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THURSDAY NOVEMBER [illegible] 1970

The power game:

Business Thai-style

THE extensive and intimate relationship between powerful government figures and the business sector now being revealed did not begin with Field Marshals Thanom, Prapass and Col Narong. Nor will it end with them. As long as the Government has the power to regulate and control economic activities, and, more importantly, as long as there are those who are not only in a position to, but are also willing, exercise that power in their own self-interest, this pattern will persist.

Every economic political and sociological study of Thailand, when discussing the pattern of business in the country, has singled out the symbiosis between the entrepreneur, usually Sino-Thai, and his patron(s), invariably senior government or military officials, as the most important features. (See Box)

[illegible]ice General Phao, [illegible] Director-General of [illegible] Department, was a director of more than 26 companies. Field Marshal Sarit was on the board of over 30 at the time of his death. Their wives held shares or directorships in many others.

As depicted by Riggs ad Skinner the relationships between the Sino-Thai businessman and the Thai government official were designed to provide protection and advantage to the former and wealth and status to the latter. Since 1952-6, the period about which Skinner wrote, the drive for "Thai-ification" of the economy, as least with respect to the Chinese representation therein, has somewhat abated, the Alien Business Law notwithstanding.

The degree of Chinese assimilation since 1952 has increased and the rate of assimilation has accelerated.

The need for "protection" has consequently declined and the prerequisites of the connection have been found to be lucrative by the Thai elite; what was a marriage of necessity has become a marriae of convenience.

Today the situation has not altered greatly. The hard facts have been available to anyone willing to take the time and trouble to dig them out.

A list of companies in which senior government officials and or their wives held either directorships or shares was even published by the government itself in the Royal Gazette in 1969.

While certainly this information is by now out of date it does indicate the scope and nature of their interests. To this has been added additional information from various sources and as much as possible has been confirmed from government records.

The resulting list reveals a significant pattern. The holdings of the persons listed are apparently concentrated in the following areas: banking brewing and distilling, exports (including rice and livestock), transportation and shipping, mining, plantations and farming, trade in agricultural products, construction, hotels, mechanical equipment and vehicles, sugar refining, and asphalt production, forestry and sawmills, cold storage and ice manufacturing, and real estate.

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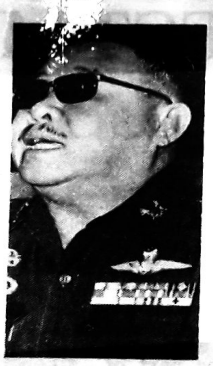
Making the connection

"THE advantage to the Chinese merchant of this close business relationship with members of the Thai elite could be seen in many ways. For example, it became easier to obtain quotas, permits and licences if officials were board members, because this created an interest in the welfare of their firms. Moreover, through honoraria, bonuses, and even salaries, the political patron acquired a predictable, easy and respectably 'legal' way of augmenting his income."

SOURCE: [illegible]
Rigg[illegible]ail[illegible]
der[illegible]o[illegible]
tic'[illegible]y.



Thanom



Prapass



Narong

The reasons why: Money and politics

"THE consequences of the Government's economic Thai-ification program, however, go far beyond the facts of limited Chinese retreat, sporadic Thai advance, and increased corruption. Of greater significance than any of these is the alliance which it stimulated between Chinese merchants and the Thai ruling class. In one of the most intriguing paradoxes of Thai history, militant economic nationalism has resulted not in the defeat of the enemy but in co-operation between the antagonists.

To put the matter in simplest terms, governmental pressure on Chinese businessmen forced them to seek security among those able to offer protection—government officials, police, and army officers. For their part, the Thai militarists and politicians who came to power with Phibun in 1948, and especially those who achieved political prominence in the coup of November 29, 1951, lacked an economic base to bolster their political and military power and enable them to bid for higher prestige. Inexperienced in business, they could not simply appropriate the economic structure without its deteriorating in their hands.

In this situation, three developments took place:

—Chinese merchants reorganised their major commercial and financial corporations to include on the boards of directors top government officials and other members of the Thai elite with "good connections."

—Most of the major new corporations in Thailand established since the coup d'etat of 1951 have been co-operative Sino-Thai ventures with Chinese supplying the capital and entrepreneurial skill and Thai officials supplying "protection" for the Chinese, official privileges, and in some cases government contracts.

—The semigovernmental business and financial organisations utilised the managerial skill and commercial acumen of local-born and naturalised Chinese by bringing them into their boards and staffs.

These developments, well underway in 1953, had by 1954 evolved into a consistent system. The system functioned imperfectly because of rivalries within the Thai ruling group; one political clique could not always offer Chinese merchants allied with it protection from Thai politicians in one of the other cliques. But in general, the Thai ruling group found in the new Sino-Thai alliance a satisfactory and legitimate source of wealth and economic power, while Chinese merchants profited from the political protection and special privileges the alliance afforded."

Source: G. William Skinner, Chinese Society in Thailand.

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connection between above mentioned industries and government is, in most cases, obvious.

The profitability of the Thai banks is enhanced by the limitation on their number and foreign competition. The Bangyikhan Distillery owned by the Ministry of Finance, is leased to the Suramahaguna Co, Ltd which is the largest company in Thailand in terms or sales.

Mining concessions are granted by the Department of Mineral Resources, formerly under the Ministry of National Development, now part of the Ministry of Industry. The export of livestock and rice is dependent on the granting of licences.

Sand dredging and quar-

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rying also depends on permits granted by the Government. Construction companies and asphalt suppliers do extensive business with the Government, and while it cannot be confirmed in every case, many of the companies listed were important suppliers to the Government or its agencies.

The Annex Co., Ltd., which imports Clark Forklift Trucks, and whose managing director is a principal in the Thung Yai scandal, is reputed to have a lock on the sale of that type of equipment to the Port Authority of Thailand.

Thus it is obvious that many of the companies listed are in businesses which depend upon the goodwill of government officials for their success or very existance, and that the potential for profit on both sides is enormous.

It should be noted that in many cases, particularly where the shareholding is nominal, or where the government official is only a director, the invitation to [illegible]es (or the giving of them) or join the board of the company was simply a means of honouring the government official involved.

Also, in some cases, the project for which the company was formed was never carried out, or if it was, it was not successful. Thus not all the holdings listed have been the bonanza that TORC, the banks and a few others have turned out to be.

The income from these holdings and directorships matches their size. From his 269,000 (in 1972) shares in Bangkok Bank and 300,000 shares of Bank of Ayutthaya Field Marshal Prapass and his family received 8,806,600 baht in dividends. This excludes such money spinners as TORC and Suramahaguna Co., Ltd. For others, while the dividend income must have been not as spectacular, it was still substantial.

Directors are entitled to a portion of the profits under the charters of many companies, in addition to fees. But the largesse did not, in many cases, end there. Some government official are carried as advisers or legal advisers with banks and other companies, which positions entitle them to other fees.

Then too a company could engage an official as a consultant at a high fee, or even rent office space in buildings owned by him or his family.

It is very easy for one to attack those that are (literally) down and out. Since they are in that state, they are no longer a problem, and the extent of their malfeasance is only of historical interest. The question should be, rather, the prevention of the re-occurrence of any massive illegal accumulation of wealth.

Ironically the now defunct National Executive Council attempted to deal with the problem in April of last year. It was learned that the leading members of the NEC agreed among themselves divest all of their holdings, except in banks, and to resign from all directorships, again except those in banks.

Apparently, the only one to carry out this decision was General Kris Sivara whose only holding, according the latest information available, now is a nominal number of shares in the Thai Military Bank Ltd., of which he is the newly elected chairman.

Although in any society it is difficult to make a break with the past, advantage should be taken of recent events to make a start to solving the problem of business government relationships. Some equitable balance must be struck between the legitimate business interests of government officials and the public interest.

Prohibition of business involvements is not only an extreme measure but impossible to inforce. Therefore it would seem that the more practical and the nearly as effective measure of requiring disclosure of financial interests by all policy making officials and their families, say at the chief of division level and higher, should be instituted. With this information in the hands of the watchdogs of society, the press included, the occurrences of the last few years will be just that more difficult to reproduce.

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Only the tip of a gigantic iceberg?

...tes to ... ables: The ...s (right) ... ...plet... necessarily ... do serve as an indication of the extensive financial interests of certain government officials. They were prepared largely from a list of companies in which high government officials were interested, either as shareholders or directors (it was not specified) which was published in the Royal Gazette in 1969. To this was added information from other sources and in some cases the informaton was checked in the records of the Department of Commercial Registration, Ministry of Commerce.

Where the sole source for the connection is the first named list, the source is marked as "G." while an "M" indicates that the connection has been confirmed by currently available government records.

Where available the market price for the shares has been used in establishing their worth.

However, in most cases the companies are privately held and there is no public market for the shares. In these cases they have been valued at par. If the company is a successful one this would result in a vast understatement of the value of the holding.

A case in point would be ...tal Oil Refinery Co., Ltd., the net earnings of which are estimated to be five times the paid in capital. This would make the shares worth thirty to forty times their original value and means that the holding of Mr Prapass Charusathiara included at Baht 1,080,00 is really worth between Baht 30-40,000,000.

Only some of the companies on the Royal Gazette list were chosen for inclusion in the tables, the choice being based on apparent importance and the number of persons who had interests in it. However, since the Royal Gazette list dates from 1969, the holdings may have been disposed of, directorships resigned, the companies may no longer be important or may have even been since liquidated.

An example of the list would be the Meatball Industry Co., Ltd., in which Col Narong Kittikachorn had an interest, which was dissolved in 1971.

It should be made clear, however, that inclusion in the tables does not necessarily mean that the person named acquired interests in the companies listed or any other companies in an illegal manner or with a view to exploiting his position or influence.

The information contained in the tables (right) is necessarily incomplete. For the next few weeks the Financial Post intends to publish a consolidated version of these tables adding additional information as it becomes available. To this end we invite our readers to send in such information.

NUMBER OF COMPANIES IN WHICH CERTAIN PERSONS HOLD (OR HELD) SHARES AND DIRECTORSHIPS

Name	* Royal Gazette list 1969	Other sources	Total (corresponding applications?)
FM Prapass Charusathiara	49	18	
Col Narong Kittikachorn	33		
Gen Juris Sivara	30		
Tawil Suthornsarat(o)	7		
Maj Gen Som Kerlapan	28		
Gen Chitti Navisathien	27		
Gen Prasert Ruchirawong	20		
Maj Gen Sa-nga Kittikachorn	19		
Maj Gen Khun Tayarn Ramrom	22		
Maj Gen Prasert Thamsiri	12		
Lt Gen Champen Charusathiara	17		
Lt Gen Chit Suntasond	7		
Rear Adm Chano Penchart	15		
Boontam Tanphaimuh	8		
ACM Dawee Chullasapya	8		
Lt Gen Amphorn Chintabanond	8		
Gen Sawai Saenyakorn	8		
Maj Gen Vichai Pongamun	6		
Gen Tem Homsethi	7		
Maj Gen Chote Hiranyathit	6		
FM Thanom Kittikachorn	7		
Thanpuying Chongkol Kittikachorn	-		
Khunying Nol Ruchirawong	6		
Thanpuying Sawai Charusathiara	6		
Dr Amnuay Viravan	10		
Mr Pote Sarasin	3		
Maj Gen Chan Angsuchote	-		
Chamnan Yuvaparns	6		
Lt Gen Pongse Punnakanta	6		
Lt Gen Torsak Yommark	6		
ACM Boonchu Chandrubeksha	6		
Lt Gen M.R. Larp Hasdintara	6		
Maj Gen Siri Sirilyothin	1		
Maj Gen Som Katapan	-		
Pol Lt Gen Pichai Rullyanich	88		
Lt Gen Amphorn Chintagamanda	6		

The above table is designed to show how pervasive the links between government and business in Thailand have become. The majority of the companies concerned were published in the Royal Gazette in 1969 and therefore the number of companies listed for any individual does not necessarily hold true today although it was true then.

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PRAPASS CHARUSATHIARA (AND FAMILY)

Company Name	Percentage owned	Number of shares	Value	Valuation basis	Company activity	Notes
[illegible]	0.1 %	1,000	1,000,000	Par	Printing Cement Hotels including Rama Hotel until 1969 Cement Assembles Fiat and Chrysler Agent for Fiat, Fordson Trucks and Others Fertilizer Warehousing Personal Motion Company, Real Estate, Personal Warehousing - Affiliate of Bangkok Bank	
[illegible]	45 %	4,500	4,500,000	Par	Mining Control Recognition Distillery from Ministry of Finance, Producer-Distillery Owner 30% of Sarasinbagana Co Ltd Fuel Carrier Oil Almost 45% connections Fertilizer Plant at Lampang Various Industry Machinery Production Restaurant	Director
[illegible]	0.1 %	100	100,000	Par	Subsidiary of Thailand Smelting & Refining Co Ltd Textile [illegible]	Chairman of the Board Vice Chairman & Director Secretary, Auditor & Director
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Owner of Thai Oil Refinery, 51 Racks Synthetic Fibre Production Commercial Bank, Finance Company Mining Oil Palm Plantation and Oil Extraction Owner 10% of Siam City Bank Ltd Mining Distributor of Flat Cars Oil Oil Various Products Oil Palm Plantation Oil Transportation Oil Oil Formerly imported Volvo automobiles Beverage Tobacco manufacturers	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NARONG KITTIKACHORN

Company Name	Percentage owned	Number of shares	Value	Valuation basis	Company activity	Notes
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THANOM KITTIKACHORN

Company Name	Percentage owned	Number of shares	Value	Valuation basis	Company activity	Notes
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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