In this book are collected eight of Kevin Hewison's most important essays on capitalist development in Thailand. Together, they represent a rejection of earlier modernisation and dependency perspectives on Thailand. Through studies of the development of capitalism and the sociology of the powerful capitalist class, Dr. Hewison shows how a group of closely aligned Sino-Thai business persons have come to control much of the Thai economy and its political structures. It is also shown that the state has played a crucial role in securing and maintaining a political and economic environment fertile for capitalist development.

These essays are essential reading for anyone who wishes to understand why it is that Thailand has emerged as a shining star in capitalist Southeast Asia.

This collection represents a major and innovative critique of the established orthodoxies in the field of social and political analysis of contemporary Thailand. Kevin Hewison brings to bear a sophisticated theoretical armoury and provides a study which enables Thailand to be included in serious comparative analysis.

John Girling, Australian National University

Kevin Hewison took his Ph.D. at Murdoch University, and taught Politics at the University of Papua New Guinea. Later he held a post-doctoral fellowship in the Department of Political Science Change at the Australian National University. Now a consultant sociologist, he is based in Northeast Thailand, working on a bilateral assistance project.
POWER AND POLITICS IN THAILAND:
ESSAYS IN POLITICAL ECONOMY

by KEVIN HEWISON

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FOR WES AND VAL, WITH THANKS
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Chapter 1

Introduction

Fifteen years ago, when I first began to take an interest in the political economy of Thailand, few would have predicted the changes which were to take place by the late 1980s. In the mid-seventies Thailand was experiencing its first attempt at meaningful parliamentary representation since the mid-1950s but as with that earlier experiment, the military soon marched back to retake its dominant political position. Political scientists saw this as a reassertion of the "bureaucratic polity," and investors, already "lacking confidence" following the turmoil of political activity during the 1973-76 period, were wary. Things did not look particularly bright for Thailand, either politically or economically.

By late 1988, however, Thailand had its first elected prime minister since 1976 and was being hailed as the next Asian NIC (newly industrialised country). Tourism has boomed, manufactured exports have skyrocketed, and economic growth statistics are regularly being revised upwards. Popular international recognition came when Newsweek discovered "Asia's Emerging Superstar."¹

In the mid-seventies Thai-based capitalist enterprises were virtually unknown outside the country. Nowadays it is different. For example, Asiaweek recently wrote a profile on a Thai company which it said would rank in the top-half of the US Fortune 500: Charoen Phokphand has branches in at least 25 countries and has an annual turnover of some two billion dollars.² Another significant case is the Bangkok Bank. When Chin Sophonpanich, the founder of the Bank, died in 1988 he left behind a business empire which had interests in companies valued at an estimated twelve billion dollars. The empire's labyrinthine corporate interconnections chart published by Matichon newspaper included 205 companies and scores of business families throughout Southeast and East Asia.³ The Sophonpanich business empire had also become a capitalist group of international significance. There are now a score of Thai enterprises which "rank" internationally.

Thailand, a country of about 55 million people, is located between what has been an isolated and economically stagnant Burma, and the war-ravaged state socialist countries of Laos and Kampuchea, with weak economies. Compared to its neighbours Thailand is an economic dynamo. Not unexpectedly, Thailand is now
hailed as a shining example of the free enterprise system in Asia. Indeed, it does shine, but for some more than others. Thailand is an example of all that is "good" and all that is "bad" about capitalist development. We can see the modern, "rational" factories and the sweatshops and pollution; a burgeoning service sector and hundreds of thousands of prostitutes; a rapidly developing middle class and workers and peasants struggling grimly to reproduce themselves and their families; urban growth and rural marginalisation; and so on. With all these contradictions Thailand should also be a shining example of developing capitalism for Marxist political economists and other students of development.

It was not that long ago, however, that capitalism was considered the preserve of the West. Capitalism meant modernisation, industrialisation, and Western civilisation. For a time Japan could be accommodated within this view, as an exception which proved the rule. Nowadays, however, such a view should be seen as naive. The various NICs can no longer be seen as "exceptions."

But, fifteen years ago, few would have seriously discussed a "Thai capitalism." Dependent capitalism; the development of underdevelopment, where the latter was directly related to the former; peripheral capitalism—whatever the term used, "real" capitalism was not up for discussion when considering the Third World. The examples of, amongst others, South Korea, Taiwan, Singapore, Mexico, and Brazil should suggest that the agenda must be changed, for the "history of capitalism...is one of geographical spread, the slow colonization of the globe by the market." Thailand has been a part of this process.

This short introduction is not the place to detail my views on this issue, for they are set out in the chapters which follow. The essays all address various aspects of the rise of Thai capitalism, addressing both theoretical and empirical questions. But one might well ask "Why Thailand?" It has not been "graded" as a NIC, and is thus not one of the best known economic dynamos in Southeast Asia. But, for me, this is the significance of the Thai case—it is no more "special" than any other social formation is "special;" it is an example of capitalism in action in the Third World (if this latter term may still be usefully applied).

My position is a rejection of that recently adopted by Yoshihara Kunio who sees capitalism as being an ideal type. He states that,

Capitalism is...the sector in which capital is pronounced. If capitalism can be considered as the sector...which includes big businesses, then capitalist institutions are the individual economic enterprises which belong to this sector, and capitalists are the people who head such enterprises. Not only is this definition a tautology, it is ahistorical and appears to lack any concept of sociological analysis. Basically, the author attempts to portray the capitalism (I would argue, capitalisms) of Southeast Asia as being inefficient and not measuring up to the capitalism of Japan and the West. Indeed, by referring to "ersatz" capitalism, Yoshihara can only mean an artificial or an imitative capitalism, and certainly an inferior brand. He concludes that "capitalism as a whole
remains dependent and will continue to be so in the foreseeable future. This leads, inevitably, to an arrogant delineation of Southeast Asian capitalism’s weaknesses and recommendations for making capitalism a dynamic and autonomous force.

Each essay in this collection illustrates, I believe, that Yoshihara’s view is theoretically and empirically misplaced. The history of Thai capitalism will not follow any well-trodden path to arrive at an American or Japanese or European endpoint. Similarly, and in opposition to Yoshihara, the form of Thai capitalism is more than the sum of a who’s who of the members of the capitalist class. Thailand’s capitalism emerged within the womb of the pre-existing society, and is slowly but surely altering the remaining elements of that previous social and economic organisation. The capitalism which has developed in Thailand is a dynamic force, transforming all class relations and irrevocably changing the daily lives of all Thais. Thailand’s social philosophers have recognised this. From village sages to university academics, from artists to poets, and from workers to monks, the question is: “What is happening to the society we knew?” And, “What will (or should) the new society look like?”

For those who must meet the forces of capitalism each day—the workers and peasants—the questions may be academic for they must struggle to make their lives, to reproduce themselves, over and over again, every day. But, these are not idle questions. They are, I would argue, exactly the questions addressed by the great European sociologists of the late nineteenth and early twentieth centuries when faced by developing capitalism. What is destroying the old society? What kind of society will replace the old? Tonnies saw community being replaced by association; Marx saw a new communalism emerging; Weber saw legal-rational forms predominating; and Durkheim saw the division of labour bringing about a new society. This collection of essays does not specifically answer these questions, but it is hoped that the perspective presented will assist others in asking the questions and, perhaps, provide some insights into the processes of change in Thailand.

The Essays

The chapters in this collection were written between 1980 and 1988. Apart from correcting some errors of detail and minor editing, each of the essays remains largely as it was when originally published. The exception is Chapter 9 which was originally written to be published together with Chapter 5. As it happened they appeared separately, and so there was considerable overlap between them; this has been eliminated from Chapter 9 now that they are finally brought together. No attempt has been made to update the earlier papers for that task has been completed in my 1983 Ph.D. thesis at Murdoch University which itself has been revised as Bankers and Bureaucrats: State and Capital in Thailand to be published by Yale University’s Southeast Asia Monograph Series in 1989.

Thus, these essays are marked by changes in my theoretical position and my knowledge of Thailand. To an extent they also reflect the very rapid changes taking
Introduction

place in Thai society. Nonetheless the central concerns of the essays have remained much the same: How has capitalism developed in Thailand? What has been the role (or roles) played by the state in capitalist development. Each essay reflects on these questions.

The book is divided into three sections. Part I addresses theoretical issues, while part II presents studies of the role of the state in capitalist development, and in part III the various fractions of capital and their development are examined.

In Chapter 2 it is argued that neither the modernisation nor dependency theoretical perspectives adequately account for the emergence of a Thai capitalism, nor does the most developed of Marxist approaches. The shortcomings of these perspectives are outlined, together with an outline for a more appropriate approach.

Chapter 3, an extended review of Political Conflict in Thailand. Reform, Reaction, Revolution by David Morell and Chai-anan Samudavanija, examines the authors’ attempt to reorient the political culture approach to the study of Thai politics. It is argued that the culturalist approach ignores too much concerning economic and political power, and that a class-based perspective would more adequately account for such factors.

Chapter 4 suggests that a domestic capitalist class, capable of acting as an independent class, within the constraints of the international capitalist system, has emerged in Thailand. The state has been crucial in securing the capitalist’s accumulative base. The paper briefly states the international context of Thai economic development, outlines the development of the domestic capitalist class, and discusses the role played by the state. In this latter section, the state’s policies towards investment promotion, credit provision, and towards the working class are examined.

This is followed, in Chapter 5, by a brief discussion of Thailand’s high growth in the past two decades. This chapter examines, from the economic and political perspectives, the industrialisation strategies which have been adopted by the Thai government. This is followed by a study of the twists and turns of state policy as the country faced an economic downturn in the mid-1980s. Competing international and domestic interests are examined.

Chapter 6 begins the analysis of the capitalist class in Thailand, with a discussion of the development and expansion of capitalism in the countryside. The impact of agro-industry is explained through a case study of the sugar industry. Ownership and control of this important sector is outlined, together with state policy towards the sugar industry.

Chapter 7 provides a background to the development of Thai banking and finance. It delineates the major interests involved in the sector: the families Sophonpanich, Ratanarak, Tejapaibul and Lamsam. In each case their links with other business groups and bureaucrats are noted.

In Chapter 8 the early development of industrial capital is traced. Beginning with an examination of recent dependency theory-based studies of capitalist
development in Thailand, this chapter outlines some of the forgotten and ignored history of Thai industrial development. The period discussed is from the early nineteenth century to 1945. The argument is that though small and fragmented, far more industry developed in this period than is depicted in standard texts on the subject.

This early history is followed, in Chapter 9, by an outline of the history of industrial capital for the period since 1945. The structure of this group of capitalists is explained. In addition, the impact, on capitalists, of the economic downturn and rebound of the 1980s is studied.

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**Notes**

5. Ibid., p. 187.
7. Yoshihara does not define "ersatz capitalism," but the implications, as noted here, are clear in his analysis. The logical conclusion of inferiority is explained on the book's
8. Yoshihara, *op. cit.*, p. 120.
Neither modernisation theory nor dependency theory can adequately account for the emergence of capitalism in Thailand, and neither can provide an adequate picture of the role of the state in the development of Thai capitalism. The major reason for this is that they are inadequate theories. Despite the fact that both perspectives have been seriously challenged at the theoretical level, few of these criticisms have permeated Thai studies, where both remain dominant theoretical approaches. This chapter seeks to provide a theoretical discussion of the shortcomings of both the modernisation and dependency theories, especially as they are applied to the analysis of capitalism and the state in Thailand.

Capitalism is now the dominant mode of production in Thailand and domestic capitalists have emerged as an extremely powerful class, economically and politically. The state has played a crucial role in this development.¹ That the state has played a central role in the development of capitalism will not seem remarkable to many, for it seems to be stating the obvious. But, the fact is that in the case of Thailand this position has never been seriously pursued. The principal reason for this is that the dominant theoretical perspectives for the study of Thai politics and society, modernisation and dependency theories, are inadequate.

Despite having been subjected to considerable theoretical criticism, little of it seems to have filtered through to modernisation and dependency based studies of Thailand. Indeed there seems, at times, to be a reluctance even to admit the existence of theoretical assumptions.²

The most influential models of Thai politics have been derived from Western, specifically North American, theories developed during the 1950s and 1960s. These models have drawn heavily on liberal-pluralist, structural-functional and behavi-

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**PART I THEORETICAL ISSUES**

Chapter 2
The State and Capitalism: A Critique of the Modernisation and Dependency Perspectives on Thailand
ouralist thought. For convenience I will refer to such approaches as modernisation theory. This body of theory has shaped the Western understanding of Thailand and has influenced a whole generation of Thai scholars. It has only been relatively recently that a “radical,” Western scholarship has emerged, drawing inspiration from the “school” of dependency theory. “Radical” Thai scholarship too has been heavily influenced by the various dependency perspectives on underdevelopment.

In this chapter, I will present theoretical critiques of both the modernisation and dependency perspectives, concentrating upon their respective approaches to the development of capitalism and the role of the state in Thailand.

**Modernisation Theory**

The seminal work on Thai politics is Wilson’s *Politics in Thailand* published in 1962. Wilson was mainly concerned with Thai politics in the forties and fifties and concentrated heavily on the trappings of parliamentary democracy. One of the merits of Wilson’s work is that, despite this focus, a legacy of his liberal-pluralist background, he was conscious of the fact that the Western model did not fit the Thai situation. Specifically, the Thai “political system” indicated few inputs and little feedback, and the political system itself seemed to have become the totality of politics, with a small, politicised elite dominating an apolitical mass. Politics became a matter of competition between powerful cliques of politicians and bureaucrats jockeying for the highest offices and the perquisites which flowed from them. This is well-illustrated in Wilson’s concluding chapter, where he observes that the:

> ideal of popular sovereignty and representative government failed to take life, and politics was without moral focus. The government—ruling in an ambiguous moral position—has become a kind of bureaucratised anarchy. The various departments...seek to expand their activities and compete for the resources of the state.

Wilson presents a picture of the Thai political system which is closer to Weber’s conception of patrimonialism than to the political systems’ model of Western parliamentary democracy.

In explaining the government’s ambiguous position, Wilson attempted to show that cultural factors determined the pattern of Thai politics. Thais were said to be individualistic, to avoid regulation, being driven by the Buddhist’s desire to accumulate personal merit. Social organisation is characterised as “loose,” with a fluidity of social status. Social and political relationships are organised along patron—client lines, with class barriers being few and not impenetrable, and occupational stratification being limited. In all of this religion and kingship were allocated considerable weight as determinants of stability in the political and social systems. Thus cultural (and psychological) factors were delineated as the principal elements in the organisation of Thai society. This leads to a situation where the bureaucrats are left to rule, while the masses are not anxious to participate because
they are said to be unconcerned, apolitical, unable to organise, and passive.

When applied to relations between capitalists and the state, Wilson (following the work of G.W. Skinner) argues that business people, being overwhelmingly Chinese, suffer a "psychological disadvantage" when dealing with Thai officials. Thus they need to work out an accommodation with the powerbrokers, and a symbiotic relationship emerges. On the one hand, state revenues are, to a large extent, derived from the regulation of commercial activities and are essential for the stability of the administration. On the other hand, business people seek relief from heavy regulation through political influence. This ability to influence is much coveted in managers and executives. In addition, the

opportunities for enrichment for political and personal uses have not been overlooked by Thai political leaders. As the prime source of ready cash the business community is a political force of substance but since it has neither guns nor votes its relative weakness makes it manageable.  

This is a symbiotic relationship indeed, but weighted very much in favour of the political masters.

The focus for future studies of Thai politics was firmly set in Wilson's work: military cliques, political passivity, "loose structure," weak extra-bureaucratic influences, especially business, with culture and personality becoming the hallmarks of the political process. The suggestion is that political behaviour can be best understood as representing particular, shared patterns of values, attitudes and beliefs. Ignoring conflict, the emphasis is on stability, individuality, deference and social cohesion. These themes were later taken up by Riggs, who has developed the most theoretically complete analysis of Thai politics.

Riggs's *Thailand: The Modernization of a Bureaucratic Polity* (1966) was an attempt to provide a critique of existing studies and to provide an appropriate model of Thai politics and society, based on the structural-functionalist approach to modernisation. Thus his study is set within the context of his theory of "transitional" or "prismatic" societies.  

The prismatic model is a heuristic device based on an analogy with spectrology, and providing two ideal-types (or, in Riggs's terminology, "polar constructed types") of society. On the one hand Riggs delineates the traditional or "fused" society where a single structure (defined as "any repetitive pattern of behavior in a society") may serve many functions (said to be a consequence of a structure which affects the whole system of which it is a part). On the other hand, we have the ideal "diffracted" society where structures are functionally specific. Between the two, at an intermediate stage, are located the prismatic societies.  

One of the political manifestations of prismatic societies is the "bureaucratic polity," a "system of government that is neither 'traditional' nor 'modern' in character." Here, the key to Riggs's classification is the notion of the differentiation of structures or, as the case may be, lack of differentiation.

Having adopted the input-output model of political systems analysis, Riggs,
like Wilson, notes that in the Thai case, political struggle was limited to the bureaucracy itself, due to the fact that there was no guiding force outside the bureaucracy capable of establishing the parameters of bureaucratic action. Modernity in the political system is defined by the extent to which the bureaucracy is brought under the control of extra-bureaucratic political institutions. The reasons for the absence of such control are never fully explained, but the impression is that Riggs is content to follow Wilson, and accept that this is a function of Thai culture and personality and that political development has not advanced sufficiently. Indeed, Riggs suggests that differentiation within the bureaucracy has advanced rapidly, while outside the bureaucracy such changes have occurred at a much slower pace. Thus, the extra-bureaucratic overseers have not developed and the bureaucracy is free to act as it chooses.

These perspectives are well-illustrated in Riggs's view of the relationship between business and politics, where he has adopted the concept of "pariah entrepreneurship" to define the relation. He argues that within prismatic societies there is a tendency for several communities to arise, with a dominant elite being drawn from the dominant community and a counter-elite from the "differentiated" or "deviant" community. There will be considerable opposition between the two elites, with the counter-elite, being effectively shut out of the political arena, tending towards entrepreneurial activities. Pariah entrepreneurship is said to be integral to the emergence of the deviant community in prismatic societies. Such a view draws on the insights of Weber concerning the development of capitalism in Western Europe, and challenges the commonly-held view that business and industrial activities are attractive to able and energetic individuals who desire wealth, status and power. Riggs rejects this, suggesting that in prismatic societies government service is seen as providing these opportunities. Those who have been excluded from this arena will tend to gravitate towards entrepreneurial activities. Business develops, but

Precisely because of their lack of political access, a business community having such a background would be unable to gain power to the extent needed to impose constitutional restraints upon the elite, and to compel those in authority to protect the economic institutions without which private enterprise and a free market can scarcely flourish.

Business persists, but in the form of pariah entrepreneurship, where

Individual businessmen could be permitted by influential officials to carry on their activities, provided they contributed financially to the private income of their protectors and patrons in the government. The institution of pariah entrepreneurship, in other words, can become a necessary condition for making careers in government service lucrative.

In essence then, the wealth of the counter-elite tends to be productive but insecure, while that of the elite may be secure, but is generally unproductive. This lends itself to a situation where economic growth is retarded due to the risks involved in any long-term investments. The emergence of the institutions necessary
for economic growth are said to be obstructed. For Riggs then the emergence and survival of particular enterprises is only possible through the intervention of influential officials. At the same time though, the ruling elite

is not politically responsible to the business community, and there is no reason to think that it would want to adopt or enforce any general rules protecting the property interests of the businessmen.

This is an extremely important point and a logical outcome of the notions of bureaucratic polity and pariah entrepreneurship within Riggs’s version of modernisation theory.

Bureaucratic polity has become one of the most important theoretical and descriptive tags attached to Thai politics. It is now commonplace for Thailand to be described as a bureaucratic polity with the term conjuring up a picture, in the mind of the Thai specialist, of a burgeoning and immovable bureaucracy dominating the whole of society. Despite the fact that Riggs’s major work refers to the pre-1963 period, even the most recent publications tend to accept his terminology and general theoretical position.

One of the principal, substantive criticisms levelled at modernisation theory has concerned its inability to account adequately for change. Even sympathetic critics have argued that Wilson’s structural-functional framework prevented him from presenting anything like a full analysis of “disjunctive questions” (such as conflict, change and class struggle), demanding instead an examination of how a structure “operates, integrates and maintains itself.” The same criticism may also be made of Riggs. For example, in the conclusion to his major work he states

It seems clear that if a system is well-integrated, its performance, by definition, is adequate to maintain the system at the prevalent level of differentiation. Consequently...a well-integrated system will resist change... However a malintegrated system might precipitate forces of dissatisfaction...which could lead to system change.

Thailand is said to be well-integrated.

While it has been argued that change and conflict can be theorised within a structural—functional framework, this can only be done by reference to “disturbing factors” within the system, as Riggs has indicated. These factors remain largely untheorised however. With consensus assumed rather than demonstrated, the “disturbing factors” are also taken as given, resulting from increasing differentiation within the system. Thus, differentiation becomes not only an explanation of change but also, and simultaneously, a measure for classifying the level of development of different societies. There is no attempt to delineate causal explanations of social change or the historical processes of transformation. In short, this approach is essentially neo-evolutionary, presenting a typology of some of the major structural features of societies at different stages of evolution. Such a position is clearly evident in Riggs’s model of prismatic society and is implicit in Wilson’s work. It is not merely an oversight that neither writer can adequately
explain change and conflict but, rather, it is due to a serious shortcoming in their theoretical framework. In essence there is no more than a teleological concern for social change, with the focus being on the process of change rather than on change in general.  

In turn, this neo-evolutionary approach leads to a position where a previously recognised end-point to the development process is also a part of the theory; the industrial, differentiated, or diffracted society. At its most banal level, modernisation theory suggests that all societies will follow a universal path towards this final state, with alternative end-points or paths being considered deviations of short-falls from the norm. Wilson's view of Thai society and politics approximates this perspective, partly explaining his concentration on Western-style political institutions. While Riggs's bureaucratic polity is clearly considered a deviant form, Riggs made the important point that such forms might well persist due to elements of neo-traditionalism acting in concert with more modern features of society. Nevertheless, for Riggs, development still translates as increasing differentiation, with the destination being defined by the process. The ethnocentrism of this approach is clear. While alternative paths to development are considered by Riggs, the category of traditional (or fused) remains residual, while the final destination is established primarily by reference to the Western model, one that is essentially non-problematic.

It is important to note that both Wilson and Riggs, in adopting a modernisation theory framework, have in mind an analogy between societies and organisms. This is made explicit by Riggs when, in explaining his notion of "function" in society, he compares it with the "biological functions of man." Theoretically such a conception raises serious problems, not the least being the spectre of social Darwinism and the inherent conservatism of such theory. The organic model of society is utilised to emphasise the interdependence of the parts of the system in preserving the whole within reasonably closed limits; that is, to maintain equilibrium. Combined with a tendency for ex post facto analysis and an inability to establish the conditions by which the system regulates itself, there is a tautological assumption that equilibrium is essential if the system is to be maintained. In this sense then, human behaviour is conceived as being largely determined by the system, considering people as being merely creations of the system. Such a reification of society is especially clear in structural-functional assumptions concerning social action and the role of culture.

Both Wilson and Riggs owe a considerable intellectual debt to Parsonian analysis. With respect to culture Parsons has argued that the core of a society, as a system, is the patterned normative order through which the life of a population is collectively organised. As an order, it contains values and differentiated and particularised norms and rules, all of which require cultural references in order to be meaningful and legitimate.
Culture is seen to be necessary for upholding an actor's orientation and society's customs and rules, and for sanctioning its use of power. In this, religion is recognised as the foundation of the social system as it provides an orientation to "ultimate reality." While cultural patterns were initially viewed as a separate component of analysis, Parsons came to see them in systemic terms. Apart from the reification of society and the tendency towards reductionism in this conception, there is also an element of cultural determinism involved.

Examples of cultural determinism abound in the literature on Thailand, with the most common being the emphasis placed on Buddhism as the most significant element in the structuring of social action. This is certainly the case in Wilson's work, is reflected in Riggs's studies, and is evident in some more recent studies of Thai politics. In reality, such views are untestable assumptions suggesting that culture exists independently in society. Barrington Moore has explained that this is a false assumption, for culture is influenced by the course of history and has its own history. It is this which should be analysed and explained rather than explaining the course of history or the structure of social action by reference to culture.

Some of the problems of the modernisation perspective on Thailand are emphasised in the discussions of the relationship between business and politics. In fact, both Wilson and Riggs adopt crudely instrumentalist perspectives on the state. Both consider that the state should be subject to the direct influence of various interest groups, one of which should be business, and that various policies will then be implemented at the behest of business, for business. But, in Thailand there are no such inputs and thus the state does not implement pro-business policies. This lack of business influence is explained in terms of cultural factors such as orientation to reward structures and the institutionalisation of collective codes of behaviour. If the state is not influenced by extra-bureaucratic (specifically business) interests, then the bureaucrats take over—the genesis of the bureaucratic polity. Business people must then "purchase" influence with individual bureaucrats. Thus the emphasis is on individual behaviour rather than on classes and class interests. At the same time, there is a tendency to consider business people as one, homogeneous group, with a set of mutual, non-competitive interests. This emphasis produces an ahistorical analysis with little attention being paid to the development of the business class, the divisions within this class, and its changing interests.

There have been a number of attempts to reorient the modernisation perspective on Thai politics in recent publications. For example, Girling is convinced that Riggs's bureaucratic polity thesis is a "valuable contribution to understanding politics...in the Third World," but he claims that Riggs's application of the thesis to Thailand has revealed a number of weaknesses. In criticising Riggs, Girling makes four points, three of which are empirical and have little impact on Riggs's theoretical base. The fourth, which argues that Riggs has placed too much emphasis on consensus, is an appropriate observation and has been discussed above. While a sympathetic and astute observer of Thai politics, Girling's failure to address the
theoretical shortcomings of Riggs's approach adequately means that he too reproduces these shortcomings. Unless the theoretical implications and inadequacies of the modernisation theorists' models are confronted, it is not possible to use the theoretically-specific terminology developed by Riggs. Otherwise, importing the terminology will carry with it the theoretical cargo.

In summary then, modernisation theory displays a number of serious weaknesses, and those who have adopted it in the study of Thai politics and society have presented a distorted picture. To reiterate, these weaknesses are: (i) a failure to account adequately for change and conflict; (ii) historical development is viewed in a neo-evolutionary and deterministic manner; (iii) the conception of the state is functionalist and instrumentalist; (iv) there is a tendency towards cultural determinism; and (v) unwarranted assumptions of ruling class homogeneity are made.

**Dependency Theory**

In recent years a number of scholars working on Thai politics, economics and history have become disenchanted with the analyses and policy implications of modernisation theory, and have turned to approaches based on dependency theory. No longer are their central concerns consensus, order and growth, but rather class conflict, imperialism, and surplus extraction.

Conveniently, Bell has provided a useful categorisation of the various dependency-based perspectives as they have been applied to Thailand. Indeed, his classification of the various dependency approaches is one into which the "radical" Thai approaches also fit. Thus there is no need to expand in any detail upon these approaches here. While one might quibble with Bell's classification, and while there are several varieties of dependency theory utilised, they all basically agree that Thailand is an underdeveloped, peripheral social formation. Thailand's underdevelopment is seen as being a direct result of capitalist development in the metropolitan countries. The engine of underdevelopment is said to be surplus extraction, with the surplus being drained-off through the unequal exchange of commodities and the exploitative actions of transnational corporations.

Given their similar theoretical base, the dependency perspectives on Thai underdevelopment all exhibit similar weaknesses in their conceptions of state and society. It is appropriate to discuss these here.

First, their class analysis is flawed by a tendency to place emphasis on imperialism rather than domestic classes and class struggle. For example, Elliott's analysis is based on an inadequate theorisation of class which, in turn, leads to a defective analysis. How else could he be led to assert that Plaek Phibun Songkram, when prime minister in the late thirties and early forties, was representing the royalist faction of the ruling class? Such a reading is plainly inaccurate for, if anything, Phibun did more than any political leader to downgrade the position of the monarchy. More serious, however, is the tendency to view the domestic capitalist class as being little more than a "comprador" class. Dependency theorists find it
difficult to conceive of the Thai capitalist class being other than a puppet of international masters-specifically, the US, Japan, and the International Monetary Fund and World Bank. This has been central to most dependency-based studies of the Thai political economy.  

Second, the dependency approaches tend to view the Thai state as being no more than a lynchpin connecting Thailand to the international economy and as providing the pipeline through which the surplus is drained out of the country. A recent study of the Thai state, which refers to it as a "comprador state," emphasises this point, arguing that it cannot really implement policies which are not in the interests of international capital.  

Again there is a one-sided emphasis on external determinations, and like the modernisation models, there is a tendency for a crudely instrumentalist perspective on the state. In addition, international capital is conceived of as a single group with homogeneous interests.

Third, dependency theorists present a theoretically dubious interpretation of the development of capitalism. They suggest that the development of capitalism in Thailand is either blocked, or if it emerges at all, is a dependent capitalism. Such a perspective is theoretically similar to that propounded by modernisation theorists. That is, an implicit ideal-type of capitalism is constructed, based on the West European, US, and Japanese experience, and the development of Thai capitalism is compared to this. Not surprisingly it does not measure up, and thus it is said to be dependent capitalism not that far from Riggs's bureaucratic polity, at least in theoretical terms. There is no attempt to focus on the historical development of capitalism in Thailand. Instead the centre of attention is the world economy, asking how international events have shaped the Thai economy. In short, the exchange and circulation of commodities is the focus with little attention being accorded to the production process.

For these reasons dependency models of Thai politics are unacceptable. But they have been theoretically useful, for their inadequacies have led inexorably to questions concerning the nature of class conflict and the role of the state being approached in Marxist terms. Perhaps the most significant attempt, so far, to develop an adequate Marxist model for the study of Thai politics and society is that by Bell.

**Marxist Theory**

Bell has attempted to generate a model which stresses domestic class struggle while giving due emphasis to imperialism. Significantly his emphasis is on the development of Thai capitalism.

In the process of capitalist development, individual capitals are said to have been replaced by social capital, while the circuits of capital expand to include the state and society themselves. In Bell's words,

capitalist society becomes a "social factory" encompassing the entire process of social reproduc-
tion. Both waged and unwaged workers...shape the process of reproduction. Moreover the circuits of capital...are international in nature.... Within the social factory, conceived globally, the task of capital is to establish those social, economic and political institutions which will attempt to ensure the continuous reproduction of these relations.44

Thus, Bell is attempting to develop a model which incorporates essential elements of Marx’s theory of the capitalist economy (accumulation, reproduction, circuits of capital) and sets them within a total, global, “social factory.”

For Bell the core of capitalist society can no longer be conceived as the military-industrial complex, but rather as the “governmental-corporate-foundation-university-military complex.” It is argued that the top hierarchies of these institutions are interchangeable and share a common ideology.45 The social factory, which subsumes the state, is wracked by class struggle. Bell argues that the working class is not merely shaped by the requirements of capital but, rather, resists capital. Capital has thus adopted a series of strategies to oppose working class resistance. Hence class struggle has taken the form of cycles of defensive and offensive strategies on the part of capital, most recently in the form of planning by the “complex” at both the national and international levels.46

The social factory model is useful for its emphasis on the unity of modern, global capitalism. Bell’s analysis does overcome many of the problems associated with the dependency models, and approaches a recognisably Marxist schema. But, despite this there remain a number of theoretical inadequacies to be addressed.47

Critique

In the first place, there is a tendency towards functionalism and reification in the notions of “social capital” and “social factory” which are regarded as having needs which must be fulfilled if the whole system is to survive. Thus Bell tends to concentrate on the unity of the system while ignoring the contradictions generated by the processes of the globalisation and socialisation of capital.

Second, Bell has provided a simplistic picture of the structure of capital. He refers to “capital” and the “ruling classes of the Third World” as if they were unified, homogeneous groups or classes. This is clearly not the case. As Chapman explains

Both domestic and international capitals are first, heterogeneous (with basic demarcations of commercial, industrial and financial capital each interpreting the “logic of capital” from a different perspective), and second, these forms of capital and the discrete units of capital within them are basically in competition with each other. The most basic element of the logic of capital, the contradictory nature of any unity of capital considered collectively, is obscured by Bell’s central emphasis on “social capital” and the “social factory.”48

While Bell’s notion of social capital is drawn from Marx’s work on the centralisation of capital, he has tended to ignore Marx’s focus on the dual processes of centralisation and concentration of capital. The notion of competition between fractions of capital and individual capitalists is submerged in the social factory.

A third and related criticism is that Bell’s conception of the working class and
peasantry is similarly simplistic, presenting these groups as homogeneous groups with objective, unified interests. Again, this is not necessarily the case.

Fourth, the picture of the state presented by Bell is derivative and instrumental. This is in part due to his tendency towards a functionalist interpretation, leading to a conflated analysis of the role of the state. The state is seen as being an instrument of the ruling class, playing an essential role in the reproduction of the capitalist system and the accumulation of capital. The state should not be treated as being merely an instrument of capital in a manner which allows little or no autonomy either for the actors inhabiting the state apparatus or in its operations. Again Bell has opted for an essentially uncomplicated theoretical position in what is certainly a complicated reality.

Finally, Bell tends to use the social factory analogy as if it constituted an explanation. As Chapman points out, an analogy is descriptive rather than causal:

> The increasing socialization of capital, the growing interdependence of forces of production and the declining individual or personalized character of capitalist enterprise are outcomes of capitalist development, not causes of it.49

In the final analysis then, Bell's model is instructive and insightful, and yet the theoretical shortcomings suggest that not all of the problems associated with either the modernisation or dependency perspectives have been overcome. Indeed, Bell's social factory analogy does not provide an adequate model for the analysis of the development of Thai capital and the role that the state has played in this process.

**Conclusion**

If none of the theoretical approaches I have outlined are completely adequate, it would not be appropriate to conclude without briefly suggesting an approach which provides what I consider to be a satisfactory model for the analysis of the development of capitalism in Thailand and the role of the state.50

In the first place, the development of a Thai capitalism must be taken as the beginning point of analysis, but this should not involve a search for a "pure" form of capitalism. No form of capitalism can be seen as being theoretically superior to any other, and there is no one path to capitalist dominance. Once these points are accepted it is possible to outline the characteristics which might be used in defining the dominance of capitalism. Briefly, the following points should be considered:

1. The destruction of the "natural" economy must be seen as being marked by the replacement of the production of use-values by the production of exchange-values.

2. Trade and commerce should be seen as playing an important role in the monetarisation of the economy and its integration within international circuits of capital, but these are not to be seen as the determining factors in the emergence of capitalism.

3. Capitalism emerges as capital moves into the production process and as
labour is subsumed by capital. In the case of the peasantry this subsumption may take the form of a wage-labour equivalent.

4. Concentration and centralisation are connected yet contradictory processes which have and are transforming the face of capitalism.

5. Competition must be considered fundamental to any analysis of capitalism.

6. Capital is divided into a number of discrete fractions of which banking, industrial, commercial and agrarian can be considered most important. Each should be seen as having its own fractional interests, although each is subordinate to the interests of capital-in-general.

Each of these points must be accounted for in the analysis of the emergence of capitalism in Thailand.

In examining the role that the state plays in the emergence of Thai capitalism, the following points should be considered:

1. In theory at least the state should be conceived as having an autonomy from the economic sphere.

2. From this position the capitalist state should then be seen as having two sets of constraints and imperatives acting upon this autonomy:
   (a) economic-structural; operating at both the international and national levels.
   (b) instrumental constraints.

3. State Officials should be acknowledged as having particular interests to protect, but in a capitalist society there is a convergence of interests between officials and capitalists.

Few of these points have been seriously considered in the Thai case, but if an adequate understanding of the development of Thai capitalism and the role of the state is to be achieved, these points should serve as focii for analysis. The essays presented in this book attempt to do this.

Notes


2. For example, in their recent book Political Conflict in Thailand. Reform, Reaction, Revolution, (Cambridge: Oelgeschler, Gunn and Hain, 1981), David Morell and Chaianan Samudavanija eschew theory, but in doing so fail to note their own theoretical roots in modernisation theory.


4. Ibid., pp. 45-97.

9. Riggs, Administration, p. 19. In Thailand, however, Riggs was critical of the universality claimed for this model (p. 85).
17. As an example see Robert F. Zimmerman, Reflections on Democracy in Thailand, (Singapore: Institute of Southeast Asian Studies, Occasional Paper No. 50, 1978). The term "bureaucratic polity" has been deemed so appropriate that it has been applied to other Southeast Asian countries—see Karl D. Jackson and Lucien Pye (Eds.), Political Power and Communications in Indonesia, (Los Angeles: University of California Press, 1978); and John L.S. Girling, The Bureaucratic Polity in Modernizing Societies, (Singapore: Institute of Southeast Asian Studies, Occasional Paper No. 64, 1981).
19. Riggs, Thailand, pp. 387-388. Riggs did, however, note that it was possible that the polity might prove more dynamic in future years.
23. Ibid., p. 53; and Cohen, op. cit., p. 47.
27. "Wherever one finds the terms 'structure' and 'function'...there we may be sure the


34. See Wilson, *Politics*, pp. 45-57; and Riggs, *Thailand*, pp. 324-325. As an example of recent studies see Morell and Chai-anan, *op. cit.* For a critique see Chapter 3.


42. Grit, whose analysis is far from "vulgar" dependency theory, adopts a model of dependency.

43. Bell, *op. cit.*


50. This is discussed more fully in Hewison, *op. cit.*, Ch. 2.
Chapter 3
Culturalism and the Analysis of Politics

Twentieth century Thai politics has been a turbulent affair, but never more so than during the decade of the 1970s. This period has been punctuated by mass demonstrations which overthrew the military dictatorship in October 1973, the bloody, rightist restoration three years later, and the subsequent flight of thousands of workers, peasants and activists to the jungles and the ranks of the guerrilla. More recently we have seen the development of rifts within the Communist Party of Thailand, rifts which seem to have blunted the potential of the revolutionary movement.

For many observers the post-1973 period has been confusing. The textbooks, models and conceptualisations of the fifties and sixties, focusing on military cliques, "loose structure," culture and personality, and the assumed apolitical nature of the mass of the population, provided few meaningful guidelines for an understanding of the turmoil of the seventies. Worker, peasant and student activism, militant Buddhism and overt, organized right-wing terror all seemed curiously out-of-place in what had been seen as a "stable" nation. 1 For example, in 1975, while visiting Thailand, David Wilson was asked how modern Thai politics compared to the period discussed in his book, Politics in Thailand, prior to 1958. Wilson answered: "There is a kind of deja vu quality about many things...in spite of the enormous change which has occurred. The character of those changes is really strange...." 2

In the mid-seventies there were but a few serious, English-language studies of Thai politics, with many gaps in what was an essentially unself-conscious and monotheoretical literature. 3 Most of these works tended to feed off each other, adopting a theoretical perspective referred to as the "political culture" or "culture and personality" framework. 4 Such a framework suggests that Thai political behaviour can be best understood as representing particular, shared patterns of attitudes, beliefs and values of the collective Thai. Ignoring conflict and power, an attempt is made to apply an essentially functionalist model, emphasising individuality, passivity, deference and social cohesion, to the Thai situation. 5 Referring to Wilson's influential study, Herbert Phillips provides an instructive explanation for
such an approach and the justification for its retention over the past 25 years:

I suspect that one of the major reasons for Wilson's giving short shrift to these kinds of disjunctive questions is that they are not particularly compatible with his basic functional framework...which asks how a structure operates, integrates, and maintains itself, not how it changes and deals with new internally and externally generated social forces or even how such forces come into existence. I would add that we really cannot fault Wilson in this respect. If we look around us, where do we find anybody—other than perhaps the Marxists—who have worked out a powerful and intellectually coherent theory of social change? And who can seriously use Marxist theory as an adequate explanation of social change, a theory that is thoroughly indifferent to the varieties of human experience and so dehumanizing and simplistic...?*

The events of 1973-76 served to shatter such naive, simplistic and intellectually dubious beliefs. And, in the past few years a number of publications have appeared which do attempt to account for change and conflict in Thai political and social life. Some of these works have, despite Phillips's exhortations, taken Marxist theory seriously, and attempted to apply it to the Thai case.7 Others have tried to reorient the political culture approach by integrating notions of conflict within it. Political Conflict in Thailand by David Morell and Chai-anan Samudavanija (Cambridge: Oelgeschlager, Gunn and Hain, 1981) falls into the latter category and, within this framework, is a worthy book.

The tasks Morell and Chai-anan set themselves are to examine the events of the 1973-76 period, to explore the causes of political conflict, and thus to improve the understanding and analysis of Thai politics (p. 6). There can be little doubt that they have largely succeeded in these areas. Indeed, Morell and Chai-anan have performed an admirable service in drawing together a mass of data in a detailed and yet readable study. The twelve chapters of this book should become required reading for all of those with a serious interest in Thai politics.

Divided into three parts, Political Conflict in Thailand is not merely a blow-by-blow chronology of the events of contemporary politics. Morell and Chai-anan prefer to structure their discussions around some of the important political groups of the period. Part I provides the almost obligatory discussion of the supposed nexus of Thai culture and politics, together with a useful summary of traditional political institutions, the monarchy, military and bureaucracy. The contemporary relevance of these institutions is also explained, and in the final chapter of Part I, Morell and Chai-anan examine the breakdown of what they term the "traditional order" under the pressure of rapid social and economic change and the Communist Party's armed struggle. Thus the stage is set for the discussion of the period of open politics from 1973 to 1976.

Divided into five chapters, Part II focuses on electoral politics, the rise and fall of the student movement, labour organizations, and is the most visible contribution for they provide up-to-date and accurate data on political groups which have often been neglected in previous discussions of Thai politics. For this alone, Morell and Chai-anan deserve considerable praise.
In the final part of the book the authors focus on the fortunes of the Communist Party, from the coup of 1976 through to about 1980. Again, this discussion is useful for its synthesis of Thai and English language data. In an appendix, the authors include a list of the most important individuals and organizations involved in modern Thai politics.

In short, I was impressed with the vast knowledge of the intricacies of politics displayed by the two authors. This is not surprising when it is considered that Chai-anan has himself been something of a political figure (as was his father), being involved in the drafting of the 1974 constitution, and more recently acting as an advisor to General Prem Tinsulanond’s government. Equally, I was impressed with the ability of the authors to utilise this knowledge to show the complexity of Thai politics while rendering it in an intelligible manner.

Despite its many virtues, however, I have a number of reservations concerning the conceptual framework adopted by the authors, and hence, a number of the observations they make.

Morell and Chai-anan state that their “approach is primarily empirical and analytical rather than theoretical.... The objective is to improve understanding...rather than to present or validate particular theoretical models” (p. 6). That they eschew theory does not, in my view, mean that there is no theory or conceptual framework involved in their work. It would seem that the notion that political scientists can merely collect the so-called facts is still alive and well. Is it possible for Morell and Chai-anan to be merely “empirical and analytical?” Obviously not. If they were, how would they determine which “facts” to collect? How do the “facts” relate to each other? Which “facts” take primacy over others?

I would argue therefore that even if Morell and Chai-anan’s theoretical perspective is not explicit, there is an underlying, implicit theoretical framework. And, I would add, it is a framework which owes much to the political culture approach mentioned above, albeit admitting the importance of conflict.

Morell and Chai-anan clearly indicate the significance, for them, of Thai culture in explaining political behaviour early in their book when they argue that:

To comprehend modern Thai political tensions, it is essential to explore the legacy of the past. Thais are conscious of their heritage, openly proud of it. This nation’s continuity with the past is evident in the attitudes, the behaviour, even the terminology used by Thais today (p. 7).

Then, with apparent approval, they quote Thinipan Nakata’s comment that:

Thailand has undergone no traumatic break with its traditional political culture, no large scale abandonment of its earlier behavioural patterns, and no forceful change in its political culture from without. Consequently Thai political culture is relatively stable and homogenous (p. 8).

For Morell and Chai-anan, Thailand’s political culture comprises individualism, pragmatism and resistance to social organization, and, at the same time, elitist, hierarchically structured relationships. The principal determinants of this culture
are said to be the monarchy, bureaucracy, Buddhism, family socialization and the bountiful natural environment. It is argued that each of these factors "supports the others in a blend of social freedom and social tyranny that makes it possible for a highly organized military establishment and its allies to rule" (pp. 16-17).

Thus, all the important elements of the political culture approach are introduced: hierarchical organization and deference through socialization (pp. 16-17); the monarchy as a source of political legitimacy and psychological cohesion within society (p. 18); the bureaucracy as the epitome of power and authority, with the bureaucracy being coterminous with the polity and independent of the economy (pp. 18-20); buddhist doctrine promoting individualism and loose structure (pp. 20-21); and pleasure-seeking, general satisfaction and well-being determined by the bountiful environment (pp. 21-22). In addition, the supposed homogeneity of Thai society is stressed (e.g., p. 41).

Such cultural determinism (laced, in this case, with elements of behaviouralism and psychologism) has been criticised by Barrington Moore in the following terms: "Culture...is not something that exists outside of or independently of individual human beings living together in society. Cultural values do not descend from heaven to influence the course of history." And yet there is a tendency to consider culture in exactly this way in Morell and Chai-anan's book. It is especially noticeable when they discuss the position of the peasantry (Chapter 8). Here it is assumed that the peasantry has generally approximated the ideal-type of the passive, content, apathetic and respectful actor in Thai politics (pp. 206, 212-213).

This view leads to rather sweeping, ahistorical statements where, for example, it is suggested that it is only after October 1973 that peasants became involved in the political process (p. 213). This represents a peculiarly narrow interpretation of the political process and takes little account of possible reasons for perceived passivity. Certainly, during the period of the absolute monarchy, the peasantry did become involved in political activity. Documents from the 1890s show that poor peasants were indeed prepared to petition their rulers and to complain about the actions of corrupt and oppressive local authorities. Many of these complaints revolved around disputes over landholdings, when peasants were forced off their land by powerful merchants and nobles.10

If a wider view of the political process is taken it might also be suggested that the high incidence of banditry in the countryside represents, at least in part, a response to social and political pressures, and the tensions between local and central authorities.11

At the same time, there have been a number of rebellions in which peasants have risen up against the state. These revolts have usually taken the form of millenarian uprisings led by holy men (phu mi bun) who promise poor peasants a bountiful future. The best-known of these revolts occurred at the turn of the century in the North and Northeast, and were heavily repressed by the authorities who argued that these movements were led by evil people who commanded foolish illiterates and
bandits.\textsuperscript{12} That events such as these influenced political events cannot be doubted. For example, Holm argues that the decision to extend the railway network into the North was hastened by these rebellions.\textsuperscript{13} Events such as these should not be considered as mere historical artifacts, as a \textit{phu mi bun} uprising was suppressed in 1959 in Nakon Ratchasima. On this occasion more than 120 people joined together to oppose the authorities, and although the movement was shortlived, its suppression cost the lives of at least seventeen people, with a further forty-five being arrested. High-ranking officials referred to such rebellions as being more dangerous than communist insurgency.\textsuperscript{14} It is difficult to conceive of these events as being other than political in nature.

Even if one was to accept that Thai peasants had been “apolitical” or politically “passive,” the explanation offered for this by Morell and Chai-anan seems, at best, partial. They suggest that:

\begin{quote}
...until recently the lack of population pressures, the basic productivity of the soil and the overall environment, and a homogeneous political culture based on respect and love for a hereditary monarchy rendered political passivity a dominant characteristic throughout Thailand’s rural areas (p. 206).
\end{quote}

A more convincing explanation of political passivity may be found in the state’s ability to repress peasants. Under the absolute monarchy the peasants were subject to \textit{corvee} labour or military service for up to six months of the year. It has often been suggested that Thai forms of slavery were not onerous, and yet many, many peasants attempted to avoid service.\textsuperscript{15} Tattooing of commoners for service kept them in their place, with the death penalty for any person (together with their families) who falsified a tattoo.\textsuperscript{16} Even when conscription replaced the \textit{corvee} and slavery, Thais remained reluctant servants.\textsuperscript{17}

In more recent times the repression of the peasantry (and working class) has also been common. At the village level, relations between the state and villagers have been based on fear, exploitation and corruption. Additionally, commercial relations have meant increased power for landowners and merchants in their dealings with the peasantry. Murders and intimidation are not uncommon in the countryside, and these tend to persuade the poor and powerless to leave politics to others.\textsuperscript{18} These aspects of politics should certainly have been considered by Morell and Chai-anan. Similar questions could be raised concerning their interpretation of the labour movement.

Of equal concern is the suggestion that the polity is independent of the economy. Certainly, Morell and Chai-anan’s discussion of the relationship between business and politics adds little to that provided by Riggès in his 1966 study, \textit{Thailand: The Modernization of a Bureaucratic Polity}. It is as if the economy and capitalist class had remained static for twenty years and more. This is clearly not the case, as the capitalist class has developed considerably, both economically and politically, over this period.\textsuperscript{19} This area requires far more serious analysis than that provided by Morell and Chai-anan.
At times the perspective adopted by the authors of *Political Conflict in Thailand* seems to lead them to some naive political judgments. For example, the student movement of the 1973-76 period is criticised for being "unwilling to adopt a conscious policy designed to ally themselves with the palace" (p. 175). An alliance between the students and the palace would have been powerful, but could it have ever been possible? Three factors, two of which are mentioned by Morell and Chai-anan, suggest that it could not. In the first place, the King’s political interests were with stability and law and order. According to the authors he “neither requested nor received opinions from student reform leaders,” but rather trusted the advice of counsellors on the political right (p. 271). The King was disturbed, indeed frightened, by communist victories in Indochina, and was deeply disturbed by the vociferousness of open politics in his own country. Second, the palace was and is split between the conservative advisors associated with the King and more extreme rightists close to the Queen. The Queen and the Crown Prince have indicated where their political loyalties lie, and have been actively involved in political events (p. 272). Clearly, palace intrigue is not a thing of the past, as the lobbying over royal succession is in full swing. The increasingly interventionist nature of the royal family has become publicly clear during political crises in April 1981 and March and April 1983. Third, and this point is not emphasized by Morell and Chai-anan, the royal family rank as one of the largest business groups in Thailand, with interests in more than fifty companies. Through these holdings they have links with the most powerful capitalist groups in the country: the Kanchanapat, Lamsam, Yip-In-Tsoi, Wanglee, and Tejapaibul families. Such a “palace” was hardly likely to support radical or even reform-minded students. A class-based perspective would certainly have indicated the paucity of such a naive view of the monarchy.

There are, of course, a number of other interpretations presented by Morell and Chai-anan with which I would disagree, where their political culture approach leads them astray. Despite the fact that power and conflict have been given a significant place in their analysis, economic interests still remain very much on the margin of the cultural analysis. The fact that there is still no adequate class analysis of Thai politics and society leaves a very real gap in the literature.

Could the culturalist interpretation be saved and resurrected if its emphasis was shifted to take account of class struggle, economics and power relationships? Morell and Chai-anan have obviously moved in this direction, and it would be possible to go further. I would question whether an analysis which gives precedence to cultural and ideological aspects of society can ever provide more than a culturally determinist perspective to economics, power and class struggle. I would not suggest that the analysis of culture and ideology is irrelevant, but I would emphasise that they should be seen for what they are, as reflections, albeit poor and partial, of the real base of society.

Despite its shortcomings however, *Political Conflict in Thailand* is an eminently readable and data-packed interpretation of a very important period in modern
Thai political history. It is a valuable contribution, providing its theoretical biases are kept in mind.

Notes


5. See Neher, op. cit., pp. 459-472 for a more detailed discussion of this approach.


8. Bell, *op. cit.*, p. 62 makes these points, more generally, about American writings on Thailand.

9. Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy*, (Harmondsworth: Penguin, 1969), p. 486. Anderson, *op. cit.*, p. 51, has also noted Moore’s criticism of the culturalist interpretations as “intrinsically conservative, ahistorical and uncritical,” adding that while such comments are perhaps relevant to Thai studies, they are, “in general, exaggerated, indeed often unfair.” It should be pointed out that Anderson’s own studies of power and the state in Indonesia rely on culturalist explanations. See, for example, his “The Idea of Power in Javanese Culture,” in Claire Holt (Ed.), *Culture and Politics in Indonesia*, (Ithaca: Cornell University Press, 1972), p. 63, where it is stated that:

Such apparently discrete aspects of Javanese political thought and behaviour in the contemporary period as the rejection of parliamentary democracy, the characteristic traits of Djakarta’s inter-ethnic and international politics, the patterns of administrative organization and internal bureaucratic relationships, the styles of post-independence leadership, the forms of corruption, and the ambiguous political position of the urban intelligentsia can and indeed should be seen as inextricably related to one another, and that the link is precisely the continuing cultural hold of traditional conceptions....

More recently, Anderson has reaffirmed this position in his *Nationalism and the*


11. Johnston, op. cit., Chapt. 4, has examined this important aspect of rural life.


15. Chatthip and Suthy (Eds.), op. cit., pp. 165-173.


19. The best discussion of the capitalist class in Thailand is Kriikkiat Phipatseritham, Wikhro laksana kan pen chaokhongthurakit khanat yai nai prathet thai, (Bangkok: Faculty of Economics, Thammasat University, 1980).

20. From data presented in Kriikkiat, op. cit.
While they do not deal explicitly with the state as a specific unit of analysis, the most influential English-language texts discussing Thai politics do exhibit an implicit conception of the state and its role.\textsuperscript{1}

At the most basic level, Wilson, Siffin and Riggs, in common with other writers who adopt the perspective of structural-functional theory, believe that a developed polity will approximate the Western democratic system. For them, a modern political system is based upon inputs from its political environment, where all people have more or less equal power. The state or government (political system) is seen to be responsive to these inputs, so that in the last instance, everyone’s best interests are served; the state is viewed as being a neutral aggregator of interests, discerning society’s general will and acting for the general good.

However, in the Thai case, Wilson, Siffin and Riggs came to the conclusion that there were very few inputs into the political system. Political parties, trade unions, and the various interest groups which were believed to provide the inputs in the Western system did not seem to perform the same functions in the case of Thailand. The vast mass of the Thai people were thus considered to be unconcerned and apolitical individuals dominated by an elite of civil and military bureaucrats. The elite, separated from the social and economic environment, became the focus of these studies of Thai politics. The “bureaucratic polity,” as it came to be known, was seen to be static and unresponsive, serving its own best interests. Such a system was considered to be characteristic of a society which had failed to fully modernise its polity.\textsuperscript{2}

Writers influenced by dependency theory considered these structural-functional approaches to Thai politics to be inadequate.\textsuperscript{3} With respect to the state,
dependency theorists argued that studies focusing on the Thai elite and the behaviour of individuals within the elite obscured the international context of politics and economics. Dependency theorists argue that the civil and military elite and local capitalists are basically compradors who facilitate the exploitation of Thai peasants and workers by international capital. The state is seen to implement policies which are favourable to metropolitan investors and their local agents, but which tend to be to the detriment of the small, local bourgeoisie. Because of this, Thailand is said to exhibit all of the essential features of underdevelopment, and the possibility of local capitalist development is seen to be negligible unless Thailand can extract itself from the world capitalist system.

While a focus on the role of international capital and its impact within the Thai socio-economic structure is not without utility, recent Marxist discussions of the role of the state in capitalist development in the Third World have indicated that the state and local bourgeois classes can cooperate to enhance domestic capitalism, often in competition with international capital. This research has suggested that dependency theorists have, by their focus on imperialism, tended to obscure the total process of class formation and reproduction, and the accumulation of capital in the Third World.

At different stages of the accumulation process, the capitalist state will perform different functions, but will usually attempt to secure the general conditions necessary for the capitalist mode of production. Contrary to the tenets of dependency theory, it is quite clear that some Third World states are not acting in the interests of international capital alone. Domestic bourgeoisies have been able to manipulate the state to provide the conditions they require for expanded accumulation (e.g. industrial promotion policies, credit facilities, tariff protection). It is thus important to delineate the strengths of the domestic bourgeoisie if a clear picture of the state's relationship with the bourgeoisie is to be determined. It must, however, be emphasised that the social character of a regime is not defined by the class origin of those who occupy the state apparatus but by the nature of state policy.... [A] bourgeois state...is a state which provides the economic conditions for capital accumulation and the political protection for the bourgeoisie in the process of class conflict.

In this chapter I will attempt to show that a domestic bourgeoisie, capable of acting as an independent class within the constraints of the international capitalist system, has emerged in Thailand, and that the state has played a substantial role in securing and expanding this class's accumulative base in finance and industry. In completing this task it is necessary to: (i) briefly outline the international context of Thailand's capitalist economic development; (ii) delineate the Thai bourgeoisie; and (iii) discuss the role of the state in determining the course of capitalist development.

(i) The International Context of Thai Economic Development

From the mid-nineteenth century to the 1960s, Thailand's role in the world capitalist
system was to supply primary commodities for the world market. Throughout the period, rice, teak, rubber and tin accounted for between fifty and ninety percent of all Thai exports. Thailand's small industrial sector was of no international significance until recent times.

Prior to World War II, Britain and its colonial empire had been Thailand's major trading partner, but the war, and rising nationalism throughout Asia, weakened Britain's imperial grip, and the US emerged from the war as the major power in the region. The American perception of Thailand was, at the time, basically similar to that of the British. The Allies considered Thailand to be an essential source of vital raw materials and primary commodities, and they wanted these back on the market to supply a war-ravaged world. Towards the end of the 1940s, however, the Americans began to place more stress on strategic considerations. As one US government agency explained the situation:

[S]outh of the ominous mass that is Red China, Thailand, along with her embattled but still free neighbors, shares a peninsula. The Communists want it. They covet its riches: rubber, tin, rice and teak. They consider it a prize base, for like an oriental scimitar, the peninsula's tip is pointed at the throat of Indonesia.... In Malaya, Burma and Indo-China, Communist-led rebels plunder, kill and burn. Thailand is surrounded by these countries, each a smouldering bomb.... The fuses are short. Strategic and business concerns were inextricably intertwined, and an anti-business Asian government was considered pro-communist or, at best, dangerously neutral—a "free" Asia meant an Asia open for free enterprise.

From the beginning of the 1950s, Thailand's foreign policy became unequivocally pro-American, and various Thai military leaders soon learnt that the US government would nurture its friends. From 1951 to 1969 Thailand received more than $900 million in aid and loans from the US, while in the 1960-70 period US military expenditures in Thailand exceeded $1,100 million. The Americans reaped a bountiful harvest from this alliance also, and in addition to gaining a base on the Southeast Asian mainland became, in the 1950s, Thailand's major trading partner. While the Japanese soon replaced the Americans in this position, the ability of the Japanese to expand was, in many respects, a legacy of US policy in the region.

In addition, Thailand's position as an exporter of primary products was reinforced by the Bretton Woods agreements, which locked Third World countries into a system of trade and finance designed by and for the advanced capitalist nations. Since 1960, however, Thailand's trading position has become less dependent on the export of primary commodities, and this has coincided with a more footloose period for international capital. Transnational corporations have become increasingly interested in taking advantage of such benefits as cheap labour, generous tax concessions, bans on organised labour, and growing domestic markets in Third World countries when considering the relocation of industrial investments which
were becoming less profitable in the advanced industrial countries. This restructuring of international capital has also provided new opportunities for the expansion of accumulation by domestic capitalists in the Third World. In Thailand, the manufacturing sector has seen remarkable growth since 1960, with manufactured exports having expanded from just one percent of total exports in that year, to 27 percent in 1979. The trend towards increased industrial activity can be seen in Table 4.1.

While the majority of the Thai people continue to work in the agricultural sector, and while agriculture remains the single most important sector of the economy, Table 4.1 clearly indicates the increasing importance of the manufacturing sector. There can be little doubt that it will continue to grow in the future, particularly as the interdependence of international and national capitals increases, and as the Thai state determinedly maintains the country as a haven for capitalist enterprise, providing "abundant natural resources" and "plentiful, inexpensive and dextrous labour."

(ii) The Development of the Thai Bourgeoisie

The origins of the capitalist class in Thailand can be traced to the middle of the nineteenth century. From this time we can begin to discern the emergence of private ownership of the means of production, the development of generalised commodity production, the beginnings of wage-labour, the gradual separation of economic and political power, and the first indications of the movement of capital from the sphere of circulation into the sphere of production.

Table 4.1 GDP by industrial origin, selected years (%)

<table>
<thead>
<tr>
<th>Industrial Origin</th>
<th>1951</th>
<th>1960</th>
<th>1971</th>
<th>1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>50.1</td>
<td>39.8</td>
<td>29.8</td>
<td>25.5</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>1.9</td>
<td>1.1</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.3</td>
<td>12.6</td>
<td>17.5</td>
<td>20.8</td>
</tr>
<tr>
<td>Construction</td>
<td>2.9</td>
<td>4.6</td>
<td>5.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Electricity &amp; Water Supply</td>
<td>0.1</td>
<td>0.4</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>3.1</td>
<td>7.5</td>
<td>6.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>18.0</td>
<td>15.2</td>
<td>17.1</td>
<td>16.6</td>
</tr>
<tr>
<td>Banking, Insurance &amp; Real Estate</td>
<td>0.4</td>
<td>1.9</td>
<td>4.2</td>
<td>5.4</td>
</tr>
<tr>
<td>Ownership of Dwellings</td>
<td>3.7</td>
<td>2.8</td>
<td>1.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Public Administration &amp; Defence</td>
<td>2.8</td>
<td>4.6</td>
<td>4.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Services</td>
<td>6.7</td>
<td>9.6</td>
<td>9.7</td>
<td>10.2</td>
</tr>
</tbody>
</table>

N.B. The 1979 figures are provisional.
Sources: 1951 and 1960 figures are from Ingram, op. cit., p. 234, while the figures for 1971 and 1979 are from Bank of Thailand, Annual Economic Report, 1974 and 1979 issues.

Perhaps the most distinctive feature of this emerging class was its compromised position in relation to the traditional, sakdina ruling class, which held rights to the
agricultural and trading surpluses through taxation and trade monopolies. Rather than emerging as an openly antagonistic class, the bourgeoisie found it necessary to accumulate much of its initial wealth by cooperation with the sakdina class. This class’s functionaries, who were often Chinese merchants involved in monopoly trading, tax-farming and administration, were able to amass large personal fortunes. With the development of commodity production in sugar, rice, pepper, tin, teak and rubber, some of these merchant-functionaries were able to invest their wealth in productive enterprises such as sugar, rice and timber mills, often jointly financed with royal money. Others took advantage of the expansion of European business within Thailand, acting as compradors, and providing the essential link between the foreigners and the local economy. This also facilitated the compradors’ own enterprises, for their own firms were usually the distributors of foreign imports and the collectors of Thai exports. At the same time the sakdina class had begun to invest heavily in land, and within a short time, managed to monopolise much of the best, newly-opened rice lands and most of the valuable urban land, thus augmenting their accumulated fortunes with rent and land sales.

It was from this group of Chinese merchant-functionaries and compradors, and from the upper ranks of the sakdina class, brought together in a symbiotic relationship, investing in land, industry, commerce and banking, that the Thai bourgeoisie emerged.

Milling became an important area of accumulation for the developing Chinese and Thai capitalists, especially as they controlled the vast majority of mills. While the first banks in Thailand were foreign-owned, it is significant that there soon developed a number of local banks, all supported with capital subscribed by Chinese millers and merchants. The most successful of these banks was the Siam Commercial Bank, officially opened in 1906, and capitalised with a combination of royal, noble, Chinese merchant and foreign funds (the latter being very much in the minority).

Milling, trading and banking and finance (including pawnshops and Chinese remittance agencies) remained the principal sources of accumulation for the small bourgeoisie until about 1926, when Thailand’s trade treaties with Western powers were revised. These revisions allowed the Thai government to increase its import duties from three percent (set in 1855) to a general level of five percent. Coupled with the temporary retreat of European capital during the depression years, higher tariffs stimulated a minor resurgence in the sugar industry, and encouraged a movement into, and expansion of, manufacturing industries.

In 1932 the absolute monarchy was overthrown, and the new, constitutional regime developed a more nationalistic approach to economic development. Previously, there had been increasing concern in some circles (especially amongst foreign-educated civil servants) about the lack of domestic industrial development, and the fact that the economy seemed to be dominated by alien Chinese and Westerners. The coup of 1932 was aimed primarily at eliminating royal privi-
but some members of the coup group, representing the commoner elements of the civil service and commissioned military officers, considered that "foreigners" (and this included alien Chinese) were not particularly affected by the economic crisis of the time. The economic nationalism of the next two of three decades was a reflection of this perception. The new regime sought to move the small industrial sector into "Thai" (ethnic Thai and Sino-Thai citizens) hands, and to initiate industrial development from this base, in an early attempt at import substitution industrialisation. Statistically, the achievements of this policy, prior to 1942, were not impressive. However, they did provide some valuable experience for domestic managers and entrepreneurs, and allowed for some increased accumulation as a number of small, private firms and some larger, government-backed enterprises were established.

The impact of World War II upon domestic patterns of accumulation requires considerable emphasis, for it allowed Thai capitalist enterprise to expand quite considerably. While foreign investment does not seem to have ever exceeded Thai and Chinese investment, the Japanese occupation of 1942-45 meant that all British and Allied business activities were suspended, and local firms had to develop and expand in an attempt to fill the gap, especially in the production of previously imported consumer goods.

In banking, the eclipse of the foreign banks, wartime inflation (the Bangkok cost-of-living increased 100-fold between 1941 and early 1945), and minimal interference by the Japanese, provided fertile ground for the consolidation of the five locally-capitalised banks which were established. The money behind these banks was predominantly Sino-Thai, having been accumulated in trading and merchandising, and also in the manufacturing sector during the 1930s. Manufacturing itself received a wartime boost, as both private and state enterprises expanded in an effort to overcome shortages in sugar, paper, textiles and other manufactures, with the newly-established Ministry of Industry actively encouraging private investment.

Following the war, however, industrial expansion was hampered by war-damaged infrastructure (particularly power generation), and the influx of foreign-made goods. The export of primary commodities remained dominant, partly because the government could not meet the costs of infrastructural reconstruction and expansion, and partly because export was particularly profitable, for both the government and traders, at a time when world demand was exceptionally high. But an important development occurred within this trading sector. Whereas in earlier decades Thailand’s foreign trade had been in the hands of Western and Chinese trading companies, with profits either leaving the country or remaining in the sphere of circulation, local banks now took on a new and increasingly important role, and were able to divert some of their profits from financing Thai trade into the productive sphere. At the same time, deposits in commercial banks grew from about 800 million baht in 1946 to over 5,000 million baht in 1961, while loans and
overdrafts totalled 4,300 million baht in 1961.\textsuperscript{35}

Despite this expansion, significant fractions of Thai capital, including the banking fraction, believed that far more investment capital was required if Thailand was to develop, and if they were to expand their base for accumulation. They felt that it was imperative that the government curtail its investments in production and divert them into infrastructural development. While the government of Plaek Phibun Songkram (hereafter, Phibun) moved hesitantly in this direction towards the end of its time in office, it was not until after 20 October 1958, when General Sarit Thanarat took full power, that new investment promotion and infrastructural development policies were implemented, together with the active encouragement of foreign aid and investment (these points are discussed more fully in the following section).

Whereas the inflow of foreign investment had been low after the War—the Bank of Thailand estimated a total of 800 million baht in 1954 (excluding the assets of foreign banks), and net direct investment in the 1955-60 period of just 70 million baht—after 1960 this grew rapidly, with almost 2,700 million baht entering the country in 1974 alone.\textsuperscript{36} Thai capitalists were not, however, swamped by these inflows, which amounted to between 1.2 and 6.2 percent of total capital formation in the 1955-79 period.\textsuperscript{37} For example, if we examine only the loans and overdrafts granted by commercial banks in 1979 we find that they totalled almost 129,000 million baht, while deposits reached 170,000 million baht.\textsuperscript{38}

Certainly the Thai economy received tremendous stimulation from foreign aid and investment, and from US military spending,\textsuperscript{39} but joint-venture arrangements have allowed Thai capitalists to gain access to capital, experience and skills in areas they had previously been unable or unwilling to expand into. In order to expand their enterprises, some Thai capitalists were willing to pay the price of subordinate integration into the international capitalist system—eventual net overflows of capital, trade dependence, etc.

Nevertheless, although the available statistical evidence is by no means complete, it would seem that the contemporary Thai economy is dominated by domestic capital. In industries promoted by the Board of Investment (BoI), Thai capital accounts for over 75 percent of total registered capital.\textsuperscript{40} In the important financial sector, Thai capital is overwhelmingly predominant, as shown in Table 4.2. While the data for the financial sector are reasonably accurate, those presented in Table 4.3 give but a very rough indication of the extent of foreign ownership and control in the sectors indicated. Real ownership and control is often submerged in a complex web of interlocking directorships and shareholdings. For example, in the textile industry, which is generally considered to be foreign-dominated, ownership of registered capital seems to be evenly split between foreigners (mainly Japanese and Taiwan-based Chinese) and Thais. However, registered capital does not necessarily reflect the real ownership and control situation, as capital investments will usually be far in excess of the registered capital figure.\textsuperscript{41}
Studies of Capital and State

...case in the textile industry. But it should equally be noticed that the textile companies have raised most of their investment capital in Thailand, with industry sources estimating that the Bangkok Bank alone finances 70 percent of the industry. In general, the data presented here suggest that while foreign companies are a major force within the Thai economic structure, Thais remain dominant in certain key sectors, most notably finance, and retain significant control in many other important areas. Table 4.3 also hints at an aspect of the development of the Thai bourgeoisie which cannot be pursued in this chapter, the fractionalisation of the class into financial capital, industrial capital, with groups representing royal capital (e.g. cement), joint-venture capital (e.g. auto and textile industries), and comprador capital (e.g. tin and petroleum industries). Certainly, in 1979, the largest and most profitable companies in Thailand were, to a very large extent, Thai-owned.

Table 4.2 Foreign ownership of the Thai financial sector, 1979

<table>
<thead>
<tr>
<th>Financial Activity</th>
<th>No. of foreign companies</th>
<th>Assets (in millions of baht)</th>
<th>% of market controlled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Commercial Banks</td>
<td>14</td>
<td>18,106</td>
<td>6.15</td>
</tr>
<tr>
<td>2. Life Insurance Cos.</td>
<td>3</td>
<td>1,282</td>
<td>32.10</td>
</tr>
<tr>
<td>3. Non-Life Insurance Cos.</td>
<td>9</td>
<td>447</td>
<td>16.15</td>
</tr>
<tr>
<td>4. Investment &amp; Securities Cos. (a)</td>
<td>15</td>
<td>13,797</td>
<td>27.58</td>
</tr>
</tbody>
</table>

Note: (a) Includes joint-ventures and foreign-owned companies registered in Thailand.

Table 4.3 Ownership of various sectors of Thai industry

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Foreign-owned</th>
<th>% Thai-owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Auto industry</td>
<td>55.5</td>
<td>44.5 (a)</td>
</tr>
<tr>
<td>2. Textiles</td>
<td>54.7</td>
<td>45.3 (b)</td>
</tr>
<tr>
<td>3. Petroleum</td>
<td>96.0</td>
<td>4.0 (c)</td>
</tr>
<tr>
<td>4. Cement</td>
<td>neg</td>
<td>100.0 (e)</td>
</tr>
<tr>
<td>5. Sugar</td>
<td>2.0-10.0</td>
<td>90.0-98.0 (e)</td>
</tr>
<tr>
<td>6. Tin</td>
<td>90.0</td>
<td>10.0 (c)</td>
</tr>
<tr>
<td>7. Steel</td>
<td>20.0</td>
<td>80.0 (e)</td>
</tr>
<tr>
<td>8. Milk</td>
<td>60.0-70.0</td>
<td>30.0-40.0 (c)</td>
</tr>
<tr>
<td>9. Soap products</td>
<td>65.0</td>
<td>35.0 (c)</td>
</tr>
</tbody>
</table>

Sources: (a) *Business in Thailand*, May 1980, pp. 112-13, calculations made on the basis of registered capital; (b) *Business in Thailand*, August 1976, pp. 61-64, calculations made on the basis of registered capital; (c) Krirkkiat, *op. cit.*, pp. 147-243, calculations made on the basis of total assets of companies in 1978-79.
It seems likely that the power of the Thai bourgeoisie will increase as the secondary and tertiary sectors of the economy continue to grow. Its power is enhanced by the close business and familial ties it has both within itself, between the various fractions of capital, and with influential functionaries of the Thai state, particularly the military hierarchy. Additionally, connections between elements within the Thai bourgeoisie and similar groups, both regionally and internationally, are enhancing the domestic power of this class. 44

With this background in mind it is now appropriate to examine the role of the Thai state in the process of capitalist development outlined above. As it is not possible, in this chapter, to examine the whole period discussed in the previous sections, I have chosen to emphasise three aspects of the state’s activities, and to concentrate on the post-1958 period. The areas to be discussed are:

a) the adoption of investment promotion policies and the strategy of import substitution industrialisation;

b) the provision of credit for capitalist development;

c) state policies towards the working class and organised labour.

(iii) The Thai State and Capitalist Development

The period from 1947, when a coup brought Phibun back to power, until he was overthrown by another coup in 1957 (followed by the Sarit “revolution” in 1958) can perhaps best be described as an era of haphazard, state-led development. In a seemingly confused and disorganised manner Phibun’s administration had implemented programmes which were aimed at the Thai-ification of economic activity. Anti-Chinese policies were promulgated in an effort to force Chinese to assimilate, to become “Thai.” Also, some petty trading and service sector activities were reserved for Thai nationals, and various Western companies, such as Shell Oil, were threatened with closure, government competition, and/or non-renewable contracts. 45 More significantly though, the government began establishing semi-governmental monopolies in various enterprises including brewing, plywood, paper, sugar-refining, and gunny bags. There does not seem to have been any pattern to these investments, although all ventures were in the import substituting area, and there appears to have been a vague desire to reduce Thailand’s dependence on foreign imports, with the hope that these enterprises would be a “pioneering effort and set an example for the private sector.” 46

It is usually asserted that governmental intervention in the private sector during Phibun’s time represented an attempt by the “bureaucratic elite” to tap “Chinese financial resources and managerial expertise to provide funds for Thai political activities.” 47 While this is true, it is not the complete picture. It needs to be emphasised that most of the government’s economic activities at this time were carried out in partnership with influential Chinese business people who also derived considerable benefit from the partnership. Business cooperation with powerful political figures meant that one’s business could be carried out without fear of
competition and, as was the case with the National Economic Development Corporation Limited (NEDCOL), finance became only a relatively minor consideration when the Thai government was one's guarantor. Thus, the influential businessmen involved in the NEDCOL project could obtain overseas loans and begin the operation of a corporation with external contract obligations of more than 600 million baht when only three million baht of its authorised 50 million baht capital had been paid up.48

Thus, even though Phibun's policies tended to disadvantage many Chinese business people, some obtained tremendous benefits from them and, like the Sophonpanich family of the Bangkok Bank, their businesses expanded rapidly.49

The problem with such government policies was that they were haphazard. For most business people the investment climate was uncertain, especially as the government, while encouraging private investment in public statements, always added a codicil which reserved for itself the right to intervene in any area of the economy it deemed to be of national importance, or those industries where private enterprise was unable to operate due to shortages of capital, skill or initiative.50 Potential investors were continually concerned that if they established a profitable enterprise it might well be nationalised, especially if they did not have the support of important members of the military hierarchy.

Despite the fact that some local capitalists were benefiting from this situation, the business community was generally unhappy with it, for business was placed in an unpredictable position. Important business groups urged a more limited role for the state, with the Bangkok Chamber of Commerce arguing that:

"Free private enterprise would still be the best course for Thailand.... This does not mean that the State should not enter the field of business...nor [are public and private enterprise] incompatible.... On the contrary, if public authorities are extended into the orthodox areas such as the procurement of goods and services for the [Armed] Forces, the supply of water, electricity and light, bus or rail transport, harbours, and so on, private enterprise can certainly live happily together with public monopolies."51

Sarit’s policies, implemented from 1958, gave the domestic and foreign capitalists the guarantees they felt they needed. Sarit was determined to bring stability and progress to a Thailand he considered to be corrupted by mock-Westernism, and his policies on economic development, education, stringent law and order, the abrogation of the constitution, monarchism, and his pro-American foreign policy can all be related to his desire for order, stability, and “civilised” progress.52 While Sarit might well have had other motives in mind, there is no doubt that his policies towards business and economic development were generally well received by both domestic and foreign investors, after some initial hesitation.

It appears that the pressure for a change of policies came from a larger number of sources. As noted above, domestic capitalists were in the forefront of this movement. At the same time, foreign investors, and particularly Americans, were actively encouraging changes. The confrontation between US oil companies and the
Ministry of Defence in 1957-58 became a focal point of private versus state enterprise strategies, as the Ministry attempted to take over some sectors of the oil industry. Backed by threats of the removal of aid funds, the US companies attempted to force the Thai government to be more positive towards foreign investment and private enterprise. Indeed, aid was seen by many American business people and officials as a means to encourage “healthy” attitudes towards private enterprise, and Thai officials who exhibited such attitudes were encouraged. Additionally, various international agencies were urging a more limited, infrastructural development role for the state. In many ways though, the reports of the missions of these agencies merely reflected changes which were already underway within the Thai bureaucracy itself. Sarit came to power while the IBRD mission was in Thailand, and at a time when the impact of the demise of NEDCOL was being felt, and which promised to leave the government with a huge debt. Sarit, who at first tried to save NEDCOL, came to see its failure as being indicative of the failure of this type of state enterprise; a view shared by many rising administrators. Nevertheless, the fall from favour of state enterprise also had political implications. As Silcock explains:

Sarit was well disposed towards the condemnation of government enterprise. Unlike Phibun he did not base his power... within the system of government enterprise, but had extensive private interests in which he used his political power to help his friends, mainly outside the system of formal government control.

Echoing a common sentiment amongst young, mainly foreign-educated, technocrats of the time, Amnuay Viravan later explained that he had come to feel that state enterprises were inefficient and discouraged private investment; “the only way to promote a sustained economic growth is to encourage economic expansion both in production and investment in the private sector with a minimum of governmental interference.” Together, all of these factors set the stage for the changes of policy which Sarit referred to as his “revolution.”

(a) Investment Promotion Policies and Import Substitution Industrialisation

From the moment he came to power, Sarit made it clear that economic development was to be emphasised in his crusade to modernise Thailand. In early 1959 he stated:

The national economy is beset with difficulties, it is, therefore, time that something was done to save the beloved country from this plight and to lead it on the path of welfare and prosperity.... [T]he Revolutionary Party... cannot brook anything lying athwart the path of progress. All obstacles... have, therefore, to be swept away.

It was the IBRD report that mapped out the “path of progress” for Thailand. The World Bank mission reported that it was essential that the “relative importance of manufacturing activity... be increased,” and that this should be achieved through “private initiative, both domestic and foreign.” They urged that the government “restore the confidence of private businessmen and... assist them in expanding industry...” by granting special promotional privileges, streamlining laws relating
to business, improving credit, providing infrastructure, encouraging import substitution industrialisation (ISI), and by implementing rational development planning. The initial phase of Thailand's first national development plan followed these recommendations almost to the letter.

With the assistance of the United States Operations Mission (USOM) the government withdrew the 1954 Investment Promotion Act which had been criticised in the IBRD report, and replaced it with the Promotion of Investment Act B.E. 2503 (1960), and established the BoI. Section 18 of the new Act contained two specific guarantees for private enterprise, stating that the government would neither compete with nor nationalise any private industrial activity. It also allowed for the conditional repatriation of profits, the right to land ownership, some import duty exemptions, a two-year income tax holiday, and additional benefits which could be granted by the BoI in specific cases. This Act did not, however, immediately convince many investors that a fundamental change in government policy was taking place and in 1962 a revised Act was promulgated, designed to "provide more privileges and benefits to investors and to expedite the process of granting such promotional assistance."

Remaining in force for almost a decade (with some minor changes), this Act provided for duty and business tax exemptions on all imported capital goods and raw materials, a five-year tax holiday, wider opportunities for profit repatriations, and gave increased discretionary powers to the BoI. The Act had the desired effect, as an increasing number of companies applied for promotional privileges.

While the government was keen to attract foreign investment, it must be remembered that promotional privileges were designed as much for domestic investors as for foreigners. As one Minister for National Development explained his conception of industrialisation,

Thailand's industrial growth...must be based upon a built-in private enterprise system with minimum government interference. By this I mean that the government must take it as its responsibility to ensure that there always exists an economic environment conducive for the growth of private investment, both foreign and local. The government must not in any way obstruct the path of private industrial growth.

While there were some local investors who were opposed to foreign investment, the big, domestic capitalists, and particularly the banks and their industrial allies, were very much in favour of increased foreign investment, and it was this latter group which had most political influence.

At the time the big capitalists gave, essentially, two reasons for "needing" foreign capital: (i) insufficient supplies of local capital, and (ii) lack of local managerial and technical skills. While there is some truth in both of these claims, it could also be said that the promotion of foreign investment, particularly in the form of joint-ventures, provided a sound political basis for the rapid expansion of domestic business. In the first place, many of the promotional privileges provided
local capitalists with significant benefits, and in particular, the right to own land, a right which had often been denied to alien Chinese business people in the past. Second, the threat of nationalisation of a joint-venture firm, or the harassment of Sino-Thai partners in these ventures was all the more unlikely if Westerners and Japanese were involved, especially at a time when a staunchly pro-American foreign policy was being followed. Indeed, it was only the big capitalist who could enjoy promotional privileges as it was necessary for the applicant to prove that a project could be adequately capitalised. Thus, between 1959 and 1965, the average investment of promoted firms was in excess of 23 million baht.\(^{57}\)

The majority of capital invested with promotional privileges went into import substituting industries. While many of the industries established in the 1930s and 1940s had also been import substituting, they had generally been on a small scale, and had not been a part of any overall governmental plan. Despite the fact that many of these industries had only met with limited success, World War II had convinced many Thais that ISI was the only sure path to industrial development:

The bitter lesson learnt from the wartime shortage of goods and services was that Thailand must be industrialized, at least to the point of self-sufficiency in a number of essential items in order to avoid a repetition of such economic hardships.\(^{68}\)

Thus, when the World Bank report suggested that ISI should be encouraged, the Thai government was enthusiastic, as were local manufacturers and potential investors.\(^{69}\)

Even though the first National Economic Development Plan placed most emphasis on increasing agricultural production, the policy for industry was unequivocally ISI.\(^{70}\) This policy continued to be followed until 1972 when growing financial problems forced the government to look more towards export promotion as a means of rectifying trade deficits, with the third Plan (1972-76) emphasising both ISI and export-oriented industrialisation.\(^{71}\) The growth rate of manufacturing industry averaged eleven percent per annum (at constant 1962 prices) during the 1960s, and its contribution to GDP grew from 10.3 percent in 1951 to 20.8 percent in 1979 (see Table 4.1).\(^{72}\)

Those who have most benefited from this growth have been the big banking and industrial capitalists. For example, the Bangkok Bank has grown to become the largest bank in Southeast Asia, with assets of almost 105,000 million baht in 1979 (about 40 percent of total commercial bank assets in Thailand), and has control over more than 40 percent of all bank borrowing and lending in Thailand. The Bank's declared profit in 1978 was 825.5 million baht, the largest profit declared by any Thai-registered company in that year.\(^{73}\) The Bangkok Bank and its principals, the Sophonpanich family, have, since the late 1950s, invested heavily in manufacturing, and together with other large banking and industrial families, have attained oligopolistic control over the Thai economy.\(^{74}\) Their debt to Sarit's determination to develop the economy is indeed great. At the time of Sarit's death, the Bangkok
Bank referred to him as the “greatest prime minister...since the 1932 Revolution,” attributing his stature to his ability to provide “political stability,” and to his efforts in the field of development.75

Whether Sarit and the officials of the Thai state considered oligopolistic control of the economy to be the likely outcome of their policies, and whether the Thai bourgeoisie can take some credit for having moved state policy in this direction, are points which cannot be adequately discussed in this chapter. What is significant, however, is that the state implemented policies in the areas of investment promotion and ISI which advanced the process of accumulation from petty commodity and enclave commodity production to a higher level ISI. Such policies were of immense benefit to the powerful fractions of the bourgeoisie, in that they consolidated their accumulative base. However, there was a price to be paid—the stagnation of the smaller, less powerful capitalist sector, and the loss of a certain amount of capital as profits to foreign investors. From 1966 to 1978 reported outward remittances totalled almost 27,000 million baht.76 But, as one official explained,

We fully realize that, by leaving the economy wide open...we run certain risks of being exploited; in certain circumstances, we may even appear to compromise certain aspects of our sovereignty. But we firmly believe that the...nation can meet this challenge...[for we] are short of capital, technical know-how, and managerial ability....77

Obviously the price was one that both officials and big capitalists felt Thailand could afford.

(b) Provision of Credit for Capitalist Development

The World Bank report, echoing the sentiments of local capitalists, made it clear that there would be a need for the development of industrial credit facilities in Thailand, and supported the establishment of an Industrial Finance Corporation. In addition the Bank urged a more active lending role for domestic commercial banks, to be financed by increased deposits; the banks had to be more attractive for depositors.78

The provision of credit assumed an important position in the first Plan, with the Industrial Finance Corporation of Thailand (IFCT) being accorded special significance.79 The IFCT had been established in 1959 with two objectives: (i) to assist in the establishment, expansion or modernisation of private industrial enterprise; and (ii) to encourage the participation of both domestic and foreign capital in these ventures.80 These objectives were to be achieved through the provision of medium- and long-term loans to worthwhile private projects. Although intended to be a private company, the IFCT was established by the government with interest-free and low-interest loans. Over the years the government has given considerable support to the IFCT, providing a number of additional loans on soft terms, with the aim of rationalising industrial financing and allowing the development of modern business enterprises, without the need for the IFCT to make large profits on its lending programme. The IFCT has worked closely with the BoI and the Department
of Industrial Promotion, and has clearly been an instrument of state policy, even though the largest shareholders are now local and foreign banks. Some 53 percent of the IFCT’s shares are owned by Thais, and Thai bankers hold the majority of directorships. Names like Lamsam (Thai Farmers Bank), Sophonpanich (Bangkok Bank), Cholvijarn (Union Bank of Bangkok), and Boonsoong (Laemthong Bank) have consistently appeared amongst the directors of the company. Given that these names are also associated with some of the largest industrial enterprises in the country, it is not surprising to discover that the IFCT has given considerable aid to the large and powerful fractions of the bourgeoisie. The World Bank mission apparently believed that the IFCT would finance small entrepreneurs, but small capitalists have seldom been able to take advantage of IFCT credits. In 1960 the average loan was 1.4 million baht, rising to 4.45 million by 1964, with very few loans of less than one million baht being made since then. In 1978 the average size of outstanding loans was 9.8 million baht.

The role of the IFCT has been to finance projects associated with big capitalists, who, while having capital available, prefer to utilise the IFCT’s state-guaranteed reputation for stability to acquire low-interest, foreign-currency loans from international sources. The state has accepted and promoted this situation and various governments have continually used the authority of the state to promote the IFCT both within Thailand and overseas. Its efforts in this area are in contrast to its measures ostensibly designed to aid small entrepreneurs.

In the second phase of the first Plan the government noted that some assistance was required for small-scale industries “in which category falls by far the majority of Thailand’s total industrial establishments.” Accordingly, 20 million baht were set aside for loans to small business. The loans were not to exceed 500,000 baht, and were to be distributed by the Small Industries Finance Office. While many small entrepreneurs applied for such loans, unlike its support for the IFCT, the government did not substantially increase its commitment in this area. From 1964 to 1976, applications for loans totalling 759 million baht were received, but only 294 million were lent to 941 applicants. This performance should be measured against a 1976 survey which showed that the real demand for capital by small- and medium-scale firms, for expansion alone, was 900-1,000 million baht per year. The state has chosen to neglect small industry in favour of consolidating and expanding the position of large capital.

A strikingly similar pattern of state intervention in favour of big capital can be seen in the commercial banking sector. This sector had received little legislative attention after 1945, but in 1962 the new Commercial Banking Act was promulgated. The basic aim of this Act was to increase public confidence in the banks, so as to attract increased deposits (as suggested by the IBRD mission). As far as the government was concerned, banking had become an essential element of the economic system:
Operations of commercial banks in which the main resources of the country are concentrated...have an important bearing on the economic development policy of the country. Thus, at this take-off stage...it is vital that measures be taken to build up a firm foundation for a sound banking system.88

Whilst some commercial bankers expressed reservations about the new Act, the results over the long term were evidential. Between 1961 and 1965, deposits grew by 240 percent from 5,000 million baht to 12,000 million, and by a further 1,400 percent to 170,000 million at the end of 1979.89 There is little doubt that depositors, who were not taxed on interest earned on deposits, found commercial banks attractive, stable and secure, qualities which seemed to be lacking in the 1950s.

Soon after the 1962 Act came into force legislation was also created to control the small, “irrational,” financial sector. The Pawnshop Act (1962) was an attempt by the government to limit the role of these shops, and to take capital out of their hands and place it in the commercial banking sector.90 Pawnshops were effectively limited to the poor who did not have investible cash assets.

Certainly, the unorganised capital market still exists, but its role has diminished over the years, while commercial banks have grown ever stronger, becoming more interested in banking proper rather than the financing of trade. The result of this state-initiated reorganisation of the capital market has already been noted: banking capital is the dominant fraction of the contemporary Thai bourgeoisie.

(c) State Policy Towards the Urban Working Class and Organised Labour

Within the general context of its concern with providing the conditions for accumulation, the state has consistently taken the side of capital in its disputes with labour, and has severely curtailed the rights of workers to organise themselves. The result has been that workers’ struggles have been most prominent when the state itself has been divided by internal rivalry (e.g. 1956-58 and 1973-76).

Phibun, in his attempts to outmanoeuvre his political rivals, Sarit and Police-General Phao Sriyanon, had legalised unions in 1956. No doubt Phibun hoped that he could control the unions to his own advantage, but many of the newly-formed unions organised strikes, demanding better wages and conditions for their members.91

When Sarit assumed full control of the government, unions were again banned, and some 200 labour leaders arrested.92 Sarit announced that he would “eliminate all behaviour which caused disunity...,” and unions clearly fell into this category.93 Sarit’s “Thai-style democracy,” where the government knew what was best for all, became the order of the day. Strikes were absolutely forbidden, and although some workers risked imprisonment to demand their rights, the government reported only eighty-two strikes between 1958 and 1968.94 Both local and international capital were generally satisfied with this situation as it allowed them to keep wages extremely low without too much fear of retaliation from labour. Certainly the big
capitalists actively encouraged state policy in this area, and concurred with the state’s reasoning on the need to ban strikes and unions. The Bangkok Bank explained that:

We have found from past experience that whenever trade unions are allowed...they fall into the hands of undesirable elements who use the trade unions as a tool to subvert the democratic working of Government. Therefore, for security reasons, it has been found necessary to prevent the functioning of any trade union.

As far as the Bank was concerned, the problems between workers and capitalists could best be resolved by the government itself acting as a “safeguard to prevent any employer from indulging in any malpractices.... [It] will be in a position to take appropriate measures to prevent any employer from exploiting his workers.”95 Not unexpectedly, the government, having abolished the (inadequate) labour legislation of 1957, did not see any need for such legislation, and it was not until 1969 that another law was drafted, to be promulgated in 1972, but again in an inadequate form.96 So, from 1958 to 1972, the only legal “protection” a worker had was a 1965 Act on dispute settlement, designed more for the employer than the employee.

By 1971 reports of gross exploitation of workers had become commonplace. Some 500,000 factory workers were receiving wages of only 7-10 baht per day, which was barely adequate for food alone, and thousands were forced to sleep at their workplace. There was little or no compensation for overtime, holidays, accidents or sickness; there was no guarantee of employment; working conditions were often unsafe and unhealthy; and child labour was not uncommon.97 While workers paid dearly with their labour, health and lives, capitalists continued to accumulate. Table 4.4 gives an indication of the surplus-value extracted by industrial capitalists.

Table 4.4 Average profits per employee, Bangkok industrial sector, 1972

<table>
<thead>
<tr>
<th>Size of firm</th>
<th>No. of firms</th>
<th>Average profit/employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 employees</td>
<td>9,134</td>
<td>11,300 baht</td>
</tr>
<tr>
<td>6-9</td>
<td>6,761</td>
<td>7,600</td>
</tr>
<tr>
<td>10-49</td>
<td>1,775</td>
<td>9,900</td>
</tr>
<tr>
<td>50-99</td>
<td>374</td>
<td>34,100</td>
</tr>
<tr>
<td>100-249</td>
<td>184</td>
<td>31,800</td>
</tr>
<tr>
<td>250-500</td>
<td>71</td>
<td>61,400</td>
</tr>
<tr>
<td>500-1,000</td>
<td>24</td>
<td>19,700</td>
</tr>
<tr>
<td>more than 1,000</td>
<td>17</td>
<td>46,300</td>
</tr>
</tbody>
</table>


Exploitation of the level indicated in Table 4.4 was compounded in 1971-73 by a domestic slump and inflation, and strikes began to occur with regularity. From 1969
to 1972 there were 108 officially recorded strikes, involving more than 21,000 workers. However, as the demise of the military regime grew more likely, strikes mushroomed, with 501 occurring in 1973. From 1973 to 1976, when workers had far more freedom to organise following the overthrow of the dictatorship, there were a further 716 strikes, involving over 261,000 workers. 98

Initially capitalists were not too concerned about this increased activity as they were able to resist workers’ demands or make but small concessions. However, as the strikes multiplied, the first warnings by capitalists to workers were issued, when Major-General Pramarn Adireksam, then president of the Association of Thai Industries, and a leading political figure, stated that strikes were still technically illegal, and that there would be serious economic problems if strikes did not cease. 99

Not long after there were declines in both domestic and foreign investment levels and, coupled with the defeat of the US in Indochina, wealthy Thais began to channel their money overseas. 100 Thai capitalists and state officials became increasingly determined to defeat the workers, and the government repeatedly used the state’s repressive powers (augmented with privately-hired thugs and assassins) to break strikes. For example, in one instance 100 anti-riot police were used to smash picket-lines established by women textile workers, and in another, about 200 Red Gaur thugs were hired by the management of the Dusit Thani Hotel to break a strike there in 1975. 101

Nevertheless, in the 1973-76 period unions did manage to double the minimum wage paid in Bangkok. However, the Thai bourgeoisie, foreign investors, and factions within the military had decided that a situation where labour was becoming more militant and where the business and political climate was becoming increasingly unstable could not continue. Thus, in October 1976 the military returned to power following a bloody massacre of students at Thammasat University in Bangkok. The new administration quickly sought to rectify the situation for business, allowing previously delayed projects to begin immediately with BoI incentives. 102 Local capitalists felt even more secure when the nominally civilian government of Thanin Kraivivian was replaced by General Kriangsak Chomanan’s administration in 1977.

If these state policies of fragmentation and disruption of working class (and peasant) 103 movements are compared to the promotional attitudes of state officials towards organisation within the bourgeois class (e.g. trade associations, chambers of commerce, Board of Trade), 104 then it is again clear that the state has deliberately represented the interests of capital. Repression of the working class has been one of the state’s essential political and economic tasks in providing a climate conducive to the accumulation of capital.

Concluding Remarks

To note that the international capitalist system is extremely complex is to acknowledge the obvious. At times, though, the obvious needs to be emphasised, for far too often there have been attempts to provide generalised explanations of Third World
development which tend to obscure this obvious fact. Thailand, as one, small part of this complex system may or may not be a representative case, but this chapter has, I believe, shown that the Thai state has operated in the interests of those fractions of the bourgeoisie representing large-scale banking and industrial capital. This has been especially so since 1958.

Political and economic intervention by the state has allowed the bourgeoisie to expand its accumulative base to the extent that it has moved from a reliance on trade and petty commodity production to financial and industrial activities. While state intervention has also enhanced the position of foreign capital, Thai capitalists were prepared to pay this price.

Clearly, the Thai bourgeoisie is not merely a comprador bourgeoisie, and the state has not acted as a mere intermediary between domestic and international capital. While some Thai capitalists do cooperate with foreign capital, this is a necessary role to be filled in the modern, international, capitalist system, even in the advanced industrial societies. The same can be said for the role of the Thai state. In all capitalist societies the state plays a more or less active role in economic affairs, and this necessarily involves foreign capital. The point I have tried to make in this chapter, however, is that the Thai state has not just taken a passive, intermediary role, but has actively promoted domestic capital. Indeed, through the BOI and other state institutions, the state has sought to regulate the conditions under which foreign capital operates while, at the same time, being mindful of the fact that the Thai bourgeoisie operates within an expanding international system. No capitalist or capitalist state can afford to ignore this fact.

Notes

I am grateful to Dick Robison, Richard Higgott, Tony Diller, Vacharin McFadden, Suthy Prasartset, B.J. Terwiel and John Girling for advice, criticism and encouragement while I was researching this chapter. I am responsible for the final product and any errors it might contain. My thanks also to the School of Human Communication, Murdoch University, and the Faculty of Asian Studies, Australian National University, for providing the facilities necessary for the completion of this chapter.


3. Examples of dependency theory applied to Thailand are: Peter F. Bell, The Historical


15. The quotations are from two BoI promotional brochures, Welcome to Thailand, and Thailand Welcomes Foreign Investment, n.d.

16. Sirilak Sakkriangkriaai, "Ton gamnoet chonchan naithun nai prathet thai ph.s. 2398-2453," in Chathip Nartsupa (Ed.), Wiwatthanakan thunniyom thai, (Bangkok: Faculty of Economics, Chulalongkorn University, and the Economics Students Group, Tham-

17. Ibid., and Chatthip Nartsupha and Suthy Prasartset (Eds.), The Political Economy of Siam (1851-1910), (Bangkok: The Social Science Association of Thailand, 1976).


27. Economic nationalism had also begun to play a part in royalist thinking in the sixth and seventh reigns, but given the symbiotic relationship described above, it was extremely difficult for the monarchy to act decisively on these matters, as was also the case after 1932.


34. For example, in 1961 the Bangkok Bank alone financed almost 20 percent of Thai imports and just over 26 percent of exports—Bangkok Bank Monthly Review, 3(2), 1962, p. 27.


41. Interview with the managing director of a Thai-Australian engineering joint-venture who was also a member of the Australian-Thai Chamber of Commerce, Bangkok, May 1980.
44. Ibid., and the issues of this magazine published on 6 April, 13 April and 20 April 1980, indicate these relationships. Data on the international connections of Thai business people are difficult to obtain, but see Rob Salamon, “Chin Sophonpanich: The Bangkok Connection,” *Insight*, June 1978, pp. 8-18.
49. See Chapter 7.
53. Fortune, April 1958, p. 232; on the political and economic objectives of US aid, Belford L. Seabrook, in an AID/United States Operations Mission (USOM) paper given at a Technicians' Staff Meeting on "Industrial Development in Thailand," Bangkok, 24 September 1963, stated that the Kennedy administration, "like its predecessors, is dedicated to the proposition that the foreign assistance effort cannot succeed without a substantial increase in the participation of private business both from the United States and from the countries whose economic and social development is a major goal.... The United States has a national interest in the maintenance...of a significant measure of private initiative...and in the avoidance of state control...."


58. IBRD, op. cit., pp. 94-106.

59. The USOM involvement is noted in Jack Bailhe (Chief, Private Enterprise Division, USOM/Thailand), "The Board of Investment," In-Depth Presentation at the Director's Staff Meeting, USOM, Bangkok, 13 March 1970.

60. BoI, Promotion of Investment Act B.E. 2503 (1960) and Ministerial Regulation No. 1 and No. 2, (Bangkok, BoI, 1961).

61. Prior to the promulgation of the new Act two, "Revolutionary" Party Announcements, Nos. 33 and 47, had been in force, but these too had proved to be of little interest, especially to foreign investors—see Fortune, (October 1959), p. 91.


63. Another deciding factor, especially for foreign investors, would have been the Kennedy administration's solid commitment to Thailand over the crisis in Laos, epitomised in the Thanat-Rusk joint agreement of 1962—see Venkataramani, op. cit., pp. 100-110.


65. It is not possible, in a chapter of this nature, to provide an adequate account of the development of class forces in Thailand, and especially of the competition between various fractions of the bourgeoisie. An indication of such competition may be seen in the Bangkok Bank Monthly Review, 3(6), 1962, pp. 1-3, where protectionists are attacked by the powerful capitalists who thought of themselves as free traders.


67. Ingram, op. cit., p. 291. For the same period two-thirds of registered capital was said to
be Thai.


76. This figure, which, given the ability of transnational corporations to disguise their capital flows, is obviously an underestimate, is derived from *Business Review* (Bangkok), December 1972, p. 116, and Suthy, *The Impact*, *op. cit.*, p. 3.


78. IBRD, *op. cit.*, pp. 103-104, 204-206.

79. NEDB, *op. cit.*, p. 87.


82. IBRD, *op. cit.*, p. 103.


85. NEDB, *op. cit.*, p. 89.

86. *Bank of Thailand Monthly Report*, 4(4), 1964, p. 23, and 4(9), 1964, p. 22. Note, however, that a list of twenty-six ineligible small industries was attached.


91. See Bevars, D. Mabry, *The Development of Labor Institutions in Thailand*, (Ithaca,


94. Mabry, op. cit., p. 52.


97. Bangkok World, 2 September 1971, p. 2. The Thai government had used low wages as a means of attracting foreign investors—see BoI, Ministry of Industry, and the Agency for International Development, Thailand. Private Investment Opportunities. A Summary of the Investment Climate and Economic Status of Thailand, (Bangkok, 1968), pp. 9-10, where it is stated that even the wages of highly skilled machine tool operators were only 400-600 baht per week.


102. Ibid., 21 December 1976, pp. 1, 3.


Chapter 5
National Interests and Economic Downturn*

Not so long ago Thailand was described as the Association of Southeast Asian Nation's "dark horse" in the economic stakes.¹ Its potential, according to this interpretation, tended to be under-rated because its high and sustained rates of economic growth since the early 1960s were overshadowed by the more spectacular growth rates achieved by newly industrialised countries (NICs) such as Singapore, South Korea, Hong Kong and Taiwan.

Thailand's average annual growth rate was in excess of eight percent throughout the sixties, over seven percent during the seventies, and ranged between four and six percent for the first years of the eighties. Even in per capita terms the rate of growth in the gross national product (GNP) for the whole 1960-1982 period was 4.5 percent.² Such growth brought considerable change to the economic structure of Thailand and to the daily life of the people.

In 1960, agriculture employed the bulk of the population, and primary commodities were the major exports. This situation was to alter rapidly. Table 5.1 indicates the changes which have taken place in the productive structure since 1960. It is evident that the significance of agriculture, in national production terms, is declining as the importance of manufacturing and the financial sector has increased.

<table>
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<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>39.8</td>
<td>29.8</td>
<td>24.9</td>
<td>19.5</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>1.1</td>
<td>1.5</td>
<td>1.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.5</td>
<td>17.5</td>
<td>20.7</td>
<td>19.8</td>
</tr>
<tr>
<td>Construction</td>
<td>4.6</td>
<td>5.5</td>
<td>5.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Electricity &amp; water supply</td>
<td>0.4</td>
<td>1.8</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Transport &amp; communications</td>
<td>7.5</td>
<td>6.7</td>
<td>6.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>15.2</td>
<td>17.1</td>
<td>16.5</td>
<td>18.4</td>
</tr>
<tr>
<td>Banking, insurance, real estate</td>
<td>1.9</td>
<td>4.2</td>
<td>6.0</td>
<td>8.1</td>
</tr>
<tr>
<td>Ownership of dwellings</td>
<td>2.8</td>
<td>1.9</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Public administration &amp; defence</td>
<td>4.6</td>
<td>4.3</td>
<td>4.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Services</td>
<td>9.6</td>
<td>9.7</td>
<td>10.6</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Manufacturing has grown rapidly since 1960, with growth rates generally exceeding those for the whole economy. Exports of manufactures have expanded from just one percent of total exports in 1960 to about thirty percent by the early 1980s. While most people are still engaged in agricultural pursuits, in percentage terms there has been a decline from 82 percent of the economically active population engaged in agriculture in 1960 to seventy percent in the early 1980s. Concomitantly, there has been an increase in the proportion involved in the manufacturing sector, from three to eight percent. While statistically small, these changes are indicative of the development of a more industrially-based economy. This is confirmed by the fact that the occupational status of the population has moved more in the direction of wage-labour, with almost a quarter of the economically active population now falling into this category.

Table 5.2 Output and productivity in the Thai economy, 1977

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$US mill.</td>
<td>%</td>
<td>No.(mill.) %</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5,169</td>
<td>28.5</td>
<td>13.4</td>
</tr>
<tr>
<td>Industry</td>
<td>5,125</td>
<td>28.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Services</td>
<td>7,865</td>
<td>43.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Total/Averages</td>
<td>18,159</td>
<td>100.0</td>
<td>18.8</td>
</tr>
</tbody>
</table>

Notes: [a] Estimates, at market prices. [b] Estimates.

An examination of output also emphasises the significance of the industrial sector, for it is here that productivity is highest (see Table 5.2). Increased industrialisation is also reflected in data on trade. Figures for the 1960-83 period indicate that there has been a gradual decrease in the import of consumer goods, but an increased inflow of capital goods and crude materials. Such a change is consistent with the expanding technological base associated with industrial development.

By the early 1980s, Thailand had emerged as a rapidly industrialising country with bright prospects for continued growth and industrialisation. There were four reasons for this optimism. First, industrialisation was being built on a base which was largely owned by domestic capitalists, and the dominance of the banking and industrial fractions of this class meant that they had a large stake in the industrial future of the country. Second, despite the international recession and a series of oil price rises, Thailand's growth rates had remained relatively high. Third, unlike many other developing countries, Thailand did not face a crippling debt burden, having followed reasonably conservative borrowing policies. Fourth, a degree of stability had entered the political sphere following the turbulence of the mid-seventies.
However, the mid-eighties saw this optimism wane, giving way to more cautious assessments, as the economy experienced its first serious downturn since the mid-1950s. Prior to discussing the crisis of the mid-eighties, it is necessary to first assess the strategies which have promoted Thailand's rapid economic expansion.

**Industrialisation Strategies**

Prior to General Sarit Thanarat's coups in 1957 and 1958, the military-dominated government led by Phibun Songkram had emphasised industrialisation as a means to "civilise" Thai society. It was believed that progress came through industrial development of the European and Japanese varieties. An added consideration was that the leading ideologues of the regime saw the Chinese in Thailand as a potential threat to ethnic Thai control of the economy. The result of this combination of nationalism and developmentalist thinking was that a series of unco-ordinated attempts were made to develop industries such as textiles and food processing. These efforts took place without much official thought being given to their direction, with the state being seen as a necessary leading force, due to the dearth of private (Thai) investment. However, there was no discernible pattern to the investments made by the state, with planning seldom extending beyond individual industries. Under the Sarit regime this changed.

The new administration trumpeted its support for industrialisation, but in terms of planning there was little, initially, which distinguished Sarit's regime from its predecessor. It was only the emergence of balance of payments and trade problems which induced the government to seek a reduction in manufactured imports. Import bans were introduced, but resulted in considerable opposition as they led to a variety of shortages. To overcome this problem the move to an import substitution industrialisation (ISI) strategy appeared promising, especially as it had been advocated by an influential World Bank report, the Bank of Thailand, a United Nations mission, and the Economic Commission for Asia and the Far East (ECAFE).

In general terms ISI aimed to establish industries which produced goods that would otherwise have been imported. But, as a study by ECAFE noted, it was not necessarily expected to reduce total imports. Rather, ISI aimed to save foreign exchange in order to allow for the expansion of capital goods imports or certain, basic, consumption goods. For many political leaders, however, the perception in the 1960s was that total imports would be reduced, aiding trade and balance of payments problems. A successful ISI strategy demands that domestic manufacturing be protected by various import bans and tariffs, and from 1960 the Thai state began to erect such barriers, in spite of some opposition from "free traders."

The state did not simply decide, of its own accord, to adopt an ISI strategy. According to contemporary reports, domestic industrial capitalists exerted strong pressure for protection. When announcing increased tariffs in late 1960, the
Minister for Finance stated that the decision had been taken following strong representations from local industrialists. Banjurd Cholvicharn, a prominent banker, president of the Thai Chamber of Commerce, and close to General Sarit, was outspoken in his criticism of the lack of control placed on merchants he believed were creating a "terrible" trade imbalance, and he urged import controls. Part of the reason for the trade imbalance was the fact that traders had accumulated considerable wealth during the Korean War boom and, unwilling to invest in unprotected industry, they were limiting their investment to commercial activities, and especially to importing consumer goods. Once ISI policies emerged, even some traders were prepared to move to manufacturing activities.

The logic of import substitution remained predominant throughout the sixties, being strongly supported by the Board of Investment, National Economic (and Social) Development Board (NESDB), the Ministry of Industry, the Bank of Thailand and local manufacturers. Their position was reflected in the first (1961-66) and second (1967-71) development plans, where the majority of capital invested with government promotional privileges in the sixties went into ISI areas.

The available assessments of ISI indicate some successes, such as textiles, but also note a number emergent structural problems, such as inbuilt disincentives to export. In terms of political economy, however, there were significant developments. First, important structural changes occurred in manufacturing, where there was increased production of consumer goods. During the sixties, the manufacturing sector's contribution to GDP rose from 12.5 to 17.5 percent (Table 5.1), with its annual growth rate averaging eleven percent (at constant 1962 prices) over the period. Second, high rates of protection encouraged domestic investment. That is, the development of domestic manufacturing advanced the whole process of capital accumulation, especially for the banking and industrial capitalists. Banking capitalists, notably the Bangkok Bank and its principals, the Sophonpanich family, took advantage of ISI policies to expand into industry, greatly enhancing their corporate power. During the period when ISI was in full swing, the co-operation between industrialists and bankers provided a strong economic and political base, which allowed them to over-ride the interests of consumers and traders who were more interested in liberal trade policies. By the end of the 1960s, however, the expansion of manufacturing, concentrated in consumer goods, was bursting the seams of the ISI strategy, having outgrown the relatively small domestic market in crucial sectors such as textiles and motor vehicles.

The decline of ISI was hastened by domestic and international developments. Within Thailand excess capacity had become a major problem, and growth in the manufacturing sector dropped to 7.5 percent a year in the 1970-72 period with corresponding falls in manufacturing investment. Agitation amongst groups of local capitalists had emerged in 1969, with the president of the Thai Industries Association urging both increased protection for domestic industries and more incentives for exporters. Simultaneously, growing trade deficits forced the gov-
emment to examine export oriented industrialisation (EOI) strategies. EOI was to be based on a nation’s “comparative advantage” in producing commodities for a world market, bringing in valuable foreign exchange and achieving a trade balance by “doing what comes naturally.” Internationally, higher inflation in the West and exchange rate fluctuations made Thai manufactures potentially attractive on the world market. These changing circumstances began to be recognised, and in 1971 the Board of Investment announced incentives for export. These benefits were enhanced in 1972 when the Investment Promotion Act was revised and export targeting introduced. The icing on the EOI cake was the formal recognition of the strategy in the third plan (1972-76), even though it was also conceded that ISI was not to be completely jettisoned. The value of manufactured exports began to expand at an unprecedented rate, rising from US$40 million in 1970 to US$270 million three years later.

The fourth plan (1977-81) continued the emphasis on EOI while again indicating that ISI would be maintained in some areas. However, export industries were to receive special state promotional privileges. As will be discussed below, this emphasis on export was close to the World Bank desire for labour intensive, export oriented industries. As was the case with ISI in the 1960s, a number of political leaders saw EOI as the magic formula for development in the 1970s, as the state attempted to reduce trade and balance of payments deficits by expanding exports.

The emergence of a more export oriented strategy also reflected developments within the capitalist class. Under the insulated conditions of ISI, domestic industrial and banking capitals were able to expand to a stage where, in some cases, capital was developing a more international character. These large, highly concentrated corporate groups were demanding a more outward-looking development strategy, for they had outgrown the Thai market and were seeking to expand their accumulation on an international scale. Consequently, the priority given to EOI may be seen as an indication of the increased influence of big capital within the Thai political economy. At this juncture it is appropriate to examine the patterns of investment and accumulation within the economy under both ISI and EOI development regimes.

Investment and Accumulation

As noted previously, investment by the state became an important factor in the forties and fifties. Initially state investment was required for the reconstruction of a war-damaged infrastructure, but there was also state capital in manufacturing, transport, finance and trade. While total state investment remained comparatively low compared to other countries of the region, both domestic and foreign capitalists, facing an economic downturn following the Korean War boom, felt they were being squeezed out by state investments. This was especially so in the manufacturing sector where the proportion of investment accounted for by the
private sector had declined. While a number of local capitalists made their fortunes during this period, there also developed a number of serious economic difficulties.

With the end of the Korean War boom, commodity prices stagnated, resulting in substantial trade deficits as imports of consumer and capital goods continued to expand. If it had not been for US aid contributions, the Thai balance of payments would have recorded a deficit for the entire 1952-58 period. In addition, the government continually spent more than it collected in revenues. The central bank was highly critical of the government's administration of its economic responsibilities, charging that budget deficits were the result of overspending on large-scale industrial projects, and arguing that poor fiscal policies were fuelling inflation and depleting foreign exchange reserves. The bank also claimed that budgetary procedures were inadequate and poorly co-ordinated, leading to injudicious expenditures. For both foreign and local capitalists such problems cast a shadow over their ability to expand accumulation. However, General Sarit's seizure of power brought an end to the state's role as a major investor in the manufacturing sector.

Within the new regime's general support for private enterprise, the move to an ISI strategy, with state investment being concentrated in infrastructure, was satisfactory to both local and foreign investors, for it unleashed the private sector and coincided with the drive by transnational corporations (TNCs) to establish enterprises around the globe. The Sarit government, primed with World Bank and UN advice, saw TNCs as sources of capital which could replace state investment but continue the drive for expanded industrial activity. TNCs were also seen as providing technical and entrepreneurial skills, and the promotion of foreign investment became a pillar of state economic policy. Indeed, a recent study suggests that about half of the TNCs operating in Thailand established their operations between 1963 and 1972.

While there were many domestic capitalists who opposed foreign investment, fearing increased competition, the big capitalists amongst the banking and industrial fractions were keen that such investment be accelerated. This latter group felt that Thailand required skills and capital, but it should also be noted that the promotion of foreign investment, and especially joint ventures, provided political protection for local capitalists. While state officials might have been willing to nationalise or harass a wholly Sino-Thai enterprise, they would be more reluctant in the case of a joint venture. Big capital thus felt it had more to gain from increased economic activity than it might lose due to increased competition.

Despite the efforts made to attract foreign capital, it is important to realise that domestic capitalists retained considerable control over the Thai economy. As can be seen in Table 5.3, while direct foreign investment increased considerably during the sixties, compared to gross fixed capital formation, total foreign investment actually decreased in percentage terms. Indeed, total foreign capital inflows as a percentage of gross fixed capital formation fell considerably during this period. Therefore, the rapid economic growth during this period, whilst benefiting from
foreign capital inflows, was due primarily to investment expansion by local capitalists.

Table 5.3 Capital inflows and gross fixed capital formation, 1960-1983 (in millions of baht)\[a\]

<table>
<thead>
<tr>
<th>Period</th>
<th>Gross fixed capital formation (1)</th>
<th>Direct foreign investment (2)</th>
<th>% (2)</th>
<th>Other inflows (3)</th>
<th>Total inflow (2)+(4) (5)</th>
<th>% (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-62</td>
<td>25,962</td>
<td>337.8</td>
<td>1.3</td>
<td>2,373.1</td>
<td>2,711.2</td>
<td>10.4</td>
</tr>
<tr>
<td>1963-65</td>
<td>42,589</td>
<td>1,591.3</td>
<td>3.7</td>
<td>2,843.4</td>
<td>4,434.7</td>
<td>10.4</td>
</tr>
<tr>
<td>1966-68</td>
<td>72,967</td>
<td>2,704.7</td>
<td>3.7</td>
<td>1,990.1</td>
<td>4,694.8</td>
<td>6.4</td>
</tr>
<tr>
<td>1969-71</td>
<td>96,272</td>
<td>2,756.4</td>
<td>2.9</td>
<td>3,586.9</td>
<td>6,343.3</td>
<td>6.6</td>
</tr>
<tr>
<td>1972-74</td>
<td>137,960</td>
<td>6,868.3 [c]</td>
<td>5.0</td>
<td>8,134.3</td>
<td>15,002.6</td>
<td>10.9</td>
</tr>
<tr>
<td>1975-77</td>
<td>240,988</td>
<td>5,522.7</td>
<td>2.3</td>
<td>22,404.5</td>
<td>27,927.2</td>
<td>11.5</td>
</tr>
<tr>
<td>1978-80</td>
<td>438,105</td>
<td>5,874.5</td>
<td>1.3</td>
<td>72,637.4</td>
<td>78,511.9</td>
<td>17.9</td>
</tr>
<tr>
<td>1981-83</td>
<td>438,105</td>
<td>5,874.5</td>
<td>1.3</td>
<td>72,637.4</td>
<td>78,511.9</td>
<td>17.9</td>
</tr>
<tr>
<td>1984-86</td>
<td>716,761 [d]</td>
<td>20,697.3</td>
<td>2.9</td>
<td>86,926.9</td>
<td>86,926.9</td>
<td>12.1</td>
</tr>
</tbody>
</table>

Notes: [a] The data in this table is updated and significantly revised from that which appears in the original article. The revisions were necessary due to errors in calculating the figures for 1960-62 and 1978-83, and the availability of more recent data.
[b] This figure includes loans and credits to government and private enterprises, trade credits and portfolio investment.
[c] Included in this figure is a 1974 oil concession fee of 1,070 million baht.
[d] 1986 figures are estimates.
Source: Various issues of the Bank of Thailand's Bulletins and Thailand, National Income of Thailand.

Significantly though, in the 1970s there was a general rise in total capital inflows, even if these inflows have been relatively low when compared to other countries of the region. The increased inflow was associated with a more footloose and eclectic phase of international capitalist development. Some TNCs have become increasingly interested in taking advantage of such benefits as cheap labour, protection, generous taxation concessions, bans on organised labour, and growing domestic markets in the Third World when considering the location and relocation of industrial investments. Others have sought to have component manufacturing carried out by local firms in the Third World. More recently there has been a pronounced trend towards money transfers as transnational financial institutions have invested in and lent more to the Third World, and especially to the NICs. This restructuring of international capitalism has provided new opportunities for international capitalists and also for the expansion of accumulation by domestic capitalists in the Third World. This is so because as the forces of production expand, they do so for both domestic and transnational capitals; a point often neglected by those who argue that domestic capital is generally dependent upon foreign capital.
The fact that the move from ISI to a more export-oriented approach did not seem to result in any dramatic upsurge in direct foreign investment during the seventies was primarily because of the recession in the West. Nevertheless, the Thai economy continued to grow, despite the oil price shock of 1973, due mainly to the rapid increase in financial transfers as loans and credits. While such capital flows do not involve the same level of control over the investment decisions of individual capitalists and companies as does direct investment, the supply of large loans and credits by international agencies and private transnational banks gives them a considerable stake in the direction of national development, and provides international finance capital with a strong stimulus to influence development policies.

The large capital inflows were, in part, a response to balance of payments problems, but also served to stave off the worst effects of the world recession until the early eighties, despite a deteriorating economic situation. It is noticeable, in Table 5.3, that the 1981-83 period represents a turning point for the pattern of capital flows. Firstly, the growth of gross domestic capital formation is seen to have slowed. Secondly, despite this slowdown, both direct foreign investment and total capital inflows increased considerably. It seems clear that the recession had finally caught up with domestic capital. This crisis of accumulation amongst domestic capitalists is confirmed by data on bankruptcies, where the total number of cases before the courts rose by fifteen percent between 1978 and 1979, but leapt by almost 47 percent in 1980 and over 30 percent in 1981. At the same time, with the worst of the recession passing in some of the countries of the West, transnational capital began to move back into Thailand.

While the impact of increased capital inflows will be discussed in more detail below, it must again be emphasised that the Thai economy continues to be dominated by domestic capitalists, despite the crisis of accumulation which confronted them in the mid-eighties.

The Crisis of the Mid-Eighties.

In 1985 the Thai economy faced its first major crisis since the mid-fifties. The initial focus of concern was the mounting debt problem, but the crisis was much broader than this. A conference, which brought together academics, economists, and political and business leaders, produced the following pessimistic assessment:

Thailand's future does not look rosy with the economy in the worst shape it has ever been in, a lack of political and national leadership, a misguided educational system, a stagnant bureaucratic system, and dwindling natural resources.41

Meanwhile, the government was assembling a "no-growth" budget, business confidence was ebbing, and draft economic growth estimates in the sixth plan (1987-91) were being revised on almost a daily basis. By year's end, this pessimism had become entrenched, with NESDB Secretary-General Snoh Unakul stating that even low predictions of four percent may not be achieved. Bankruptcies were
reported to have increased by almost 27 percent in the first nine months of 1985, and investment and factory approvals were both down. At this time a number of companies were reporting significant declines in profitability. Thailand’s two largest banks, the Bangkok and Thai Farmers banks, indicated big drops in their profits, while reports of losses, efficiency drives, and retrenchments became common. For example, the large Saha Phattanapibul group recorded its first loss in several decades.

This crisis did not merely confront capitalists and state managers, for while the statistical data on the impact of the economic downturn tend to mask the real effect on average people, it became clear that workers and peasants were suffering. Throughout 1985 farmers’ groups protested against the decline in prices they were receiving for their crops, with falling commodity prices having a severe effect in the countryside. Urban dwellers were not immune either, with officials putting unemployment at two million (10 percent being university graduates) and warning that it was rising rapidly. The Board of Trade reported 100,000 lay-offs in the first half of 1985.

Thailand’s economic problems fell into a number of over-lapping categories, but may be emphasised by an examination of foreign debt and trade, current account, and budget deficits. Prior to a discussion of these areas, however, it is useful to place the crisis of Thai capitalism within its international context.

As mentioned previously, the world recession had been slow to have an impact on Thailand, mainly because Thailand was able to borrow overseas, thus cushioning, for a time, the effects of the recession. Indeed, while the Organisation of Petroleum Exporting Countries (OPEC) oil price rises had a marked effect on the import structure of many Third World countries, the major impact was to be on fiscal policies. The oil price rises brought huge amounts of money capital, as petrodollars, onto the world financial markets and, when combined with the already large outflow of dollars from the US, due to its trade deficit and low corporate demand for loans during the recession, international liquidity was at an all-time high. A number of Third World countries found that this enabled them to borrow freely on favourable terms. The flow of private funds to the Third World rose substantially. In 1967 the private component of Third World foreign debt was 28 percent, but by 1977 this had jumped to 48 percent, and was as high as 54 percent in the 1977-80 period. The total external public debt of the developing countries rose from US$276,000 million in 1977 to $634,000 million by 1983.

At the same time, EOI has not proven to be the messiah of development predicted by the prophets of the “free market,” in spite of the example of the East Asian NICs during the sixties and seventies. Based on their so-called comparative advantage in cheap labour, it was assumed that a relocation of labour-intensive production into Third World countries would take place almost “naturally.” However, relocation has not been a major trend, except in certain industries such as textiles, and cheap labour has proven to be something of a mirage as TNCs chase
it from one country to another. Also, technical innovations have so increased the productivity of wage-labour in industrialised nations that often increased capitalisation within the major markets of the West can offset the savings offered by cheap labour in the Third World.

In addition, what has been seen as a recession within the industrialised countries has been a period where capitalists have been pitted against each other as the processes of increased centralisation and concentration have expanded. This has resulted in an enhancing of the power of finance capital, bankrolled by petrodollars and Eurodollars. Thai capitalists faced a crisis of structure and accumulation which was to be played out in the context of a higher degree of centralization and internationalization of capital, a deepening of the capitalist mechanism of unequal development, and the domination of transnational finance capital, based on ever-closer links between multinational companies and transnational banks...

Transnational finance capital has had a marked impact on Thailand. As was noted in Table 5.3, the inflow of capital, other than direct foreign investment, has increased rapidly during the 1970s and 1980s. This increased inflow has seen a corresponding increase in foreign debt (see Table 5.4), especially since the mid-seventies when the international capital markets were flushed with funds. By the end of the first quarter of 1985 total external debt had risen to US$13,000 million, of which 61 percent was public sector debt. A debt of this magnitude represented, in 1984, over 36 percent of GNP and more than 25 percent of foreign exchange reserves. More importantly, from the viewpoint of debt servicing, over a quarter of the total debt was held as short-term loans and credits. For the first time, the debt service ratio rose above twenty percent, sending shockwaves through business, government and planning circles, as great stock had been placed in maintaining debt below this level. A public debate ensued, much of it concerning the size of the debt and measures which would avoid a "Philippines problem"—rescheduling of loans, externally enforced austerity programmes, and consequently a poor international credit rating. However, while this debate was important, in order to understand the problems, a much wider context must be considered.

Table 5.4 Debt disbursed and outstanding, 1965-1983 (US$ millions)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Debt Outstanding &amp; Disbursed</td>
<td>405.0</td>
<td>749.2</td>
<td>1359.6</td>
<td>5751.6</td>
<td>7213.9</td>
<td>8317.7</td>
<td>9523.6</td>
</tr>
<tr>
<td>a. Private sector</td>
<td>150.0</td>
<td>401.2</td>
<td>736.2</td>
<td>1751.4</td>
<td>2098.6</td>
<td>2296.3</td>
<td>2658.6</td>
</tr>
<tr>
<td>% of total</td>
<td>37.0</td>
<td>53.6</td>
<td>54.1</td>
<td>30.4</td>
<td>29.1</td>
<td>27.6</td>
<td>27.9</td>
</tr>
<tr>
<td>b. Public sector</td>
<td>255.0</td>
<td>348.0</td>
<td>623.3</td>
<td>4000.2</td>
<td>5115.3</td>
<td>6021.4</td>
<td>6865.0</td>
</tr>
<tr>
<td>% of total</td>
<td>63.0</td>
<td>46.4</td>
<td>45.9</td>
<td>69.6</td>
<td>70.9</td>
<td>72.4</td>
<td>72.1</td>
</tr>
<tr>
<td>- state enterprises</td>
<td>166.9</td>
<td>136.9</td>
<td>365.9</td>
<td>2429.6</td>
<td>3161.8</td>
<td>3887.4</td>
<td>4400.4</td>
</tr>
<tr>
<td>% of public sector debt</td>
<td>65.4</td>
<td>39.3</td>
<td>58.7</td>
<td>60.7</td>
<td>61.8</td>
<td>64.6</td>
<td>64.1</td>
</tr>
</tbody>
</table>

Source: Prannee Thinnakon and Direk Pathomsiriwat. "Nitang prathet khong prathet toi phathana lae karani suksa nitang phak rattaban khong thai," in Faculty of Economics, Thammasat University (Eds.), Wikkhritkan nitang prathet khong rattaban thai, (Bangkok: Faculty of Economics, Thammasat University, 1985), p. 1.32.
Thailand’s fiscal and monetary policies have generally been regarded as conservative. Following World War II the country could afford to be prudent for, as bastions of anti-communism, Thai state managers found themselves receiving considerable US aid and loans. Between 1951 and 1967, Thailand’s official net economic and military assistance from the US amounted to over US$1,000 million. US military spending also buoyed the economy throughout the sixties and early seventies as there were thousands of US troops stationed in Thailand and thousands more arrived on Rest and Recreation leave. Additionally, Thailand had received, by the mid-sixties, more than US$180 million in loans from the World Bank. While this amount does not seem large, it should be noted that 21 percent of the funding for the first development plan came from overseas loans, of which the World Bank contributed about a half. It was only as US aid and spending began to decrease with the withdrawal from Indochina and then Thailand that the search for external funding quickened. This was especially so as the decline in US spending coincided with a relative decline in foreign investment and then, the first OPEC price rises.

From 1973 there was a clear determination to seek increased capital inflows. In 1974 direct investment increased by almost 140 percent over 1973, but much of this was due to a 1,070 million baht oil concession. More important however was the more than 200 percent increase in loans and credits to state enterprises. There was also a change in sourcing. Whereas in 1973 public sector debt was mainly held by multilateral agencies (50.4 percent) and only a fraction by private creditors (11.5 percent), by 1980 multilateral agencies accounted for just 27.5 percent, with private creditors holding 44.1 percent. The turnaround occurred from 1975 coinciding with the rise in liquidity on the world financial markets.

During the period 1977-79, Thailand experienced an investment boom largely because the government of General Kriangsak Chomanan adopted policies which controlled prices, increased protection, expanded credit, and increased state investment. This was primarily funded by loans from private sources, raised internationally, and resulted in a greatly increased debt. Thus, the second round of oil price rises in 1978 saw Thailand in a vulnerable financial position. It was only through continued and expanded borrowing that a severe economic downturn was avoided, albeit temporarily.

It is evident that much of the increased debt has been accumulated by the public sector (see Table 5.4), and that a large percentage of this has been for state enterprises, especially in the energy sector. Indeed, much of the recent debate on debt has been an extended (and often ideologically-based) critique of state enterprise borrowing, in the context of calls for privatisation. Because the statistics make it clear that state enterprises have been heavy borrowers, a culprit is seen. However, it must be understood that since 1958 state policy has been to promote the private sector with the state providing the economic and social infrastructure. Consequently, in the early sixties, when the economic infrastructure was expanded
rapidly, public sector debt made up a high proportion of total debt, and state enterprises accounted for a large part of the public sector’s borrowings. Without such investments, the boom of the sixties would not have been so extensive. This pattern has been reproduced in the mid and late seventies as infrastructural projects were expanded on a large scale.

Following the 1973 oil price increases, which particularly affected electricity generation, state policy was changed to quickly diversify and expand generating capacity through other than oil-fuelled means. In addition, the discovery of substantial reserves of gas in the Gulf of Thailand encouraged state investments to prove and develop these reserves, thus lessening dependence on foreign energy and contributing to further industrial development. Together, the various electricity generating authorities and the petroleum authority account for about sixty percent of state investment outlays, and the bulk of debts. Even the World Bank, which has been antipathetic to the promotion of state enterprises, has admitted that the gas discoveries warranted substantial investment and that most borrowing has been for much needed infrastructure.

The managers of state enterprises also found themselves in a fiscal bind when the government began to restrict subsidies but refused to allow the enterprises to raise their prices and charges. As domestic interest rates have been maintained at higher levels than the international market to prevent capital flight, state enterprises were virtually forced to pursue foreign loans. Thus, the attacks on state enterprises as the culprits in the debt problem appear misplaced.

While state enterprises are no longer sacred cows, the military has, until recently, remained so, and its role in increasing foreign debt has seldom been questioned, with recent World Bank reports making no mention of this—a strange omission given that the Bank has admitted the productive nature of many state investments, and the same could not be said of military expenditures.

Following the 1976 coup, which brought the armed forces back to power, military leaders and other right-wing political groups saw communist regimes at Thailand’s borders, faced a powerful guerrilla movement, and had seen assistance from the US decline. Thus, beginning in 1976, the armed forces embarked on an ambitious and controversial series of loans for military equipment. The extreme right-wing Thanin Kraivixien government drew up a 20,000 million baht military spending programme and, as a result, between 1976 and 1978 at least US$242 million were lent by various transnational banks for arms purchases at rates considerably higher than market rates, and over short terms. It was only in 1979 that military borrowing was brought under the auspices of general development programmes, thus giving the government some control over the armed forces’ excursions into the world’s money markets. Even so, approximately one-quarter of all borrowings on private capital markets has been attributed to military projects and, in 1984, defence loans still accounted for a large percentage of direct government borrowings. This has placed a heavy burden on the government. The
short and medium terms of these loans has, according to one Bank of Thailand official, been the main source of the rise in the debt service ratio.\textsuperscript{66}

Given the generally unproductive nature of military spending, the 1985 decision to purchase advanced F-16 fighter aircraft and equipment from the US at a cost in excess of 9,467 million baht caused considerable controversy. Amid protests from bankers, students, economists and politicians, the contract to purchase was signed at the time that concern over the country’s expanding debt was at its height. Military leaders protested “unfair” criticism and argued that national defence needed to be strengthened. Following the F-16 debacle, however, they generally took a lower profile.\textsuperscript{67} For some, however, the issue became one of not of “guns or rice,” but “guns today and rice tomorrow.”\textsuperscript{68} This was emphasised in the proposed national budget for 1986 which was designated “no-growth,” and allocated 23 percent of total expenditure to debt servicing and a further 21 percent to defence and security. By comparison, a paltry nine percent was allocated to health and social services combined.\textsuperscript{69}

While Thailand’s debt service ratio has exceeded the 20 percent level, Frank and Cline have argued that such a figure is misleading. They suggest that debt is not, of itself, a problem, but often the management of the debt is.\textsuperscript{70} If this is the case, then a brief examination of Thailand’s current account and budget deficits indicates that the Thai economy faces both management and debt problems.

Table 5.5 indicates that neither ISI nor EOI strategies have been conducive to an improvement in either current account or trade balances, with the situation deteriorating over the past twenty years. According to preliminary figures for recent years, these balances saw a slight improvement in 1982, but have deteriorated further since then.\textsuperscript{71}

| Table 5.5 Trade and current account balances, 1960-1980 (million baht) |
|-------------|-------------|-------------|
| 1. Imports (cif) | 9498.0 | 26514.5 | 190025.3 |
| 2. Exports (fob) | 8614.0 | 14269.7 | 132040.5 |
| Trade Balance | -884.0 | -12244.8 | -57984.8 |
| B. Net Non-Factor Services | 229.2 | 5858.0 | 16984.8 |
| Balance on Goods & Services | -654.1 | -6386.8 | -41402.3 |
| C. Net Factor Income from Abroad | -115.7 | 178.2 | -5437.6 |
| D. Net Unrequited Transfers | 770.6 | 1011.7 | 4275.7 |
| Current Account Balance | 0.8 | -5196.9 | -42564.2 |
| Trade Balance/GDP (%) | -1.6 | -9.0 | -8.5 |
| Current Account/GDP (%) | 0.4 | -3.8 | -6.2 |

Clearly, imports have been exceeding exports by a considerable margin, with the implication that overseas borrowing is required to acquire the foreign exchange necessary to pay for imports. Despite huge rises in transfers from the masses of Thai labourers working overseas, a "Buy Thai" campaign and, more significantly, two devaluations of the baht, the impact on trade has been negligible. In 1985, while there were trade volume increases and a marginal reduction of the trade deficit, there was a worsening of conditions in dollar terms. There are four underlying reasons for this.

First, the proportion of the value of imports accounted for by petroleum products has increased from less than one-tenth in 1965 to almost one-quarter by 1983, and this has more than offset a decline in the proportion of manufactured imports, down from over a third of all imports in 1965 to less than a quarter in 1983. Second, while EOI has meant that the proportion of manufactured exports has increased markedly over the period, in 1983 about one-half of Thailand's exports are still accounted for by food and beverages, meaning that commodity prices remain extremely important to the economy. Thus, the general decline in world prices and demand for many of Thailand's major commodity exports has meant a serious decline in the value of these exports. In the first six months of 1985 the dollar value of Thailand's exports of maize, rice, tin, rubber and tapioca all fell (despite increases in the volume of exports for the two latter commodities), compared with the same period in 1984, with only sugar showing both a value and volume increase. Third, both ISI and EOI strategies demand an increasing technological base for industry, which has meant increased capital goods imports. The proportion of imports accounted for by machinery remains high, at about a third of the value of all imports. Fourth, high interest rates on the loans already held have also caused a deterioration in the current account deficit.

Of equal importance have been the government's expanding budget deficits. Since 1960 the government has achieved a budget surplus just once, in 1974, and the size of the deficit has increased significantly (see Table 5.6). To a large extent, the financing of these deficits has been through foreign borrowings.

Table 5.6 Budget deficits, 1960-1982 (million baht)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit (million baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>-800.1</td>
</tr>
<tr>
<td>1965</td>
<td>-1250.8</td>
</tr>
<tr>
<td>1970</td>
<td>-7352.1</td>
</tr>
<tr>
<td>1975</td>
<td>-8114.8</td>
</tr>
<tr>
<td>1980</td>
<td>-18511.2</td>
</tr>
<tr>
<td>1982</td>
<td>-21368.0</td>
</tr>
</tbody>
</table>


It is generally agreed that the major cause of the budget deficits is the state's
poor revenue structure, and there have been calls for a broadening of the taxation base.\textsuperscript{78} The problem is that some seventy percent of government revenue comes from various taxes and duties which are not expanding at the same rate as the economy as a whole.\textsuperscript{79} Economist Krirkkiat Phipatseritham has argued that the deficit has led to short-term solutions, such as foreign borrowing, which has meant that the long-term solution of widening the tax base has been ignored.\textsuperscript{80}

By late 1986, however, some cautious optimism was returning, as oil price decreases began to have a positive impact in oil-importing Thailand. Prime Minister General Prem Tinsulanonda predicted higher growth and hinted at more expansionary policies.\textsuperscript{81} But, the fundamental problems remained, with commodity prices languishing and many companies continuing to report poor performances.\textsuperscript{82}

Clearly, the economic downturn of the mid-1980s called the direction of Thai economic policy into question. Economic policy making has seldom been determined in a conflict-free setting. However, during the sixties and early seventies, when government was dominated by military regimes, and when economic growth was high, opposition could be stifled, with those proposing alternative policies being painted as malcontents or even communists. Nevertheless, even within narrow parameters—capitalist development—there were often disputes over the best growth strategy. For example, the dominance of the EOI strategy over ISI has never been entirely clear in state policy or in business circles, due to competition between various state agencies and between the fractions of capital. It is important to discuss these disputes in order that the political economy of Thai capitalism be more fully understood.

\textit{The Politics of Economic Policy Making}

Economic policy making is not carried out in an environment of ideological or political neutrality. Despite the claims to rationality by many planners and economists, the various, competing theoretical stances taken by the practitioners of the "dismal science," attest to its ideological character. It is stating the obvious to assert that economic decisions are based as much on political considerations as they are on "economic rationality," but this point is often neglected by bourgeois economists.

In the late sixties and the seventies, the debate over economic policy centred on ISI and EOI strategies, with the Ministry of Industry supporting the former, and the Board of Investment the latter.\textsuperscript{83} In the eighties, however, much of the debate has revolved around the measures required to handle the economic crisis. And, much of this has had to do with International Monetary Fund (IMF) and World Bank recipes for the economy.\textsuperscript{84}

The World Bank and IMF have been closely associated with Thai development policy since the early 1950s, with the first significant international report on the Thai economy being produced by the World Bank mission which visited Thailand in 1957 and 1958.\textsuperscript{85} This report became the basis of Thailand's first development plan,
but from that time there has been conflict over the Bank's suggestions.

This first report caused the Thai government considerable concern, with the Bank of Thailand asking that some parts of it be changed. Nevertheless, the Sarit government and its successors were prepared to accept World Bank prescriptions and its aid: Between 1950 and mid-1985 Thailand received US$3,704 million in Bank loans and credits. Most of these were allocated to specific projects based on the Bank's assessment of the state of the economy and the direction it should be taking. Basically, this meant that the Thai state retained control over policy making, while accepting Bank advice and money. From 1979, however, this pattern altered.

As the second round of oil price rises began to take effect, the structural problems which had emerged with the 1973 price rises, but which had been neglected due to the ready availability of international loans, were exacerbated. It became clear that a number of highly placed technocrats had decided that the only way to overcome these problems was to adopt a more outward looking economic strategy, promoting EOI, dismantling tariff barriers, and opening the country to the world market. Perhaps the first public indication of the extent of the problems faced came in late 1979 when the government, expecting a serious balance of payments shortfall, approached the IMF for emergency credits. Access to these credits was to be conditional upon the government accepting various IMF economic performance criteria including the lifting of bans on luxury imports, drastically revised fiscal and monetary policies, a "realistic" (that is, higher priced) energy policy and a revision of agricultural and industrial policies. This was the standard package of reforms demanded by the IMF, and one which has caused considerable conflict in other countries such as Jamaica, Tanzania and Mexico.

While some technocrats, like Phisit Pakkasem of the NESDB and the Economic Ministers' Council, indicated that it was necessary to accept IMF "discipline," others like then Bangkok Bank president Boonchu Rojanasathien argued that the government should not "...let the IMF control us. I'm fighting this arrangement," he stated. Indeed, the issue of IMF credits and fiscal discipline became a major part of the political debate over economic management.

Opponents of the Kriangsak government seized upon the conditionality of the proposed IMF credits to emphasise the incompetence of the government in economic matters. In 1979 the government had intended to raise oil, electricity and water charges in an effort to bring these charges into line with the cost of imported petroleum. However, a 55 percent price increase in electricity prices was met with a hail of protest, especially as inflation was already exceeding twenty percent. The opposition brought together not only Kriangsak's political opponents, but right wing groups, students and some unionists. In addition, a number of business people, and especially industrialists, opposed the government's policies because, while public utility prices had risen substantially, the government maintained controlled prices on a large range of goods. ISI manufacturers were especially
affected, and complained bitterly. When the government raised some of these prices also, a hail of populist protest ensued. This opposition played a large role in the early demise of the Kriangsak government in 1980. In the words of one journalist, 

Economic populism...crystallised around the government-authorised price increases, and ran into a head-on clash with cabinet technocrats determined to stand by the principles of fiscal responsibility and national economic discipline. The technocrats lost. 

But, they were not defeated.

The World Bank mission of 1980 was to reinforce the technocrats perception of “responsibility,” “discipline” and the measures required to restore the economy to high growth levels. This mission listed a number of serious economic problems—balance of trade deficits, inflation, wealth and income disparities, high levels of import protection, an inward-looking industrialisation strategy, stagnation in the agricultural sector, failure to utilise a “comparative advantage” in cheap labour, and foreign exchange problems. The Bank’s recipe for overcoming these problems was “structural adjustment.” In essence, this meant that Thailand’s fifth five year plan was to be one-third financed by the World Bank, if the government agreed to implement specific changes. The basic changes demanded were, increased export orientation, reductions in protection levels, a devaluation, an expansion of the tax base, and lower growth targets so as to reduce imports. While admitting that some of its past advice had been wrong-headed, the Bank insisted that Thailand’s economic future would be secured if the country opened itself to the world market.

The policies demanded of the Thai government were in line with a change which was taking place within the World Bank. With the advent of the Reagan administration in the US, the Bank, which had for a time championed basic needs and employment generation in its programmes, adopted a new orthodoxy which was more in line with the ideological bent of the Reagan administration. The new path to development demanded the acceptance of the “magic of the marketplace,” with a leading role for the private sector, and “adjustments” for “economic efficiency.” Those countries which accepted these prescriptions were to be favoured by the bank in its lending policies.

Significantly, these Western, free market, and overtly ideological prescriptions were accepted by General Prem’s government, whereas those of the IMF had been rejected only a short time previously. It seems that once in power those who had previously opposed these remedies, most notably Boonchu and the Social Action Party (SAP-phak kitsangkhom), were willing to embrace them. This was especially so as the first structural adjustment loans (SALs), while large, left control of economic decision-making largely in the hands of the Thai government. More importantly, Boonchu and his supporters were said to have seen the World Bank as a “useful and influential ally in their fight to overcome vested interests within Thai business and bureaucratic circles.”

It was no coincidence that these Bank proposals coincided with the dreams and
plans of some of Thailand’s most powerful technocrats, political leaders and business groups. Boonchu’s proposal for “Thailand Incorporated,” an efficient, well-oiled, and outward-looking economic machine were congruent with World Bank proposals, and emerged at about the same time. Boonchu and some of his associates had had consultations with the World Bank even before Kriangsak was replaced by Prem, with Boonchu as deputy premier for economic affairs. In addition, Amnuay Viravan, who had been a strong supporter of EOI since his time as secretary of the Board of Investment, was appointed finance minister. Explaining the World Bank relationship, he stated:

We have been promoting export-oriented industrialisation for some time—when Boonchu was finance minister four years ago we brought this to the attention of the World Bank’s consultative group.... This World Bank report...[is] consistent with our belief that this is the way we’ll have to chart our industrial development programme. The whole idea is to be able to produce competitively and find markets overseas. And even more important is to channel new investments towards export-oriented industries where we have a comparative advantage, such as labour and natural resources.

The congruence between the fifth plan and the World Bank report is also clear. In spite of the apparent dominance of these “free market” views, strong opposition re-emerged. For example, the newspaper Ban muang reflected a growing concern amongst academics and business people when it stated that if the government was to continue to accept and implement World Bank policies, “...the Thai people would be squeezed to such an extent that they will have no clothes [with which] to cover themselves....” Further oil and electricity price rises and a dispute over oil supplies brought about a split within the first Prem government. Boonchu and his SAP colleagues wanted total control over economic policy, but this was opposed by the Chart Thai Party which had a strong base of support amongst industrialists who had accumulated their capital under the ISI strategy. Chart Thai won the political fight, and SAP withdrew from the coalition. This was not to be the end of the battle, however, for the defeat of Boonchu and his associates left the way open for a number of technocrats, who remained in cabinet, to push for more market-oriented, World Bank-type proposals, and following Bank and IMF advice, the baht was devalued by 8.7 percent.

Economic growth continued apace after the devaluation, and it was only in 1982 that a downturn began. High domestic interest rates and low commodity prices began to have a dampening effect on investment, weakened the current account balance and, together with a 50 percent shortfall in natural gas production for 1982, meant that the government was again forced to consider the use of its IMF special drawing rights. This time Thailand took its full quota (about US$ 300 million), and in return the IMF demanded austerity.

The economic situation worsened in 1983 as a balance of payments deficit was recorded and the Bank of Thailand placed restrictions on commercial bank credits for imports. Despite this, as growth rates momentarily rose, imports grew while
exports fell. In addition, private sector investment declined by over thirteen percent, while that by the state rose by more than six percent.108

All of this occurred as the SALs were being received. The first two SALs were accepted in 1982 and 1983, the first two years of the fifth plan, but the World Bank agreed that structural adjustment had effectively begun in 1979 with the first state enterprise price rises. Other adjustments included the removal of price controls, a further reduction in tariffs, a general review of fiscal policies and the beginnings of industrial projects on the eastern seaboard.109 The Bank was pleased with Thailand's performance, and when Bank president A.W. Clausen visited Thailand in 1982 he officially handed over the second SAL and praised the eastern seaboard projects.110 Nevertheless, the Bank did suggest that more could have been done to reform state enterprises. However, the government fell behind in its reform programme, mainly due to political opposition to World Bank and IMF adjustment policies which impinged on areas many felt were the rightful domain of government.111 This became clear in the very public dispute over the further devaluation of the baht.

Both the IMF and World Bank had argued strongly for a "flexible" foreign exchange policy—that is, they wanted the baht tied to a basket of currencies rather than being effectively tied to the US dollar.112 To do this would have meant an effective devaluation of the baht and, hence, a worsening of the foreign debt problem. When an almost 15 percent devaluation was announced in November 1984, matters came to a head, with supreme commander of the armed forces General Arthit Kamlang-ek denouncing the devaluation. Military leaders were concerned that the devaluation would damage their foreign purchasing power, and Arthit criticised the government for not consulting with the armed forces prior to taking the decision. A number of other groups supported the Arthit line, including big farmers, importers, and the big financial losers, manufacturers still operating under ISI conditions. Indeed, the Chart Thai Party called for parliament to be reconvened so that the devaluation could be debated.113 Nevertheless, the decision stood and was seen as a significant victory for the pro-World Bank policies of finance minister Sommai Hoontrakul.114 However, the predicted benefits of the devaluation were slow in coming, and the general economic situation further deteriorated.

Divisions over World Bank and IMF policies being adopted by the Prem government became even clearer in 1985. This was so primarily because the long avoided recession was beginning to affect increasing numbers of the population. As noted above, reports of rapidly increasing unemployment, large-scale retrenchments and lay-offs, falls in farm incomes, and declining wages and conditions of work began to fill the newspapers. Reflecting the views of those who had opposed the austerity programmes, one news magazine suggested that "...it is clear that economic development laws, policies and plans are bound to the financial dictates of transnational institutions such as the World Bank and IMF." It was further argued that the power of these groups was seen in their demands in areas considered domestic.115
The crisis of the mid-eighties had had such an impact that bankers, industrialists, bureaucrats, and political and military leaders were questioning IMF and World Bank conditionality and austerity programmes. Communications minister and leader of the Prachakon Thai Party, Samak Sundaravej, complained that the World Bank was attempting to dictate policies to him, and he raised doubts concerning future acceptance of Bank loans (and conditions) for a series of projects.\textsuperscript{116} Reflecting this growing concern, one newspaper columnist noted:

It’s not that they don’t know that times have changed. It’s just that they can’t seem to accept it.... [T]he boys over at the World Bank appear to be having a great deal of difficulty in accepting that the good old days are now over—you know, those days when everyone jumped when the World Bank...said to jump.... [P]erhaps not at Tha Chang [Ministry of Finance] where the World Bank’s word is still close to law, and perhaps not to Bangkhunprom [Bank of Thailand] which is...a World Bank stronghold.... [But] now, when the World Bank says jump, they’re the ones who are likely to be told to go jump instead.\textsuperscript{117}

It was added that cheaper loans could be raised elsewhere, and without the stringent conditions and loss of national economic decision-making power. Indeed, in 1986 the third SAL was dropped from Thailand’s list of priority borrowings, and more emphasis was placed on securing cheaper Japanese loans and credits.\textsuperscript{118}

The World Bank countered, being drawn openly into the political debate and thus confirming some of the adverse impressions of the Bank’s backroom dealings and influence. First, Bank officials publicly disputed the gloomy assessments of the state of the economy, arguing that things would improve. These officials were concerned that criticism of government policy could lead some economic ministers to seek “quick fix” solutions rather than adhering to the politically unpopular economic medicine of reductions in state expenditure, “realistic” exchange rates and keeping inflation low, which the Bank and IMF saw as being necessary for long-term economic health. Second, the Bank entered the political debate by questioning Samak’s statements and even his right to make public comments concerning Bank negotiations with the government. Third, the Bank re-emphasised the need to open the economy, privatise state enterprises, and perhaps surprisingly, given the debate on foreign debt, reaffirmed the importance of international capital flows in development.\textsuperscript{119} At this point, the Bank was clearly siding with those technocrats in the Bank of Thailand and Ministry of Finance who supported Minister Sommai, against the political leaders.

The debate continued, but it is apparent that many were far from convinced that IMF and World Bank medicine was best for Thailand. This was emphasised by the fact that the allocation of SALs fell well behind schedule.\textsuperscript{120}

This line of debate was continued over the eastern seaboard industrial developments. Despite earlier praise for these projects, by mid-1985 the World Bank had been drawn into a conflict which saw “free marketeering” technocrats, and especially those at the head of the Ministry of Finance and Bank of Thailand arguing that the debt crisis demanded a postponement or cancellation of the scheme. Others,
notably the NESDB and the Ministry of Industry, had urged that the project go ahead, reaffirming the original goals of the scheme—to catapult Thailand into an industrial future. The conflict distilled many of the issues separating the competing economic perspectives—state involvement, foreign loans, free trade, import substitution. The World Bank took the opportunity to oppose the scheme, arguing that it would cause a blow-out in foreign debt and questioning its economic viability. This report, put together quickly in order to support the opponents of the scheme, caused considerable adverse comment in the press for its overtly political stance. The cabinet eventually decided to continue the projects, without major modification, even though they necessitated considerable overseas borrowing. The decision was a surprise for the opponents of the project had had a high public profile. However, the proponents of the scheme had been able to lobby the support of Japanese contractors and the Japanese government, and also of those ministers more inclined towards economic nationalism, most notably SAP’s deputy finance minister Suthee Singhasaneh who openly opposed Sommai. Their opponents fought back, however, and in February 1986 elements of the project were again under threat, especially as local banks were objecting to being “forced” to participate in the project’s capitalisation.

World Bank officials complained that they find it difficult to have their projects accepted by the government, claiming that the decision-making process on World Bank projects is “volatile.” Meanwhile, there was great pressure on Prem, especially from the SAP, for Sommai to be replaced as finance minister, and the discontent in cabinet eventually led to defections from the SAP and, in part, forced the July 1986 elections. In the new cabinet, Sommai was conspicuous by his absence, and even the World Bank could be heard making more conciliatory statements, urging growth rather than restraint.

Conclusion

There can be little doubt that the Thai economy has grown at remarkable rates over the past three decades. This growth has produced not only a substantial restructuring of the economy, but also significant changes in the class structure. Today, the capitalist class has emerged as the dominant class, with considerable power in the political sphere.

Since 1960, capitalist development has been advanced markedly through the adoption of an ISI strategy which furthered the interests of industrial and banking capitalists. In more recent times, the emergence of the EOI strategy has further enhanced the position of big manufacturers and their financial backers. The rapid expansion of capitalism saw few major setbacks until the 1980s. The crisis of the mid-eighties, mediated by the World Bank and IMF, has indicated significant divergences in economic policy making. The clearest and most violent expression of these divergences came in the coup attempts of 1981 and 1985. The “Young Turks” of the army who perpetrated the 1981 abortive coup stated, *inter alia,*
In economics, it is...a big mistake for a government to fail to take drastic action to solve problems. The majority of the people are suffering acutely from poverty as the cost of living is skyrocketing. The government was unable to relieve the people's hardships. The national reserves have been depleted and are now in deficit which harms the country's credit as a whole. The state's indebtedness is worsening and has created a heavy burden for the people. In such a situation, if the same economic line were to be pursued, the majority of people will be in a hopeless situation....

Taking this populist line further, the “Young Turks” are said to have drawn up a “hit-list” of prominent capitalists for elimination. Prem and his supporters, including the ideologically and economically powerful royal family, were able to defeat this coup, but by 1985 the “Young Turks” critique of economic policy must have seemed prophetic. The phoenix of populism re-emerged in September 1985 with a further coup attempt, and again economic problems were cited as a justification for the attempted putsch.

Less spectacularly, the machinations over economic policy played themselves out within the policy making bodies where some technocrats favoured the World Bank and IMF market-oriented strategies, while others favoured a more nationally-oriented strategy which pushed EOI, but maintained and expanded ISI in some areas. This latter group argued that export orientation had opened the economy to the vagaries of the world market, causing problems in areas such as textiles, but they also argued that ISI had not yet run its course, especially in heavy industry and in some areas of light manufacturing.

This latter argument appears sensible as state economic strategists are making policy on matters which are outside their influence, as Thai capitalists restructure their activities within a rapidly changing international capitalist system. It seems clear that the niche in the system which Thai capitalists were carving out for themselves in the sixties and seventies will be maintained, but the conditions for their occupation of this position will be altered. These changed conditions seem to have been largely ignored in the confusion surrounding the economic crisis of the 1980s, where most attention has been given to increased protectionism in the advanced industrialised countries and to the recession. Such attention is warranted, but the assumption that everything will return to “normal” or to a situation like that of the early seventies is not entirely justified.

Recent observers have noted a trend, on the part of some TNCs, to return their operations to the advanced industrialised countries. This is due to a number of factors. First, as was noted above, cheap labour became something of a mirage, as wages increased in one place and the TNC moved to another in search of cheaper wage-labour. Second, technological innovation has vastly increased the productivity of labour in the advanced countries, so that the cheap labour of the Third World is not as attractive as it was. This has even been the case in textiles and electronics, the engines of EOI in many countries. Third, the major markets remain in the advanced industrialised countries, and production within these areas still carries
advantages, especially as protectionism increases. Even Third World TNCs have moved some of their operations to the advanced industrial countries. Fourth, real wages have been on the decline in many advanced capitalist countries, and union membership has declined, making the application of wage-labour in these places more attractive for capitalists than a decade ago. Finally, there is a growing militancy amongst farmers and wage-labourers in the Third World.\footnote{131}

All of these trends have had an impact in contemporary Thailand, and it is within this context that Thai capital will reorient its production, and that the state will make its economic policies. In the immediate future, however, the prospects for a sustained economic upturn appear problematic, while the ground for political conflict seems fertile.

Economically, commodity markets seem likely to remain depressed, at least in the short to medium term, and possibly longer, as some economists are now suggesting that the decline is not cyclical but due to chronic structural problems in the world economy.\footnote{132} In addition, increased protectionism and subsidisation in the advanced industrial countries, especially for consumer goods and agricultural commodities, make the future for all Third World countries bleak, especially if the US economy continues to exhibit low growth rates. These prospects make the balance of payments problems more difficult to overcome, although falling oil prices are a bonus. Also, there seems to be no relief on the debt front until the 1990s.\footnote{133}

These economic conditions will mean that there will be more calls for the protection and support of local industry and agriculture.\footnote{134} Such a scenario suggests that political conflict could follow. Certainly, the debate over state intervention will continue, and nationalist responses to the economic downturn will be opposed by the IMF and World Bank, and this, in itself, will be opposed. For example, the call has already gone out from Boonchu Rojanasathien for Thais to "...refuse to be dragged along by forces beyond our control.... [W]e must regain control of our own destiny."\footnote{135} And, if conditions continue to worsen for workers and peasants, they too will be drawn into the political conflict. In previous times conflict precipitated by these groups has left the way open for the military to step in and seize power. The potential for such a development cannot, despite the movement towards parliamentary forms, be ignored.

Notes

*While they are not responsible for the final product, I wish to acknowledge the advice and criticism Ben Kerkvliet, Dick Robison, Suchai Treerat, Kraisak Choonhavan, Ken Young, John Girling, Jamie Mackie and Bandid Nijathaworn.


8. See Chapter 4.


23. BW, 2 March 1971, p. 15; and Business Review, December 1972, 120.
24. “The Third National Economic and Social Development Plan (1972-1976),” in Ivan Mudannayake et. al. (Ed.), Thailand Yearbook 1975-76, (Bangkok: Temple Publicity Services, 1975) p. c68. EOI has never completely replaced ISI as a development strategy in Thailand. However, what is being emphasised here is that these strategies represent differing ideological orientations and political forces which line up behind a particular political strategy.
27. Hewison, op. cit.
30. van Rijnberk, op. cit., p. 9.
31. Kraisak, op. cit., p. 140; and Akira Suehiro, Capital Accumulation and Industrial Development in Thailand, (Bangkok: Chulalongkorn University Social Research Institute, 1985), Ch. 3.
34. Akira, op. cit., p. 4.20.
35. BBMR, 3(2), 1962, p. 2; and 3(6), 1962, pp. 1-3.
36. It should be remembered that balance of payments figures are not necessarily an accurate indication of foreign capital flows and the activities of TNCs. Nevertheless, these figures are the best available, and confirm trends present in other sources, such as those produced by the Board of Investment.
Asia, 14(2), 1984, pp. 182-203.


44. BP, 20 November 1985, p. 1; 5 December 1985, p. 3; and 12 December 1985, p. 3. These figures are certainly underestimates. For a discussion of unemployment see Apichai Puntasen et. al., *Summary of Research Report Education and Unemployment*, (Bangkok: Office of the National Education Commission, 1985).


55. *Bank of Thailand Bulletin*, various issues.


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62. Nation, 12 February 1985, p. 25; and FEER, 4 July 1980, p. 82.
68. Nation, 2 July 1985, p. 5.
72. (AWSJ), 8 August 1985, pp. 1, 7.
74. BP, 20 November 1985, p. 22.
77. IBRD, Thailand, vol. 1, p. 94.
78. Chesada, op. cit., p. 2.
81. AWSJ, 2 October 1986, p. 3.
82. FEER, 18 September 1986, p. 79.
83. Hewison, op. cit., Ch. 5.
84. While the World Bank and IMF are not identical, they were established under the same logic—Bretton Woods. In addition, in recent years, there has been a concerted effort to con-ordinate policies and loans. On this see World Bank, op. cit., pp. 52-53.
85. IBRD, A Public Development Program.
86. Nangsuphim, 13(3), 1959, pp. 121, 123.


105. Crouch, *op. cit.*, p. 71. For an examination of the assets and business operations of the groups associated with the Chart Thai Party see Hewison, *op. cit.*


130. See Virabongse, *op. cit.*, pp. 20, 98.
133. Bandit Nijathaworn and Nari Chaisut, "Kan praman pharani tang prathet khong phak rattaban 2528-2576," in Faculty of Economics, Thammasat University (Eds.), *Wikhritkan nitang prathet khong rattaban thai*, (Bangkok: Faculty of Economics, Thammasat University, 1985), Section 8.
135. Cited in *BP*, 3 December 1985, p. 3.
Recent articles in the *Journal of Contemporary Asia* have clearly indicated the important changes taking place in rural Thailand. The emphasis in these articles has been on the structural changes taking place within the peasantry and on changes in the relations and forces of production. Witayakorn also indicates the important role of foreign capital in agro-industry, particularly in the sphere of circulation, but also in the production of certain rural products such as pineapples. While the role of foreign capital is indeed significant, it should also be recognised that some of the largest companies operating in agro-industry are predominantly Thai-owned. Indeed, some of these companies, such as the giant Charoen Phokphand group, have become transnational corporations in their own right. In other words, while the significance of foreign capital cannot be denied, neither can the predominant role of domestic capital. In this chapter I intend to examine the sugar industry as an example of the operations of domestic capital in the rural areas of Thailand.

Capital operating in the countryside should be considered as just one specialised fraction of the capitalist class in Thailand, with its own fractional interests and relationship to the production process. However, agrarian capital also shares a relation to the ownership of property which is similar to that of other fractions, which together form the capitalist class. This class of capitalists has its own, more generalised interests. Thus, agrarian capital cannot exist except as a part of a total social capital.

Agrarian capital exists side-by-side with other capitals, and may be considered as being composed of two elements. First, there are landowners who extract a surplus through rent. Especially in the Third World such rentier activities remain an important arena of initial capital accumulation. Landowning in Thailand has tended to be an activity of the remaining elements of the *sakdina* class, reflecting their economic and political dominance prior to the overthrow of the absolute monarchy.
in 1932. Of more significance for this chapter, however, is the second form, which involves the development of productive capital in agriculture through the application of capitalist methods of production, realising surplus-value. Agrarian capital is, in this guise, barely distinguishable from industrial capital, except in location. This form of production is increasing the subordination of Thai agriculturalists to capital, and irreversibly altering the relations of production in the countryside through the application of new technologies and the capitalist organisation of labour. 4

Prior to an examination of the sugar industry, as an example of agro-industry, some general observations concerning change and development in the countryside will be made so as to place the sugar industry in its wider context. Here, the emphasis will be on land ownership and state policy towards rural development.

*Trends in Thai Agriculture*

It was not until the late sixties and early seventies that “real” capitalist enterprise emerged in the Thai countryside. Prior to this most accumulation in the rural sector had been through rentier activities and, to a limited extent, through plantation agriculture, especially sugar. These forms of surplus extraction do not seem to have expanded greatly between the late thirties and early sixties, and peasant production remained the norm. Surveys carried out between 1937 and 1963 indicate that tenancy seems to have been on the decline, 5 due, in small part, to state regulations which nominally controlled the size of landholdings, but more so to the fact that the land frontier continued to expand. This trend was reversed in the early sixties as unoccupied land became increasingly scarce. In addition, in 1959, the Sarit government abolished regulations restricting the ownership of land, arguing that they were an obstacle to economic development. 6 While there does not seem to have been an immediate rush to acquire large landholdings, the lifting of restrictions tended to legitimise those holdings which already existed, mainly in the hands of the remnants of the *sakdina* class, the royal family and the Crown Property Bureau. Additionally though, it should be noted that some of those who were beginning to accumulate wealth, often through corrupt practices, began to invest in land. For example, General Sarit is reported to have owned some 20,000 rai (one rai = 0.16 hectares) of land in the countryside, and many plots in Bangkok. 7

Reliable contemporary data on landholdings and rural conditions is often difficult to find, due to the politically sensitive nature of such questions, and that which is available can be contradictory. 8 Nevertheless, it is possible to draw some general conclusions regarding trends in the Thai countryside. First, landlessness is now a major problem, especially in the northern and central regions, and a class of rural wage-labourers has emerged. Second, although the expansion of cropped land (73 percent) has exceeded rural population growth (65 percent) between 1954 and 1974, much of the new land was consolidated into relatively large landholdings. 9 And, as there are only limited opportunities for the further expansion of cropped
land, landlessness can only increase if non-agricultural employment opportunities are not expanded. Third, rural indebtedness has grown to quite staggering levels. As early as 1963, one report estimated that Thai farmers were in debt to the tune of 9,000 million baht; by 1974 this figure had mushroomed to 80,000 million baht, prompting one observer to comment, “Never in the field of human economics has so much been owed by so many to so few.” As debts increase, tenants and small landholders occupying dwindling plots will often be forced to leave their land, further exacerbating the problem of landlessness. Fourth, commercialisation, the expansion of non-subsistence crops, the availability of cheap farm labour, access to credit facilities, and improved technologies, like tractors and fertilisers, have led to the development of a class of relatively rich peasants. Small, indebted farmers have generally not been able to take advantage of such improved facilities and changes. Rather, it has been the wealthier farmers who have been able to take advantage of the situation. In the process, however, they have amassed large debts, indicating the trend towards the increasing capitalisation of farming as it becomes even more dependent upon capitalist methods. Finally, rentier activities seem to be on the increase.

While data on landlordism is not abundant, that which is available provides a profile of the landlords. A 1969 survey of Nakorn Nayok, Ayudhya, Prathumthani and Chacheongsao provinces, in the Central region close to Bangkok, indicated a total of 127 absentee holdings in excess of 1,000 rai. The total area of these holdings amounted to more than 363,000 rai. Of these, the largest were held by owners who were identifiably of noble families, while state ministries, the Crown Property Bureau and the royal family were the next largest. Additionally, in each province, between 59 and 83 percent of absentee landlords were listed as residing in Bangkok. It is thus worth noting that the pre-1932 ruling class, the aristocrats and royal family, continue to hold more than a third of all absentee landholdings in these provinces, suggesting that they retain considerable economic power in some areas of the countryside. Indeed, in the seventies one source stated that the Crown Property Bureau and the royal family together had the largest landholdings in Thailand. At the same time, though, it is clear that developments since 1932 have also given wealthy commoners, and especially urban-dwellers, much control over rural land.

Obviously this data is exceptional if country-wide tenancy rates are considered. Nevertheless, one estimate has put the total absentee ownership of paddy land at 21 percent, together with a further 10 million rai of upland. Particularly in the Central region, landlordism has clearly been on the increase. Official figures suggest that, by the mid-seventies, almost 12 percent of all land holdings were rented. There are significant regional disparities, but rented land now comprises more than a quarter of all landholdings in three of the six regions, with the highest figure being 38.3 percent in the Central region. In the North, a similar situation seems to be developing. Bruneau notes that even though the small, landholding, peasant still
predominates, the distribution of land is becoming increasingly unequal, land fragmentation is increasing, and landlessness is becoming more widespread. It may well be that capitalist development in the Central region is showing other regions the image of their own future.

Perhaps as significant as increasing land fragmentation and landlordism is the expansion of the production of primary commodities by capitalist methods. Between 1958 and 1970 the proportion of cropped land given over to crops other than rice increased from 17.6 percent to 31.8 percent. If it is considered that rice is also a major cash crop, as well as a subsistence crop, then cash-cropping had, by 1970, probably taken over half of the total crop area planted; this process has certainly expanded as the area of land given over to rice has increased at a rate of just 2.3 percent a year, while rates for other crops have increased far more rapidly. This has been the case especially since the Board of Investment began to actively promote agro-industry as part of state agricultural development policies, and through the Investment Promotion Act of 1972 (revised in 1977).

State Policy

In general, state policy during the sixties tended to be largely neglectful of the needs of the majority of people in the countryside, and rural development was a rather haphazard affair, with the emphasis being on crop diversification and increased exports. These aspects have remained important parts of policy, but have been supplemented, since the seventies, by increased emphasis on commercialisation and agro-industry. An examination of recent government policy and of trends within the economy indicates that the position of agrarian capital, especially that involved in agro-industry, is assured. Since the late sixties there have been repeated calls for increased agro-industrial development, but it was only after the oil-price rises of the early seventies that the Board of Investment began actively promoting this type of development. More recently, and especially after the 1978 World Bank report, which emphasised agricultural development, the expansion of agrarian-based industry has become one of the central features of state development policy. The fifth development plan (1982–86) accorded this sector highest priority on the assumption that it contributed significantly to export earnings and employment, and was not overly dependent on inputs of energy or foreign capital. For the state, there are essentially two reasons for the promotion of agro-industry; first, the perceived need to increase the incomes of people living in the countryside; and second, the need to further increase exports.

Despite the fact that almost all governments since 1932 have paid lip-service to the notion of improving the lot of rural people, there remains considerable inequality of income between rural and urban dwellers. As Prime Minister Prem Tinsulanonda expressed it, the "weakness that threatens the whole future of the nation is rural poverty." The awareness of this, amongst politicians and bureau-
crats, had been hammered home during the 1973-76 period when groups of peasants banded together to demand better conditions from local and national governments. Perhaps even more ominous for officials and capitalists was the developing collaboration between urban activist and worker groups and the increasingly organised peasantry. However, the 1976 coup brought an abrupt end to any hopes of meaningful reform. The approach of recent governments, headed by Generals Kriangsak and Prém, has been perceived as less threatening to entrenched class power, for they have argued for an increase in rural incomes by giving peasants an opportunity to “share” in economic growth. No longer was the direction of development to be questioned, but lip-service, at least, was to be paid to meeting basic human needs in the countryside.

While notions of agricultural expansion and social development in the rural areas had been a part of policy documents since the late sixties, it was only in the late seventies that it seems to have become clear to officials that gains could be made with “a more positive (approach) than naked exploitation....,” for, in the words of a leading business magazine, the “government is discovering that it would pay to give farmers incentives.” This was roughly in line with the thinking of international agencies. For example, World Bank policies on rural development emphasised the further modernisation and monetarisation of rural society, and its integration within the national and international economies.

The reorientation of Thailand’s industrialisation strategy towards a more export-oriented approach has brought with it a new awareness of the importance of agriculture. While much emphasis was placed upon the promotion of manufactured exports, it was soon realised that export oriented industrialisation (EOI) was not merely a strategy for industrial manufacturing and that the export of luxury foods is a logical extension of the strategy. In addition, the increased export of primary commodities was essential if capital was to be available to fund the expansion of manufacturing.

For the state, the advantages of agro-industry are clear. The processing of primary produce for export increases value-added, provides employment, diversifies the agricultural base, and, above all, earns valuable foreign exchange, thus easing severe balance of payments problems. At the same time, the policy of promoting agro-industry dovetails neatly with the desires of transnational corporations involved in the primary commodity field who want to develop production areas in countries with low land and labour costs, at least for the more labour-intensive aspects of their operations. The potential of agro-industries is enormous, as can be seen in the fact that, for example, Thai canned seafood exports rose 11.5 times between 1975 and 1979, to more than one thousand million bath, and that Thai penetration of the Japanese frozen chicken market has increased from five percent to 20 percent in the same period. Given such growth, the promotion of agriculture, and particularly the expansion of agro-industry, would appear certain to remain an important element of state policy for some time to come.
With these general points in mind it is now appropriate to turn to an examination of the sugar industry. In what follows, the emphasis will be on ownership within the industry and the role of the state.

The Sugar Industry

When Sir John Bowring arrived in Thailand in 1855, to negotiate his trade treaty, plantations were important employers of labour. Bowring considered that sugar would "probably become the most important of all the exports of Siam," and he mentioned "extensive sugar plantations" noting that an earlier observer had counted, "more than thirty manufactories, each employing from two to three hundred workmen, almost all Chinese." Plantation-based, commercial production of sugar and pepper had begun in earnest during the first years of the nineteenth century, with most plantations being on the east coast and in areas to the south and south-west of Bangkok. As well as being worked by thousands of Chinese coolies, the plantations were usually owned by Chinese who were often tax-farmers and officials, and thus members of the sakdina ruling class.

After a decline in the late nineteenth and early twentieth centuries, sugar production began to expand in the late 1920s, a trend which continued with the introduction of tariff protection in the thirties and shortages during the war years. By 1948, some 217,000 rai of cane were being cultivated, a figure which was to quadruple by 1957. Profits in this area were large, especially as labour was easily exploited in conditions described as "slavery" in some press reports of the time.

Despite its many fluctuations, the sugar industry remains one of Thailand's most important rural industries. Between 1975 and 1980 about 2.5 to 3.5 million rai of sugarcane were planted each season, and in the 1979/80 season, about 53,000 labourers were employed in the industry.

Table 6.1 indicates the largest business groups in the industry, showing that the links between capitalists in the sugar industry are tight. Such a pattern is perhaps expected when it is considered that sugar is one of the longest established of the agro-industries and operates as a highly concentrated and centralised industry. It is also evident that, in addition to their investments in sugar, five of these large and powerful groups also have interests in finance. If Figure 6.1, where the strong links (defined by coterminous shareholdings) with banking capital are indicated, is also considered, it becomes clear that not only do these capitalists have a strong financial base, but they are linked with the most economically powerful fraction of the Thai capitalist class, a fraction which links finance and industry. Clearly, the connections between agrarian capital and banking capital are important. Such connections will almost certainly increase as agro-industry expands, requiring ever larger amounts of capital. The so-called "sugar barons" are therefore in a powerful economic position, controlling as they do a large employment-generating and revenue-producing rural industry. Such a powerful economic position allows the sugar barons to bring tremendous pressure upon policy makers.
Table 6.1 Business groups within the sugar-industry

<table>
<thead>
<tr>
<th>MITR PHOL</th>
<th>CHINTHAMMITR</th>
</tr>
</thead>
<tbody>
<tr>
<td>sugar (all aspects)</td>
<td>sugar (all aspects)</td>
</tr>
<tr>
<td>agricultural chemicals</td>
<td>food manufacture</td>
</tr>
<tr>
<td>hotels</td>
<td>housing development</td>
</tr>
<tr>
<td>finance</td>
<td></td>
</tr>
</tbody>
</table>

WATANAVEKIN  
mitr phol  
sugar (all aspects)  
distillery  
finance  

THAI RUNG RUANG  
mitr phol  
sugar (all aspects)  
finance  

WANPRASERT  
mitr phol  
sugar (all aspects)  
finance  

MONGKONGCHAROEN  
mitr phol  
sugar (all aspects)  

VORAWONGVASU  
mitr phol  
sugar (all aspects)  

SINTHAWATANARONG  
mitr phol  
sugar (all aspects)  

Source: Hewison, op. cit., Appendix B.

Over the past two decades the production and export of sugar has been on the increase, as can be seen in Tables 6.2 and 6.3. But, as well as being a major export and foreign exchange earner, the sugar industry has been a major political concern, mainly due to the seemingly never-ending series of booms and crises which have characterised the industry, and hence, state intervention.
### Table 6.2 Number of sugar mills and sugar-cane crushed, 1961-62—1980-81

<table>
<thead>
<tr>
<th>Season</th>
<th>No. of mills</th>
<th>Cane crushed (mill. tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961/2</td>
<td>40</td>
<td>2.20</td>
</tr>
<tr>
<td>1962/3</td>
<td>39</td>
<td>1.69</td>
</tr>
<tr>
<td>1963/4</td>
<td>41</td>
<td>2.39</td>
</tr>
<tr>
<td>1964/5</td>
<td>42</td>
<td>3.91</td>
</tr>
<tr>
<td>1965/6</td>
<td>39</td>
<td>3.04</td>
</tr>
<tr>
<td>1966/7</td>
<td>32</td>
<td>2.53</td>
</tr>
<tr>
<td>1967/8</td>
<td>32</td>
<td>2.38</td>
</tr>
<tr>
<td>1968/9</td>
<td>31</td>
<td>4.40</td>
</tr>
<tr>
<td>1969/70</td>
<td>29</td>
<td>4.06</td>
</tr>
<tr>
<td>1970/1</td>
<td>27</td>
<td>5.32</td>
</tr>
<tr>
<td>1971/2</td>
<td>30</td>
<td>5.02</td>
</tr>
<tr>
<td>1972/3</td>
<td>30</td>
<td>6.48</td>
</tr>
<tr>
<td>1973/4</td>
<td>34</td>
<td>9.23</td>
</tr>
<tr>
<td>1974/5</td>
<td>41</td>
<td>10.60</td>
</tr>
<tr>
<td>1975/6</td>
<td>42</td>
<td>16.04</td>
</tr>
<tr>
<td>1976/7</td>
<td>42</td>
<td>22.12</td>
</tr>
<tr>
<td>1977/8</td>
<td>42</td>
<td>15.84</td>
</tr>
<tr>
<td>1978/9</td>
<td>44</td>
<td>17.95</td>
</tr>
<tr>
<td>1979/80</td>
<td>42</td>
<td>10.46</td>
</tr>
<tr>
<td>1980/1</td>
<td>43</td>
<td>n.a.</td>
</tr>
</tbody>
</table>


### Table 6.3 Sugar exports, 1962-80

<table>
<thead>
<tr>
<th>Year</th>
<th>Export (tons)</th>
<th>Revenue (mill. baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>38,954</td>
<td>46.0</td>
</tr>
<tr>
<td>1963</td>
<td>52,328</td>
<td>121.8</td>
</tr>
<tr>
<td>1964</td>
<td>48,750</td>
<td>211.1</td>
</tr>
<tr>
<td>1965</td>
<td>83,834</td>
<td>100.5</td>
</tr>
<tr>
<td>1966</td>
<td>54,858</td>
<td>81.6</td>
</tr>
<tr>
<td>1967</td>
<td>15,126</td>
<td>37.0</td>
</tr>
<tr>
<td>1968</td>
<td>52</td>
<td>n.a. [a]</td>
</tr>
<tr>
<td>1969</td>
<td>15,795</td>
<td>46.9</td>
</tr>
<tr>
<td>1970</td>
<td>52,294</td>
<td>107.3</td>
</tr>
<tr>
<td>1971</td>
<td>145,010</td>
<td>330.7</td>
</tr>
<tr>
<td>1972</td>
<td>426,808</td>
<td>1,252.0</td>
</tr>
<tr>
<td>1973</td>
<td>258,294</td>
<td>1,086.2</td>
</tr>
<tr>
<td>1974</td>
<td>420,241</td>
<td>3,533.5</td>
</tr>
<tr>
<td>1975</td>
<td>584,988</td>
<td>5,234.0</td>
</tr>
<tr>
<td>1976</td>
<td>1,081,627</td>
<td>6,414.8</td>
</tr>
<tr>
<td>1977</td>
<td>1,654,610</td>
<td>n.a.</td>
</tr>
<tr>
<td>1978</td>
<td>1,040,050</td>
<td>n.a.</td>
</tr>
<tr>
<td>1979</td>
<td>1,123,279</td>
<td>n.a.</td>
</tr>
<tr>
<td>1980</td>
<td>380,273</td>
<td>n.a. [a]</td>
</tr>
</tbody>
</table>

Note: [a] Drought years.
As noted previously, sugar had been a major export prior to the 1850s, but had gradually declined in importance. Following the 1932 coup, however, the state intervened and established two white sugar refineries in Lampang and Uttaradit. Nevertheless, the growth of the industry was slow, and it was not until World War II and after, that, in the face of shortages, significant expansion took place. In line with the Phibun regime’s policies on state-led industrialisation and primary commodity export expansion, the 1950s saw increased state intervention and assistance, with a state-administered import-export monopoly being established, considerable assistance to growers and millers, and price controls on the domestic market so that wholesale prices were supported. Between 1948 and 1959 the number of mills increased from 21 to 48, and the viability of the local industry was maintained in the face of stiff overseas competition.  

Since 1960 the sugar industry has stumbled from one crisis to another, and state policy has reflected and, at the same time, been a part of this. As world prices rose growers and millers would attempt to increase production as quickly as possible, but by the next season this invariably led to a world glut, as other producer countries also increased their output. Prices fell, and the cycle began again. The state, generally a further season behind market trends, tended to initiate promotional measures to take account of high world prices, or protection when prices were low. It seems though that the implementation of these policies rarely matched the fluctuations of world prices, and so Thai production was seldom subjected to all of the vagaries of the world market. Thus, even when there were huge surpluses there seemed to be no brake on production or expansion. However, perhaps the single most important change in state policy in this area was the decision, in 1961, to ban the import of refined sugar. With this policy in place, millers could be sure that a market would exist, and despite fluctuations of the world sugar price, the ban would ensure that there would be no dumping on the local market. In addition, in 1969, after almost 17 years, the government under “...mounting pressure from local sugar millers...,” ended the Thailand Sugar Corporation’s monopoly on the export of sugar.  

But even these moves were not sufficient to break the cycle of boom and bust which plagued the industry. Discontent within the industry reached a head in November 1975 when millers refused to begin their operations until a minimum price had been negotiated with the government. When agreement was reached a month later, with a guaranteed price of 300 baht per ton, domestic prices were increased by one baht to 5.5 baht a kilogram. 1976 saw world prices rise, and large-scale smuggling of sugar, to avoid the lower-priced domestic market, took place. In an effort to secure domestic supplies, the government raised prices to six baht a kilogram. By 1977, however, world prices had declined, and while the guaranteed price was maintained, millers and exporters received a five percent tax rebate. World prices did not begin to rise again until 1979, but following...
domestic shortages in 1979. Local prices were again raised, this time to 7.8 baht per kilogram. This was followed by yet another rise in 1980, to 12 baht, as the government sought to keep the domestic market supplied, as exports again rose to meet increased world demand. In addition, the government raised the guaranteed price to 650 baht, but this fell to 540 baht the following year, when the cycle again turned to over-supply.

A number of political leaders and officials appeared to grow weary of the continual disputes between the government, millers, and planters, and in October 1982 introduced the 70/30 policy. This was to be a five-year programme designed to stabilise the industry and to guarantee domestic supplies. The basic point of the policy was that seventy percent of the net proceeds of sugar sales would go to planters, and the remainder to millers. As a Bangkok Bank staff writer expressed it, this policy was the “first of its kind ever to call upon sugar mills to accept the planters as equal partners in...production and marketing....” In spite of this, it must be stressed that those who would benefit would not be the poorer planters, but rather the wealthier “quota supervisors” who hold the power of purchase, allocated by the millers who themselves have near monopsony powers over the planters. Even so, some millers have openly defied the government’s policy, and in December 1984 a planters’ leader, who had helped to negotiate the 70/30 programme, was assassinated.

It is significant that the state sought to intervene in this field, clearly indicating its role in softening the impact of the crises of capitalism. Evidently state managers viewed the slumps in the sugar industry as a threat to social and economic stability and sought to even them out. Despite the continuing cycles of boom and (state-softened) crisis, the total area planted between 1961 and 1976 increased by more than 500 percent and the total tonnage of cane crushed increased by almost 1,200 percent, with the largest increases being in the traditional growing areas of the Central region.

Structurally, the sugar industry is effectively an oligopoly, controlled by a few wealthy mill owners, controlling the labour and production of the thousands of small producers who stand at the base of the productive process. This latter group grow cane in anticipation of sales to mills, through the quota supervisors, who are generally wealthy planters. In this manner the mill owners control production within the industry. As indicated in Table 6.2, there were 43 sugar mills operating in the 1980/81 season, with the government having sought to prevent more mills from being established. But 26 of these, associated with four major sugar groups, account for more than two-thirds of total production. The four groups, which are bound together in a network of interconnecting shareholdings, are the Chinthammitr and Wanprasert families and the Mitr Phol and Thai Rung Ruang groups. On top of this, the entire export production of sugar is channeled through two companies, the Thai Sugar Corporation and the Thailand Sugar Trading Corpora-
tion, which are owned by the millers, the state and the commercial banks (see Table 6.4). The importance of banking capital is clearly indicated at this level of the industry, where large capital outlays are required.

Table 6.4 Ownership of sugar exporting companies, 1979

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Thai Sugar Corporation</td>
<td></td>
</tr>
<tr>
<td>Ministry of Industry</td>
<td>23</td>
</tr>
<tr>
<td>Ministry of Commerce</td>
<td>10</td>
</tr>
<tr>
<td>Bank of Ayudhya</td>
<td>12</td>
</tr>
<tr>
<td>Bangkok Bank</td>
<td>7</td>
</tr>
<tr>
<td>Union Bank of Bangkok</td>
<td>1</td>
</tr>
<tr>
<td>Thai Rung Ruang group and Associated Companies</td>
<td>8</td>
</tr>
<tr>
<td>Kusin family</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>37</td>
</tr>
<tr>
<td>2. Thai Sugar Trading Corporation</td>
<td></td>
</tr>
<tr>
<td>Ban Pong Agricultural Collective</td>
<td>33</td>
</tr>
<tr>
<td>Chinthammitr family &amp; Associated Companies</td>
<td>19</td>
</tr>
<tr>
<td>Mitr Phol group</td>
<td>12</td>
</tr>
<tr>
<td>Ang Vian Industry Co.</td>
<td>3</td>
</tr>
<tr>
<td>Rajburi Industry Co.</td>
<td>3</td>
</tr>
<tr>
<td>Nong Yai Industry Co.</td>
<td>4</td>
</tr>
<tr>
<td>Eastern Sugar Co.</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>24</td>
</tr>
</tbody>
</table>


In addition to controlling the exporting corporations, each of the groups associated with the two corporations have their own producers' association. Of the two, the Thai Sugar Trading Corporation and its associated Thai Sugar Manufacturers Association control 51 percent of exports, while the remainder goes to the Thai Sugar Corporation and its Thai Sugar Producers Association.53

There can be little doubt that the milling groups control the sugar industry and that despite a series of crises, these "sugar barons" have expanded their wealth, accumulation and control of the industry greatly since the early 1960s. The oligopolistic structure of the sugar industry is symptomatic of Thai agro-industry generally, where it has been shown that the export trades in rice, rubber, maize, tapioca, tobacco and pineapples are all highly concentrated. Indeed, the export-oriented pineapple industry which has substantial foreign investment, operates in a similar manner to the sugar business, relying on small growers rather than plantations. Of the 14 companies granted Board of Investment promotional privileges to 1978, four produced 97 percent of all tinned pineapple exports.54
State policy towards the sugar industry has never seriously challenged the highly centralised nature of the industry. For the period from the late fifties to the mid-sixties, the state adopted various measures to promote primary commodity exports, and sugar was central to this strategy, with, for example, the Japanese government urging the Thais to expand sugar production as a means to reduce the huge trade deficit between the two countries. Efforts were made to promote, regularise and stabilise the industry, and in this the state received considerable support from millers and traders who acted through the Board of Trade. Levies were introduced to promote the export of sugar, with 80 percent of the levy being earmarked for this purpose Central to state policy has been the attempt to maintain prices, and this has meant, at various times, export subsidies for millers (150 million baht in 1965), the purchase by the state, at inflated prices, of sugar on the domestic market, and the active participation of the state in export marketing. This latter point explains the on-again/off-again relationship between Thailand and the International Sugar Organisation, with Thailand withdrawing each time the allocated export quota was deemed by capitalists and state managers to be too low.

Even though the state has generally acted in the interests of the millers and exporters, there have been disputes between them. For example, in 1979 and 1980 there was a stand-off between millers and the government as the former attempted to raise the controlled price of domestic sugar by withholding sugar from the market, and at the same time, remove Commerce Minister Tamchai Kambhato, who they saw as acting against their commercial interests. The eventual victory of the mill owners showed the benefits of having sympathetic and powerful supporters within the state apparatus. At about this time, banker, businessman, and deputy leader of Social Action Party, Boonchu Rojanasathien, became Deputy Prime Minister and took a strong interest in those ministries which were dealing with the sugar dispute. Boonchu’s own interests in the sugar industry were well-known, yet he was able to control the course of the dispute and the public controversy which saw the demise of Tamchai and a rise in domestic sugar prices.

Even without powerful friends, it must be admitted that it would have been extremely difficult for any government to take action against the very people state policy has supported and maintained for so many years. Even more so when it is considered that the sugar industry is dispersed throughout the country, providing substantial rural employment, and playing a central role in state policies designed to promote agro-industry. Thus, it seems unlikely that the highly concentrated and centralised nature of the industry will be seriously challenged. The exploitation of labour will, of course, continue, but so too will the oppression of the small and poorer growers, who will continue to be at the mercy of the quota supervisors and the mill owners. They will remain the base from which profits in the sugar industry will be extracted.

However, such a situation might not be without its problems, for the disruption of rural life by capitalism brings with it rapidly developing class antagonisms which
can easily lead to confrontation. Development and change in the countryside have created a situation where the small farmer and rural labourer, lacking both facilities and knowledge of new circumstances, controlled by rich and powerful farmers and landlords are placed in an extremely vulnerable position.\(^6\) The events of 1973-76, when farmers demonstrated in the streets of Bangkok against capitalists and state policies, clearly indicated the impact of the subordination of peasant agriculture to capitalism.\(^6\) Since then, many proposals for land reform and income redistribution have been put forward, not the least being from the representatives of capital.\(^6\) It is here that the state must play its crucial role, providing assistance to investors and maintaining their accumulative base by developing the social and economic infrastructure and by keeping labour and peasant activism under control.\(^6\) Clearly, the state has played a crucial role in the development of agro-industry, and it will be called upon to preserve and expand the new relations of production and domination. But this has not been ignored by those subject to oppression and exploitation. Perhaps, then, the final word belongs to murdered peasant leader Intha Sriboonruang who stated:

"As long as the capitalist government is in power, we will never see an improvement in our living conditions. As long as the state's power is not in our hands, we will continue to live this way [in relative poverty]."\(^4\)

Class antagonisms develop rapidly, and with them, the need for social transformations. This will clearly be the case in the Thai countryside.

Notes

12. Chapman, "Agricultural Development, p. 5; and Ho Kwon Ping, "Thailand’s broken rice bowl," FEER 1 December 1978, p. 41. It should be noted that the big farmers also have the largest debts—collateral is usually necessary to get a loan, so those who are better off have better access to loans.
15. Ibid.
29. Chirayu, *op. cit.*, is an excellent example of this kind of influence. See also the *BBMR*, 21(11), 1980, pp. 386-394.
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43. See BBMR, 12(6), 1971, pp. 191-192.
45. BBMR, 23(1), 1982, p. 22.
46. The following section is based on BBMR, 23(1), 1982, pp. 23-25.
47. BBMR, 24(6), 1983, pp. 266-268.
49. Witayakorn, op. cit., p. 351.
50. Chumchai, pp. 41-42.
53. BBMR, 23(1), 1982, p. 22.
62. For example, BBMR, 20, 9 (1979), pp. 347-351.
64. Intha, p. 50.
Chapter 7
Banking Capital*

In recent years, and especially since the bloody October 1976 coup, a number of studies have attempted to delineate the class structure of Thai society in the contemporary period. While these works have justifiably emphasised the role of imperialist nations (the US particularly) in shaping the Thai social structure, it seems to me that such a focus has tended to minimise the power and relative independence of the local bourgeoisie. We find this class portrayed as little more than a comprador bourgeoisie, lacking the will and the means to act as an independent entity.1 This is a misrepresentation of the real situation, as a relatively independent (but fractionalised) bourgeoisie does exist. However, if one examines the available literature, one finds a dearth of information on this class. It is now thirty years since G. William Skinner completed his research on Sino-Thai business groups, and Fred W. Riggs’s data on military-business alliances was compiled in the late fifties.2 Thus, the prime purpose of this chapter is to draw together some of the contemporary data which are available so as to begin the identification of the Thai bourgeoisie.

Certainly the bourgeoisie is far more powerful than it was twenty or thirty years ago, and there is an increasing awareness of this amongst the Thai people. Since at least the turn of the century, and especially since the overthrow of the absolute monarchy in 1932, there has been a line of thought, both popular and official, which considers the economy to be dominated by a small group of Sino-Thai business people. More recently, it would seem that if the “Young Turks” had managed to remain in power following their coup attempt in the first few days of April 1981, then they would have moved to eradicate what they considered to be a system of monopolies controlling the Thai economy. Singled out for special attention were the domestic commercial banks.3 Indeed, the government they had wanted to overthrow, that led by General Prem Tinsulanonda, had come to power in March 1980 vowing to “support the free economic system,” but at the same time, to “eliminate any monopolistic practice so as to defend the interests of the public consumers.”4 Within six weeks, however the minimum wage was frozen at 35-45 baht ($1.70-2.20) a day, yet prices continued to increase at a rapid rate.5 At the same time, both local and foreign investors were given an open-door as “Thailand Inc.” was
launched by Deputy Prime Minister Boonchu Rojanasathien. Not surprisingly, little more was heard of the policy to eliminate monopolistic practices, for as one MP, Dr. Yupha Udomsak, was quick to point out, the families who controlled the monopolies also had considerable influence within the Prem government. Here Yupha was referring to the Social Action Party, and to its deputy leader, Boonchu, who had been the President of the Bangkok Bank, the largest bank in Southeast Asia, and the cornerstone of one of the most influential business empires in Thailand, and to the powerful Chart Thai Party. But, as Yupha also observed, while it is easy to point an accusing finger at the big banking families (as the “Young Turks” were to do a year later), it is far more difficult to produce data which adequately describe and delineate these powerful and immensely wealthy groups.

In this chapter I have chosen to focus on the groups who base their accumulation on banking and finance, the banking fraction of the Thai bourgeoisie. Prior to presenting the data for the contemporary period a brief historical background, outlining the development of the Thai bourgeoisie is in order.

Background

The origins of the capitalist class in Thailand can be traced back to the middle of the nineteenth century. From that time onwards we see the emergence of free wage-labour, the development of generalised commodity production, the gradual separation of economic and political power, and the private ownership of the means of production. Of importance for the case which follows is that we see the movement of capital from the sphere of circulation into that of production.

One of the distinctive features of the emerging capitalist class of the time was its compromised position in relation to the traditional, sakdina ruling class. Rather than emerging as an openly antagonistic class, the bourgeoisie accumulated much of its initial wealth through co-operation with the sakdina class. Many merchants who performed governmental functions for the monarchy, such as participation in royal monopoly trading, and later, tax-farming, and those governors in the south who acted as semi-autonomous authorities, were able to amass considerable fortunes. With the emergence of commodity production in rice, tin, teak and rubber, many of these people, predominantly Chinese merchants, were able to invest their wealth in productive enterprises such as rice and teak mills. Others took advantage of the development of European business in Thailand to act as compradors, providing the essential link between the foreigners and the local economy. Not only did this allow the compradors to accumulate through the commissions paid by the foreigners, but it also facilitated the growth of the comprador’s own enterprises, for they were often the local distributors of foreign goods.

It was from this group of Sino-Thai merchants and from the upper ranks of the Thai nobility and aristocracy, brought together in a symbiotic relationship, investing their accumulated wealth in land, industry, commerce and banking, that the Thai bourgeoisie emerged. In the banking sector, and thus of central concern here, it is
well-known that the first banks established in Thailand were all foreign-owned—the Hong Kong and Shanghai Bank (1888), the Chartered Bank (1894), and the Banque de l’Indochine (1897)—and primarily concerned with financing foreign trade. Soon after, a number of locally-financed banks were established, supported principally by capital from Sino-Thai rice-millers and merchants. The most successful local bank was the Siam Commercial Bank, which was officially established in 1906, but operated unofficially for two years prior to this. It was funded from a combination of sources of capital: royal, noble, Sino-Thai merchant, and foreign (the latter being very much in the minority). Together, the foreign banks and the Siam Commercial Bank dominated the financial sector until the 1940s, although pawnshops, remittance agents, and smaller Chinese and Thai banks such as the Wang Lee Bank (1933) and the Bank of Asia (1939) had significant roles to play.

During the War years, when Thailand was occupied by the Japanese, the Western banks were closed, and this left the way open for the development of a number of Sinó-Thai banks and the central bank, the Bank of Thailand. The lack of substantial Japanese interference, the eclipse of the Western banks and War-time inflation provided fertile ground for the consolidation of these new banks. The capital behind these new banks was Sino-Thai, having been accumulated in the usual areas of trade and timber, and in the increasingly important industrial sector.

Today the domestic commercial banks are amongst the largest, wealthiest and most profitable enterprises in Thailand. Tables 7.1, 7.2 and 7.3 below indicate the dominance of these institutions in 1979. Financial institutions are clearly central to the development of capitalism:

The principal and original function of banks is to serve as middlemen in the making of payments. In doing so they transform inactive money capital into active, that is, into capital yielding a profit; they collect all kinds of money revenues and place them at the disposal of the capitalist class. The success of Thai banks in this field can be seen, in part, in the growth of their deposits, from just over 5,000 million baht at the end of 1961, to almost 170,000 million baht at the end of 1979. For the same period, commercial bank loans and overdrafts grew from 4,300 million baht to almost 129,000 million baht. As one Thai economist has put it,

Commercial banks have been the main engine generating all economic activities in Thailand.... This is because commercial banks perform the dual role of mobilizing savings and providing funds for day-to-day business operations and for production.

There can be little doubt that the commercial banks and the financial companies that they control (see Tables 7.4 and 7.5 below) monopolise the capital market in Thailand. As Krirkkiat Phipatseritham has pointed out, the only way to understand the Thai capitalist class is to begin with an analysis of the commercial banks, and in particular, the Bangkok Bank, which has some 40 percent of all bank assets and controls 41 percent of their lending.
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Table 7.1 Companies ranked by sales/turnover (1979)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Millions of baht</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Shell Company of Thailand</td>
<td>10,623.1</td>
</tr>
<tr>
<td>2.</td>
<td>Summit Industrial Corp. (Panama)</td>
<td>9,737.5</td>
</tr>
<tr>
<td>3.</td>
<td>Thai Oil Refinery</td>
<td>9,568.3</td>
</tr>
<tr>
<td>4.</td>
<td>Bangkok Bank</td>
<td>8,869.4</td>
</tr>
<tr>
<td>5.</td>
<td>Esso-Standard (Thailand)</td>
<td>7,886.1</td>
</tr>
<tr>
<td>6.</td>
<td>Siam Cement Co.</td>
<td>5,522.9</td>
</tr>
<tr>
<td>7.</td>
<td>Caltex Oil (Thailand)</td>
<td>3,564.3</td>
</tr>
<tr>
<td>8.</td>
<td>Tri Petch Isuzu Sales</td>
<td>3,326.2</td>
</tr>
<tr>
<td>9.</td>
<td>Construction Materials Marketing Co.</td>
<td>2,913.5</td>
</tr>
<tr>
<td>10.</td>
<td>Diethelm and Co.</td>
<td></td>
</tr>
</tbody>
</table>

Table 7.2 Companies ranked by reported profits (1979)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Millions of baht</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bangkok Bank</td>
<td>825.6</td>
</tr>
<tr>
<td>2.</td>
<td>Siam Cement</td>
<td>440.2</td>
</tr>
<tr>
<td>3.</td>
<td>Esso</td>
<td>297.1</td>
</tr>
<tr>
<td>4.</td>
<td>Krung Thai Bank</td>
<td>265.8</td>
</tr>
<tr>
<td>5.</td>
<td>Maersk Line (Bangkok)</td>
<td>225.9</td>
</tr>
<tr>
<td>6.</td>
<td>Thai Farmers Bank</td>
<td>212.8</td>
</tr>
<tr>
<td>7.</td>
<td>Luckeytex (Thailand)</td>
<td>171.7</td>
</tr>
<tr>
<td>8.</td>
<td>Mahaguna Distillery Co.</td>
<td>148.2</td>
</tr>
<tr>
<td>9.</td>
<td>Boonnawa Brewery</td>
<td>147.7</td>
</tr>
<tr>
<td>10.</td>
<td>Diethelm</td>
<td>144.3</td>
</tr>
</tbody>
</table>

Table 7.3 Companies ranked by assets (1979)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Millions of baht</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bangkok Bank</td>
<td>88,627.9 [1]</td>
</tr>
<tr>
<td>2.</td>
<td>Krung Thai Bank</td>
<td>32,250.5</td>
</tr>
<tr>
<td>3.</td>
<td>Thai Farmers Bank</td>
<td>24,906.3</td>
</tr>
<tr>
<td>4.</td>
<td>Bank of Ayudhya</td>
<td>14,825.8</td>
</tr>
<tr>
<td>5.</td>
<td>Siam Commercial Bank</td>
<td>13,335.5</td>
</tr>
<tr>
<td>6.</td>
<td>Bangkok Metropolitan Bank</td>
<td>11,368.2</td>
</tr>
<tr>
<td>7.</td>
<td>Siam City Bank</td>
<td>8,867.9</td>
</tr>
<tr>
<td>8.</td>
<td>Bangkok Bank of Commerce</td>
<td>8,250.6</td>
</tr>
<tr>
<td>9.</td>
<td>First Bangkok City Bank</td>
<td>8,158.7</td>
</tr>
<tr>
<td>10.</td>
<td>Thai Military Bank</td>
<td>5,917.1</td>
</tr>
</tbody>
</table>

Note: [1] As an indication of the growth of bank assets, the Bangkok Bank Annual Report, 1980 states that its assets totalled 104,925.2 million baht in 1980.


The Bangkok Bank and the Sophonpanich Family

Established in 1944, the remarkable expansion of the Bangkok Bank began in the mid-fifties when the Sophonpanich family (of Chinese origin), and Police-General
Phao Sriyanon formed an alliance. Phao, a staunch ally of the Kuomintang Chinese in Thailand, made his fortune through his involvement with the Thai opium trade which was operated by the Kuomintang from their bases in northern Thailand. Once described as a “superlative crook,” Phao made alliances with anti-communist Chinese, and then used his CIA-sponsored police force to destroy all of those he considered to be pro-communist. Thus, Sino-Thai businesses associated with him, and especially the Bangkok Bank, prospered, free from the threat of harassment. However, when Phao was ousted by Sarit’s coup in 1957, the Bangkok Bank’s Chin Sophonpanich fled for Hong Kong. Nevertheless, he succeeded in operating the bank, astutely acquiring the services of General Prapass Charusathirana as bank President. Prapass rose to become Deputy Prime Minister and Interior Minister, and became an extremely wealthy businessman prior to his temporary exile following the student-led uprising of October 1973, a period which coincided with a massive expansion of the Bangkok Bank. Discussing this period, T.H. Silcock stated:

The Bangkok Bank is the bank with the most political power in Thailand, and it uses this partly to extend its business by methods that the Bank of Thailand cannot control, and partly to further the political interests of its president.

Today, despite the fact that military titles are no longer found amongst its board of directors, the Bangkok Bank remains the most politically and economically powerful bank in Thailand. Its major shareholders are Asia Credit Co., Asia Insurance Co. (Hong Kong), Asia Securities Co., Watana-Sophonpanich Co. (all dominated by the Sophonpanich family), Bangkok Trust, Mutual Fund Co., Sawai-Prapass and Sons Co., United Flour Mill, and the Ministry of Finance. Chin Sophonpanich is the chairman of the board, and Prasit Kanchanawat his deputy. The board is dominated by the Sophonpanich family and includes Thaworn Phornprapha of the large Siam Motors group.

Examining the bank’s shareholders we find that Asia Credit is owned by Asia Securities, Asia Investment, First Trust Co., Mutual Fund, Sohon Investment, Watana-Sophonpanich, Chin and Chatri Sophonpanich, Pin Kewpaisal (of First Trust), and Sanguan Sanguanpiyapand. Its board is composed of Chatri Sophonpanich, Prasit Kanchanawat, Thaworn Phornprapha, Kamchai Iamsuri, Kiat Iamsakulratana, Sanguan Sanguanpiyapand, and Sunthon Arunanondchai. The pattern of interlocking ownership and directorships begins to emerge almost immediately. Certainly, the Sophonpanich family does not need to control a majority shareholding to be able to control a particular company.

To build a solid base for data to be presented below it is necessary to list some of the influences within the other companies which own shares in the Bangkok Bank. Sawai-Prapass and Sons is the family business of General Prapass, discussed above. Mutual Fund is chaired by Sommai Hoontrakul, who is also a member of the board of the Siam Cement Co., Thai Glass Industries, the Industrial Finance
Corporation of Thailand, and who was Finance Minister in the second Prem cabinet. United Flour Mill is owned by Metro Co., Asia Securities, Sri Krung Watana, First Trust, Bangkok Bank of Commerce, Bangkok Bank, and Phatra Thanakit Co. This last company is owned by Sombat Lamsam Co., Loxley (Bangkok), Nithithamrong Co., Thai Farmers Bank (all controlled by the Lamsam family), Yip-In-Tsoi Co., and Somchai Bunsuk.27

Table 7.4 Bank control of investment and finance companies

<table>
<thead>
<tr>
<th>Family</th>
<th>Company</th>
<th>% Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sophonpanich (Bangkok Bank)</td>
<td>Sahakit Thai</td>
<td>20.00</td>
</tr>
<tr>
<td></td>
<td>Bangkok Investment</td>
<td>00.27</td>
</tr>
<tr>
<td></td>
<td>Bangkok First Investment and Trust</td>
<td>20.00</td>
</tr>
<tr>
<td></td>
<td>Asia Credit</td>
<td>30.70</td>
</tr>
<tr>
<td></td>
<td>Commercial Trust</td>
<td>25.59</td>
</tr>
<tr>
<td></td>
<td>Ruam Senkit</td>
<td>31.64</td>
</tr>
<tr>
<td></td>
<td>Taksin Finance</td>
<td>24.50</td>
</tr>
<tr>
<td>Tejapaibul (Bangkok Metropolitan Bank, First Bangkok City, Bank of Asia)</td>
<td>Thai Financial Syndicate</td>
<td>13.67</td>
</tr>
<tr>
<td></td>
<td>Thai Finance Enterprise</td>
<td>10.00</td>
</tr>
<tr>
<td></td>
<td>International Finance and Consultants</td>
<td>10.00</td>
</tr>
<tr>
<td></td>
<td>Cathay Trust</td>
<td>16.25</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Trust</td>
<td>12.02</td>
</tr>
<tr>
<td></td>
<td>Bara Finance</td>
<td>11.45</td>
</tr>
<tr>
<td></td>
<td>Siam Commercial Trust</td>
<td>7.99</td>
</tr>
<tr>
<td></td>
<td>Metropolis Trust</td>
<td>31.44</td>
</tr>
<tr>
<td></td>
<td>Thai Investment and Trust</td>
<td>40.00</td>
</tr>
<tr>
<td></td>
<td>Thai Financial Syndicate</td>
<td>20.00</td>
</tr>
<tr>
<td></td>
<td>International Trust and Finance</td>
<td>9.67</td>
</tr>
<tr>
<td></td>
<td>Ayudhya Investment and Trust</td>
<td>26.00</td>
</tr>
<tr>
<td>Ratanarak (Bank of Ayudhya)</td>
<td>Phatra Thanakit</td>
<td>23.57</td>
</tr>
<tr>
<td>Navapan (Thai Farmers Bank)</td>
<td>Nava Finance and Securities</td>
<td>48.93</td>
</tr>
<tr>
<td>Tarnivanichkul (Asia Trust Bank)</td>
<td>International Trust and Finance</td>
<td>00.33</td>
</tr>
<tr>
<td></td>
<td>Asia Financing and Trust</td>
<td>32.50</td>
</tr>
<tr>
<td>Euawathanasakul (Bangkok Metropolitan Bank)</td>
<td>Metropolitan Trust</td>
<td>16.97</td>
</tr>
<tr>
<td></td>
<td>Bara Finance</td>
<td>43.92</td>
</tr>
</tbody>
</table>


Table 7.5 Foreign ownership of the Thai financial sector, 1979

<table>
<thead>
<tr>
<th>No. of cos.</th>
<th>Assets (million baht)</th>
<th>% of market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Commercial banks</td>
<td>14</td>
<td>18,106</td>
</tr>
<tr>
<td>2. Life Insurance Cos.</td>
<td>3</td>
<td>1,282</td>
</tr>
<tr>
<td>3. Non-life Insurance Cos.</td>
<td>9</td>
<td>447</td>
</tr>
<tr>
<td>4. Investment &amp; Securities Cos.[a]</td>
<td>15</td>
<td>13,797</td>
</tr>
</tbody>
</table>

Note: [a] Joint-ventures and foreign-owned cos. registered in Thailand.

By examining the Bangkok Bank alone we begin to see the extent of the Sophonpanich business empire, and the links with other powerful families like Lamsam, Bunsuk, Hoontrakul, and Charusathiarana.

While the Bangkok Bank is the family's main enterprise, the Sophonpanichs are known to control at least another 22 companies listed in the largest 1,200 businesses in Thailand, and to have investments in a further twenty. Such corporate links are an important means of oligopolistic control available to this family, and these connections are reinforced by family ties (as shown in Figure 7.1). Examining just two of these links we find that the Phomprapha family, which controls Siam Motors and a number of other large companies, is linked with two other families who have strong ties to the bureaucracy, the Hangladarom and Narongdej families. A second important connection is that between the Sophonpanich and Tejapaibul families; facilitated by the Sanguanpiyapand and Chokewatana families (to be discussed below). Indirect links are also important—for example, General Prapass Charusathiarana, a major shareholder in the Bangkok Bank has family ties with the Kittikachorns, who are themselves linked with a number of the top military families.

The businesses controlled by the Sophonpanich family and their associated groups cover every sector of the Thai economy, from banking and finance, to construction, agro-industries, marketing, import-export, services and land. Their empire is unsurpassed by any of the powerful families to be discussed below.

The Ratanarak Family

This family, like the Sophonpanichs, controls enterprises in industry, commerce and finance, with its main business being the Bank of Ayudhya. Originally established by Pridi Phanomyong in 1945, the bank collapsed when Pridi was forced into exile. However it was re-established during the 1950s, with Police-General Prasert Rujirawongse, the head of the Thai police force under the Thanom Kittikachorn-Prapass Charusathiarana regime, becoming its chairman.

In 1979 Police-General Prasert remained the bank’s chairman, and one of its major shareholders. Other shareholders included the Ratanarak family, CKR Co., Sawai-Prapass and Sons, Thai Flour Industry Enterprise, Investment Holdings, and General Finance Corporation, while the board included Chuan and Krit Ratanarāk, Keua Sawamiphakdi, Rucha Pentrakool, Amphorn Bulaphakdi (President of the Chinese Chamber of Commerce in Thailand for over 18 years), and Yong Luan-grangsi. Of particular interest here are the holdings of General Prapass (and thus the link with the Bangkok Bank), General Finance Corporation which is owned by the Osathanukroh family (which has family ties to the Ratanarak also) and Phatra Thanakit, a Lamsam company. Again, the links between the giant families are
evident as their web of control extends further and further.

Another important company within the Ratanarak business empire is the Ayudhya Investment and Trust Co. (see Table 7.4), which has the following shareholders: Bank of Ayudhya, Chuan and Krit Ratanarak, Thai Financial Syndicate (in which the Sophonpanichs and Tejapaibuls also have a holding), Thai Flour Industry, General Finance Corporation, Multi-Credit Corporation of Thailand (associated with Chow Chowkwanyeun of the Thai Oil Refinery—see Table 7.1 and Figure 7.1), Thai Carpet Industry, Siam Silo and Drying, Viraphan Theepranun, and Somkiat Limsong. Its board included Krit Ratanarak, Yong Luangrangsri, Sangop Phanraksiri, Thipsamai Na Chiangmai, Yanyon Tangchitnop, Sorachai Ninlawan, Thawan Kamchadhakasukon, and Somkiat Limsong (who, as well as being linked with the Ratanarak through business and family ties, was also, in 1974-75, a director of the Siam City Bank). The Thai Carpet Industry is controlled by the Sivikorn family who have close business and family links with the Navapan family of the Thai Military Bank (see Figure 7.1). 32

Through investments in the same companies the Ratanarak have close ties with both the Tejapaibul and Sophonpanich families, an example being the Thai Financial Syndicate mentioned above. In industry they are all involved in the Siam City Cement Company which is listed as having the following major shareholders: Raja Finance (until its collapse in 1979), International Finance Corporation, Siam Silo and Drying, Bank of Ayudhya, Ayudhya Investment and Trust, CKR Co., Bangkok Metropolitan Bank (controlled by the Tejapaibuls), Kanchanaphat Co., Mongkol Kanchanaphat (closely tied with the Ratanarak—see Figure 7.1), and the Ministry of Finance. Its board of directors is almost a “Who’s Who” of Thai business: Chuan and Sasitorn Ratanarak, Chin Sophonpanich, Udane Tejapaibul, Mongkol Kanchanaphat, Somkiat Limsong, Rucha Pentrakool, Yayon Tangchitnop, Suli Mahasandana, Banharn Silipa-archara (who was Minister for Agriculture in the first Prem government), Charun Watanakon, Chompoo Artachinda (a director of the Siam City Bank), Direk Mahadamrungkul (of Muang Thong, a major watch distributor), and Wallob Tarnvanichkul (a shareholder and director of the Asia Trust Bank). 33

Clearly the control and influence of the Ratanarak family in the above-mentioned companies also ties them into alliances with other powerful families such as Tejapaibul, Osathanukroh, Sophonpanich, and Lamsam. Their interests as individual, competing, capitalists become blurred as these alliances become more important.

The Tejapaibul Family

The Bangkok Metropolitan Bank, First Bangkok City Bank, and Bank of Asia,
which together have assets of approximately 25,000 million baht, are all controlled and managed by the Tejapaibul family. Of these, the Bank of Asia, while the smallest of the three in economic terms, has had the most political influence. Established through the influence of Pridi Phanomyong and Thammasat University in 1939, it was apparently intended to provide Thais with training in the finance industry. Thus it was a politically motivated bank from its establishment, and despite the fall of Pridi, has continued to play a political role to the present time. For example, during the Sarit period, when Sarit’s half-brother was a manager of the bank, it enjoyed special privileges in the gold industry, and in the handling of state lottery funds, the alleged source of much of Sarit’s wealth. More recently this bank achieved the rather dubious distinction of having invited Thanom Kittikachorn’s son, Narong, to join its board. Narong was also exiled in 1973, and his alleged corruption and criminal connections are well-known to Thais.

In addition to their control of these three banks, Table 7.4 shows their considerable influence over finance companies. Through their banks they also control a number of other companies, with one source listing them as controlling and/or owning some 35 enterprises with a registered capital in excess of one million baht.

Together with the Thanarat, Kanchanaphat, and Techakasem families, the Tejapaibuls have control over the First Bangkok City Bank, while their partners in the Bangkok Metropolitan Bank are the Srifuengfung, Bunsong, Sresthabhakdi, Euawathanasakul families and the U-Chuliang Foundation. Of these the Srifuengfung family and the Euawathanasakul families control at least another eight companies with a capitalization of more than a million baht. Within the Bank of Asia the Tejapaibuls have investments with the Yip-In-Tsoi family (who also have investments in the Thai Farmers Bank, controlled by the Lamsams), the Euarchukiati family, and the Kantamanonds. This bank also has a large shareholding in the Asia Credit Co., in which the Sophonpanich family also has an interest.

Additionally, the Tejapaibul and Sophonpanich investment portfolios coincide in the Berli Jucker Company which is partially owned by the Bangkok Bank (Sophonpanichs) and Cathay Trust (Tejapaibuls). Berli Jucker is now 65 percent Thai-owned, but was one of the first European trading companies operating in Thailand. One of its early functions was to act as an agent for the Banque de l’Indochine and the Hong Kong and Shanghai Bank before they had agencies in Bangkok. Today it has a registered capital of 70 million baht, and owns share capital in Thai-Scott Paper, Crown Seal Co., Thai Containers Ltd., Pacific Leisure (Thailand), Alaska Mill Industry, and Central Foods (Thailand). Prasit Narongdej is also a shareholder in Thai-Scott Paper, and his family is linked through marriage to the Phornprapha family.
Figure 7.1 Family relationships within the financial bourgeoisie

Note: Italicized names indicate a family with a background in the civil or military bureaucracy.

Figure 7.2 Corporate links between the banking families

If Figure 7.2 is read in conjunction with Figure 7.1, then it becomes clear that links such as the one just noted are a characteristic of the family-dominated enterprises of Thailand. Indeed, the Tejapaibuls provide some excellent examples of these business-family links. In Cathay Trust for example, they have investments with the Boonsoong family which itself controls 12 businesses having a registered capital in excess of a million baht, and with the Sophonpanichs through Berli Jucker. In the Bank of Ayudhya and the Thai Financial Syndicate, the Tejapaibul, Ratanarak, and Sophonpanich families all have investments. Connections such as these prove most advantageous when companies come to “compete” for contracts, as was shown on the occasion of the bidding for the franchise to distill Mekhong Whisky (Thailand’s most popular alcoholic beverage, and thus a most profitable franchise). The “competition” in this case was between the Suramahachon Distillery owned by the Tejapaibuls and the Mahaguna Distillery (see Table 7.2) of the Mahaguna family. Not only do these two families have marital ties, but their respective business empires coincide, for the Tejapaibuls have a shareholding in the Mahaguna Sugar Mill, with Sumeth Tejapaibul being its manager. Additionally, Udane Tejapaibul has, at times, been listed as the managing director of the Mahaguna Distillery, and both families own large parts of the Thai Amarit Brewery. The competition could not have been “cut-throat,” for whichever family won the franchise made little difference to the one who “lost.”

Other important families connected to the Tejapaibuls include the Khattaphans, who are known to have close ties with both the Kittikachorns and Charusathiaranas, and thereby with the Sophonpanich family. Another important tie is through the Thai Textile Finishing Co., with Major-General Pramarn Adireksarn (see Figure 7.2). Pramarn is well-known for his leading role in the “Soi Raj Khru Clique” together with Chatichai Choonhavan. This group was formed by Chatichai’s father, General Phin, and Police-General Phao, and with their quite conspicuous wealth Pramarn and Chatichai are now the forces behind the Chart Thai Party. Pramarn has been in a number of cabinets over the last decade, and was, in 1974-75, a director of the Bangkok Bank. His business interests are wide-ranging, but he is most concerned with his joint-venture enterprises with Japanese capital in the textile industry.

The Lamsam Family

Controlling at least thirty companies, and with extensive contacts with other economically and politically powerful groups, this family has interests in all major sectors of the Thai economy. Its main enterprise, however, is the Thai Farmers Bank, established in 1945.

In addition to the Lamsam family, the major shareholders in Thai Farmers Bank are Sombat Lamsam Co., Benchakun Co., Nithithamrong Co., Yip-In-Tsoi Co., Muang Thai Life Assurance, Ruam Suphan Co., Siriphinyo Co., and Boonsoong Chaikittisilpa. Its board is composed of Bancha, Banyong, Pairote, and Pricha
Lamsam, General Charoon Ratanakulseriroengrith, Narong Sri-sa-an, Vivadh na Pombejra, Song Bunsuk, Chote Chutrakul, Lieb Raktakanit, Boonsoong Chaikittisilpa, Police Major-General Pow Sarasin, and a number of others. 

Within Phatra Thanakit, a large Lamsam-controlled finance company, the major shareholders are the Thai Farmers Bank, Loxley (Thailand) Co. (Khunying Chatchani Chatikavanij, a Lamsam, and married to Kasame, a minister in the Kriangsak government, is Loxley’s manager), Charun Ruangwiset, and Somchai Bunsuk. Its board includes “Lamsam people” like M.R. Pridiyathon Devakul and Panya Tantiyawarong. Through Phatra Thanakit’s holdings in Jalaprathan Cement Co., the Lamsams are linked to the Sophonpanich, Wanitakun, Malinan, and Nandhabiwat families. The major shareholders in Jalaprathan are: Phatra Thanakit, the Ministry of Finance, Asia Financing and Trust, Thipawan Co. (a Wanitkun and Malinan company), TT Holding Co., Bangkok Bank, Sahakit Thai (Sophonpanich), and Tharawanit Co. Its board includes Tamchai Kambhato (Commerce Minister in the first Prem government, and president of the Krung Thai Bank), Chaiyut Kannasut, and Somboon Nandhabiwat (of the Laemthong Bank).

The link with the Sophonpanich family through United Flour Mill has already been mentioned, and additional, ties are maintained through the Union Plastic and Union Olympus companies. These enterprises are subsidiaries of the huge Saha Union conglomerate of 35 companies, (mainly in textiles, but also other branches of industry and import-export trading) controlled by Darakananda family, and Sahaphattanapibul of the Chokewatana family. This latter family is also linked to the Lamsams through investments in the Union Pioneer Co. The Lamsam business empire is extended even further through their family relationships with the Nandhabiwats. This latter family has also intermarried with the Boonsoongs who are themselves involved in joint-ventures with the Bhirombhakdi family of the Boonrawd Brewery (see Table 7.2 and Figure 7.2), the Sarasins, Bunsuks, and Tejapaibuls (all in the Crown Seal Co. and through Thai Metropole Insurance).

Finally, two further connections need to be mentioned; those with the Tamvanichkul and Wanglee families. The former have large holdings in the Laemthong and Asia Trust banks, Colour TV Channel 3 in Bangkok, International Trust and Finance (together with the Ratanaraks—see Table 7.4), and Asia Financing and Trust, while the latter have a business empire of their own, based on the Wanglee Bank. This bank has important international contacts, with the First National City Bank of New York having a large shareholding in the Wanglee Bank. Additionally, Thamnoon Wanglee has worked for Chase Manhattan and has negotiated huge loans with them for Thai International, the state-owned international airline.

All of these connections make the Lamsam business group one of the most extensive in Thailand.

Other Banks and Their Controlling Interests

In the background section at the beginning of this chapter it was noted that the Siam
Commercial Bank was established as a joint investment by foreign banks, Sino-Thai merchants and the Thai royal family and nobility. Today the foreign influence has largely disappeared, but the latter groups remain dominant. The royal family and the Crown Property Bureau hold some 59 percent of the bank's shares, with other shareholders being the Mutual Fund Co., and the Sunwa Bank. In addition, the royal family owns shares in the Krung Thai, Thai Dhanu, and Siam City Banks. Other important shareholders in these banks are the Osathanukrohs, Jumbalas, Tuchindas, Sophonpanichs, and the Thaveesins.45

The Crown Property Bureau, in 1971, was said to have the largest overall assets in Thailand, with shares in a number of business concerns including banks, hotels, cinemas, construction, mining and insurance. In addition, it is the biggest landowner in Thailand, owning almost one third of pre-war Bangkok as well as countless thousands of rai of land in 22 different provinces...

While it has been overtaken by other enterprises such as the Bangkok Bank in the last decade, the Crown Property Bureau's investment portfolio remains huge, including investments in some well-known concerns: Siam Cement, Raja Furniture, Firestone (Thailand), the Royal, Majestic, Siam Intercontinental, Erawan, and Dusit Thani hotels, Sri Maharaja Co., and Theves Insurance.46 The role of the royal family in linking noble, military-bureaucratic and business families is of considerable importance in a society where the dominant ideology continues to emphasize the importance of the monarchy. Writing of the Sarit period, but with contemporary relevance, Thak Chaloemtiarana has stated that:

To provide a kind of 'spiritual' sanction for...elite convergence, the monarchy was extensively employed.... (W)e find that more and more, the king has been performing marriages between sons and daughters...of the emerging business elite.... Thus the king...performs the function of helping to consolidate a complex of alliances between political, royal, bureaucratic, and business families.47

The Union Bank of Bangkok, established in 1949, was for a time the centre of a power struggle between Sarit and Police-General Phao during the mid-1950s,48 and since then has been associated with various factions within the military, and even in the mid-seventies had an inordinate number of military people on its board.49 The Penchart and Cholvijarn families have been most closely associated with this bank.

In addition to the Nandhabiwats, the largest shareholders in the Laemthong Bank are the Ministry of Finance, South East Insurance, Nai·Lert Co. (of the Sombatsiri family), Boonrawd Brewery, and Jootee Boonsoong. Its directors include Phayap, Aphiwat, and Somboon Nandhabiwat, Khunying Lersak Sombatsiri (a cabinet minister in the Thanin administration), Trin Bunnag, Jootee Boonsoong, and Piya Bhirombhakdi (of Crown Seal and Boonrawd Brewery).50

Concluding Remarks
If an overlay of Figures 7.1 and 7.2 above can be imagined, then the reader will have
a rough idea of the extent of the ever-more complicated web of business and familial interconnections which tie the Thai financial bourgeoisie together. This situation can only be described as oligopolistic tending towards monopolistic; as Lenin expressed it in 1917, "Again and again, the final word in the development of banking is *monopoly." [61] The concentration of capital into a few large banks and their subsidiary finance companies gives the banking families the opportunity to decide which industries will develop, and they will brook no interference or serious competition. A good example of this in Thailand was provided by the fall of the Raja Finance Company in 1979.

Raja Finance experienced a meteoric rise to prominence during the mid-1970s, using sometimes shady business practices to secure investors funds. By 1977-78 Raja had become one of the top finance companies in Thailand, with a rapidly expanding investment portfolio. At first the big and powerful families remained aloof from what they no doubt considered to be an upstart company in "their" field. However, when Raja began taking over companies such as Siam City Cement in which these families had significant investments, they were less than amused, and set about destroying Raja. Together, the Ratanaraks and the Sophonpanichs engineered the collapse of Raja, through the Bangkok Bank. Raja’s deposits and overdraft facilities were moved from one branch to another, and cheques drawn on Raja in excess of 1,000 *baht* were dishonoured, causing a panic amongst Raja shareholders who began dumping their shares. As Raja’s shares fell from unprecedented levels, the big families bought them up and dumped them again, so that no investor would dare purchase them—Raja was crushed. [52] The lesson for all companies was now clearer than ever—to expand in Thailand one must have either the support of the big banks or, if this is impossible, one must enter into joint-venture arrangements with foreign capital.

It must be remembered that the banks do not simply control domestic capital markets, for their investments have penetrated into every sector of the Thai economy, and especially industry. Finance capital becomes dominant because a steadily increasing proportion does not belong to the industrialists who use it. They can dispose of the capital only through the bank, which represents the owners of the money to them. On the other hand, the bank must place a steadily increasing part of its capital into industry. In this way the bank itself is growing, to an ever increasing extent, into an industrial capitalist itself. [53]

This would certainly appear to be the case in Thailand, and as I have shown, it is not necessary to refer to anonymous hands behind banks, as these people can be identified.

In conclusion, it must be emphasised that this fraction of the bourgeoisie, while having control of the local capital market, and while being the obviously dominant fraction at the present time, is not the only significant fraction. Other powerful and competing fractions include those who base their accumulation on joint-ventures with foreign capital and small, national capitalists, who have, over the years, been...
able to muster elements of the petty-bourgeoisie, in particular military and civil bureaucrats, to their side in disputes between themselves and banking capital. In part, the "Young Turks" epitomised this alliance of the petty-bourgeoisie and the small capitalists. One wonders though if such an alliance could ever be successful in the long term, especially if the pervasive wealth and political connections of the Sino-Thai capitalists are taken into consideration. There can be little doubt that the defeat of the "Young Turks" coup was a victory for banking capital in Thailand.

Notes

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1. See, for example, Andrew Turton, Jonathan Fast and Malcolm Caldwell (Eds.), *Thailand: Roots of Conflict*, (Nottingham: Spokesman Books, 1978), originally published as 8(1) of *Journal of Contemporary Asia*.
8. In the presentation of the data one of the problems has been the rendering to English of Thai personal and business names. Where possible I have used the most common English transliteration. Where I have been unable to find such equivalents I have used the Library of Congress system, omitting the diacritical marks.
10. Ibid., and in English, Chatthip Nartsupha and Suthy Prasartset (Eds.), *The Political Economy of Siam (1851-1910)*, (Bangkok: Social Science Association of Thailand, 1976).
15. Sirilak, *op. cit.*, p. 96 provides a list of the principal shareholders.
18. V.I. Lenin, *Imperialism, The Highest Stage of Capitalism*, (Peking: Foreign Languages Press, 1973 ed.), p. 31. Bourgeois economists would no doubt argue along the same lines, at least as far as this particular quotation is concerned.
29. General Prapass himself has extensive business interests. The most complete list that I have found was published in the *Bangkok Post*, 25 August 1976, p. 6, and included 52 companies. The General himself claims to be living in relative poverty—see *Far Eastern Economic Review*, 26 December 1980, pp. 22-23.
33. *Ibid*.
36. Sarit Thanarat, military dictator of Thailand from 1957/8 to 1963, died leaving a 2,800 million baht legacy for his family and many mistresses to squabble over—see Thak Chaloemtiarana, “The Political Thought of Field Marshal Sarit Thanarat: A Paternalistic Political System,” *Social Science Review* (Bangkok), March 1977, p. 264. It would seem that at least some of this fortune was invested by members of his family, who also have shares in the Bank of Asia—see “Bank Data Sheet.”
37. *Sayam rat sapdawichan*, 6 April 1980, p. 4, *Million Baht Business Information...*, and “Bank Data Sheet.” For a profile of the Yip-In-Tsoi family enterprises see Joyce Rainat,


42. *Ibid.*


45. “Bank Data Sheet.”


49. "Bank Data Sheet.”


51. Lenin, *op. cit.*, p. 44.


Chapter 8
Industry Prior to Industrialisation

It is now reasonably well accepted that the early development of business and industry in Thailand was built on cooperation between Thai aristocrats, Chinese business people and Western merchants. This view is not challenged in this chapter, for the basic position is correct. What is important, however, is the manner in which this position has been incorporated within dependency and other semi-Marxist positions. It will be argued that these perspectives have led to shallow historical and sociological analysis, with an apparent neglect of a great deal of data concerning the development of early capitalist enterprise in Thailand.

This chapter is in three parts: first, a discussion of the characterisation of business development in Thailand and its theoretical underpinnings; second, an outline of the development of capitalist enterprise in the period from about 1850 to 1942; and third, some comments will be made concerning the nature of early industrialisation.

The Characterisation of Early Thai Business

In examining conceptions of the structure of business in the pre-1942 period, the positions to be examined are those presented by Suthy, Sirilak, Sungsidh, and Akira. Theoretically, the works of Suthy, Sirilak and Sungsidh are very close, and may be identified as being within a broad dependency perspective. Akira’s position is more complex, but he maintains many of the assumptions of dependency theory. All are concerned with the question of why it is that a strong national bourgeoisie did not emerge to create a capitalist Thailand.

In critically examining their positions, it should be noted that all have made significant contributions to the study of Thai history, and many of their observations are undoubtedly correct, and will be utilised here. The rejection of their theoretical positions, outlined in the works examined, does not imply a rejection of their insights and contributions. Rather, I wish to suggest that their theoretical perspective has meant that they have ignored certain, important aspects of industrialisation, elements which are given due emphasis in, for example, a more class-based perspective.

The dependency view begins with the observation that prior to the signing of
the Bowring Treaty in 1855, Thailand’s economy was largely self-sufficient, and characterised by subsistence production. Sungsidh, referring to pre-1855 Thailand as “feudalistic,” suggests that the “barriers” to the development of capitalism were a highly centralised bureaucracy and a cohesive village society, meaning that merchants could not develop an independent existence. It is only the intrusion of Western influence which breaks this down, with Suthy stating that “a static, precapitalist social formation...[came] under the powerful forces of the budding transnationalisation process...led by the big monopolies from the Center.” It is from this point, these writers argue, that a capitalist mode of production emerges. However, the capitalism which emerges is not “perfect,” but distorted and dependent.

These authors agree that there were two basic reasons for the emergence of dependent capitalism. First, concentrating on merchant capitalists, Suthy argues that as Western capitalists dominated,

...local capitalists could not become independent in their activities, so that the majority of them became only compradores... Being compradore capitalists, they could not become the leading class which would have brought about fundamental changes in the Thai society.

Second, compradors also indicated a dependence on the local ruling elite. As most were Chinese, they were prevented from securing their own political base, and so to protect their economic interests, they needed to share their wealth with the ruling elite to gain protection and privileges. Sungsidh explains that:

Most Thai capitalists were overseas Chinese. These Chinese capitalist[s] lacked nationalist characteristics. They had never realized the danger of Western imperialism which was going to control the Thai economy. This class had never realized the danger of Western imperialism which siphoned off both raw materials and surplus labour.... As a matter of fact, the Chinese capitalist also delivered profits back to China. They not only depended on Western capitalists...but also...high ranking aristocrats in the bureaucratic system.

The ruling elite, for its part, realised the benefits of such a relationship, and as well as controlling land, found outlets for their accumulated wealth, by funding Chinese capitalists. In addition, the elite, through such co-operation, were able to maintain Chinese loyalty. Sirilak outlines the versions of this co-operation, referring to the “primitive accumulation” of capitalists in government service, tax farming and provincial administration. Sungsidh argues that such co-operation was merely a part of a patronage system of “bureaucratic capitalism,” which while emerging in the Sukhothai period, was transformed from a cultural and political relation to one based on economic interests. The result was that the “bureaucratic capitalist was devoid of the will to change the relation[s] of production,...” Suthy agrees, noting that such a capitalist class limited its investments to the “sphere of trade and speculation, [and] hence the development of industrial capital was bound to be precluded.”

While Akira follows the dependency position quite closely, and agrees that much local industry was destroyed by the influx of Western mer-
chants, he does provide some analysis of the development of business in the pre-1932 period. For example, for the 1865-1934 period, he lists 17 “major privately-owned manufacturing firms,” three being defined as “Thai,” six as “Chinese,” and the remainder foreign. In analysing this kind of data Akira suggests three circles of people who were the major suppliers of capital: (i) European trading houses; (ii) Chinese merchants—“Despite the challenge of European capital, Chinese merchants still partially, had a strong stake in the Thai economy;” and (iii) royals, aristocrats and high bureaucrats. These circles overlapped, with the king and the Privy Purse being the pivot of the system, but it was the foreigners who were dominant.14

The dependency position should be rejected on theoretical grounds, but as I have discussed this elsewhere, only a brief comment on the impact of dependency perspectives on historical and sociological studies of Thai capitalism is required here.15 In the first place, the search for a “pure” capitalism is inappropriate. For example, Sungsidh looks for “perfect capitalism,” while Suthy sees only “distorted” capitalism.16 Sirilak and Akira are more attuned to the need for theoretically-informed discussions of historical development, but both tend to treat Western Europe and Japan as ideal-types, and measure the Thai experience against them.17 While comparative analysis is useful and necessary, their simplistic method is inappropriate, for an ideal-type is a hypothetical construct based not on universal principles, but on the “historical understanding of the typical complexes of values that motivate actors in different societies at different times.... [S]uch ideal-types depend...on detailed and extensive comparative and historical investigation....”18 What is required, then, is a thorough historical analysis of each case, in its own terms, and this assumes that no capitalism can be seen as being theoretically superior to any other, nor is there a single path to capitalist dominance, and the form of capitalism necessarily changes in different social formations. It is thus necessary to undertake a thorough analysis of the historical, social, economic and political context of the development of Thai capitalism.

Dependency analysts find this a difficult task for their emphasis is generally on imperialism, not domestic classes or class struggle. They tend to identify the domestic capitalist class as being no more than a comprador class, with little political power. While external determinations are important, they should not be permitted to override an examination of locally-based classes and political relations. The centre of attention should be the historical development of Thai capitalism, within the world economy.

The result of the dependency perspective is that no adequate historical account of the early development of industry in Thailand has yet been completed. In the following section of this chapter I will outline some of the information which has been neglected, and which might be a useful starting point for a more satisfactory historical analysis.19
The Development of Industrial Enterprise, 1850-1945

It is not proposed to examine the development of business enterprise in great detail. Rather, an outline will be provided, concentrating on industrial development, and examining two periods: first, the background to capitalist development in the late sakdina period; and second, expansion under the constitutional regime, from 1932 to 1945.

The Late sakdina Period

Towards Industrial Development

The signing of the Bowring Treaty is generally regarded as the beginning of a period of great economic change. While the provisions of the Treaty were important, their impact was shaped by forces stirring within sakdina society. Important changes in labour practices and commerce were already underway when Bowring arrived, with the corvee breaking down, Chinese labour being imported, and the whole taxation base undergoing change. Although an interest in industrial activities was evident during the reign of Rama III, it is true that prior to 1850, apart from some mining, sugar, and rice milling, industrial activities (as opposed to handicrafts) were virtually non-existent.

The expansion of trade which followed the Treaty, saw major developments in commerce and agriculture, rather than industry. Yet the expansion of these sectors did have some impact on the development of complementary industries. For example, with the growth of rice exports, milling became an important area of investment, especially for Chinese merchants and tax-farmers. Indeed, local millers soon took control of this important industry.

The first steam rice mill was introduced in 1858, and by 1879 there were ten steam mills operating in Bangkok, with Europeans controlling five. By 1894, Europeans still reportedly controlled five, while Thais and Chinese owned 24 mills. But, the Europeans’ days were numbered, for not only had the Chinese developed a technique for producing white rice, but they had, in 1909, begun direct trading with Europe. This constituted a major departure, altering the conditions of the trade, where Western merchants had previously controlled exports. Indeed, it meant the eventual elimination of the remaining European millers. From this time, competition was mainly carried out amongst local millers such as Khoon Seng (Lee Teck Aw) who, in 1920, owned or rented 14 rice mills and employed thousands of labourers, and Hang Nguan Huat Seng, with four mills, Khana Lim Heng Chan (Loh Tech Chuen), also with four mills, and Khana Wanglee (Tan Lip Buei) with three mills. Milling was not necessarily a small-scale operation. For example, Markwald’s mill, the biggest and best equipped in Bangkok (and Chinese-owned after 1917), was valued at 790,000 baht and was a two storey construction, over twenty metres to the eaves, with machinery above that level. Rice milling underwent another transformation in the late 1910s, with the introduction of petrol
motors. This led to a decentralisation of rice milling, and by 1928 an estimated 300 mills operated in the provinces.²⁷

Other areas of significant expansion included sugar (until the late 1860s), ice manufacture and private electricity generation.

The sugar industry was a large employer of labour, and Bowring considered that it had a bright future. Exports peaked at 203,596 piculs (1 picul = 60 kg.) in 1859, but thereafter declined. The methods used were described as “primitive,” but the prospect of export earnings encouraged some investment in modern plant and methods with at least two big mills being established in Nakon Chaisi in 1862 and 1870. Both eventually failed, with the machinery from one being removed to be used in a rice mill in Bangkok.²⁸

The sugar industry declined rapidly from the 1860s, due to a combination of factors: First, as exports declined, taxation became a burden. Second, there was some deterioration of land due to influxes of salt water. Third, mill owners tended to control production and prices, setting their own terms, so that when prices fell a number of plantations shifted away from sugar. Fourth, the mill owners had previously been able to employ labour cheaply, but as other employment opportunities became available, labour moved out of the sugar mills. A fifth and related factor was the extension of rice cropping, at the expense of sugar cane. Chinese labour was said to have flocked to rice mills, where the conditions of labour were better than in the sugar mills and cane fields. Finally, the competition from higher quality Javanese sugar could not be withstood.²⁹

Ice manufacture developed rapidly after the 1870s. The European firms, Markwald and Co. and Edward Knox, were the pioneers, manufacturing in Bangkok to replace imports of bagged and boxed ice from Singapore. Both plants were eventually acquired by local interests, but it was only after 1887 that major changes took place, when Chalerm Phitit Chakapan established a factory, using French machinery, producing 1,600 pounds of ice a day, and meeting almost all of Bangkok’s requirements. In spite of this, further expansion took place, meaning lower prices, thus expanding the market, and transforming ice into a commodity which was not just for the wealthy.³⁰ Later, in 1899, the Bangkok Manufacturing Company (BMC) was established by a group of Thai aristocrats and Europeans, with a capital of 80,000 baht, to make ice and provide cold storage. Expansion continued, and local operations such as Nai Lert [Setthabut] and BMC, owned by Hoon Kim Huat [Hoontrakul], established and expanded their factories.³¹ BMC’s new premises were of three stories, and covered approximately 5,000 square feet. The new plant produced 40 tons of ice a day and stored a further 100, with cold storage facilities also being available.³² By the 1920s the ice business had fallen almost entirely into local hands.

An offshoot from ice manufacture and cold storage was the development of a local aerated waters industry, with Anderson and Co. opening the Oriental Soda Water Manufacturing Company in 1887, using water from Hong Kong and the then
most up-to-date machinery. This company's plant did not last long due to the local drinker's preference for waters imported from Singapore. Nevertheless, there were other attempts to develop the industry, despite consumer opposition to the local product, and it was only when the British legation began using local waters, manufactured by the BMC, that this attitude changed. Then, Fraser and Neave, operating from Singapore, and previously enjoying something of a monopoly in Bangkok, decided they would have to establish a plant in Bangkok if they were to retain their position in the local market. By 1925 both Fraser and Neave and BMC were making and bottling aerated waters in Bangkok, using local water.33

Much of the business development which took place in Bangkok, and, later in the provinces, depended on adequate supplies of water and power. The former remained a problem until 1914, when the Bangkok Waterworks was opened.34 The first major innovation in power for industry came in the form of steam engines, noted above. A second innovation was the introduction of electricity, produced as a commodity by private enterprise. Originally introduced to light the Grand Palace in 1884, by the late 1880s electricity was being used in rice mills, primarily for lighting, so that a night shift could be introduced. In 1889 the Bangkok Electric Light Company was established, with a capital of 45,000 pounds, half of which was supplied by the King. Prince Sanprasert was president of the company which also included a number of European investors and directors. The Company experienced serious financial difficulties in 1891, and was only saved by the King buying almost all of a new share issue.35 In 1898 the concession for supplying electricity passed to the European-controlled Siam Electric Company (SEC), which had electrified their tramlines and supplied electricity commercially. The Company was very successful with, for example, a profit of 2.08 million baht in 1919/20.36

Some of the expansion of domestic capital was a result of co-operation between Chinese merchants and the aristocrats of the absolute monarchy. Even so, industrial investments remained relatively unattractive as the domestic market was limited, and competition from imports was fierce, especially as the sakdina state was unable, under the provisions of the Bowring Treaty, to impose meaningful tariff protection. Here, the dependency perspective seems most powerful, but it must be acknowledged that some developments were taking place, and a number were important, most notably, the Siam Cement Company.

Established in June 1913, Siam Cement began its operations in May 1915, and was, from the beginning, a success, recording a profit of 775,344 baht in 1921.37 Its capitalisation was raised to three million baht so that productive capacity could be expanded in 1921, and to 10 million baht in 1923. The Company was employing 150 Siamese, including some women, and 95 Chinese. By 1925 Siam Cement was tapping into the export market, shipping to Singapore.38 Profitability remained high, so that even during the depression, the company was able to further expand its capacity, without calling on shareholder’s funds, and still declare a profit in excess of 500,000 baht.39
The success of Siam Cement was due not only to the combination of European and royal investment, but also to the fact that there was a tremendous boom in construction. For example, the Rama VI railway bridge was constructed in 1924, using 1,000 concrete bricks daily, all made on-site from locally produced cement. In addition, a number of small, local brick and tile manufacturing operations were established, using locally-produced cement. Similar kinds of operations were begun in other areas such as soap production.

Less successful though were those industries which aimed principally at the export market. In addition to sugar, fruit canning developed to utilise local resources for export, but failed. In the 1910s the possibilities for a canning industry attracted considerable attention, and pineapple canneries were established at Petriu, Bangkok and Thonburi. The Siam Pineapple Factory, owned by Luang Chitr Chamnong, was said to be most up-to-date, with modern machinery, and sent several shipments of canned pineapples to Europe. All work was carried out at the factory, making and stamping the cans, canning the pineapples, and packing. The factory had a capacity of 30,000 cans a day, however, within a few seasons the industry had collapsed due to the uncertainty of European markets and stiff competition.

In addition to these significant developments, two tramways companies were operating in Bangkok; a shipyard was building small steamers; and an iron works was operating; Phraya Bhaskarawongse had established a cigarette factory which employed 150 young women, working 30 machines and making 3,000 cigarettes a day; and it was reported in the 1920s that some attempts had been made to re-establish fruit canneries.

Despite many failures, the movement into production continued, and in 1919 the British consul could report industries operating in timber and rice milling, mining, cement, ice, aerated waters, soap, cigarettes, and tanning. As “native” industries it lists: wooden boat-building (in Chinese hands), furniture making (Chinese), carriages (Chinese), silk, weaving, dyeing, tobacco, biscuits (Chinese), and gem polishing. This was certainly not a complete compilation, for just a few years later, when a new sanitation schedule was introduced in Bangkok, a number of factories had to be removed. These included fish sauce manufactories, soap factories, tanneries, dyeing factories, and places where khanom chin (noodles) were made. In addition, there were a number of bean and coconut oil factories. An area which also developed rapidly in the early twenties was weaving. Some attempts were made to establish modern factories, but these were not successful. Rather, it was out-work and small-scale Chinese hand-loom operation which expanded.

Business development were not confined to Bangkok, and by the mid-1920s, rapid change was reported in rural centres. Almost all of the larger towns such as Ayudhya, Lampang, Phetburi, Chiangmai, Songkhla, and Nakon Sawan, were supplied with electricity by private companies, while tanneries, ice, and aerated waters factories were increasingly common. This was supplemented by continuing village production of woven silk, lacquerware, and cotton piecegoods produc-
tion. As an example, in 1927, Nakon Srithammarat was said to be modernising rapidly:

[W]e, are awakened in the morning by the rice mill whistle and our coolies eagerly await its blowing at noon.... Our electric light plant (very efficient) has been running for about five years. A new ice plant is the latest... [but] the factory at Tung Song still finds Nakon a good customer.

In addition, as noted above, the use of petrol motors greatly expanded rural-based rice mills.

The State and Business Development

At this time, there was pressure for the state to become involved in business. The Government had, of course, long been involved in business through investments by kings, aristocrats, the Treasury, and Privy Purse. For example, investments in railways, while in part based on strategic considerations, were also, initially, an investment for the king and private interests. For example, investments by the Privy Purse in the Meklong and Paknam railways, were said to be on behalf of “Queens and Princesses” from their “accumulated savings and interest....” In 1889, when it was decided that railways were to be promoted, King Chulalongkorn is reported to have been the prime mover, and was to be the “principal stockholder in the Company.” However, it was not until the 1920s that the state began to become involved in what can truly be referred to as state enterprises. In 1921, the Army imported experimental paper making equipment. By 1924 the paper factory was in operation, employing 54 workers. The Government also ran the Bangkok waterworks, the Samsen power station, and the state railways, which made large profits.

These initiatives were not a part of any determined move by the state into business, but there were, at this time, many calls for the Government to become involved in industrial activities. Some felt that the Government should be able to take the initial losses in the interests of creating an industrial base and demonstrating the benefits of commerce and industry. The state also took steps to regulate business activity, having promulgated, in 1890, a companies act, based on the Indian Code. This was upgraded by the Law of Partnerships and Companies (1911) which came into force in 1912. At this point, both foreign and domestic companies were looking for a regularisation of business and state activities, indicating that the moves to capitalist enterprise and organisation were becoming significant to the state.

Intensification

In the late 1920s and early 1930s the movement of capital into production intensified. This was due to four factors. First, treaty revisions, which came into effect in 1927, allowed some tariff levels to be raised. Second, the depression years saw a significant downturn in the activities of foreign investors and a dramatic decrease in imports. Third, the depression convinced a number of Thai policy makers and industrialists that economic development based on the monocultural...
production of rice was problematic. Fourth, the new Civil and Commercial Code was promulgated, section by section, beginning in 1925. This new code gave business enterprises a legal status they had not previously enjoyed, greatly boosted business confidence, and was followed by a flurry of business registrations. For example, the Siam Electricity Corporation Ltd. was formed through the amalgamation of the Siam Electricity Company (capital = 700,000 pounds) and Siamese Tramways Co. Ltd. (capital = 625,000 baht). The new Corporation had a registered capital of 22,563,200 baht, 25 percent held by Siamese, and 60 percent by Belgians. The directors were in Bangkok, Copenhagen and Brussels, with the head office in Bangkok. The amalgamation was said to be only possible by the promulgation of the Code. Following the formation of the expanded Corporation, profitability was high, with gross profits for 1927/8 being 3.42 million baht.

A plethora of electricity generating companies were formed, some noted above, but also including the Central Electric Co. Ltd. formed, with a capital of 200,000 baht, by “prominent officials of the Government now on pension...,” including Chaophraya Dharmasakti Montri, Phraya Devahastin, and Phraya Boriboon Kosakom, to produce electricity in provincial centres. By 1929 some ten provincial electricity companies had been registered. In addition, the late twenties and early thirties saw further moves into import replacing activities in a wide range of commodities including cinema films, tobacco, automobile and truck body-building, textiles, fertiliser, soap products, and animal feeds. Beer and matches provide useful examples.

In 1931, Phraya Bhirombakdi established a company to brew beer in Bangkok. Initially, the company had a registered capital of 500,000 baht, 75 percent allocated to Siamese shareholders, and the remainder to Germans. The latter were to run the technical side, and Bhirombakdi the business side. Significantly, the Government raised the duty on imported beer from 12 percent ad valorem to 30 percent or 15 satang per litre, whichever was greater.

In match production, considerable expansion took place. In 1923 it had been reported that the demand for imported matches had increased dramatically. Part of the reason for this was that a considerable quantity of matches were being smuggled to Burma, evading British Burma’s import duties. There had been a small local industry for a number of years, but after treaty revisions and the implementation of new tariff levels, large-scale enterprises were established. In 1928 the Min Sae Co. Ltd. was registered by a group of Chinese, with a capital of 200,000 baht, to erect a match factory. Even before the Company’s factory had come into production, a Swedish company attempted to buy it out. The Swedes failed, but fearing that the European-controlled 85 percent of the local market was threatened by domestic production, engaged in a vicious price-cutting war, and began planning their own factory in Bangkok.

The Min Sae factory opened on a 20 rai site on Rama IV road, employing some 700 workers, 600 of whom were day-labourers, most being Chinese women and
children, with Siamese being employed as outworkers, making boxes at home. A reporter described the processing as being done by “complicated automatic machinery, partly driven by electric motor and partly by hand.” The company hoped to capture 20 percent of the local market. Its competitor, the Siam Match Factory was opened in 1931 by the Swedish Match Co., with the Borneo Company as managing agent. Operating in a modern steel and cement factory, work continued for 24 hours a day, in two shifts, with 325 labourers on the day shift and 225 at night. Most of the work was automated, with the Chinese and Siamese workers being employed on a piecework basis.

The 1920s also saw some significant developments in local business promotion. While shares had been traded in Bangkok for a number of years, it had been done on a relatively informal basis, but in 1922 a local firm began to quote share prices, and in 1927 nine local firms were being quoted daily in local newspapers, all except one being in baht prices. In addition, a Siamese Chamber of Commerce was registered, a move welcomed by King Prajadhipok. While the results of this increased investment were not spectacular, local managers and entrepreneurs gained valuable experience.

By 1932 Thailand’s socio-economic structure could hardly be described as capitalist, but the capitalist mode of production was on the rise, growing in the womb of sakdina society. While the classes of capital and wage-labour remained small, both were developing a consciousness of themselves as classes, and were poised for further expansion. The overthrow of the absolute monarchy in 1932 heralded the beginning of a significant period in the development of Thai capitalism.

Industry and the Constitutional Regime, 1932-1942

In seizing state power, the People’s Party (khana ratsadon) indicated its opposition to what some saw as an outmoded economic system, dominated by the sakdina class and Western and Chinese merchants. While the members of the People’s Party did not possess a common economic base, and could not reach agreement on fundamental economic tasks, their nationalism was an expression of a desire for economic advancement. From the day it came to power, elements within the Party were demanding economic progress, and there was much pressure for the state to intervene to promote this. For example, Mangkorn Samsen, a member of the National Assembly, suggested that Siam needed sugar mills, cotton weaving and gunny bag factories, and a national bank in order to promote the national economy.

The most radical economic proposal to emerge at this time was Pridi Phanomyong’s plan, which suggested, amongst other things, a system of state ownership of land and manufacturing. Pridi’s proposals were rejected, but there remained agreement that the state should intervene in the economy in order to promote economic development. With memories of the depression clear, with Europe moving towards war, and with the rise of fascism in Europe and Japan, ideas
of national self-sufficiency became paramount in state policy, and industrial development was to play a crucial role in this.

Especially after Plaek Phibun Songkram (Phibun) became premier and Pridi the minister for finance in late 1938, an aggressively nationalist economic line was pursued, with the avowed aim of taking the economy out of the hands of aliens. The government sought to move the small industrial sector and the service sector to Thai and Sino-Thai hands, in order to build a base for national industrialisation. Such development was also an important ideological element in the nation-building programmes fostered by Luang Vichit Vadakan. However desirable such programmes, industrialisation required large investments which were not forthcoming from local investors. Thus, the state determined to take a leading role in the development of industry, announcing:

> any industry, which the Government desires to create but which is too big an undertaking for private persons, shall be started by the Government in the form of a private corporation, having private individuals as share-holders and conducted semi-officially.

The state’s investments and involvement in business development were significant. In 1934 the Ministry of Defence established a mechanised textile factory, and another in 1941. The Ministry of Economic Affairs established a silk factory in Nakon Ratchasima in 1936, and two sugar mills in 1937 and 1941, having earlier taken a 25 percent share in the Siamese Sugar Co. established in Cholburi in 1935. In 1937 the Government budgeted for the establishment of a pharmaceuticals research laboratory, and a distillery was opened by the Ministry of Finance in 1941. These investments were additional to state involvement in aircraft manufacture and assembly, paper mills, rice and timber mills, trading companies, banks, infrastructural projects and a slaughterhouse.

The state also made a number of attempts to promote business. For example, it raised a number of internal loans for industrial development, and established the Thai National Banking Bureau in 1939, which became the Bank of Thailand in 1942. In April 1942 the Thai Industrial Promotion Company (Borrisat songsoem utsahakam thai chamkat) was formed, with capital of 120,000,000 baht. The largest shareholders were the Finance and Industry ministries, and the latter had control of the company. It had two sugar mills, a glass factory, a farm implements factory, a hat manufacturer and a coconut oil plant under its wing. In addition, in 1942, the Department of Industry was upgraded to a full ministry, and for the first time since the presentation of Pridi’s ill-fated plan, the then Department of Industry produced a plan for industrial development in November 1941. However, its implementation was forestalled by the outbreak of the Pacific War.

These moves were not an attempt by the state to establish a robust state sector in competition with the private sector. Rather, it was an attempt to provide for economic development and a measure of industrial self-sufficiency at a time when there was little investible capital available within the country, and when foreign
capital was not forthcoming and, indeed, was not being actively sought. An excellent example of how the state was prepared to aid domestic private investors, Thai and Chinese, can be seen in the case of the Siam Paper Company.

Siam Paper was registered in 1932, with a capital of one million baht. The promoters of the Company included Teck Komes, Vorakich Banham, Dongdi Isarakul, C. Kim Hah, Kim Seng Kim Suvarna, Phra Bibidh Basdakarn and Thien Sieng Karnasuta. By 1935 the Company had imported German machinery valued at 1.5 million baht, considerably more than its registered capital, and its bankers would not advance beyond what was in the company's accounts. Nor would the Government guarantee any advances, but it was willing to take over the company until the production stage was reached, when it would be refloated, with the original shareholders having preference in the allotment of shares. Production was expected to begin in 1937. A number of military men and politicians were appointed as advisers, and the Government attempted to entice others to put up some of the capital. Amongst the new shareholders were the Government (7,382 shares), and the royal family and Privy Purse (600 shares). In all there were 662 shareholders, 401 holding just one share each and 92 with just two shares each.

Private businesses also expanded in the industrial sector in the post 1932 period. Cigarette manufacturing expanded, especially after duties were increased in 1932. The Lamsam family and a group of Thais took over the Burapha cigarette factory, and registered it with a capital of 400,000 baht. To meet domestic competition, the British-American Tobacco Co. established a plant to produce cigarettes for the local market. Locally manufactured Virginia-type cigarettes provided tough competition for the imported varieties, due mainly to increased import duties, and local manufacturing capacity, including European firms, expanded to 120 million cigarettes a month.

Matches continued to be a lucrative product and sold well throughout the country and in the Shan states, prompting a number of new ventures and the development of a thriving cottage industry in the early thirties. However, the industry depended very much on state tariff policies, and its fortunes fluctuated with the rise and fall of tariffs. For example, the Min Sae Co. closed temporarily a number of times for this reason.

Other developments included the production of mosquito coils, shoes, sacks, rope, glass, dry cell batteries, rubber products, toys, neon lighting, and weaving machinery. In addition, Phraya Bhirombaki, having installed his 400,000 baht brewing plant, began production in 1934. Local beer production was seen as a serious threat to the future of European imports, which were predicted to almost cease as local beer established itself on the market.

While data on industrial development is not copious for the pre-World War II period, a survey conducted by the Ministry of Commerce in late 1939 indicated considerable industrial capacity in the Bangkok-Thonburi area (see Table 8.1). While most of these plants were very small, there can be no doubt that industrial
production was emerging as an important area of investment for domestic capitalists. Certainly, an industrial base was being established and consolidated, and production expanding. Domestic capital had become quite vigorous under the combined impact of state investment and the contraction of imperialist investment during the Depression.91

Table 8.1 Industrial enterprises in Bangkok-Thonburi, 1939

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanneries</td>
<td>32</td>
</tr>
<tr>
<td>Power Rice and Timber Mills</td>
<td>27</td>
</tr>
<tr>
<td>Textile Factories</td>
<td>26</td>
</tr>
<tr>
<td>Food Canning and Bottling</td>
<td>21</td>
</tr>
<tr>
<td>Machinery Shops</td>
<td>20</td>
</tr>
<tr>
<td>Ice Factories</td>
<td>12</td>
</tr>
<tr>
<td>Coconut Oil Plants</td>
<td>5</td>
</tr>
<tr>
<td>Match Factories</td>
<td>4</td>
</tr>
<tr>
<td>Toothpaste and Toothbrush Factories</td>
<td>4</td>
</tr>
<tr>
<td>Soap Factories</td>
<td>3</td>
</tr>
<tr>
<td>Cigarette and Tobacco Factories</td>
<td>2</td>
</tr>
<tr>
<td>Brewery</td>
<td>1</td>
</tr>
<tr>
<td>Glazing Works</td>
<td>1</td>
</tr>
<tr>
<td>Paper Mill</td>
<td>1</td>
</tr>
<tr>
<td>Cement Plant</td>
<td>1</td>
</tr>
<tr>
<td>Metal Shops</td>
<td>285</td>
</tr>
</tbody>
</table>


The Nature of Early Industrialisation

What is all too briefly indicated in this study is not a rampant capitalist revolution, cutting through the forces and relations of production of a pre-industrialised society, and creating an industrialised Thailand. The process was far more incremental in nature. But nor are we faced with a picture of a stagnant, dependent, comprador-based society which "developed" only under the impact of external forces. The process of industrial development outlined above was an essentially continuous process, albeit made up of a series of virtually singular attempts to develop in various sectors. Even so, it is necessary to delineate two not entirely separate periods, determined not so much by changes in production or accumulation patterns, but by the impact of the role of the state—the period of the absolute monarchy, up to June 1932, and the constitutional regime after 1932. In broad terms, the pre-1932 period was one where the state took a largely laissez-faire position towards business and industrial development, whereas the succeeding regimes were far more involved in economic policy making and production.

Prior to 1932 the division between state and society was, at the level of the ruling sakdina class, indistinct. While there were moves made to separate some state
revenues from individual wealth (especially the monarch's), under the sakdina system, such a separation was formal rather than real. For example, while King Vajiravudh made the Privy Purse Department subject to taxation, he tended to treat state revenues as his own. When he died, the Government had to cover a number of his personal debts as if they were a state responsibility. Treasury reserves were depleted and Vajiravudh's estate faced claims of 3.65 million baht. In addition, 4.6 million was owed to the Treasury for advances made to the deceased king. The state (not the new monarch) assumed the debt, initially allocating three million baht in the 1926/7 budget to cover the debt.

In business, investments by the monarchy and Privy Purse were substantial, involving almost all big enterprises developed until 1932. The Privy Purse, for example, acted as an investment broker for many royals, and monarchs had been keen to promote business. But, their involvement complicated modern business organisation and development, especially in a situation where political power resided with an absolute regime. There are many examples of this, some, like the near collapse of the Siam Commercial Bank in 1913, being well known. At the level of the firm, there was also confusion, as indicated by the case of the Siam Coal Company, which was fifty percent controlled by the Privy Purse and Government. The Company was failing and a major restructuring was proposed, which the Privy Purse opposed. In desperation, the European manager of the Company (and a major shareholder) asserted that "it would seem that we are not a free Company but a Government Company." The Privy Purse representative, in denying this, argued that he had trust in the Government, implying that it had the ability to make the right decisions. Obviously the distinctions between the private and public were blurred, and the monarchy and Government usually held sway in such disputes, for they had the position of both powerful investor and monopolist in the political structure.

After 1932 this position changed markedly. The state, now more readily identifiable, embarked on a serious, if unplanned, policy of state-led industrial development. Certainly, state investment in business was far more visible than it had been previously, and concentrated in productive areas such as sugar refineries, and textiles. In part, the state was able to embark on its nationalist development policies because the influence of the West upon its autonomy were largely removed due to the effects of the depression and the run-up to war in Europe and the Pacific. Another important reason for this change was that the new regimes defined nation-building in terms of self-sufficiency, industrialisation and economic progress, whereas the previous regime was more interested in securing a nation-state through defence and improved communications.

1932, then, marks an important event, what might be seen as the formal recognition of a new logic operating in Thai society. Things had been changing, but the 1932 "revolution" (combined with the defeat of the Boworadej Rebellion in 1933) indicated the triumph of the new way of organising state and society, even though the actual organisation still had to undergo much greater change. The
position of the state had altered markedly, and so had business and industry, and it is worthwhile reviewing the path of industrialisation in the period under discussion.

Industrialisation begins when the merchant moves into productive investments, through the ownership of capital, in assets or by acting as an employer and producer. But, the pattern of this shift varies from one society to another. In the Thai case the shift began in the processing of agricultural produce, in sugar and rice milling. Especially in rice milling, there was rapid expansion in the 1860-90 period, as aristocrat-merchants and Chinese merchants built and bought mills, eventually taking control of the trade, eliminating the Europeans. Profits were high, while the risks were not, initially, great. Some of these profits were invested in other areas which met immediate local consumption needs, such as electricity, aerated waters and ice, while servicing, in areas such as machine shops and engineering works, also developed.

From the 1890s, while milling remained important, aristocrats, merchants and budding capitalists began to move their money into local consumption areas and import replacement sectors. Important industries to develop were ice and cold storage, tanneries, soap, cooking oils, local foods (such as biscuits and fish sauce) and cement. In the 1910-32 period there was an intensification of import competing industries (matches, cigarettes, batteries, paper, soap products, textiles, tiles), and the nascent promotion of the export of manufactures, with cement being the most successful, while canned fruit collapsed. It was also in this period that industrial decentralisation began, with electricity generation, ice factories, timber mills; rice mills and cottage industries developing in the provinces.

After 1932 this pattern continued with, for example, the establishment of industries producing beer, neon lights and rubber products. But, from 1934 this changed, with the Government becoming more involved in industry, in a variety of sectors including, sugar milling, paper, textiles, and pharmaceuticals. While there appears to be little pattern to these state investments, all were import competing. More important, though, was the state’s determination to support industrial projects even when private capital, local and foreign, was scarce. This is not to imply that state investment swamped the private sector, for as was indicated in Table 8.1, there were many private industrial firms operating.

The role of foreign capital was, of course, important in this context. Writers influenced by dependency theory have made much of the impact of foreign capital in the creation of a dependent Thai capitalism. There is no doubt that foreign capital has been of crucial importance in the expansion of commerce and industry, but these writers seldom attempt to assess the scale of foreign investment.

There are very few figures available on foreign investment prior to the late 1940s, apart from a few scattered estimates—for instance, Australian investment in tin mining was estimated at about two million pounds in 1927; in 1932 total British investment, including loans, was estimated at 20 million pounds; shortly after, however, a British financial magazine, claimed that no accurate assessment was
possible as most British capital was in trade and banking, and was therefore "fluctuating capital," although loans were reported to total 5.15 million pounds.\textsuperscript{98} None of this seems substantial. Callis, who presents "a rough estimate," confirms this (see Table 8.2).\textsuperscript{99}

It would seem that even though foreign investment was small, while rentier investments (and especially loans) were declining, more direct investment was taking place. Even so, the figure for 1938 is at least matched by that for "the Chinese," whom Callis regarded as "foreign," but excluded from his table.\textsuperscript{100} Here, the definition of what can be regarded as "foreign" investment must be questioned. While at this time there was considerable concern over the remittance of capital by Chinese to their homeland, most contemporary estimates were inflated. Reasonably reliable estimates suggest that less than an average of 20 million baht a year was being remitted in the 1927/8-1937/8 fiscal period.\textsuperscript{101}

Table 8.2 Foreign investment in Thailand, 1914-38 in millions of US dollars (a)

<table>
<thead>
<tr>
<th></th>
<th>Rentier (b)</th>
<th>Entrepreneur (c)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914</td>
<td>40</td>
<td>25</td>
<td>65</td>
</tr>
<tr>
<td>1930</td>
<td>57</td>
<td>75</td>
<td>132</td>
</tr>
<tr>
<td>1938</td>
<td>34</td>
<td>90</td>
<td>124</td>
</tr>
</tbody>
</table>

Notes: (a) One baht = 45 US cents. (b) Defined as portfolio investments. (c) Defined as direct investment, but including family, incorporated and unincorporated enterprises.


Certainly, the bulk of the great wealth generated by the Chinese community was remaining in Thailand and being invested and reinvested. Even in the case of Western investment, the simple label "foreign" can mask essentially domestic enterprise. For example, many of the early investments by Westerners such as tramways, engineering works, hotels and some manufacturing, represented investments by Westerners who had essentially made Thailand their base, and were maintaining their process of accumulation within Thailand. Their "foreign-ness" must be questioned, for what is important for an adequate analysis is not so much the nationality of capitalists, but the location of the process of accumulation.

Other writers have emphasised the dominance of foreigners in trade. After 1855 foreign, mainly Western, shipping dominated tables of tonnages in and out of the port of Bangkok. However, these figures can be misleading, for as Skinner notes, over 60 percent of Bangkok's trade in the 1890s, while shipped in Western vessels, was for Chinese accounts. In addition, foreign firms were almost entirely excluded from any significant role in retailing and internal trade. Skinner correctly concludes that "...in general Chinese entrepreneurs outdid Westerners..." in exploiting the opportunities which came from greatly expanded trade.\textsuperscript{102}
This is not to deny that there was an anti-Chinese, “nationalist” element who portrayed the Chinese as “foreign.” Even so, it is important to recognise that in the 1850-1942 period Chinese investment was, by and large, welcomed. Until the reign of Vajiravudh (1910-1925) there seems to be no argument with this, and it is Vajiravudh who is identified with the rise of nationalism and anti-Sinicisism. However, if Vajiravudh’s writings are carefully examined, it becomes clear that his “anti-Sinicisism” is an attack on lower class Chinese, and not the Chinese he and others of his class considered to be civilised and gentlemanly.

Thai anti-Sinicisism, as Skinner notes, in a point which has not been taken up since, derives from Western writings and attitudes, and especially from influential Westerners in Thailand. In their anti-Chinese attitudes Westerners, especially officials and business people, were bound by their views of a “race” they saw as rebellious and anti-Western in China. Their experience with Chinese labour was of strikes and boycotts, and of trade and business competition with Chinese merchants. Thai rulers reflected these attitudes, and Vajiravudh attempted to demonstrate, to Westerners, that the Thai were not Orientals of the rough, rebellious Chinese coolie mould, but civilised, rather like Westerners. This was congruent with the sakdina ruling class’s view that the rich were worthy of respect and deserving of wealth and position, whereas the poor were relatively useless in civilised society other than as suppliers of labour.

After 1932, while the rhetoric of anti-Sinicisism re-emerged, it was again largely defined in class and political, rather than ethnic terms. In this period, the target was again small Chinese business people and workers. While these people were the victims of discrimination in state policy, big Chinese capitalists and state officials expanded their co-operation. Even though there were attempts to break the Chinese grip on certain industries, such as rice, the motivation was more due to political considerations (for example, the need to avoid Chinese boycotts of Japanese goods) than ethnic factors. This is confirmed by the fact that many business enterprises, managed or owned by ethnic Chinese, were promoted by the state at the time that Chinese activity in the rice trade was being circumscribed.

Labour

This raises the question of labour. It is not appropriate to provide a description of capitalist development without broaching the role of wage-labour, identified by both the state and capitalists as their opposition. Like capital, the working class was not a large class, with the majority of the people remaining in agricultural activities. Nevertheless, the historical role of labour has been significant, more so than the available analyses suggest. Dependency and semi-Marxist theorists have been remarkably chary in their discussions of labour, perhaps because, like capitalists, they see them as “foreign”:

...Thai capitalism was very weak owing to [the fact that] both bourgeoisie and the proletariat...were overseas Chinese. This labour force was bound to their own country more than
Thailand...[and] regularly sent their savings back to...China. They were not antagonistic to the Sakdina system...[and] considered themselves as aliens.... They fled from troubles in China to seek tranquility in Thailand.\textsuperscript{111}

This says more about the nature of modern, radical, Thai nationalism and its intellectual heritage in Vajiravudh's writings than it does of labour in the pre-1942 period.

While labour had been freed from sakdina bondage, the expanding demand for labour could not be met, and from 1882 to 1931 there was a net addition of some 951,000 Chinese labourers to the workforce. Chinese labourers dominated the class of wage-labour well into the twentieth century, being employed in a wide range of areas, from mining and plantations to manufacturing.\textsuperscript{112}

Work was often difficult, especially in the southern mines and on railway construction projects, where disease and poor conditions decimated the labour forces.\textsuperscript{113} Such conditions served to forge a degree of worker solidarity, with strikes and rebellions becoming more prevalent, especially in the 1880s and 1890s, both in Bangkok and the provinces.\textsuperscript{114} By the 1920s labour militancy had emerged as a serious political issue, especially as the contradictions of the absolute monarchy's political and economic systems were attacked and communist propaganda began to appear. In 1927 the monarchy was forced to promulgate amendments to the criminal code which outlawed most forms of labour activity.\textsuperscript{115}

After the change of regime in 1932 there was an outpouring of grievances from labour, having been repressed in the last years of the absolute monarchy. Labourers and the unemployed, both Thai and Chinese, were continually petitioning the Government over jobs and conditions, and there were strikes and agitation by tramway workers, railway workers, rickshaw pullers, taxi drivers, and women textile workers, amongst others.\textsuperscript{116} In addition, Thailand's first legal trade union was established before the end of 1932.\textsuperscript{117} The workers did not limit themselves to industrial matters, and were active in opposing Phraya Manopakorn's coup against the National Assembly, against the reactionary Boworadej Rebellion in 1933, and in supporting the Pridi faction of the People's Party.\textsuperscript{118} While the state was able to pacify labour through its efforts to create industrial work, nationalist ideology, repression, and the threat of war, labour did continue to be mildly active, politically and industrially, until the outbreak of World War II.

\textit{Conclusion}

The core of this chapter has been to indicate that the dependency and semi-Marxist perspectives on the early stages of capitalist development in Thailand have, while presenting an essentially accurate model of the nature of the class coalition which generated capitalism, concentrated on trade, being neglectful of industrialisation and domestic class relations.

The picture which emerges for the pre-1932 period is of an essentially two class society:
This developed into a more complex structure, especially after 1932, when the sakdina class lost formal state power. While royals and aristocrats maintained their wealth for a time, particularly through their investments in land, it was high-level bureaucrats (mainly Thai) and big business people (mainly Chinese) who became the most powerful groups, ruling over a developing “middle class,” made up of state employees and small entrepreneurs. The underclass was made up of the peasantry, artisans, skilled and unskilled labourers.119

In this chapter, the emphasis has been on internal classes and industrialisation, indicating that the process of capitalist development has been more complex than past approaches have indicated. This emphasis on internal factors indicates that the dichotomy between “internal” and “external” is false, and that both sets of factors need to be considered. However, far more research needs to be completed before this point can be fully confirmed. And, in contradistinction with recent “post-structuralist” ruminations, this historical research is valuable and can be completed.120 There is much material available and, as yet, it remains largely untouched. In addition, there needs to be more attention given to developing greater theoretical and methodological sophistication in this work.

Notes

1. This is a revised version of a paper presented at the Conference on “Industrializing Elites” in Southeast Asia at Sukhothai, Thailand, 8-12 December 1986. In conducting the research incorporated in that paper, generous support was provided by the Department of Political and Social Change, Australian National University. Andrew Brown, Scot Barne, and Suchai Treenit provided valuable comments on an earlier draft. The responsibility for the final version remains mine.

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7. Suthy, Thai Business Leaders, p. 11.

8. Ibid., p. 12.


15. See Chapter 2.


17. Sirilak, op. cit., pp. 79-81; Akira, op. cit., Ch. 7.


19. The data upon which this analysis is based is not comprehensive. It is the result of a short period of archival research focusing on newspapers and consular reports. There remains a wealth of material in the Thai National Archives and National Library, virtually untouched. One recent publication which does use some of this data is Plaiyoo Chananon, Naithun phokha kap kan ko lae khayai tua khong rabop thunniyom nai phak nui khong Thai ph. so. 2464-2523, (Bangkok: Chulalongkorn University Social Research Institute Publications, 1987).


26. BTWM, 14 August 1922; 23 June 1924; 30 April 1928; and 14 October 1929.
29. BT; 20 July 1935.
30. BTWM, 6 October 1924.
31. BTWM, 12 January 1920; and 29 August 1932. Though later acquitted, Hoon Kim Huat was a defendant in the trial over the failure of the Chino-Siam Bank in 1913, in which large amounts of money disappeared (BTWM, 14 October 1918) and which caused resentment over royal favours—see Chatthip Nartsupha, Suthy Prasartset and Montri Chenvidyakarn (Eds.), The Political Economy of Siam, 1910-1932, (Bangkok: The Social Science Association of Thailand, 1978), pp. 125-138.
32. BTWM, 24 April 1922.
33. BTWM, 15 October 1923; and BT, 21 May 1925; 10 October 1925; 1 May 1926.
34. BT, 28 February 1925.
36. Tandrup, op. cit., p. 149; and BTWM, 12 July 1920.
37. The Straits Times, 23 June 1923; and BTWM, 18 June 1923.
38. BTWM, 14 March 1921; 23 May 1921; 4 July 1921; 18 June 1923; and BT, 3 July 1925; 3 December 1925.
39. BTWM, 6 April 1931.
40. BTWM, 13 March 1921; 14 November 1921; 30 October 1922; 6 October 1924; and 14 July 1930.
41. BTWM, 8 March 1913; 1 August 1932; and 29 August 1932.
42. On tramways: BTWM, 12 January 1920; BT, 11 April 1925; on ships: BT, 20 June 1925; ironworks: BT, 6 February 1926; cigarettes: BTWM, 22 August 1927; and on canneries: BTWM, 28 November 1927.
44. BTWM, 14 January 1924; and Anonymous, “Kan chathung,” p. 74.
45. BTWM, 14 November 1921; 13 March 1922; 27 March 1922; and BT, 18 March 1925.
46. See, for example, *BT*, 1 September 1926; 22 November 1926; *BTWM*, 10 October 1927; and W.W. Coulas, *Economic Conditions in Siam To the Third Quarter of 1928*, (London: His Majesty’s Stationary Office, Department of Overseas Trade, 1929), p. 37.

47. J.F. Johns, *Economic Conditions in Siam at the close of the third quarter, 1931*, (London: His Majesty’s Stationary Office, Department of Overseas Trade, 1931), p. 27.


49. *BTWM*, 12 March 1928.


51. *BTWM*, 24 October 1921; 10 March 1924; and *BT*, 20 March 1926.

52. *BTWM*, 15 December 1924.


55. *BTWM*, 7 October 1918.


58. Hewison, *op. cit.*, Ch. 4.


60. *BT*, 25 March 1927; and *BTWM*, 12 March 1928.

61. *BT*, 31 January 1927; and *BTWM*, 10 October 1927; 4 November 1929.

62. Coulas, *Economic Conditions...1929*, p. 36; *BT*, 31 January 1927; 14 June 1927; and *BTWM*, 1 August 1927; 29 February 1932.

63. *BTWM*, 23 March 1931; 15 June 1931; and 9 November 1931.


65. *BTWM*, 7 May 1928; and 4 November 1929.


68. *BTWM*, 20 March 1922; and *BT*, 22 January 1927.

69. *BT*, 1 March 1926; and *BTWM*, 15 September 1930.


78. Anonymous, "Memorandum."
82. Virginia Thompson, "Siam Manoeuvring Towards Self-Sufficiency," *Far Eastern Survey*, 7(25), pp. 293-294, notes that in 1936-37 only 2,731 people declared an income which was subject to personal taxation, and that the collection of income tax yielded just 1.4 million baht.
83. BTWM, 21 November 1932.
85. BTWM, 12 October 1934.
86. BTWM, 1 August 1932; 3 October 1932; 2 January 1933; and Bailey, *Report on Economic and Commercial Conditions*, p. 13.
88. BTWM, 23 March 1933; 15 May 1933; 31 July 1933; 4 September 1933.
94. See, for example, BT, 26 November 1925.
95. BT, 7 June 1926.
97. BT, 24 October 1927; and BTWM, 1 August 1932.

99. Helmut G. Callis, *Foreign Investment in Southeast Asia*, (New York: Institute of Pacific Relations, 1942), p. 70. For comparison, the estimates provided by Callis may be compared to those for other Asian countries in the pre-War period. For Burma the figure was $250 million; the Philippines, $376 million; Taiwan, $693 million; and British Malaya, $454 million—see “The Role of Foreign Private Investment in Economic Development and Co-operation in the ECAFE Region,” in ECAFE (Eds.), *Economic Survey of Asia and the Far East 1970*, (Bangkok: UN, ECAFE, 1971), p. 8.


103. See, for example, *Ibid.*, p. 155; and Vella, *Chaiyo!.

104. King Vajiravudh, *Phuak view haeng buraphathit lae muang thai chong tumthet*, (Bangkok: Vajiravudh Memorial Hall, 1985). This work was originally published in 1913.

105. Skinner, *Chinese Society*, pp. 159-162. The Thai ruling class was also concerned about rising nationalism and especially republicanism in China. They felt that this could overwhelm the “ignorant classes” of Chinese in Thailand, and cause political problems, and in the general strike of 1910 saw evidence of this. A number of measures, including the Thai Nationality Act (1913), were taken in response.

106. Vajiravudh, *op. cit.*

107. Chaophraya Thammassakmontri, *Nangsu an pemtem wicha sangkhom suksa thammaracha rec 4*, (Bangkok: Khrusapha, 1985), pp. 86-89. This work was originally published in the 1910-20 period.


109. This point can be documented as, for example, in the 1922-23 tramway workers’ strike, where the state came out strongly in favour of the employer, arguing that the striking workers represented a danger to the state and rulers (see, for example, the statement in the government newspaper, *Phimthai*, 16 January 1923). For more complete discussions see Brown, *op. cit.*; and Kanchada, *op. cit.*


111. Sungsidh, “Thai Bureaucratic Capitalism,” pp. 75-76.


114. Tandrup, *op. cit.*, p. 119; and BTWM, 21 March 1932; 25 September 1933.

115. Sethian Lailak (Ed.), *Prachum kotmai prachamsok lem 39-40*, (Bangkok: n.p., 1934),
pp. 143-147.

116. See the issues of BTWM, July-December 1932.
117. BTWM, 31 October 1932.
118. See issues of BTWM, June-December 1933.
Chapter 9
The Development of Industrial Capital and Its Situation in the 1980s

Thailand’s future does not look rosy with the economy in the worst shape it has ever been in, a lack of political and national leadership, a misguided educational system, a stagnant bureaucratic system, and dwindling natural resources. (Bangkok Post, 22 July 1985, p. 1)

Thailand has quietly outstripped its neighbours in economic growth and appears set to join Asia’s club of industrially oriented dynamos. (Nation, 19 August 1987, p. 25)

These statements, just two years apart, seem irreconcilable. The first, perhaps the most pessimistic assessment of the state of the Thai economy since the mid-1950s and produced by a group of respected academics and business leaders, reflected gloom over low growth rates, fear over mounting foreign debt, and a partial recognition of long-term problems. The second reflects the optimism generated by a period of increased economic growth. Yet, the situation has not changed as much as the second quotation would suggest, for Thailand is still experiencing a capitalist crisis.

The word “crisis” is not used easily, for as Wallerstein has noted, the word has been applied so often and so widely that it has lost much of its meaning. If the above quotes are examined, it appears that the “crisis” of 1985 has been overcome by 1987. This is not the case, however, as capitalists in Thailand face what Kay refers to as a crisis of recomposition.

Capitalism persists and develops because it is able to ameliorate the contradictions which emerge from its system of production, and to change the nature of that system. Overproduction of the means of production and unemployment are symptoms of periodic capitalist crises. As Larrain explains,

The cause of crises must be sought in the specific character of the capitalist mode of production...[which] tends continually to expand production; but in order to achieve this it cannot avoid depreciating existing capital, reaching a point where some capitals are displaced from the market.

In essence, capitalists turn on each other, destroying competitors in an effort to restore rates of extraction of surplus-value, with the result being bankruptcies and increased unemployment. Another strategy is that capitalists reconstruct and reconstitute from within, with some groups doing better than others, taking
advantage of changed economic circumstances. In Thailand we have seen a combination of both strategies.

In the mid-1980s Thai capitalists were facing their first, major crisis of accumulation in more than two decades. As the government assembled "no-growth" budgets, business confidence ebbed, and in late 1985 it was reported that bankruptcies had increased by almost 27 percent over 1984. Investment and factory approvals were also reported to have declined. A number of companies were announcing significant falls in profitability, and Thailand's two largest banks, the Bangkok Bank and the Thai Farmers Bank, indicated big drops in their profits. Reports of losses, efficiency drives and retrenchments in major companies became common, with the large Saha Phattanaphibul group reporting its first loss in several decades.5

By 1987, however, economic growth had again surged, buoyed by increased commodity prices, big increases in manufactured exports, 2.5 million tourists, and Japanese and Taiwanese investment in manufacturing.6 However, the crisis had not been overcome. Takeover battles raged in both the banking and industrial sectors, and a number of big companies teetered on the edge of insolvency with, for example, the flagship company of the large Mahboonkrong group being delisted from the stock exchange, and facing a takeover and numerous court battles.7

The crisis has, of course, had a significant impact on the further development of industrial capital, and this will be discussed later. However, it is not possible to assess the nature of the crisis without first establishing the theoretical position of industrial capital and the history of its development in Thailand.

Theoretical Considerations

Industrial capital is of prime theoretical significance as it is the true form of productive capital, applying both labour and the means of production in the process of commodity production. It is in industrial production that surplus-value is produced, to be appropriated, first, by the industrial capitalist. Industrial capital must, however, share surplus-value with capitalists who occupy other positions within the spheres of circulation, banking and commerce.8 Industrial capital is therefore central to the whole process of accumulation, but there is a necessary reliance on other capitals.

In Thailand, a trend towards co-operation between the industrial and banking fractions of capital has evolved. This co-operation, and the expansion of a powerful domestic banking system has been crucial for the nurturing of industry, and will be discussed later in this chapter.

Industrial capital should be conceived as one segment or fraction of the capitalist class, where each segment has a relatively distinct location in the social process of production and, consequently, its own specific political economic requirements and concrete interests which may be contradictory to those of other class segments with which, nonetheless, it shares essentially the same relationship to
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ownership of productive property. As such, a class segment has the inherent potential for developing a specific variant of "intra-class consciousness" and common action in relation to other segments of the class.9

Fractions of capital must be defined in terms of circuits of capital which give rise to specialised capitals. However, each fraction is subordinate to the interests of the capitalist class as a whole, for no fraction can exist except as part of a total social capital.10 Hence, we may conceive of the interests of a capital-in-general, to which all fractions are subordinate, however, it should be added that competition is crucial to capitalist development. Thus, as noted above, not only do capitalists confront labour, but other capitalists, a fact which is especially clear during a period of economic downturn and capitalist crisis.

This perspective on the capitalist class is quite different from both the modernisation and dependency perspectives. Modernisation theorists have tended to view "entrepreneurs" as a kind of middle class who are crucial to development in the Third World.11 However, when this proposition has been applied to Thailand, the essentially Chinese business class was considered both politically and economically weak. For example, Riggs conceived of business people as "pariah entrepreneurs" who were totally dependent upon their Thai political masters, and he saw no possibility of an independent, politically powerful capitalist class emerging.12

Where modernisation theorists have seen a dependency of business people on a political elite, dependency theorists see a different relationship. They have tended to view Thai business people as comprador capitalists who have no independent existence, the economic surplus being transferred to the advanced capitalist nations. Their lack of independence means that the domestic capitalist class could not become a force for change within the Thai political economy.13

Both of these positions should be rejected on theoretical grounds.14 Empirically, a number of recent studies have indicated that neither position is accurate.15 Theoretically, the search for a "pure" form of capitalism is inappropriate, for no capitalism should be seen as theoretically superior to any other, and there is no single path to capitalist dominance. Thai capitalism will be different from British, Brazilian or Japanese capitalism, but it is, nonetheless, capitalism. The form of capitalism necessarily changes in different social formations. It is this perspective which informs the following discussion.

The Development of Industrial Capital

In this chapter it is not possible to examine the development of industrial capital in great detail. Thus, only the outlines of the following periods will be presented:
(i) The background to capitalist development under the absolute monarchy.
(ii) Expansion under the constitutional regime, 1932-1945.16
(iv) The import substitution industrialisation (ISI) and export oriented industrialisation (EOI) phases, 1957-1985.
(i) Development under the absolute monarchy

The signing of the Bowring Treaty in 1855 has tended to be seen as the beginning of a period of great economic change, with Thailand being opened to increased Western trade and influence.\(^\text{17}\) While the provisions of the Treaty were important, their impact was shaped by forces stirring within sakdina society. Important changes in labour practices and commerce were already under way when Bowring arrived, with the corvee breaking down, Chinese labour being imported, and the whole taxation base undergoing change.\(^\text{18}\)

Apart from mining and sugar and rice milling, industrial activities (as opposed to handicrafts) were not significant prior to 1855. Also, the large expansion of trade which followed the Treaty saw major developments in commerce and agriculture. However, the expansion of these sectors did have an impact on the development of complementary industries. For example, with the growth of rice and teak exports, milling became an even more important area of investment, especially for Chinese merchants and tax-farmers.\(^\text{19}\) Tremendous developments began to take place in Bangkok, with the expansion of roads, canals, water and gas supply, and several local experiments in steam milling, shipping and printing.\(^\text{20}\) While Western merchants derived considerable benefit from these developments, so too did locals. For example, in 1879 there were ten steam mills operating in Bangkok, with Europeans controlling five of them. By 1894, the Europeans still controlled five, while Thais and Chinese owned 24 mills.\(^\text{21}\)

Much of the expansion of domestic capital was the result of co-operation between Chinese merchants and the aristocrats, nobles and officials of the absolute monarchy.\(^\text{22}\) Nevertheless, industrial investments remained relatively unattractive as the domestic market was limited and competition from imports fierce, especially as the sakdina state was unable, under the provisions of the Bowring Treaty, to impose meaningful tariff protection. There were a few large industrial developments, based on joint investments by Thai aristocrats, and Western and Chinese merchants, a well-known example being the Siam Cement Company.

In the late 1920s and early 1930s, however, the movement of capital into production intensified. This was due to three factors. First, treaty revisions allowed some tariff levels to be raised.\(^\text{23}\) Second, the Depression years saw a significant downturn in the activities of foreign investors and a decrease in imports.\(^\text{24}\) Third, the Depression convinced a number of Thai policy makers and industrialists that economic development dependent on rice production and export was problematic.\(^\text{25}\) The result was that by the early 1930s, industrial enterprises included rice mills, timber mills, and factories of various sizes producing, amongst other things, aerated waters, sugar, soap, matches, liquor, paper, tobacco, cigarettes, ice, coconut oil, tanned skins, bean oil and cloth. In addition, petrol-driven motors had been introduced, revolutionising rice milling, and the capacity of power-generating facilities and waterworks increased.\(^\text{26}\) While the results of this increased investment were not spectacular, local managers and entrepreneurs gained much experience. Also important was the beginning of the evolution of a class of wage-labour.
Over the period 1868-1905, labour was gradually freed from *sakdina* bondage, with those freed tending to favour agricultural activities. Thus, the expanding demand for labour could not be met, and from 1882 to 1931 there was a net addition of about 951,000 Chinese labourers to the workforce. These imported labourers dominated the class of wage-labour well into the twentieth century, being employed in a wide range of areas, from mining to plantations to manufacturing. Even though small, the working class was often vocal and militant in seeking to improve working conditions, and in political activities.

By 1932 Thailand's socio-economic structure could hardly be described as capitalist, but the capitalist mode of production was on the rise. While the classes of capital and wage-labour remained small, both were developing a consciousness of themselves as classes, and were poised for further expansion, and the overthrow of the absolute monarchy heralded the beginning of a significant period for Thai capitalism.

(ii) 1932-1945

In seizing state power in 1932 the People's Party indicated its opposition to an outmoded economic system dominated by the *sakdina* class and Western and Chinese merchants. The nationalism of the People's Party found expression in a common desire for economic progress. Even though its clearest and most radical expression, Pridi Phanomyong's economic plan, was rejected, state intervention in the economy was seen as being essential to national self-sufficiency. Industrial development was seen to have an important role in this.

With considerable political conflict following the 1932 revolution and the 1933 Boworadej Rebellion, it was only after 1938, with Phibun Songkram as prime minister and Pridi as minister for finance, that a more nationalist economic policy was pursued. The government sought to move the industrial and service sectors into Thai and Sino-Thai hands. This, it was felt, would provide a strong national base for further industrialisation. Increased industrial activity required relatively large investments, however, and these were not forthcoming from local investors. The result was that the state took a greater role in industrial development.

The state's investments were significant. By the beginning of the Pacific War in 1942, state agencies had investments in a range of industrial activities: textile factories, a silk factory, two sugar mills, a distillery, a slaughterhouse, paper mills, and rice and timber mills, in addition to trading companies, banks, and infrastructural projects. In the same period, the state made loans for industrial development, established the Thai National Banking Bureau which later became the Bank of Thailand, and upgraded the Ministry of Industry to a full ministry. Additionally, for the first time since the presentation of Pridi's ill-fated plan, the then Department of Industry produced a plan for the development of industry, but the outbreak of the Pacific War forestalled its introduction.

While there is a dearth of data on industrial development, a partial survey conducted by the Ministry of Commerce in late 1939 indicated considerable industrial capacity in the Bangkok-Thonburi area (see Table 8.1). While most plants
were small, industrial production was emerging as an important area of investment for domestic capitalists, and an industrial base was being consolidated. The contraction of foreign investment during the Depression, combined with the impact of state investment, increased opportunities for domestic capital.\textsuperscript{36}

While World War II created a number of economic problems for the Thai state, it also offered opportunities for domestic capitalists.\textsuperscript{37} For example, important Allied industries and banks fell into Thai hands. In addition, some joint ventures in textiles, tin and rubber, were established with the Japanese.\textsuperscript{38} While not all domestic capitalists saw the situation in the same way, Thaworn Pornprapha (founder and head of Siam Motors) stated that the Japanese period "...was not like an occupation. Every company was left alone. War had no [adverse] effect on business."\textsuperscript{39}

An ironic feature of development in this period was that at the time when small Chinese business people and workers were the victims of discrimination in state policy, big Chinese capitalists and state officials expanded their co-operation, with many businesses managed or owned by Chinese being promoted by the state.\textsuperscript{40}

(iii) 1945-1958

The post-War state, while quite different from its pre-War predecessors, continued to espouse nationalistic economic policies, and expanded state expenditures for economic development, especially in the infrastructural and service sectors.\textsuperscript{41} Important structural changes were taking place, emphasised by changes in production (Table 9.1). Clearly, agriculture was declining in importance, while sectors such as services, finance and manufacturing were beginning to grow in national economic significance.

Table 9.1 Gross National Product, by industrial origin, 1951 and 1958

<table>
<thead>
<tr>
<th>Sector</th>
<th>1951</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>50.1</td>
<td>40.7</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>1.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.3</td>
<td>11.2</td>
</tr>
<tr>
<td>Construction</td>
<td>2.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Electricity and Water Supply</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>3.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>18.0</td>
<td>17.4</td>
</tr>
<tr>
<td>Banking, Insurance and Real Estate</td>
<td>0.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Ownership of Dwellings</td>
<td>3.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Public Administration and Defence</td>
<td>2.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Services</td>
<td>6.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Totals</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

While statistics are not readily available and are generally unreliable, it is clear that the majority of industrial establishments remained small. Total employment in industry remained low, with the 1947 census indicating just 195,875 persons employed in manufacturing or 2.18 percent of the workforce over 14 years of age. By 1954 this percentage had not increased. Nevertheless, it is generally agreed that production continued to expand in this period, especially in state enterprises. Growth in industry is said to have averaged seven to eight percent a year throughout the forties and fifties.

The importance of state investment and political intervention cannot be underestimated. In the development of a modern economy, the political and economic interests of both state managers and business leaders often converge. For example, in a capital-scarce country where socialism was not a considered option, industrial development required the co-operation of both capitalists and state managers. The rapid development of banking capital in this period saw the full utilisation of such connections, with domestic banks expanding through injections of state and Chinese capital. The development of banking was crucial for expanding industry. Many of these Chinese bankers had accumulated their wealth in trade and industry, and had forged strong links with powerful political figures.

State policy continued to emphasise the importance of industrial development during the early 1950s.

By the mid-fifties, however, industrial capitalists were beginning to voice their concern over what they perceived as a deteriorating economy. As the Korean War boom tapered, investment and profitability began to fall, and capitalists felt that the time was right for a further expansion of private capital, especially in the industrial sector. In boom times state investment was not of great concern to private investors, but as the downturn came, state capital was thought to be crowding out the private sector. In addition, the belief that the state was attempting to solve what some officials perceived as a “Chinese problem” through state investment, was increasingly unpalatable to Chinese industrialists.

While such perceptions were important for business confidence, there were, in fact, more concrete reasons to account for a decline of industrial accumulation. These included a lack of electrical power and its high cost, the small size of industrial enterprises, low tariffs, a small domestic market, a paucity of capital, and low levels of skills and technical knowledge. Plans to increase state investment can only have increased concern amongst industrial capitalists. In fact, in the manufacturing sector, the proportion of investment accounted for by the private sector had actually declined. In addition, commodity prices had stagnated, resulting in substantial trade deficits as imports of consumer and capital goods continued to expand. If it had not been for US aid, the balance of payments would have been in deficit for the entire 1952-58 period. In addition, the government continually spent more than it collected. The central bank was highly critical of the government’s administration of its economic responsibilities, charging that budget deficits were the result of overspending on large-scale industrial projects, and argued that poor fiscal policies were fuelling inflation and depleting foreign exchange reserves. The bank also
claimed that budgetary procedures were inadequate and poorly co-ordinated, leading to injudicious expenditures.\textsuperscript{50}

For both foreign and local capitalists such problems cast a shadow over their ability to expand accumulation.

\textit{(iv) Import Substitution and Export-Oriented Industrialisation}

The seizure of power by General Sarit Thanarat in 1958 coincided with this economic downturn, and the new regime gradually redefined the state’s investment role. The new administration, which claimed to favour industrialisation through private enterprise, did little, initially, to distinguish it from Phibun’s government. It was only the further deterioration of balance of payments and trade problems which induced the government to seek a reduction in manufactured imports. Import bans were introduced but resulted in considerable opposition as they led to shortages. To overcome this problem the move to an import substitution industrialisation (ISI) strategy appeared promising, especially as it had been advocated by an influential World Bank report, other international agencies and the Bank of Thailand.\textsuperscript{51} However, it was not just local and international bureaucrats supporting an ISI strategy. Domestic industrial capitalists also exerted strong pressure for protection. When announcing increased tariffs in late 1960, the Minister for Finance noted that the decision had been taken following strong representations from local industrialists.\textsuperscript{52}

With support from the new regime and with state investment being concentrated in infrastructure, the move towards an ISI strategy was satisfactory to both local and foreign investors. For local capitalists it meant that there was more room to invest, free of the fear of state competition, and for foreign capital, the move coincided with the beginnings of a drive by transnational corporations (TNCs) to establish enterprises around the globe.\textsuperscript{53} The Sarit government, primed with World Bank and UN advice, saw TNCs as a source of capital which might replace state investment and continue the drive for expanded industrial activity. They were also seen as sources of technical and entrepreneurial skills. The promotion of foreign investment thus became a pillar of state economic policy.

The logic of import substitution remained dominant in policy throughout the sixties, supported by the Board of Investment, the National Economic and Social Development Board (NESDB), the Bank of Thailand, the Ministry of Industry and local manufacturers. The impact of this logic is seen in the first (1961-66) and second (1967-71) development plans. At the same time Sarit’s regime smashed the unions, some of which had gained strength during fifties, and suppressed all opposition groups.\textsuperscript{54}

Assessments of ISI indicate some successes, but also note a number of structural problems, such as disincentives to export.\textsuperscript{55} For the political economy, however, there were significant developments. First, important structural changes occurred in the manufacturing sector, with increased production of consumer goods. During the sixties, the manufacturing sector’s contribution to GDP rose from 12.5 to 17.5 percent. Second, high rates of protection encouraged domestic
investment. That is, the further expansion of domestic manufacturing advanced the whole process of capital accumulation, especially amongst banking and industrial capitalists. Banking capitalists took advantage of ISI policies to expand their investments in industry and the co-operation between industrialists and bankers provided a strong economic and political base.

By the end of the 1960s, however, it was clear that the expansion of manufacturing, concentrated in consumer goods had outgrown the domestic market in some important sectors (e.g. textiles and motor vehicles). This was compounded by both domestic and international developments. Within Thailand, growth in the manufacturing sector, where in excess of ten percent had come to be expected, dropped to 7.5 percent in 1970-72, with a corresponding drop in manufacturing investment. Agitation amongst local capitalists for an export-oriented strategy soon emerged. Growing trade deficits added to the pressure on the government to examine export-oriented industrialisation (EOI). EOI was to be based on a nation’s “comparative advantage” in producing commodities for a world market, bringing in foreign exchange and achieving a trade balance by taking advantage of cheap labour.

Internationally, higher inflation in the West and exchange rate fluctuations made Thai exports more attractive. These circumstances were recognised in 1971 when the Board of Investment announced incentives for export, and further enhanced them in 1972. EOI was formally recognised in the third plan (1972-76), but it was also acknowledged that ISI would not be completely abandoned.

The fourth plan (1977-81) also emphasised EOI, but again maintained ISI in some developing industrial sectors. This emphasis on export was close to World Bank recommendations on the need for more labour-intensive export industries. With minor changes of emphasis, this pattern has also held through the fifth and sixth plans.

The emergence of EOI also reflected developments within the domestic capitalist class. Under the protected conditions of ISI, industrial and banking capitals were able to expand to a point where, in some cases, they developed an international character. These large, highly concentrated, corporate groups demanded a more outward-looking strategy, and the high priority given to EOI can be seen as an indication of the increased influence of big capital.

With these policies in place, economic growth averaged six to eight percent a year from the early sixties. The total number of people engaged in manufacturing rose to about 1.7 million (8.13 percent of the economically active population) in 1979. Total value-added in manufacturing (at current prices) increased from 6,759 million baht in 1960 to 209,014 million in 1985. The contribution of manufacturing to GDP rose from 12.5 to 20 percent between 1960 and 1984 (See Table 5.1). Growth has been widespread, in all areas of manufacturing, and there has been considerable restructuring, away from the processing of primary products towards higher value-added production.

With this historical detail in mind, it is now appropriate to examine the contemporary structure of the capitalist class, focusing on industrial capital.
The Structure of Industrial Capital

One of the important changes which has taken place over the past three decades has been the expansion of the capitalist class. By 1979 some 44,300 people (or 0.21 percent of the economically active population) were identified as "employers," up from 8,500 (0.06 percent) in 1960. In examining the capitalist class we are therefore looking at a very small group.

The groups identified as constituting the class of industrial capital are drawn from manufacturers operating in all sectors, including agro-industry. Industrial capital is dominated by 30 large business groups with investments in more than 600 companies. These groups have interests across a wide spectrum of manufacturing. Table 9.2 lists the major groups and their main business activities.

A number of points may be made concerning this group of big industrial capitalists. First, all groups are of Chinese ethnic origin. The development of Thai capitalism owed much to the expansion of commerce, which was dominated by immigrant Chinese. State measures designed to move the economy into the hands of ethnic Thais, especially in the 1938-57 period, achieved little more than diversify ethnic Chinese investment, and force a number of Chinese to seek Thai citizenship. They have remained dominant in most fields of economic activity, with the notable exception of agriculture and, recently, wage-labour. Given that business is overwhelmingly Chinese, being of Chinese descent has obvious advantages in maintaining credit lines, especially where personal relationships are important. As one banker explained, personalism is still common because some "Western concepts are not practical.... For example, most financial statements are unreliable, therefore we really need to know personalities in management teams when banks make loans." Equally, given the economic power of Chinese business in the Southeast Asian region, it does assist a business group if they have an ethnic connection.

Table 9.2 Industrial capital

<table>
<thead>
<tr>
<th>SAHA UNION</th>
<th>SRI KRUNG WATTANA</th>
<th>SUKOSOL</th>
</tr>
</thead>
<tbody>
<tr>
<td>manufacturing</td>
<td>manufacturing</td>
<td>chemicals</td>
</tr>
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<td>-iron and steel</td>
<td>vehicle assembly</td>
</tr>
<tr>
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<td>-machinery</td>
<td>vehicle sales</td>
</tr>
<tr>
<td>-zippers</td>
<td>-chemicals</td>
<td>construction</td>
</tr>
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<td>trade</td>
</tr>
<tr>
<td>-machinery</td>
<td>warehousing</td>
<td>finance</td>
</tr>
<tr>
<td>-food</td>
<td>transportation</td>
<td>insurance</td>
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<td>-oil and fats</td>
<td>finance</td>
<td>advertising</td>
</tr>
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<td>-chemicals</td>
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<td>real estate</td>
</tr>
<tr>
<td>-cosmetics</td>
<td></td>
<td>hotels</td>
</tr>
<tr>
<td>trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOONSOONG</td>
<td>SRI FUENG FUNG</td>
<td>SIAM MOTORS</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>tin (all aspects)</td>
<td>manufacturing</td>
<td>vehicle assembly</td>
</tr>
<tr>
<td>aluminium</td>
<td>glass</td>
<td>vehicle parts</td>
</tr>
<tr>
<td>soft drinks</td>
<td>soda ash</td>
<td>batteries</td>
</tr>
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<td>vehicle assembly</td>
<td>chemicals</td>
<td>airconditioners</td>
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<td>tyres</td>
<td>plastics</td>
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<td>vehicle parts</td>
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<td>mining</td>
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<td>textiles</td>
<td>trade</td>
</tr>
<tr>
<td>construction</td>
<td>engineering</td>
<td>finance</td>
</tr>
<tr>
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<td></td>
<td>insurance</td>
</tr>
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<td></td>
<td>educational services</td>
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<table>
<thead>
<tr>
<th>BANGKOK INDUSTRIES</th>
<th>SAHA THAI PAPER</th>
<th>ITAL-THAI</th>
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<td>manufacturing</td>
<td>manufacturing</td>
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<td>-paper</td>
<td>-brick making</td>
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<td>-liquor</td>
<td>-gas</td>
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<td>engineering</td>
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<td>housing development</td>
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<td>construction</td>
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<td>finance</td>
<td>hotels</td>
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<tr>
<td>finance</td>
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<th>THAI SERI</th>
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<td>oil</td>
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<td>feed milling</td>
<td>finance</td>
<td>finance</td>
</tr>
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<td>manufacturing</td>
<td>commodity trade</td>
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<td>fisheries</td>
<td>petrochemicals</td>
<td></td>
</tr>
<tr>
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<td>textiles</td>
<td>WANPRASERT</td>
</tr>
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<td>metals</td>
<td>insurance</td>
<td>sugar</td>
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<td>finance</td>
<td>brokerage</td>
<td>finance</td>
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<th>BODHIRARATANGKURA</th>
<th>WIRIYAPRAPHAIKU</th>
</tr>
</thead>
<tbody>
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<td>iron and steel</td>
</tr>
<tr>
<td>petrochemicals</td>
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<td></td>
</tr>
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<td>textiles</td>
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<td>liquor</td>
<td>glass</td>
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<td>shipping</td>
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<th>CHINTHAMMITR</th>
<th>MAHBOONKHRONG</th>
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<td>sugar</td>
<td>rice milling</td>
</tr>
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<td>rice trading</td>
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<td>housing development</td>
<td>retailing</td>
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<td>chemicals</td>
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<tr>
<th>YONTRAKIT</th>
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<th>KARNASUTA</th>
</tr>
</thead>
<tbody>
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<td>vehicles (all aspects)</td>
<td>watches and clocks</td>
<td>vehicles (all aspects)</td>
</tr>
<tr>
<td></td>
<td>finance</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BHIROMBHAKDI</th>
<th>THAI RUNG RUANG</th>
<th>WATANAVEKIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>brewing</td>
<td>sugar</td>
<td>sugar</td>
</tr>
<tr>
<td>soft drinks</td>
<td>finance</td>
<td>finance</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>MONGKONGCHAROEN</th>
<th>SINTHAWATANARONG</th>
<th>VORAWONGVASU</th>
</tr>
</thead>
<tbody>
<tr>
<td>sugar</td>
<td></td>
<td>sugar</td>
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</table>

Source: Hewison *op. cit.*, Appendix B.
Second, these business groups remain essentially family-based, with the families often being extended through marital relationships (see Figure 9.1). The family and descent group have always been, important elements of Chinese economic and social structures. To conclude, however, that the family remains the fundamental form of economic organisation because of cultural heritage, would be an oversimplification. Non-kin business relations did exist in Chinese towns, and this practice has also been noted amongst overseas Chinese. When establishing a business the family provides a sound base for development, but it also has a number of inherent disadvantages including limited financial resources, extreme personalism and a lack of skills. In explaining the persistence of family business, though, it should be noted that where commercial regulations are tenuous, the clan and the family become more significant. Such an explanation is useful in the Thai case where, especially between 1938 and 1957, Chinese business people did not always feel politically secure. Trust was required, and the family was a source of this. Thus, the family and marital connections have been central to their expansion.

Figure 9.1 Family Links Between Thai Business Groups, Focused on Industrial Capital c. 1980

<table>
<thead>
<tr>
<th>Ophasawongse</th>
<th>BHODHIRATANGKURA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHOKEWATANA (Saba Union)</td>
<td>PORNPRAPHA (Siam Motors)</td>
</tr>
<tr>
<td></td>
<td>SANGUAN-PIYAPAND NITTHIWATSIN (Saha Thai Paper)</td>
</tr>
<tr>
<td>MAHAGUNA</td>
<td>WONGSIRIDEJ (Saha Thai Paper)</td>
</tr>
<tr>
<td>Chirathivat</td>
<td>EUAWATANASKUL</td>
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<td></td>
<td>SRI FUENG FUNG</td>
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<td></td>
<td>CHOWKWANYUEN</td>
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<td></td>
<td>Kantamanond</td>
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<tr>
<td></td>
<td>SARASIN</td>
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<tr>
<td>BOONSOONG</td>
<td>NANDHABIWAT</td>
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<td></td>
<td>Chutrakul</td>
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<tr>
<td></td>
<td>Lamsam</td>
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<td></td>
<td>WANGLEE</td>
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<td></td>
<td>Ratanarak</td>
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<td>Mahadamrongkul</td>
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<td></td>
<td>MAHAGUNA</td>
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<tr>
<td></td>
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<td></td>
<td>Euachukiarti</td>
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<td></td>
<td>Kanchanapat</td>
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<tr>
<td></td>
<td>Osathanukroh</td>
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</tbody>
</table>

Note: Upper case indicates industrial capitalists.
Third, most of these groups indicate a background in trading, having expanded into manufacturing during the ISI period. While there are exceptions to the pattern (for example, the Boonrawd Brewery and the Mahaguna distillery), most industrialists began their operations in commerce. The usual pattern was for these business people to have established an agency or distribution relationship with major manufacturers in Europe, Japan or the US. When ISI began to be promoted by the state, these importers took the opportunity to expand into local manufacturing, often under licence or joint venture arrangements, producing or assembling what they had previously imported. The Saha Union and Siam Motors groups provide examples of this process.

Saha Union grew out of Damri Darakananda’s World Trading Company which imported zippers, garments and other goods from Japan. In 1961 a Thai-Japanese joint venture, Union Yoshida Industries, was established to manufacture Venus zippers in Thailand. By 1971 the Saha Union group had diversified into many areas of textiles, and the joint venture had become a minor aspect of the group’s operations. The Siam Motors group grew from a small hardware and used car dealership, owned and managed by the Pornprapha family. Immediately after the War, Thaworn Pornprapha began importing Nissan vehicles from Japan, and in 1962 the Thai-Japanese joint venture, Siam Motors and Nissan Company, was established. By the early seventies the group had expanded its component manufacturing enterprises, many as joint ventures with Japanese capital.

While such joint venture arrangements, foreign capital, and foreign technology have been crucial for the development of Thai industry, providing a “powerful impetus to growth...,” local finance has also played a leading role in developing industry. In spite of efforts to attract foreign capital, domestic capitalists have retained considerable control over the economy. As can be seen in Table 5.3, while direct foreign investment increased considerably during the sixties and seventies, compared with gross fixed capital formation, direct foreign investment has remained relatively small. Even if total capital inflows are considered, it is only in the late seventies and early eighties, when overseas borrowing by both the state and the private sector was at its height, that this figure becomes significant.

Fourth, many of these industrial groups have expanded into finance or have established close relations with banks. Figure 9.2 indicates the numerous shareholding linkages between industrial and banking capitalists. The importance of finance is clear—in the absence of a securities or stock exchange (established in the early sixties and restructured in the mid-seventies, but continuing to operate on a small scale), banks and other financial institutions became the prime source of capital for industrial expansion. The importance of capital supply, to large-scale industry especially, can be seen in the vehicle industry where, in 1979, assets of the ten largest companies were 14,320 million baht, while the 35 largest textile companies had assets of 19,393 million baht in 1979. Even larger amounts of capital are required as industrialisation expands, as can be seen in Table 5.3.
The links between banking and industrial capitals have been important for the expansion of industrial activity on a large scale, with the percentage of commercial bank loans and overdrafts going to manufacturing rising from 10.1 percent in 1957 to 23.6 percent by mid-1982. The provision of credit by banks has allowed the most powerful industrial and banking capitalists to increase their hold over industry.

**Figure 9.2 Shareholding Links Between Industrial and Banking Capitals c.1980**

<table>
<thead>
<tr>
<th>Banking Capital</th>
<th>Industrial Capital</th>
<th>Banking Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>KANCHANAPAT</td>
<td>BOONSOONG</td>
<td>NANDHABIWAT</td>
</tr>
<tr>
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<td>BHIROMBHAKDI</td>
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<td>MAHADAMRONGKUL</td>
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<td></td>
<td>CHINNTHAMITR</td>
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</tr>
<tr>
<td></td>
<td>THAI SERI</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SAHA UNION</td>
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</tr>
<tr>
<td></td>
<td>WIRIYAPRAPHAIKIJ</td>
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</tr>
<tr>
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<td>MAHAGUNA</td>
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</tr>
<tr>
<td>SOPHONPANICH</td>
<td>CP</td>
<td>RATANARAK</td>
</tr>
<tr>
<td>CHOLVICHARN/</td>
<td>THAI RUNG RUANG</td>
<td>TEJAPAIBUL</td>
</tr>
<tr>
<td>PENCHART</td>
<td>SAHA 'THAI PAPER</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BHODHIRATANGKURA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SRI FUENG FUNG</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SRIKRUNG WATTANA</td>
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<td></td>
<td>EUACHUKIARTI</td>
<td></td>
</tr>
</tbody>
</table>

*Note: [a] PSA has since collapsed, being broken into at least two, smaller groups.*

*Source: Hewison, *op. cit.*, Appendix B.*

Fifth, there is a noticeable trend towards both vertical integration and concentration within industrial capital. This can be seen in both the Saha Union and Chowkwanyuen groups. The latter, for example, expanded from trading, to joint venture arrangements with Shell Oil in refining, to petroleum transport and shipping and petroleum products. The tendency towards concentration has also been marked in many areas of industrial production, ranging from cement to milk to buttons and zippers. One of the leading forces in the movement towards concentration and centralisation has been the development of finance capital, as indicated by the many investment links between banking and industrial capital (Figure 9.2).

A sixth, and final, observation is that most industrial capitalists have, over the years, maintained good political connections. All of the big groups listed in Figure 9.1 developed into large enterprises in the fifties and sixties, a time when the military was in political command. While the links of the past are not so significant these days, the importance of political influence is not ignored by industrialists. For example, Thaworn Pornprapha is reported to play golf with influential political figures each weekend, and he has a number of former government officials as advisors.
Downturn and Rebound in the 1980s

As noted previously, by the mid-1980s the Thai economy faced its most serious downturn since the fifties. The crisis initially surfaced as a debt problem, but it was soon realised that it ran far deeper.

Table 5.3 indicates the rapid increase in total capital inflows in the late 1970s and early 1980s. This inflow was associated with a phase of international capitalist development which saw large enterprises more willing to relocate production. Many TNCs have taken advantage of cheap labour, protection, taxation concessions, bans on trade unions, and growing domestic markets in the Third World when considering the location of industrial investments. Others have had component manufacturing carried out by Third World firms. Recently there has been a trend towards money transfers as transnational financial institutions have invested and lent more in the Third World, and especially to the newly industrialised countries. Such restructuring has provided opportunities for both international and domestic, Third World capitalists because as the forces of production expand, they do so for both groups of capitalists.

The move from ISI to EOI did not see a dramatic upsurge in direct foreign investment in Thailand during the seventies. Nevertheless, the economy continued to grow, mainly due to big increases in financial transfers. The supply of loans and credits by international agencies and private transnational banks gives them a considerable stake in the direction of national development; and provides international finance capital with a further stimulus to influence development policies. These capital inflows were a partial response to balance of payments problems, but also served to stave off the worst effects of the world recession until the early eighties.

It is noticeable that the 1978-80 period saw particularly large increases in total capital inflows, and a corresponding increase in foreign debt. By the end of the first quarter of 1985 the external debt had risen to US$13,000 million, representing (in 1984) over 36 percent of GNP and more than 25 percent of foreign exchange reserves. For the first time, the debt service ratio rose above twenty percent. A public debate emerged, much of it concerned with avoiding loan rescheduling, externally enforced austerity programmes, and a poor international credit rating. But, the concern over debt was just one aspect of the crisis which included chronic trade imbalances, budgetary deficits, and current account deficits. All of this was exacerbated by the most serious fall in commodity prices for decades.

For industrial capital the crisis was manifested in a number of areas. In the 1981-83 period, while gross fixed capital formation continued to increase, the rate of increase dropped to about one-quarter of that experienced in the 1975-80 period. The recession was finally catching up with domestic capital. The crisis of accumulation is confirmed by data on bankruptcies, where the total number of cases before the courts rose by fifteen percent between 1978 and 1979, but leapt by almost 47
percent in 1980 and over 30 percent in 1981. And, in the first nine months of 1985 bankruptcies were up almost a third on the same period for the previous year. Despite this, the value of production in the manufacturing sector increased, rising by between 3.5 and 6.9 percent (at constant 1972 prices) for each year from 1979 to 1984. While growth was at its lowest in the 1983-85 period, and whilst particular areas showed sluggish growth or even contracted (food, textiles, petroleum and basic metals), other areas, especially beverages, apparel and transportation equipment, saw strong growth. Nevertheless, by 1985, the downturn was having a serious impact on a number of important industries.

In the vehicle industry, production increased only marginally in 1984, and production in the first quarter of 1985 was down by more than a third on the same period in 1984. In plastics, US protectionism cut into exports, as did the domestic economic slump, even though the production of toys continued to expand. The textile industry was faced with increasing protectionism in its major markets and a temporary embargo in 1985. The production of cement, cut and set gems and ornaments were all sluggish. More importantly, in the first eight months of 1985 investment fell significantly. Board of Investment promoted investments were down 45 percent on the same period in 1984. Significantly, however, a number of export oriented industries continued to expand.

The crisis of the early 1980s called the direction of economic policy into question. Economic policy making has seldom been determined in a conflict-free setting. However, during the sixties and early seventies, when government was dominated by military regimes, and when economic growth was high, opposition was stifled. Nevertheless, even within narrow parameters—capitalist development—there were often disputes over the best growth strategy. For example, the dominance of the EOI strategy over ISI has never been absolutely clear in state policy or within business circles due to the operation of competition between various state agencies and between the fractions of the capitalist class.

The initial, public, response of local industrial capital saw two basic approaches being taken, reflecting the interests of groups involved in domestic market manufacturing and those producing for export. The former group tended to favour increased state protection for locally-produced goods and the further promotion of domestic production, amounting to a call for a further round of ISI. The vice-president of the Industrial Finance Corporation of Thailand (IFCT), Narongchai Akrasanee, argued that local investors did require increased protection, and a joint NESDB-Freidrich Ebert Stiftung report suggested selective promotion and protection for products which remain major imports.

Those opposing protectionist measures argued for a more open trading regime and for export orientation in industry. Supported by the World Bank, IMF, and free market technocrats such as Prime Minister Prem’s economic advisor Virabongs Ramangkura, this group has urged that trade is the only way out of the crisis. They argued that if there is to be protection, then it should be geared to export
production.92 This group saw "comparative advantage" as Thailand's economic messiah, and favoured "putting off" the Eastern Seaboard (ESB) heavy industry projects as Thailand possesses no comparative advantage in the areas these projects will serve.93 The debate which arose over the ESB projects well illustrates these competing perspectives.

Despite earlier praise for ESB, by mid-1985 a number of free market technocrats, and especially those at the head of the Ministry of Finance and Bank of Thailand, were arguing that the debt crisis demanded a postponement or cancellation of the scheme. Supporting them were some big banking capitalists, most notably the Bangkok Bank, which did not want to contribute to the ESB's fertiliser production scheme. The bank saw Thailand's future in export production, not in a higher level of ISI, although it did suggest short term measures to support local production.94 Others, notably the NESDB and the Ministry of Industry, with the support of some ISI-based industrialists, urged that the project go ahead, reaffirming the original goals of the scheme—to catapult Thailand into its industrial future. Also supporting this position were populist economic nationalists, like Boonchu Rojanasathien, who felt that Thailand's economic decision-making was being determined by World Bank and IMF considerations rather than the national interest.95

Overlaying all of this was the spectre of competition between international finance groups. The World Bank opposed the scheme, arguing that it would cause a blow-out in the foreign debt and questioning its economic viability. Meanwhile, the Japanese Overseas Economic Cooperation Fund countered, maintaining an offer of cheap finance for a project it thought viable and in which Japanese contractors would have had a large stake.96 The Cabinet decided to continue the projects, without major modification and in spite of the fact that considerable overseas borrowing would be required. This decision came as a surprise, for the opponents of the scheme had had a high profile. However, the ESB's proponents had been able to lobby the support of Japanese business and government, and of those ministers inclined towards industrial development. This see-sawing "battle" continued, and even in early 1988, while some aspects of the ESB had been approved, the total scheme was still under consideration and attack.97 The rise of the elected coalition government led by Chatichai Choonhavan should, however, further advance the ESB projects.

These splits between import substituting industrialists and those involved in export production, with their state supporters, reflect both the pattern of industrial development and the changing structure of the international economy.

As explained above, industrial capitalists tend to have moved into industrial production for the domestic market after initial accumulation in commerce. The move to manufacturing was, in large measure, an outgrowth of importing rather than a determined effort to develop local industry. Indeed, it may be argued that many of these industrialists were pushed into their import substituting activities by state
policy. The high profits and expansion of ISI provided many opportunities for further accumulation. The move to export oriented production was not so easy, and only a few industrialists, with either strong joint venture arrangements or solid financial backing, were able to gear themselves for this type of production. The result is a split within industrial capital which sees merchants-cum-industrialists producing for a highly protected market, pitted against more internationally oriented industrialists who generally crave a "freer" market.

The seemingly remarkable turnaround of the economy in the period from 1986 has seen what appears to be a victory for the export-oriented group: a victory generated by economic circumstances. During the downturn, export manufacturing became the "main engine of economic growth." This sector, together with tourism, saw business through its doldrums to a period of euphoria. Growth rates were again around six percent, boosted by exports which grew by more than 20 percent in 1987, with industrial products accounting for 47 percent of total export earnings.

Foreign investment, also expanded considerably. In the first half of 1987 direct foreign investment increased by 135 percent over the same period in 1986. The exporting industrialists have become the favourites of the state, and even foreign investors may now own 100 percent of a firm if they are producing mainly for export. But, as was noted earlier, the euphoria is not entirely justified; the capitalist crisis continues, and may be demonstrated in a number of areas.

First, while much of the growth in manufactured exports was engendered by the November 1984 devaluation of the baht by 14.9 percent, this has had a serious impact on import substituting industries. Increased costs, especially for imported components, have meant decreased sales. The large Tanin electrical group, once a shining light of the ISI process, has been struggling, only being saved by the actions of the state, with a low-interest 100 million baht loan from the Bank of Thailand. Tanin was said to have an interest burden of 100 million baht, and the Bank loan was given at two percent less than commercial bank rates, and for use as working capital. A number of other companies have also experienced difficulties, including Mahboonkrong, the Metro Group, and the Cha-am Pineapple Cannery Company.

Second, increased foreign investment has again raised the question of foreign domination. Thai construction firms have urged curbs on investment, saying that they are unable to compete. IFCT's Narongchai Akrasanee has recently claimed that state regulations on foreign investment are... too lenient.... [In 1986, there was widespread concern about a lack of investment.... Recovery was a major issue and we went all out to promote foreign investment—maximum incentives to....produce for export. There was hardly any checking. You could say we were selling ourselves cheaply. Now...we need to put conditions on investment—....exchange incentives for certain-ties.]

There have been questions raised concerning the role of foreign investment in the Thai stock exchange. One recent study has calculated that by the end of 1986
foreign holdings, by sector, of listed Thai companies ranged from 14 percent in the banking sector to 45 percent in the automotive sector and 53 percent in packaging. The bulk of this investment was in finance (43.38 percent of total foreign investment) and industry (42.55 percent). Concern that foreigners might come to dominate in some sectors, through the stock exchange, has led to the establishment of a special foreign traders’ board, where limited percentages of blue chip stocks are traded at premium prices.

Attempts by foreign investors to buy into Thai banks or to open more branches of foreign banks have also caused concern. The sale of 25 percent of the shares of the Union Bank to the Arab Banking Corporation, by the Penchart family, led to a drawn-out battle for control within the Bank. Thai Bankers’ Association President, and Chairman of the Bangkok Bank, Chatri Sophonpanich, opposed any attempts to open new banks, saying that competition was already “high.” His view was supported by the Finance Minister who upheld the “tradition” of severely restricting the operations of foreign banks.

Third, takeover battles have been raging. Banks have been a prime target, with considerable restructuring taking place. It is noticeable, in Figures 9.1 and 9.2 above, that the links between the industrial and banking capitals are strong, and the takeovers have tended to reflect this. The ownership and management struggles, particularly in the smaller banks have been partly a response to takeovers launched by “outside” interests or “non-traditional” partners. In the past these small banks have tended to be sources of capital for a small group of associated investors, who often borrowed for speculative ventures, with no real assessment being made of the scheme’s viability. Personal connections were what mattered. However, the collapses by both the Asia Trust Bank and the First Bangkok City Bank were largely a result of malfeasance on the part of management and poor investment policies. The crash of the Siam City Bank was also due to bad debts acquired through poor investment policies. The takeover battle at the Laemthong Bank has also revolved around issues of lending policy and bad debts. Since the downturn began in 1984 at least five Thai-owned commercial banks have collapsed or required state support, often precipitated by bad debts. Even the big banks are affected. The state-owned Krung Thai Bank was said to have a “...big loan exposure to a few business groups...[with] non-performing loans exceed[ing] 10 billion baht....” Meanwhile, the Bangkok Bank was busy attempting to restructure its loan portfolio in a number of areas, but especially in loans to industry. For example, the large Thai Seri group, an export-oriented producer of seafood products, was reported to owe more than 700 million baht to the Bangkok Bank, and a further 300 million to other creditors, and the bank was attempting to save the group and its loans.

The crisis did not merely confront capitalists and state managers, for when capitalists face problems, there is a tendency to attack the working and peasant classes. While the statistical data on the impact of the both the economic downturn and the recent recovery tend to mask the real effect on ordinary people, it is clear
that workers and peasants have suffered. Throughout 1985 farmer's groups protested against the decline in prices they were receiving for their crops, with falling commodity prices having a severe effect in the countryside. Increased unemployment also resulted from the crisis. Official unemployment was approaching two million (ten percent being university graduates), with the Board of Trade reporting 100,000 lay-offs in the first half of 1985. Meanwhile, the Labour Department has estimated that 250,000 persons would join the ranks of the jobless each year.\textsuperscript{114}

By 1986, and 1987, labour had become restive. Strikes and workers rallies grabbed the headlines, with workers demanding rises in bonus payments and wages. More threatening, perhaps, was the support given to striking, locked-out and dismissed textile workers by student activists and opposition politicians. The students pointed out that even though the textile industry was booming in 1987, employers were giving nothing to their workers.\textsuperscript{115} They argued that workers should also reap the benefits of economic growth—as one demonstrator's placard stated, "We protest national development on the bones of the people."\textsuperscript{116} However, turning the crisis on its head, and blaming the innocent, calls were made to freeze minimum wages in order that businesses could recover from the downturn. This was in line with employer desires. The Director of the Labour Department was reported to have described the Bangkok minimum wage (often ignored) of 73 baht per day as "reasonably high."\textsuperscript{117}

In the euphoria surrounding post-1985 recovery, however, workers and peasants have tended to be forgotten by policy makers and business people. Nevertheless, a few voices have been raised, arguing that the poor are becoming poorer, that income distribution is becoming more unequal, and that the benefits of growth are not reaching the majority of the people. Figures produced by Boonchu Rojanasathan, leader of the opposition Community Action Party, suggest that in the period 1984-1986 average family incomes have fallen in the Central and Northeastern regions. It has also been argued that government policies are doing little to improve the situation.\textsuperscript{118} Even two conservative writers have recently argued that, "[n]otwithstanding the substantial degree of successful economic development...achieved, a good fraction of the general public have not been able to derive much benefit...."\textsuperscript{119} The neglect, in policy and growth terms, of the agriculture sector, and thus the majority of the population, has also been criticised by a handful of academics and officials.\textsuperscript{120}

\textit{Concluding Remarks}

The international economy has shown some profound changes over the past three decades. From the period of ISI, the move to EOI was in line with the move to internationalise production on the part of many TNCs. However, it also coincided with a recession in the industrialised countries and has been a period when capitalists have been pitted against each other as the processes of centralisation and concentration have expanded. This has resulted in an enhancing of the power of
banking capital, bankrolled by petrodollars and Eurodollars. What this has meant is a movement towards the internationalization of capital and the domination of finance capital, with ever-tighter links between transnational banks and transnational firms.121

In Thailand, too, great changes have taken place. Industry now contributes as much to GDP as agriculture, and the nation is experiencing a thorough-going capitalist transformation. The struggle is now on, within industrial capital in Thailand, to reorient production within this system—hence the competing claims to, on the one hand, increase protection and, on the other, to decrease it.

Industrial capital now operates within extremely volatile domestic and international settings. Even a more complete move to production for export will not necessarily overcome the crisis of accumulation facing industrial capital. For example, a number of recent observers have argued that a move by TNCs to return their production to the industrialised countries is quite likely, given technological advances and the trend towards increased protectionism in the West.122

As the crisis of capital continues, and as industrial development expands, conflict will remain a feature of the Thai political economy. In the past the state has been adept at meeting the demands of capital accumulation. However, it now faces a situation where political and economic demands are being strongly articulated by both a rapidly expanding middle class and an increasingly powerful working class. In addition, the marginalisation of the majority of poor peasants can no longer be ignored. It remains to be seen if the leading political actors can cope with these conflicting demands.

Notes

1. Much of the research incorporated in this chapter was carried out while completing a Ph.D. thesis at Murdoch University and, later, while a postdoctoral fellow in the Department of Political and Social Change, Australian National University. I thank both institutions for their support.

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7. *Nation*, 5 August 1987, p. 25; and 25 August 1987, p. 25. For examples of the various takeover battles see *1987 Year-End Economic Review*, pp. 73-77.


16. For more details on this period see Chapter 8.


25. Hewison, *op. cit.*, Ch. 4.
26. This is discussed more fully in Chapter 8.


38. Anonymous, pp. 77-78.


40. Sangsit Phiriyarangsan, Thumniyom khunngan thai (ph.s. 2475-2503), (Bangkok: Sangsán, n.d. [1983]).


44. See Chapter 7.


56. Kraisak *op. cit.*, pp. 140-146.


58. *Bangkok World*, 2 March 1971, p. 15; and *Business Review*, December 1972, p. 120.


60. Hewison, *op. cit.*

61. *Ibid.*, Appendix A.


64. This is a modification on the schema used in *Ibid.*, where it was necessary to distinguish, in analytical terms, between agro-industry and industrial manufacturing. For the purposes of this paper, however, these groups are examined together.


67. While there are many examples of business co-operation in the region, with, for example, the Bangkok Bank having financed a number of overseas Chinese business groups, competition remains intense, and the demands of accumulation will often override ethnic loyalties.

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70. Omohundro, op. cit., p. 142.


74. Balance of payments figures are not necessarily an accurate indication of total foreign capital inflows and the activities of TNCs. Nevertheless, these figures are the best available, and confirm trends present in other sources such as those of the Board of Investment.


77. Kririkkiat, op. cit.


86. Statistical Yearbook, various issues; and BP, 26 November 1985, p. 19.


89. BP, 27 November 1985, p. 20; Nation, 24 July 1985, p. 25.

90. See Chapter 5.


98. Hewison, *op. cit.*, Ch. 5.
106. *BP*, 3 December 1987, p. 3.
114. *BP*, 20 November 1985, p. 1; 5 December 1985, p. 3; and 12 December 1985, p. 3. The unemployment of the educated is illustrated by applications for government positions. In 1986, the Public Welfare Department advertised for 80 social science graduates and received 43,000 applications; the Civil Service Commission asked for four clerks and had more than 92,000 applicants; the Ministry of Education offered 3,840 teaching positions and almost 200,000 graduates applied—see *1986 Economic Review*, (Bangkok: *Bangkok Post*, 30 December 1986), p. 41.
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