|---------|
| Others | 345.1 | 1,901.6 | 15,563.1 | 15,018.1 | 2,571.5 |
|--------|-------|---------|----------|----------|---------|

Unit: million baht

Source: Bank of Thailand

The rise in Japanese investment pushed up the price of land in Bangkok and its hinterland. Rocketing land prices led in turn to a stock market boom, stimulated by the real-estate business. In the mainstream economic perspective, this boom was the result of the rapid increase in asset prices generated by speculation. In other words, it was a bubble economy.

2. In 1993 Thailand set up the Bangkok International Banking Facility (BIBF), to allow the free movement of financial capital in and out of Thailand. The consequence was an influx of short-term loans, due to the very low interest rates in foreign countries (3–4%) compared to the high interest rate in Thailand (14–18%).

Thailand's foreign debt at the end of June 1990 was about \$92,000 million, of which about \$76,000 million was private-sector debt and about \$16,000 million was government-sector debt. Over 60% of the private debt was short-term debt (to be repaid within one year).

The influx of loans from abroad increased the money supply and the need to invest in order to repay these loans. This led to speculation in the stock market and in real-estate businesses, and the second wave of the bubble economy.

During the period from 1988 to 1995 Thailand, like other ASEAN countries, experienced extremely rapid economic development. The mainstream economists appreciated the way in which the ASEAN countries used export-oriented growth to fuel an economic boom. More radically-minded "political economists" warned the governments and business communities of the dark side of the bubble economy and the dangers of the free movement of money capital.

They also criticized the structural weakness of the Thai economy, in that it is based on industries with a high import content. The import content of the main export commodities can amount to 60–80%. The import content of Thailand's number one export, computer parts, is 80%. So more exports require more imports.

Dazzled by rapid industrial growth, the Thai economists and economic planners forgot the comparative advantage of agriculture and agro-industries, in which Thailand can produce low import-content products. The rapid growth rate in GDP at the end of the 80s (1988: 13.3%; 1989: 12.3%; 1990: 11.6%) led them to believe that its economic development model was successful. Thailand was hailed as a new Asian tiger, along with Malaysia.

### **The Thai tiger becomes the disabled Siamese cat**

In 1997 the "Thai tiger" became the "disabled Siamese cat". There was a serious trade deficit. The current account deficit was about 9% of GDP.<sup>17</sup> The international reserves quickly ran down, from about \$35,000 million in 1995 to \$24,000 million in the second quarter of 1997. On June 27 1997, 16 finance companies were closed, and on August 5, another 42. The stock market index dropped to 500, from 1700 in 1994. Commercial banks ceased giving credit for housing. Real-estate businesses could not sell their products, while their total indebtedness was about 800,000 million baht or \$30,769 million. The businesses were stuck. Borrowers could not repay. Lenders had no liquidity. This was associated with the collapse of the stock market. Foreign investors withdrew their investments. Thai investors suffered serious losses. The volume of selling and buying on the stock market decreased drastically and the income of the brokers (finance companies) became statistically insignificant. This caused the collapse of 58 finance companies, and finally the devaluation of the baht.

Why did this happen? It happened for three reasons.

<sup>17</sup> The balance of trade deals with merchandise (or visible) imports or exports. When "invisibles", or services, are included, the total accounting for imports and exports of goods and services is called the balance on current account.

*The structure of Thai exports (in percentages)*

| <b>Commodity Group</b> | <b>1992</b> | <b>1993</b> | <b>1994</b> | <b>1995</b> | <b>1996</b> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Agricultural goods     | 15.9        | 16.0        | 16.8        | 17.1        | 20.3        |
| Industrial goods       | 74.1        | 74.9        | 75.3        | 75.2        | 73.6        |
| Others                 | 10.0        | 9.1         | 7.9         | 7.7         | 6.1         |

Source: Krung Thai Bank annual report, 1996

Thailand is proud of her success in industrial development and export-oriented industries in which she employs a Promotion Protection Policy (PPP) to encourage the growth of industries and the export of industrial goods. The table on the previous page shows the high percentage of industrial exports.

*The structure of Thai imports (in percentages)*

| <b>Commodity Groups</b> | <b>1987</b> | <b>1990</b> | <b>1996</b> |
|-------------------------|-------------|-------------|-------------|
| Consumer products       | 10.0        | 8.6         | 12.6        |
| Intermediate goods      | 37.0        | 33.9        | 35.9        |
| Machines                | 29.7        | 39.2        | 48.8        |
| Others                  | 23.3        | 18.3        | 2.7         |

Source: calculated from the figures of the Bank of Thailand

1. The dark side of Thai industrial exports is the high import content. This is associated with a lack of capital goods and technology. The weak structure of Thai industry led to growing trade and current account deficits. Thailand had to import capital goods, raw materials, fuel, and chemical products for manufacturing production. These account for 85% of the total imports as seen in the table above.

*The trade deficit of Thailand*

| <b>Year</b> | <b>Trade Deficit</b> | <b>% GDP</b> |
|-------------|----------------------|--------------|
| 1988        | 109,544              | 7.2          |
| 1989        | 146,364              | 8.2          |
| 1990        | 254,635              | 12.2         |
| 1991        | 233,201              | 9.7          |
| 1992        | 208,601              | 7.3          |
| 1993        | 230,733              | 7.2          |
| 1994        | 231,437              | 6.4          |
| 1995        | 357,276              | 8.6          |
| 1996        | 420,725              | 9.0          |

Unit: million baht

Source: Bank of Thailand

In fact since 1985 Thailand has had a trade deficit every year. Moreover, Thailand also has a deficit in services. Therefore at present the current account deficit (trade deficit + service deficit) is greater than the trade deficit. However up to 1997 Thailand had a surplus in its balance of payments.<sup>18</sup>

Direct investment in Thailand is attracted largely by cheap labour. At present, Thailand cannot keep wages as low as China and Vietnam because of its higher degree of capitalism in which every thing has a market price and must be paid for. Hence the cost of living in Thailand is higher than in those countries. Consequently, labour-intensive industries are moving elsewhere

<sup>18</sup> The balance of payments includes both the current and capital accounts.

for cheaper wages. Thailand then faces the problem of capital flight and diminishing investment from abroad.

Moreover, under globalization and the requirements of the World Trade Organization, Thailand is obliged to adopt a free-trade policy and allow imports in with low import duties. This encourages imports. The industrialized countries set non-tariff barriers (eg, compliance with ISO international standards, or human rights and environmental criteria) to protect their domestic markets. This undermines the competitiveness of Thai exports.

The serious current account deficit and the drop in foreign investment means a decrease in the inflow of funds from abroad and in the international reserves, which underpin the value of the baht. The depletion of the reserves makes it impossible to defend the baht and leads inevitably to depreciation.

**2.** The rapid growth of the Thai economy from 1988 marked the great leap forward in Thai capitalism. Businesses earned high profits. Professionals and middle-class people became newly rich. But the immaturity of the businesses and the instant wealth generated by the bubble economy blinded them to the dangers of their situation. Businesses borrowed large amounts of money from abroad and never thought about how to make a profit in foreign currencies. Making profits in the domestic market didn't help with the foreign debt because the repayment had to be in foreign currencies, in particular, in US dollars. Without a return in dollars, the borrowers have to use the international reserves for the repayment. The rapid fall in the reserves and the rapid depreciation of the baht led to the baht crisis. The government was forced to float the baht on July 2 1997.

Since 1988, foreign finance capital stimulated the bubble economy. In 1993 foreign loans further stimulated it. Unfortunately, over half of the total loans were short-term private-sector loans. They were invested in speculative sectors, particularly in the stock market and in real estate. A part was also invested in the real sector (in production). The key problem was that a number of the borrowers had to repay within one year. But they could not get enough return in time, on the one hand, because of the collapse of the stock market and speculative businesses and, on the other hand, because investment in the real sector has a long-term payoff. This forced borrowers to postpone their repayments. This unreliability prompted the foreign lenders to call in their loans and to call for repayment in full, undermining the credibility of the Thai businesses. The government was forced to step in. The crisis escalated from private sector to public sector. Government institutions had to raise funds to support the finance companies, which lacked liquidity: because of the collapse of the stock market, their assets were overvalued, and their loans were not performing because their customers were in trouble.

**3.** Government mismanagement is a third reason. Before the crisis, no mainstream economist sounded the warning. Some political economists gave a serious warning about the possibility of a monetary crisis, but it was ignored. The warning signs were already there, eg, the serious current account deficit, the high proportion of short-term loans, the bubble prices of many assets. But the economists and the government academic institutions gave no analysis to counter optimistic projections for 1997. Not seeing the crisis coming, they gave no thought to preventing it.

Before the BIBF was set up, there was no regulation to prevent non-performing loans and to limit short-term loans.

During the crisis, the government also did the wrong thing by using the reserves to protect the value of the baht in foreign markets, using dollars to buy baht and incurring a loss.

The bankruptcy of many finance companies stemmed from mismanagement and over-investment in speculative businesses. Their licenses should have been quickly withdrawn, but the government did not do this. It wanted to reconstruct them. Eventually, on December 8 1997, 56 finance companies were closed permanently.

## How to cure the disabled Siamese cat?

These were the conditions that changed the Thai tiger to a disabled Siamese cat. To my mind, it is not fair that the people should suffer because of the immaturity of Thai capitalism and the mismanagement of businesses.

What is the way out? Mainstream economists propose three solutions.

1. *Increase exports.* But this faces the fundamental problem we have already noticed, ie, the more exports, the more imports. As long as there exists the old industrial structure, with a high import content, Thailand cannot solve the problem of its trade deficit by increasing exports. However, there is some scope to increase foreign income from tourism.

In my view, Thailand needs to restructure its industries and exports. It needs to support industries with a low import content and to pay more attention to the agricultural and agro-industrial sectors, because these are our strong bases. They have better comparative advantage i.e. better quality, lower cost and low import content.

2. *Privatize public enterprises.* This means selling all or part of the shares to the private sector. This is not easy, because the employees do not agree to it. Nonetheless, the government is trying to implement this strategy.

3. *Take out loans.* This is the easiest path. So Thailand asked for help from the International Monetary Fund. She thus became the “disabled Siamese cat” that lies down at the foot of the IMF.

In fact the direct loan from IMF was only \$4,000 million, with \$13,200 million from countries which are IMF members. See the figures below.

| Sources                           | US\$ in millions |
|-----------------------------------|------------------|
| Japan                             | 4,000            |
| Australia                         | 1,000            |
| China                             | 1,000            |
| Hong Kong                         | 1,000            |
| Malaysia                          | 1,000            |
| Singapore                         | 1,000            |
| Indonesia                         | 500              |
| Korea                             | 500              |
| IMF                               | 4,000            |
| World Bank                        | 1,500            |
| Asian Development Bank            | 1,200            |
| Bank of International Settlements | 500              |
| <b>Total</b>                      | <b>17,200</b>    |

The IMF imposed the following conditions on the Thai administration.

1. To maintain a rate of growth of 3–4% in 1997–98, and 6–7% in the following years.
2. To keep the inflation rate below 7–8% in the first period, and below 4–5% in the next period.
3. To reduce the current account deficit of government spending to 5% of GDP.
4. To keep the level of the international reserves at \$23,000 million in 1997 and \$25,000 million in 1998.

To comply with these IMF conditions the government had to cut the budget and stop some projects. It also had to increase VAT in order to control national expenditure and to allow for a budget surplus of 1% of GDP. Result: a decrease in government investment and an increase in unemployment.

The IMF frame of thought contrasts with Keynesian theory, which insists on increasing aggregate demand to recover from economic depression. The great depression in the USA during 1929–1940 was overcome by this method. In December 1997, Japan applied Keynesian theory in reducing income tax in order to increase aggregate demand to stimulate the economy.

Now there is a wide-ranging debate about IMF conditionality and why Thailand has to accept its rule. Is the IMF Satan or Santa Claus?

### **What is the IMF?**

During the second world war, monetary cooperation expanded among allied countries through various agreements and through monetary planning for the peace to follow. American policy-makers concluded that one of the chief causes of the economic and political disaster of the previous decades had been the failure of American leadership. They decided that America would have to assume primary responsibility for establishing a post-war economic order, which would be designed to prevent economic nationalism by fostering free trade and a high level of international interaction. The conference in Bretton Woods (New Hampshire, USA) organized in 1944 by the USA, the UK and Canada led to the creation of the new post-war system of international monetary control and the establishment of the International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD) or World Bank.

The IMF came into operation in 1947, with headquarters in Washington. Its aims are the promotion of international monetary cooperation, the expansion of world trade through the removal of exchange controls, and making funds available to countries experiencing short-term balance-of-payments difficulties to enable them to maintain their exchange rates. The resources of the fund come from capital subscribed by member states, quotas for which are decided upon and reviewed every five years. Voting rights on almost all issues are related to the size of the quota. The USA holds the largest quota (17.82%), hence it is able to exert a preponderant influence in the body. Other quotas include Germany 5.5%, Japan 5.5%, France 4.99% and the UK 4.99%. Between them, the G10 (the USA, the UK, Germany, Italy, Canada, Japan, the Netherlands, Belgium, Norway and Sweden) control over 50% of IMF resources. This means that the IMF is absolutely under their control. ASEAN and other countries are powerless. They are not able to change the IMF rules in accordance with their needs. The IMF becomes an instrument of the G10 to control the monetary system of the world.

What rules does the IMF impose on borrowers? The general rules are:

1. To have free exchange rates and free trade in currencies.
2. To devalue.
3. To control inflation through:
  - a) control of bank credit,
  - b) the government budget, ie to increase tax and reduce expenditure,
  - c) a wage freeze
  - d) to float the prices of commodities
4. To stimulate foreign investment and foreign ownership.

Consequently, it is very hard for developing countries to manage their monetary system. Local currencies are exposed to the attacks of the “robber barons” of finance. IMF rules bring suffering to the people, particularly to the workers and the poor. Why? First, because floating prices mean increased prices, and these, together with increased taxes – especially regressive consumer taxes – push up the cost of living. If at the same time wages are frozen, the real incomes of the workers are reduced. (Note in passing that allowing prices to float upwards does not assist in the goal of controlling inflation.)

Secondly, the reduction in government expenditure and the decrease in purchasing power due to increased consumer taxes leads to a decrease in investment in both government and private sectors, bringing about increased unemployment. A vicious spiral is created. Unemployment leads not only to the suffering of workers, but also to a decrease in national purchasing power or

aggregate demand. Finally, this undermines economic growth. The downward spiral disrupts the national economy. Many businesses collapse, paving the way for foreign take-overs.

It seems to many that the IMF rules are good for lenders, but not for borrowers. The IMF never takes the unemployment and the suffering of the workers and the plight of other poor into account. That is why academic communities in the south wonder whether the IMF is Santa Claus or Satan.

The cold war ended in 1989, but it has been replaced by a new economic war. Western nations build up their strongholds, Nafta and the EU, setting up free trade and free capital movement in their regions. At the same time, they set up many non-tariff barriers to protect their economies and prevent exports from Asia's newly industrializing countries.

From 1987 to 1996 was the period of "miracle" economic growth in the ASEAN 4 (Thailand, Malaysia, Indonesia and the Philippines). They became formidable competitors in the world market. As a result, some people are inclined to think that the IMF, under the control of the G10, is not likely to be too quick to cure the economic crisis in Southeast Asia. The longer the crisis, the better the competitiveness of the G10 in the world market. Thus, I appreciate the prime minister of Malaysia, who dares to challenge the big powers of the west and does not bring Malaysia into the IMF programmes. He is the only Asian leader who dares to attack the financial "robber barons" openly.

### **What is the way out for Asian countries?**

There are three levels to the crisis, so three levels of response are needed to counter it.

1. To counter unemployment in Thailand, Indonesia, Philippines and Korea, the workers and unions in each country needs to ask their governments to set up a budget for job creation. This budget is available from the World Bank and Asian Development Bank, which provide loans for structural adjustment of production and economic institutions.
2. In negotiating with the IMF each government must act in accordance with its national interest and on the basis of the best solution for the nation in order to preserve appropriate economic growth and appropriate conditions of life for the people at large.
3. Thirdly, at the regional level, three needs can be seen:
  - a) The need to increase trade among the countries in the Asian region;
  - b) The need for regional agreement on currencies and international payments, so that each country can use its local currency to pay for imports and accept the currency of its counterparts in payment for its exports. However, the countries in the region may base the par value of their currencies on the Japanese yen. This means that the prices of imports and exports may be set in yen and converted into local currencies;
  - c) Asian countries need to set up an independent Asian Monetary Fund (AMF) to be a mutual help organization for Asian countries. Japan and China should be the core of the organization. The huge reserves of Japan and China would be able to protect the other Asian currencies from predatory attack. However, how can we ask Japan and China to be the core of the Asian fund? There is the historical problem between China and Japan. Moreover, it seems to me that Japan is reluctant to say where it stands.

We need the unity of the east. An economic war is going on. Asian countries must dare to win.

## Post-crisis agenda for Korea and global civil society

Lee Chan-Keun

I must first of all offer my deepest thanks to Warc and the WCC for giving me a chance to present some of my thoughts regarding the latest currency and financial crises in east Asia. As we all know well, there has been intense international debate about the causes and remedies of the crises. Three main lines of argument have been put forth:

1. First, the “internal limitations view”, which highlights the fundamental weaknesses of the national development model of the east Asian economies as the cause of the crises.
2. Second, the “external conditions view”, which points to massive, unpredictable movements of international speculative capital as the cause of repeated currency crises throughout the world, beginning in the 1980s.
3. Third, the “anti-IMF view”, which stresses the overly harsh reaction of the International Monetary Fund as serving to exacerbate the situation, when a different approach might have resolved the problem in a relatively short period of time.

In this short presentation, instead of reviewing the spectrum of views analytically, I will try to draw some conclusions regarding the crisis in the east Asian economies, with a specific focus on Korea.

### Has the IMF programme in Korea been successful?

Among the crisis-stricken countries, Korea is regarded by the outside world as, more or less, a case of successful recovery. There is no doubt that its macroeconomy performed very impressively over the year 1999: foreign exchange reserves reached \$74 billion; there was a current account surplus of more than \$20 billion; the GDP growth rate bounced back up to 10 percent; the rate of inflation fell below 1 percent; the stock market rallied and resumed its boom; Korea's sovereign credit rating was restored to above investment grade, etc.

Can we say, then, that the IMF has done a great job in Korea by implementing its doctrinaire turnaround programme? Even with such a broad range of positive indicators, we must recognize that it is still too early to judge whether the IMF programme has been successful in Korea or not. There are two important reasons for this.

As far as we can tell, the turnaround in the Korean economy in the course of 1999 doesn't seem to be due to a fundamental improvement in its competitiveness. Transient favourable external conditions emerged to the benefit of Korea. For example, the realignment of foreign exchange rates: the Japanese yen strengthened considerably, while the Korean won depreciated steeply, relative to the US dollar; this helped Korean products to regain their price competitiveness. And Korea's staple export – semiconductors – where prices fluctuate severely, is currently enjoying a boom in its cycle in the international market. At the same time, it is highly likely that the current rebound of the Korean economy is partly a natural adjustment from the drastic plunge of 1998.

More importantly, there are indications that the Korean economy is now suffering from three structural diseases that will definitely take a long time to cure: a snowballing debt burden; a rampant government deficit; and a significant subordination of Korean industry to foreign capital. Let's examine the structure of each disease.

According to the official statistics, Korea's total foreign debt amounts to almost \$150 billion. This is not an insignificant sum. However, it does not include an important part of Korea's external debt. Over the past 20 years, for example, the Daewoo group, which recently announced that it was close to bankruptcy, has built up around 600 overseas business subsidiaries. All of those overseas entities are as highly leveraged as their Korean parent companies, but their

debts are excluded in the compilation of Korea's debt burden because they are incorporated overseas in accordance with the laws of the host country. When an overseas subsidiary proves unable to service its debt, will its creditors not turn to the parent company? If so, we must admit that Korea's total external debt burden is seriously underestimated.

How big, then, is the burden of Korea's external debt? We don't know exactly. Since Korean companies and financial institutions are not required to report to the monetary authorities the magnitude of their debts incurred overseas for overseas operations, we don't have an all-inclusive figure to hand. Let's assume as an exercise that so-called "local financing" is around \$100 billion. In that case, Korea's total burden of debt will amount to \$250 billion. With an average annual interest rate of 10 percent, the total annual interest payment will be \$25 billion. Can Korea rely on meeting this annual interest payment from its trade surplus? Wouldn't such a high level of surplus provoke a backlash from countries which find themselves with correspondingly large trade deficits? We cannot rule out the possibility that Korea will be required to take out additional foreign loans simply to meet its interest payments. The result will be a snowballing of external debt.

It is the same story with Korea's budget deficit. In order to implement the corporate and financial sector restructuring dictated by the IMF, a massive amount of government money is required, resulting automatically in rampant government deficits. If the size of the inevitable deficit is, let us say, 200 trillion won, with an annual interest rate of 10 percent, the Korean government will need to spend roughly 25 percent of its annual budget merely to service the interest charges. Will this be sustainable?

What alternatives are open to Korea to resolve the severity of its debt problems? Not many. The Korean government sees no option but to sell off to foreign capital as many Korean companies and financial institutions as possible. Shouldn't we be concerned about the subordination of the Korean economy to foreign capital? Of course, in this age of globalization, Korea cannot prevent foreign capital from acquiring its local companies: if Korea is allowed to acquire US companies freely, it must open its mergers and acquisitions market to US capital. But does this imply that Korea doesn't need to be concerned about the fire-sale of its strategically important companies? Let's take the example of the Daewoo Motor Company. What will happen to Korea if it is sold to General Motors? Will GM regard Daewoo Motor's Buchon factory as being as important as its Detroit factory? When GM faces pressure to restructure from the market, what will happen to the employees in the Buchon factory – currently, over 15 thousand – and the many more who are employed by Korean parts & components subcontractors?

### **Why should the IMF be criticized?**

The IMF made many mistakes in responding to the crisis.

First, the IMF was not impartial in its handling of the crisis. The Korean financial crisis happened essentially because private banks, mostly from the developed countries, stopped rolling over their short-term credits to Korea. But the debtors in the Korean case were neither the Korean government nor ordinary Korean citizens, but Korean business conglomerates and financial institutions. It was not a case of public debt default, as in the Latin American crisis, but of private sector debt. Immediately after getting involved in the Korean situation, however, the IMF stressed that the government had to use public funding to rescue the Korean private sector: "You, the government, must repay or guarantee the repayment of private debts." At the same time, reasoning that Korea's country risk had been so aggravated that interest penalties or risk premiums had to be added to their interest rates, the creditor banks raised their rates from 6% to over 18%. As a result, creditor banks made incredibly high profits out of Korea's crisis. They did

not lose a penny of the money they lent, but earned tripled interest on their principal. Isn't this an extreme case of moral hazard on the part of creditors?<sup>19</sup>

Secondly, the IMF encroached on national sovereignty by imposing on Korea a drastic restructuring programme which went well beyond its own mandate. The Articles of Agreement of the IMF give it the authority to recommend policy only in the area of macroeconomic management. For example, it can ask for a change in monetary and fiscal policies. It has the right to say, "You guys need to restrict the money supply and reduce fiscal deficits." But the IMF has no mandate to demand the total restructuring of the socioeconomic system of a country in crisis. In the letter of intent agreed upon by the Korean government, however, the IMF specified the necessity to increase the flexibility of the labour market, to restructure conglomerates and financial institutions, and to liberalize the whole economy. This raises the question, "Why do we need to have a nation state at all, if the IMF takes care of everything in the field of its sovereign responsibility?"

Thirdly, the IMF insisted on a stringent monetary policy, reasoning that high interest rates were required to stem the continued withdrawal of foreign capital. At the launch of the programme, the IMF predicted that the Korean economic growth rate for the year 1998 would be at least 2 percent, but around the end of the year, it fell to minus 6 percent – an absolute disaster for the IMF policy. Why did the IMF impose such a dangerous policy, even though Korea was more vulnerable to economic recession as a result of high interest rates than Latin American countries, since Korean companies are far more leveraged financially? The IMF economists are not stupid. They must know that any economics textbook recommends an expansionary monetary policy to fight a liquidity crisis. Why then did the IMF economists go against the textbook remedy? It seems clear in retrospect that they were most worried about the short-term movement of speculative capital and set the priority to retain foreign capital ahead of economic recovery. If the driving force behind the high interest rate policy is concern about speculation, however, why is the IMF not seriously considering measures to reduce the volatility of short-term capital movements? Since we have observed over the past two years that the IMF hesitates to introduce corrective counter-measures, we must doubt the intellectual honesty and fairness of the IMF economists.

Fourthly, the IMF revealed its inability either to prevent or to manage the crisis. In its annual report published in August 1997 – that is, roughly three months before the occurrence of the Korean financial crisis – the IMF praised Korea's macroeconomic management highly. This shows that such an important international institution as the IMF lacks the ability to predict financial crises. More surprisingly, the IMF mission team first came to Korea in early December 1997; the team was composed of only seven specialists, it stayed only a week and then it announced a comprehensive restructuring programme. Can you imagine how such a small number of economists could develop a proposal for the total disintegration and reorganization of the existing economic system in a mere seven days? The announcement of the IMF proposal accelerated the flight of foreign capital from Korea.

### **The meaning of the IMF crisis for Korea and Asia**

On the eve of the 21st century east Asia has become a hostage to western capital. People in Korea, especially the opinion leaders, are so indoctrinated by American values that they seem to have almost discarded Korea's own economic development model as well as the country's existing socioeconomic systems.

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<sup>19</sup> Moral hazard is the risk that where agents or institutions are protected against the consequences of their actions, normal constraints vanish. In this case, foreign lenders – primarily international banks, who lent short-term to Korean conglomerates (chaebol) – should have known the risks; but IMF funds were used to bail them out. Creditors incur moral hazard when they lend recklessly, expecting to be bailed out; debtors likewise incur moral hazard when they borrow recklessly, expecting not to be called to account.

Korea's submissive stance was fully revealed in 1997 when the financial crisis began to unfold. Groundless speculation in international capital markets was a critical factor in exacerbating Korea's foreign exchange crisis, yet Koreans tend to accept all of the blame for the crisis, pointing to the internal weaknesses of the Korean system as the prime cause.

Koreans do not seem to realize that there has been a fundamental change in surrounding conditions. Korean products were allowed to enter the US market freely during the early phase of Korea's successful drive towards industrialization, because of the strategic importance of Korea for the United States. After the end of the cold war, however, the United States started to treat Korea differently. It urged Korea to liberalize financial markets, to remove exchange controls, to allow free flow of capital, to disband the chaebol, to privatize government-owned companies, etc. As a matter of fact, the IMF programme is an exact summary of the demands that the United States began to make on Korea after the end of the cold war.

One has to wonder, then, whether Korea will have a promising future if it implements the IMF-dictated reforms to the letter. Recognizing the dynamic potential of the Korean economy and the need for a pre-emptive strike, western capital is trying to capitalize on the crisis by attempting to deprive Korean corporations of the opportunity to earn substantial profits through economies of scale and brand recognition.

So what does the Korean economy need to do in the face of such arrogant neoliberal doctrine which serves in fact to further the interests of western capital? The propaganda that all industries and corporations regardless of nationality should be welcome to Korea in order to boost production, create employment, and increase tax revenues is somewhat misleading. It will effectively force Korean industries to submit to western capital and related interests.

History teaches the opposite lesson. Even the United States, the self-proclaimed free market leader, was a protectionist country for a long time. Indeed, until the early part of the 20th century, it applied various protectionist measures such as high tariffs, countervailing duties and anti-dumping duties especially against imports from Britain to help its fledgling industries to survive. It even refused to sign the Bern Convention and did not hesitate to infringe on British copyrights.

Given this background, criticism of globalization should not be regarded as old-fashioned protectionism. No one today would dare argue that local industries can be developed competitively by creating a closed domestic economic environment. If, however, advocates of globalization push too hard, their arguments should be met with resolute counter-arguments.

As the term "globalization trap" signifies, globalization brings with it many hidden pitfalls, in particular those related to multinational corporations and globalized capital. Multinational corporations naturally seek to dominate the world market. Indeed, no sooner had Korea shown its weakness than these companies demanded, through the IMF, that Korea remove every barrier to doing business in Korea.

On the other hand, globalized capital often wages a "confidence game" in which international financial speculators seek to take advantage of even a minor misalignment in a country's foreign exchange rate. Once a speculative attack is unleashed, countries must gain the confidence and trust of international investors by adopting Anglo-American standards – the so-called "Washington consensus" – in their economic management.

To be sure, direct confrontation with the United States is out of the question. The power and influence of the United States must be duly acknowledged, while Washington's role in promoting global norms and standards must be accommodated. Small Asian countries do not seem to have either the right or the power to formulate international rules, although they are expected to adhere to them. Nonetheless, it is a serious mistake for the Asian people to sugar-coat the reality of globalization, which does not necessarily benefit everyone. Instead, Asia should ensure that it has sufficient leeway to improve the region's competitiveness, enhance its quality of life and brighten its future prospects. In short, globalization must be subject to critical scrutiny; it cannot be pursued blindly or with total acceptance.

## The Taegu round

Koreans have been inclined to seek the causes and remedies of the currency and financial crisis which began in 1997 only in terms of the shortcomings of the domestic economic systems of their own and other individual countries and, consequently, to overlook problems inherent in the present international financial order. Such a partial approach is dangerously biased. In June 1999, therefore, civil activists, religious groups, trade unions and others formed the Taegu Round Korea Committee to address the reform of the international financial order, which the committee sees as having the problems described below.

Along with the rapid liberalization of financial markets and the unfettered movement of international capital, huge amounts of financial capital accumulated in advanced countries have been turned into international speculative money, increasing the volatility of exchange and interest rates worldwide. As an unavoidable result of the unsettling movements of international speculative money, many countries are now suffering from deep economic recession, high unemployment, and social disintegration, while the governments concerned are left with few policy tools to cope with them. While the burden of foreign debt in developing and poor countries is getting heavier, deepening the disparity between rich and poor countries, the IMF has not played the role of an impartial mediator. Rather it has facilitated the speculative transactions of the international capital markets – that is, helping creditors to get paid back all their principal and interest, no matter how much their speculation may have contributed to the destabilization of the economy concerned. As a result, the economic base of civil societies, in Korea and in the world as a whole, has started to collapse.

A proper solution of the problems caused by international speculative capital flows and the growing foreign debt of developing and poor countries calls for a fundamental change in our intellectual paradigm. It is, of course, important for debtor countries to reform their economic systems to protect them from moral hazard. Equally, however, it is important for the G7, the IMF, and creditor countries to overcome moral hazard by rectifying the existing one-way international financial order. Globalization means that no country, however rich or powerful, can think in terms of the separate existence of the inside and the outside, the domestic and the external. The volatility of the outside inevitably affects the inside, and a simultaneous reform of both together is required. The Taegu Round Korea Committee believes that creditor and debtor countries should sit together in a new round to discuss a reform of the current international financial order. This new round should represent both parties equally, based on two-way dialogue aimed at creating a sound international debt order as well as a sound international capital order. There is no doubt that the final agreement should be reached at a government-level round. But to stimulate the creation of such a government-level round, and to complement it once it comes into being, we propose to inaugurate beforehand a pan-civil round at the world level.

The Taegu Round Korea Committee calls on the citizens of the world to understand that they are the direct victims of international financial turmoil and that they should take the initiative to establish a system of democratic control of the globalized financial market. They must realize they have the ability to do this.

The Taegu Round Korea Committee held a global forum from October 6 to 8 1999, with 100 progressive people from more than 20 countries participating. The forum passed the following resolution:

- We demand that all global economic institutions, particularly the IMF, the World Bank and the WTO, be held accountable to internationally agreed human rights standards in conformity with their member governments' UN treaty obligations.
- We declare our support for the Jubilee 2000 campaign and related activities such as the November 1999 Johannesburg south-south meeting and the July 2000 Okinawa initiative,

with their goal of third world debt cancellation, and promise to put organizational resources behind this enterprise.

- We urge the immediate adoption of global, regional, and national controls on short-term speculative capital in order to reduce its destabilizing impact on our economies.
- We demand that the IMF be brought to account for the destructive impact of its programmes on the social and economic rights of the Korean people and other peoples around the world.
- We support the Korean Federation of Bank and Financial Labour Unions in their effort to take legal action against the IMF for activities injurious to the welfare of the Korean people.
- We support a moratorium on the millennium round of the WTO pending a full evaluation of the impact of trade liberalization policies on people and the environment.
- We support the creation of an Asian social and economic institute that, with the full participation of civil society, would study and try to solve issues of regional trade, investment, short-term capital controls, and foreign debt management with a view to formulating concrete action to promote sustainable regional development.

To meet the above goals, we support the creation of the Taegu Round global network for social and economic justice, which will bring together Korean and global NGOs in a common endeavour.

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## Globalization from a Buddhist perspective

Pracha Hutanuwatr

“I understand that the current debate on globalization has a broad area of general agreement. This is that globalization is the latest expression of a longstanding strategy of development based on economic growth and liberalization of trade and finance. This results in the progressive integration of economies of nations across the world through the unrestricted flow of global trade and investment. Beyond these points people participating in the debate generally split into two main camps: those who believe that the expansion of the free market economy will benefit the societies and those who do not.

The mainstream approach is generally the former with the underlying assumption that globalization brings jobs, technology, income and wealth to societies. However these societies must be willing to submit to the principles of the free market – limiting public spending, privatizing public services, removing investment, strengthening export production and controlling inflation.

Those against the above policies argue that the “great success story” of globalization production has led to a litany of social and ecological crises. This has resulted in poverty and powerlessness of the majority of people, destruction of community, depletion of natural resources and unendurable pollution.”<sup>20</sup>

From a Buddhist perspective and from the experience of my country, I have to say that my standpoint is closer to the latter viewpoint, with the awareness that there is a big diversity within both camps and there are people who are trying to work out something in between the two.

When we talk about globalization we must remember such aspects as the globalization of the dominating consumer monoculture and the accompanying devastating environmental effects. On a more positive note, all around the world we can witness evidence of the rising consciousness of the interconnection of ecological systems and the emergence of global networking among civil society.

From a Buddhist perspective, however, the very core of the globalization process is the globalization of *tanah*, or craving. According to Buddhist analysis, *tanah* is the root cause of all suffering.

The term globalization may be new but the causes and conditions leading to it are not. Globalization is a continuation and expansion of ideas of development which are rooted in the belief that the progress of humanity is a linear anthropocentric process.

When we look at this worldview in the context of *tanah*, we can see that it has created a kind of civilization that victimizes its own people, people of other worldviews and other sentient beings. Over the last few hundred years this has been happening in the name of industrialization, colonization and development in both capitalist and communist frameworks.

As *tanah* becomes globalized the scale of suffering around the world has grown enormously. Vast numbers of largely self-sufficient third-world communities are being transformed rapidly into consumers of capital-intensive goods and services, mainly those provided by the transnational corporations. While a small amount of people perceive benefit through an increased standard of living, the majority falls victim to discontent, dependency and poverty. With the increased emphasis on material goods the quality of life of both the minority and the majority deteriorates and becomes spiritually void.

From the Buddhist perspective, both the anthropocentric element and the belief in progress are basic wrong views. In Buddhism the concept of interrelatedness is essential. If we take this seriously, human beings cannot be the “centre of the universe”. We are just one species among many and our wellbeing depends on that of other species and the natural environment.

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<sup>20</sup> G. Power, “Globalization and its Discontents in Development” in *The Case against the Global Economy: And for a Turn to the Local*, edited by Jerry Mander & Edward Goldsmith (San Francisco: Sierra Club Books, 1996), pp.76f.

The belief in progress moves us away from the “present moment”. In Buddhism, the causes and conditions of staying in the “present moment”, or the “moment of reality”, are of prime importance in the art of coping with suffering. The progress ethos stimulate us to expect that things will be better in the future, but at the cost of sacrificing the present reality. This belief in progress is a kind of myth, as it promises something that will never be completely fulfilled – indeed the striving to fulfil this myth is the cause of tanah.

For the sake of modernization, ordinary people have been structured to abandon cultures and ways of life that have evolved over thousands of years and are for the most part extremely appropriate to their local conditions and environment. Workers have been manoeuvred to sacrifice their labour for low wages for the sake of industrialization, farmers have been relocated for the sake of big infrastructure projects, all in the name of development and economic growth. In these processes, the disruption to living in the “present moment” and the resulting upheaval is given little or no consideration at all.

As tanah increases around the world, it goes hand in hand with the creation of a consumer monoculture. This monoculture is “evangelized” through the global advertising agencies, the information highway, satellite and cable television and western studios. These huge “dream factories” and “information creators” come from an alien cultural base with little relevance to the diverse localities to which they beam their acquisitive gospel. Their alluring messages convey an almost totally inappropriate and non-sustainable lifestyle to the most remote corners of the world. The vast majority of people who are manipulated by these messages will never have the means fully to acquire the images portrayed to them so they will feel inferior and culturally backward.

Like the extinct species of the Amazon rainforest, unique cultures – many of them thousands of years old – are being lost around the world in the name of globalization and progress. As world culture becomes homogenized, traditional art and music forms become undervalued and obsolete. All over the world there is a common oral tradition of story-telling with vibrant singers and dancers portraying unique tales of seasons, gods and local events. These largely spontaneous artists whose art stimulates compassion, community and solidarity are the heart and soul of local communities. They are now being ousted by the new icons of pop culture, like Michael Jackson, whose performances to the masses hardly enhance the quality of life.

As the transnationals invade every society they bring with them overpowering media that drown out the gentler, more vibrant, local cultural norms. Personal success in terms of wealth, power, recognition and the futile quest for unsuitable sensual pleasure are the dominating values in globalized society. The result is an inappropriate form of western culture, hungry for the unnecessary, overpackaged, standardized products of the transnational organizations. People are taught to compete and compare in the purchase of excessive consumer goods. In short, greed, violence and illusion, which Buddhists call akusalamula (unwholesome roots), are the norms promoted in different forms in the globalized culture.

However, it seems that the negative result of karma rebounds on its own sources, as we see unemployment, devastation of the environment and disintegration of family and community values in all societies following this destructive direction. This results in deepening criticisms and challenges, both from within these societies and from people of other civilizations.

Some critics even put it dramatically:

“We are witnessing the end of modernity. What this means is that we are in the process of changes in patriarchy (I am male); individualism (I win, therefore I am); materialism (I shop, therefore I am); scientific dogmatism (I experiment, therefore I know better; or I have no values, thus I am right) and nationalism (I hate the other, therefore I am). This is however a long-term process and part of the undoing of capitalism. All these connect to create a new world which is potentially the grandest shift in human history. We are in the midst of galloping time, plastic

time, in which the system is unstable and thus can dramatically transform.”<sup>21</sup> Unfortunately, first our elites and later our ordinary people seem to have lost confidence in our own cultural values. We become convinced that our civilizations are inferior, though we may pay lip service to the forms of our traditions. People in this state of mind are easily lured onto the consumer bandwagon in its many forms. This is especially true of the younger generation, who are so much influenced by the multinational media. Today our young people aspire to expensive western-style schools and inappropriate western-style architecture is springing up all over the world. We are abandoning appropriate and traditional costumes in favour of western-style clothes. In many cases influenced by the hamburger, pizza and Coca-Cola chains, people around the world are even changing their eating and drinking habits in order to emulate the “progressive” nations. Sustainable and wise cultural practices are also changing. The Chinese are no longer proud that they abandoned firearms hundreds of years ago though they had the knowledge to invent them before any western nation, if they chose to. The high-ranking Buddhist monks in my country are forgetting the basic teachings of the Buddha to live a simple life, in order to search for higher wisdom. These modern monks are competing with each other for the latest-model BMWs and Mercedes! The lay Buddhists of my generation and my parents’ generation use Buddhism only as a ritualistic function in life, and few live a life according to the real teachings. Today most lay Buddhists actually worship money and success.

Around the world the numbers of single people are rising and isolated “nuclear families” are becoming the norm. Modern people are becoming more and more cut off from communities, societies and the natural environment. Surely, this cannot sustain itself and over the next generations we will witness the further breakdown of societies. Ultimately, this may mean the end of the era of modernity, although what worldview will emerge from the ruins is still unclear.

### **Problems caused by globalization**

Thus it would seem that globalization can mean the spreading of greed, violence and individualism to all corners of the globe. From a Buddhist point of view, when the cultural values of a society are motivated by these unwholesome roots, the society itself will face all kinds of difficulties. Specifically these include corruption, crime, war, exploitation and abuse. Generally they lead to ecological destruction, disintegration of cultural values and the breakdown of all relationships.

This is because, from a non-self point of view, we are one with other beings in the universe, human and non-human. To harm others is to harm ourselves as well. Our social and environmental crises witness to this law of nature. The interrelatedness between human moral conduct and ecological balance is clearly stated in the ancient scriptures, as can be seen in Buddhadasa Bhikku’s comments on a Pali Sutta. Here the Sutta is talking about the results of people not acting in accordance with dhamma.

“Now, when the Brahmins and people with money already do not act according to dhamma (the law of nature), the city people and country people do not act in accordance with dhamma, so it follows that both the city and country people do not act according to dhamma... When we have reached the point where all people do not act according to dhamma there arise uncertainties, fluctuations and abnormal conditions in all nature: the orbit of the moon and sun is fluctuating and uncertain... the stellar system has been disturbed by the ambitions of very greedy people, people who do not act according to dhamma.”

The Sutta goes on to describe how panjassa (pattern or order) of the universe becomes confused and this affects the patterns of weather which affect the crops and in turn the people and animals cannot survive. Buddhadasa comments:

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<sup>21</sup> S. Inayatullah, “Global Transformation in Development” in *Development: The Journal of the Society for International Development*, Vol.40 No.2 (June 1997), p.33.

“Human beings have long since brought about injustices which have left their mark on nature; this has resulted in nature behaving incorrectly. When nature is disrupted, it surrounds humans and brings about their continued downfall until it affects their physical bodies and their heart–mind... then our heart–mind also becomes mixed up.”<sup>22</sup>

We can see these difficulties clearly in all societies as they become touched by modernization. Under the new name of globalization, the catastrophe will intensify. The mad rush towards progress in the last thirty years of development in Siam has left a vast disparity between rich and poor and huge, devastating scars on the culture, the environment and social norms. It is hard to believe that contemporary Thai values have sprung from a Buddhist culture.

Many aspects of contemporary Siam are frightening examples of all that is wrong with modernization. The underpinning value system of the capitalist monoculture seems almost totally at odds with the traditional Buddhist philosophy based on interconnection, compassion and awareness of greed, hate and illusion.

Let us start with Bangkok, once renowned as the Venice of the east, a mystic city of canals and golden spires – now one of the most polluted cities in the world and in the truest sense a concrete jungle. Bangkok is known to locals as Krung Thep. The city of angels is full of construction sites, ugly new buildings, superhighways and shopping malls indiscriminately built and tearing the heart out of local communities. Many huge slum areas have materialized and many people live in very basic shacks which might suffice, if in the country near a clean water supply, but in the rat–infested, fume–ridden city are not an abode for healthy living.

To many visitors, Bangkok’s angels are the numerous prostitutes in what has now become a global centre for sex tourism, resourced mainly by very young girls from poor rural areas and from indigenous hill tribes both within Siam and from neighbouring countries. Many of these unsophisticated girls have been tricked into becoming prostitutes by unscrupulous employment procurers who recruit from the villages, promising high salaries for jobs in the “entertainment” industry. Most of the girls have little awareness of exactly what this will entail.

This burgeoning sex industry has been encouraged by an emerging consumer society advocating instant gratification. It has been spurred on first, by US soldiers on R&R from Vietnam and later, by sex tourists who were lured to fill the gap.

The landscape of Siam has been stripped of its trees, the coral reefs destroyed through pollution and plundering, the water in the numerous klongs and rivers of this waterbed culture is now so polluted they are unsafe to swim in. The destruction of the rain forests which act as natural sponges during the rainy season has caused extreme flooding. The building of huge dams for hydroelectricity displaced thousands of people and caused them to lose their traditional, self–reliant way of life when they were resettled on infertile land or lured by government schemes to produce cash crops. Only a few decades ago the culture was still based on rural sustainable agriculture that was interdependent with the floods. The farming seasons worked around the flooding, welcoming the fertile silt from the floodwater. If a few simple, thatched houses were damaged, they were easy to replace or repair from the abundant forests. Nowadays, floods are seen as a menace, destroying cash crops and causing unbelievable chaos to the already congested streets of Bangkok. In these days of acquisition the fear of floods has a whole new dimension, as expensive houses and possessions are in danger of water damage.

How could this happen in a Buddhist society? With few exceptions, the monks of Siam welcome globalization naively, as an unavoidable friend. Many monks have consumer goods, such as mobile phone, BMWs and portable computers; many are obsessed with raising money from their newly rich parishioners to build ever bigger Buddhas and useless halls and buildings.

As is the trend around the world, the bright young contemporary minds of Siam are being lured into the fast–paced business world with little time or inclination to develop wisdom through

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<sup>22</sup> Buddhadasa, translated by G. Olsan, “A Notion of Buddhist Ecology”, in *Seed of Peace*, Vol.3 No.2 May 2530 (1987) Bangkok, Siam, pp.22–27.

contemplation. Thais, young and old alike, are victims of the huge promotion of a global monoculture by multinationals with a capitalist, individualistic ethos.

Activists, environmentalists and ordinary people affected by big development projects launched campaign after campaign against these tendencies, such as the Forum of the Poor protests. The effect was that Thai-based foreign multinational corporations turned to neighbouring countries for timber, hydroelectric dams and other natural resources.

This kind of development truly benefits very few people. Even those who become rich often become victims of acquisitive desires which rob them of personal fulfilment. In spite of their “success” in wealth, power and recognition they are still haunted by a sense of lack and basic existential insecurity – a basic fact of life to which they never have time to pay attention. These people, expecting instant gratification, have lost touch with the art of coping with basic human suffering. This art has been well developed in the Buddhist tradition through meditation practice and is a wonderful tool for ensuring emotionally mature and stable adults. I believe that the art of coping with suffering is not exclusive to the Buddhist tradition – indeed it is an integral part of most traditional religious and indigenous wisdom.

This new kind of suffering spawned by consumerism which is fuelled by the globalization process is happening in various stages all over Southeast Asia, and indeed the world. Even in countries like Burma and Laos the scars of the consumer society are emerging. This is seen in the ugly modern buildings that are starting to appear in Rangoon and Vientiane, the ubiquitous Coca-Cola available in the smallest villages and the gentle people who feel “left behind” and aspire to western goods they have heard about on television.

Looking at these trends globally, we see some startling facts of structural violence in regard to economic injustice in the world today. The richest 20% of the world’s people receive 87% of the world’s income. The poorest 20% of the world’s people receive barely 1.4% of total income. The combined incomes of the top 20% is nearly 60 times larger than the bottom 20%. This gap has doubled since 1950, when the top 20% had 30 times the income of the bottom 20%. And the gap continues to grow.

“The thin segment of super rich in the world have formed a stateless alliance that defines global interest as synonymous with the personal and corporate financial interest of its members. They claim the world’s wealth at the expense of less affluent people, other species and ecosystems on the planet. This is the true meaning of global competitiveness: competition among localities. Large corporations, by contrast, minimize their competition through mergers and strategic alliances.”<sup>23</sup>

The result of this structural violence is that for 80% of the world’s population globalization means global poverty:

“In the 1960s and before, capitalism needed us, if only to exploit us. They not only needed our land, our natural resources, our forests, our ports; they needed us as workers, to exploit our labour. Now they do not even need us to exploit. We are expendable. So they decided to let us die. To let us have diseases such as cholera, to let us have our shanty-towns around all the major cities, where millions of people live. They are creating another type of society, also capitalist, or rather sub-capitalist. It is the capitalism of poverty.”<sup>24</sup>

As human beings we all have a tendency towards greed, hatred and illusion. In the modern world this tendency is greatly encouraged, hence the globalization of suffering described above. In a fairer and more just society these negative trends are warned against, rather than worshipped as something we all should pursue.

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<sup>23</sup> David C. Korten, “The Failure of Bretton Woods” in *The Case against the Global Economy: And for a Turn to the Local*, edited by Jerry Mander & Edward Goldsmith (San Francisco: Sierra Club Books, 1996), p.24.

<sup>24</sup> E. Hoidobro, quoted in R. Carmen, “How much is Enough” in *Development: The Journal of the Society for International Development*, Vol.40 No.2 (June 1997), p.57.

## **An alternative Buddhist vision**

How can Buddhism contribute meaningfully to the present crisis of civilizations? I suggest that the main contribution will be the Buddhist view of the meaning of life and its implications for the kind of society that encourages this.

From the Buddhist point of view, happiness doesn't come from trying to satisfy *tanah* (insatiable cravings), either for material wealth, power, recognition or sensual pleasure, a trend propagated by the present global consumerism. On the contrary, glorifying *tanah* will lead to meaninglessness, dissatisfaction and alienation. Happiness and real meaning in life comes from the reduction of *tanah* which will in turn open space for *kusalamuta* (the wholesome qualities of life) to flourish, eg, compassion, wisdom, generosity, peace of mind. This *kusalamuta* will connect us to ourselves, our fellow human beings and nature. These qualities of life are considered as *ariyadhana* (noble wealth), or real qualities that will help us to cope with suffering. Buddhism encourages us to confront this existential suffering in life. In contrast, modern culture offers a way to escape from this suffering in the name of progress with its promises of health, prosperity and consumption. In other words, modern culture encourages the satisfying of *tanah* which is the root cause of suffering. So this is why there is so much suffering in the modern world despite the high levels of prosperity and technological advance.

In an authentic Buddhist civilization, a good life could be materially simple and in tune with the natural environment. One would have few belongings and abundant time for meditation, friendship and community life.

A good Buddhist society is one that is dominated by values such as cooperation, generosity, compassion, spirituality and a social environment that supports and encourages the growth of *kusalamuta* among people. In the ideal Buddhist society the economic, political and cultural structures would promote these attributes. This is, of course, the opposite of the present global trends. From this viewpoint, a simple life with many fewer consumer goods than is the present western norm is preferable. This is because less consumption will free our lives from material burdens and allow us to cultivate *kusalamuta*.

This doesn't mean that Buddhism rejects material wellbeing. The point is to know and understand the limits of material wellbeing, so as not to let the means become the end, as modern people tend to do. A mantra for this kind of living could be "contentment" rather than "the more the better". This should not be a rigid ideology but should allow a wide range of modes of ownership with upper limits. At one end of the scale would be people living very simply with little "material" security such as authentic Buddhist monks and nuns who consume according to their basic needs but devote their lives to the service of humankind and all sentient beings. These people can be the guiding lights of a society. At the other end are people who only care for the wellbeing of themselves and their immediate family. They may do so, but with an upper limit of ownership that does not allow them to use wealth to exploit others and nature. Greed is not encouraged. Between these two poles there can be a diverse range of modes of ownership and enterprise according to individual choice based on the ideas of economic decentralization.

Another pertinent factor is political decentralization. This is because power, like wealth, can be used both negatively and positively and the tendency to negative use is always there. So for political organizations the smaller the better. We have to bear in mind that the Buddha established the Sangha [assembly of disciples, or Buddhist order] in a very decentralized form, without appointing any of his disciples to be the supreme leader of the Sangha, in spite of the fact that there were many enlightened disciples around in those days.

As a Buddhist I would draw inspiration from this Buddhist tradition to encourage localization/decentralization over globalization/monopolization. This kind of localization/decentralization doesn't conflict with international networking among civil society initiatives, provided it is not in the spirit of centralization.

Whilst there are undoubtedly many factors at work, I agree in principle with David Korten's argument that "we do not have a globalized economy because of some historical

inevitability. We have it because a small group of people who have enormous political and economic power chose to advance their narrow and short-term economic interest through a concerted, well-organized and well-funded effort to rewrite the rules of the market to make it happen. In other words, economic globalization came about as a consequence of conscious human choices. It is the right, indeed the responsibility, of those who were not party to those decisions to reclaim the power we have yielded to those who have used it against the public interest and to make different choices.”<sup>25</sup>

### **Globalization and non-self**

Globalization, like anything else, is impermanent and thus non-self, and will last as long as causes and conditions allow it. Like all other tempting matters, we need to be aware of both positive and negative effects of globalization. Once we have enough critical awareness that the negative aspect outdoes the positive aspect then we will be able to go beyond or liberate ourselves from it.

At least in my country, the poor are the ones who have seen the negative sides very clearly.

As a Buddhist, I believe that without real moral legitimacy no institution can last long, however powerful it may be. In regard to the multinational corporations manipulating the globalization process mainly for their own benefit and creating so much suffering for other people, I agree with people who foresee the end of the present trends towards globalization.

“The future of the planet can not be and will not be the simple continuation of the present neoconservative capitalism. That economic system will never deliver the good of development and welfarism to all of us. The frustration and anger of the jobless and of the hungry (and unfulfilled?) will be increasingly corroborated by the loss of confidence by a growing part of humankind in the progress and happiness promised by capitalism and its ‘development’. Immanuel Wallerstein believes that capitalism may collapse, not primarily because it is lacking economic technology to adjust to the crises but due to the fundamental lack of legitimacy in the eyes of both the north and the south.”<sup>26</sup>

A Buddhist response is not just sitting and waiting for mara (evil forces) to cause collapse. We have to cultivate our parami (spiritual strengths) to liberate ourselves and our communities from this corporate-imperialist process.

In Siam a number of grassroots initiatives led by farsighted farmers and NGO workers are attempting to liberate their communities from the mainstream market forces. Their approach is to return from cash crop agriculture promoted by the government in the last 30 years to growing food primarily for community consumption with only the surplus sold for cash.

Over the last ten years or so some farmers and villages have been experimenting with alternative agricultural projects emphasizing organic fertilizer and insecticide and on a subsistence economy basis. After a decade, the improved quality of life can be clearly seen. It is the visible demonstration of a viable alternative.

However, the general picture for rural Siam over the last decade is much more depressing. Many, many farmers have gone into debt and bankruptcy through joining the cash-crop economy. Thousands of rural people have been relocated from their fertile homelands due to big development projects such as hydroelectric dams and power stations. These are major reasons for the protests of the Forum of the Poor over the last ten years. With the severe problems of the growth-oriented economy and the protests of the poor, my country is close to a crisis situation. Many people are starting to look to the few innovative examples of alternative agriculture as a solution, especially among the poor. Prompted by the demands of the Forum, government

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<sup>25</sup> Korten, *art.cit.*, pp.65f.

<sup>26</sup> Yerhelst, quoted by Carmen, *art.cit.*, p.57.

departments are planning to encourage around 8 million farmers to join this movement. This is an exciting new direction although it is too early to predict any real and positive change.

As for the middle and upper classes, the failing of the Thai economy may help to awaken people to the real situation of globalization. During the last 15 boom years, many Thais worshipped globalization and development as their businesses flourished. Now as the bottom starts to fall out of the economy they are left wondering how they can survive. Many may not yet see that there is now an opportunity for people to develop a true critical self awareness of the dangers of globalization. Hopefully the voice of mindfulness from Buddhist thinkers such as the late Venerable Buddhadasa and Sulak Sivaraksa will be listened to more than those of the secular technocrats and money makers who have been determining the fate of the country for the last half century.

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