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Giles Ungpakorn

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REFLECTIONS ON CAPITALISM AND THE MILITARY IN MODERN THAILAND

Giles Ungpakorn
Oxford University

DEVELOPMENT OF THAI CAPITALISM

As the Thai economy continues to develop at a rapid speed, placing Thailand among the second rank of newly industrialising countries, many people are trying to explain the reasons why Thailand developed so slowly in the early years. Some compare Thailand with Japan, since these are the only two Asian countries that avoided colonisation by the imperialist powers. The paths of economic development for Thailand and Japan have been very different. Japan is now a world power. If we are to find explanations which do not rest on the idea that the Japanese are naturally more hard-working and are culturally more hard-working and are culturally more suitable for business, we must look for concrete historical reasons.

THE ARRIVAL OF CAPITALISM IN THAILAND AND THE RESPONSE OF THE THAI STATE TO IMPERIALISM

The economic and social structure of Thai society before the arrival of capitalism in the mid-nineteenth century has often been described as feudal. However, the system which existed in Thailand bears little resemblance to feudalism as it existed in pre-capitalist Europe.
Thailand as a nation state can only really be said to have existed after the arrival of the Western imperialist powers, Britain and France. Before that time social organisation took the form of city states. Dominant and powerful city states would demand allegiance from other towns or cities in the region, but there was little centralised state apparatus beyond the confines of the city. The arrival of the Western powers, who carved out territories in neighbouring Burma, Malaya and Indochina, determined the shape of the new Thai nation state. The dominant city by this time was Bangkok. The influence of the Bangkok government extended into Laos, Cambodia and Malaya. The arrival of the British in India, and their intentions towards Burma, deflected the attention of the Burmese rulers, who were traditional rivals, away from the Thais. Thailand never became a colony of the Western powers, partly because of the wealth and power of the Bangkok administration, but also because Thailand was also able to act as a buffer state between Britain and France, playing off one rival power against the other. It was during this time that the ideology of Thai nationalism was promoted as a response to the imperialist threat. For example, some recent historians have argued that it was this need to manufacture a long history of the Thai nation that lead to the "creation" of the Sukothai Stone. All Thai school children are taught that the Sukothai Stone was made over 700 years ago and was the first written document describing the history of Thailand. Sukothai was one of the city states, along with Ayudhya, that feature in Thai history.

In the early nineteenth century all able-bodied men were required to work for the king, or minor local rulers of his choice, for periods of between three and
six months of the year. The system was often administered in a brutal fashion, with the men carrying tattooed numbers on their necks, in order to prevent them escaping this forced labour. Nevertheless, many escaped to live in out-lying areas to avoid conscription. In some regions, further way from the city, goods were expropriated instead of labour and this was the basis of the Crown’s foreign trade. Trade was monopolised by the Crown, using Chinese traders, who were given concessions to carry out their own trade if they collected taxes of the King. This is the origin of ethnic Chinese business concerns in modern Thai capitalism.

Within its area of control, the Thai Crown was a centralised organisation. Care was taken to prevent the rise of nobles who might become rivals to the king. The rules concerning the inheritance of royal titles were designed so that ranks declined with each generation, thus ensuring dependence on the current monarch.

The response of the Thai sovereign state to the arrival of the Western powers has often been compared with the response to the same problem in Japan. The Japanese response to imperialism was the overthrow of the feudal system of decentralised Samuri nobles, by a new class tied closely to business interests, during the Meiji Restoration. This created a centralised state which was responsible for building industrial and military strength in Japan in the late nineteenth century. In Thailand, the Chinese businessmen were the only social group that could remotely be described as a rising capitalist class, but they were still dependent on the absolute monarchy. The Thai monarchy had ensured that it had a strangle-hold on major commercial links, thus preventing an emerging class of independent traders who could challenge its power. It chose not to promote in-
dustrial production within the Thai state. This could have been due to a lack of incentive, since traditionally enough wealth had been obtained from conscripted labour and the level of existing trade. It could also have been due to the fact that until the arrival of the Western imperialists, the opportunities for commercial activity were only modest. Instead, foreign capital forced its way into the Thai economy and became the engine for change.

In 1855 Britain sent a gun boat up the river to Bangkok and forced the Thai rulers to end the Crown's monopoly of foreign trade. This resulted in the Bowring Treaty. In addition, it also forced the Thai monarchy to limit export and import tariffs and allow foreign investment. Further treaties were signed with other foreign powers.

The Bowring Treaty created a growing market for Thai rice abroad\(^1\). The British needed the rice to feed labourers in the colonies. British manufactured textiles were imported to replace hand-made Thai cloth. The rapid increase of trade in timber from the north and tin from the south, and the increased mechanisation of saw mills and rice mills, provided opportunities for capital accumulation among the Royal family and Chinese businessmen. It also introduced the use of money and increased the pressure to abolish conscripted labour in favour of wage labour. Until this happened, the growing number of mills and mines could not recruit local Thai labour, but had to rely on imported Chinese workers. It is

\(^1\) **The political economy of Siam, 1881-1910.** Chattip Nartsupha & Suthy Prasertset. The Social Science Association of Thailand, Bangkok (1978).
in this period that we see the establishment of early Thai capitalist families among the Royal relatives, for example, the Boon-nark and Sanitwong families.

Foreign investment started with the British Borneo Company in 1855, followed by J.S. Parker, a U.S. company in 1856. In the next two years J.S. Parker built the first rice steam mill in Bangkok, employing 300 workers. German (Markwald & Picken Pack Thies) and French (Remi Schmidt) companies also invested in the country.

Local capital engaged in joint ventures with foreign capital. The Siam Book Club was founded with Thai and foreign capital. It changed its name to the Siam Commercial Bank in 1904. In 1906, 32% of its shares were owned by members of the Royal family, 17% by Chinese businessmen, 19% by German capital and 10% by the Crown. By 1914 the Crown had increased its ownership to over 50%. Three other Thai banks were set up during this period with Royal and Chinese business capital. In 1913 the Siam Cement Company was set up using 60% Royal investment, together with foreign capital. Its products were protected from imports by a system of quotas.

So foreign capital provided the kick-start for Thailand's entry into the capitalist world. However, Thailand did not fall under the total control of western capital, local capital also prospered and grew.

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DOMINANCE OF THE MILITARY IN THAI POLITICS

Following yet another bloody battle between pro-democracy demonstrators and the army on the streets of Bangkok, in May 1992, many are looking for an explanation of the long tradition of military involvement in Thai politics. The most common explanations involve arguments about the level of education among the Thai population or a lack of a democratic tradition. Thais have a level of school education which is higher than that of the average Indian. India is not a country known for long periods of military dictatorship. Perhaps the British 'civilised' India and gave Indians a democratic tradition? Why did they not do the same for Pakistan? We should look for more concrete historical reasons.

THE FALL OF THE ABSOLUTE MONARCHY

The expansion of commercial and industrial activity within the country, after the Bowring Treaty, raised expectations which were frustrated by the lack of opportunities for those not closely connected to the monarchy or major Chinese businessmen. The government paid little attention to building the basic infrastructure needed for economic development. Between 1910 and 1932 only 16% of the national budget was spent on transport and irrigation and there was little support for public education. A succession of rice harvest failures (due to poor

irrigation), financial scandals in the banking sector and finally the 1929 world economic crash, brought matters to a head. In 1932 a radical group of young soldiers and civilians siezed power and abolished the absolute monarchy. The coup leaders came from the ranks of the new land-owning families. Many had been educated abroad.

The new government began to develop the economy using the state. Nationalism was promoted in an attempt to replace "Chinese" and foreign businesses with Thai businesses. However, this did not end foreign investment or the role of Chinese capital. The effect on Chinese businesses, as with similar measures in other South East Asian countries decades later, was to force them into an alliance with the new state. In 1936 the Bowring Treaty was annulled.5

Nationalised industries were created to substitute for dependence on imports and foreign owned companies. The Thai Rice Company was set up in 1938, followed by the Thai Fruit and Vegetable Company and The Asian Bank for Development of Industry and Commerce a year later. Semi-government companies were established jointly with leading Chinese business families, such as the Lamsam, Tan-sew-meng and Boonsuk families. Private companies were also created by members of the new ruling class. In 1940 the government set up the National Banking Bureau in order to regulate finance. This became the Bank of Thailand in 1942. In 1944 the Bangkok Bank was established.

using capital from Chinese rice-milling and trading companies together with some capital from the Royal family.

Disputes within the new ruling class about the degree of state intervention led to a coup in 1938 by Marshal Plack Pibul-Songkram, who favoured a larger role for the private sector. His government also favoured an alliance with the Japanese during the Second World War, allowing the Japanese to use Thailand as a route between Singapore and Burma. The state capitalist section of the ruling class sided with the U.S.A. and Britain. After the defeat of the Japanese in the war, the leader of this faction, Pridi Panomyong, regained control of the government and appointed Seni Pramoj of the Democrat Party as Prime Minister. Elections were held in 1946 and Kuang Apaiwong, a conservative member of the Democrat Party, became Prime Minister, but he was soon replaced by Pridi.

**MILITARY RULE**

In 1947 Marshal Pibul staged his second coup and temporarily put Kuang back into office, only to replace him with himself a year later. This set the pattern of military rule in Thailand for the next 26 years. Private capitalists, in the form of Chinese businessmen, were not powerful enough to have an independent role within Thai society. Therefore, whoever controlled the state. This is the explanation for Thailand's succession of military governments. Pibul's Military Revolutionary Committee contained all the future military rulers up to 1973.

Although Pipul favoured the private sector, state support and control of industry continued. Corruption was rife and was the method by which army generals became capitalists. The Bangkok Bank developed under
the protection of Kuang Apai-wong. In 1953 the state made a large injection of capital, becoming a major shareholder. State control was used as a means by which government ministers could exert personal control over the bank\textsuperscript{6}. In 1954 the Thai government guaranteed a World Bank loan of $10 million to the Bank of Ayudhya, which was owned by General Pin and General Pao. The money was used by them to buy personal control of sugar refineries, jute mills, marble quarries and paper factories\textsuperscript{2}.

The Korean War created an increase in demand for Thai exports, such as tin, rice and rubber, thus fuelling economic growth. Foreign investment had already returned after the end of the Second World War. In this period, nationalism, aimed against the Chinese, was used as a tool to divide the working class, as well as the usual mechanism for forcing Chinese businessmen to cooperate. Some businessmen who refused to work with the military were forced out of the market. Many jobs were restricted to Thai nationals in an attempt to curb radical Chinese workers who were watching the victory of the Communists in China with interest.

In 1957 General Sarit Tannarat took power in a coup, which was to keep him in power until his death in 1962. Some sentimental conservatives like to think of the Sarit era as a golden age. It was certainly a golden age for Field Marshal Sarit. Companies set up under his control often had no real capital, but succeeded in

making vast profits by obtaining government contracts and by avoiding tax. His allies, the Generals Tanom Kitikajorn and Prapart Jarusatien, also benefitted from corruption in this period.

Under the Sarit regime economic growth was promoted by the Board of Investment, a government body. Despite talk of fee market orientation, much investment was still directed towards import substitution. Foreign investment for export production was also encouraged by tax incentives. Attempts were made to diversify agricultural exports away from dependence on rice. Government investment was used to build roads and increase electricity-generating capacity. The Thai economy grew in the favourable climate of the world boom.

THE RISE OF THE INDEPENDENT CAPITALISTS AND THE WORKING CLASS

After the death of Sarit, the same government policies continued under Field Marshal Tanom and his associate Prapart. However, the nature of Thai society had undergone a significant and irreversible change. At the top, the pace of economic development had resulted in a growing capitalist class, whose power no longer depended on the direct control of the state apparatus. The fact that this class was made up of ex-army generals, together with the usual Chinese businessmen, often led people to believe that the military still held total power.

In 1978 eight major family groups controlled the top 100 companies, covering all sectors of the economy.

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Between 1973 and 1979 Thai owned banks grew from 760 branches to 1289 branches, employing 50,000 workers, 15,000 of them employed by the Bangkok Bank. In the early 1980s this bank controlled over 50 companies, and in 1980, the capital of the Bangkok Bank exceeded the state budget. The Thai Farmers Bank, established by the ethnically Chinese Lamsam family, controlled over 40 companies. In addition to this, links between foreign and local capital increased with joint ventures. Today the textile, electronics and vehicle assembly industries are dominated by such joint ventures. The CP group, covering the agri-business, became Thailand's first multinational company.

Disputes between those who wish to exert power through the control of the state bureaucracy in the old way and those who wish to exert their economic power more independently of the state apparatus, are rooted in this period. Such disputes have persisted to this day and have been the causes of some of the recent military coups. The drive for privatisation of state enterprises, traditionally controlled by the military, is part of this dispute.

**THE WORKING CLASS**

Hand in hand with the development of capitalism in Thailand came the development of the working class. The growth of the Thai working class was obvious to those who bothered to look. In 1973, the proportion of the population working outside agriculture was just under 25%, over 3 million workers. Bangkok as an urban centre grew very rapidly in size. However, many observers

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were distracted by the weakness and disunity of the organised form of the working class (the trade unions), or the lack of an organised workers party. Others, in the Maoist Communist Party, did not even bother to look for the working class, turning their attention instead, to the peasantry. The ideas of the now defunct Thai Communist Party still dominate much of the left to this day.

In 1973, for the first time in the history of Thailand, the working class played a decisive political role. Between January and October 1973 there were 40 strikes. October was the month of the first ever revolt against a Thai government by a mass movement of ordinary people. This revolt was successful in bringing down the military government of Field Marshal Tanom. The Thai working class in the main did not act as an organized body, although trade union leaders were part of the political leadership of the pro-democracy movement. On the ground the crowds that swelled the streets of Bangkok were fundamentally made up of working class people and students. The movement was led mainly by students and intellectuals and resulted in a new government, headed once again by Seni Pramoj of the Democrat Party. The Democrat Party, the oldest Thai political party, has always benefitted from the fall of military regimes, 1992 being the latest example. In the final two months of 1973, after the October events, there were a total of 300 strikes in Thailand.

The upturn in working class struggle resulting from the 1973 victory was brought to a sudden end by the brutal military coup of 1976. Many radicals fled to the jungle areas to join the Communist Party, only to return disillusioned. In the years that followed the 1976 coup, the level of repression was gradually lifted, resulting in
a return to parliamentary democracy by the early 1980s. Some coup attempts have occurred since, only one of which was successful—that of 1991.

In 1992, the working class again brought down a military government during a week of street battles with the army. As with 1973, the majority of the leaders of the pro-democracy movement came from the middle class, although trade union leaders were present. However, to claim that the crowds were made up of 200,000 middle class people, as most Thai media commentators do, is to ignore the facts. One Thai news magazine\(^9\) published details of those arrested on the streets of Bangkok by the army in May 1992. The list of those taken to prison is made up of low ranking civil servants (including teachers), electricity workers, water workers, railway workers, school and university students, doctors and petty street traders. In 1992 there were 11 million workers in Thailand, forming up to 40% of the population\(^10\). Unionisation is low, as a proportion of the population, but is concentrated in the public sector, banks and large manufacturing companies. In 1991, the military-imposed government banned trade unions in the public sector. This ban has now been all but lifted. However, there is now clear evidence of growth in workers' confidence in the private sector. In June 1992, one month after the military government was brought down, 10,000 private sector workers, in different factories, at the Nava Nakorn industrial estate, north of Bangkok, went on strike for better conditions\(^11\)

\(^10\)Bank of Thailand Annual Report.
Since the arrival of capitalism in Thainald, governments have sought to control organised workers through a number of measures. The first recorded strike occurred in the Bangkok docks in 1869\textsuperscript{12}. In 1910 there was a General Strike in Bangkok against the "head tax", which lasted five days. In 1932, after the overthrow of the monarchy, women workers in a dye factory were among the many workers who took strike action that year. In 1937 Labour candidates stood in an election for the first time. Often factions of the ruling class have sought to influence the unions from within. During the Pibul period the army and police each controlled a trade union. In the Sarit era, strikes were illegal, but nevertheless they still occurred. There have also been times when the government has sought to channel workers' discontent into less volatile legal channels, by removing oppressive laws. It is difficult to see why all this attention should be necessary if the Thai working class is too small and irrelevent.

CONCLUSION

Thailand joined the world capitalist system as a result of the arrival of Western imperialism in the mid-nineteenth century. The Thai monarchy ruled over a centralised system, which was unable to develop industry within the confines of the state. Foreign capital provided the engine for early growth. When the absolute monarchy was overthrown, the military filled the power vacuum and played a dominant role within the ruling order, until private sector Thai capitalists

were able to emerge in the early 1970s. Those who are interested in fighting for democracy in Thailand should look to the growing potential of the working class, which includes many white-collar workers. The Thai working class, led by middle class leaders, has been the major force against the military in recent years, while the civilian capitalist rulers have benefitted from the defeat of the military. Real democracy means more than choosing which group of the elite will form a government. Real democracy means ordinary men and women having the power to chose the economic priorities in society; in other words "Socialism from below". That power can only grow from the organised working class.