

## CHAPTER FIVE

### INDUSTRIAL FORMALIZATION, DEPRESSION, AND WARS

The period from World War I to World War II, was a dynamic one. Thailand, like most countries, had to cope with a tremendous number of crisis situations during this period. The great depression (1928 to about 1936) and World War II (1941 to 1945) brought the country close to economic ruin. World War I and the period of prosperity that followed provided a good economic environment for business. It was during this period that Thai firms began to take shape, and to begin to fashion themselves as modern organizations. In many respects this period provided a great opportunity for entrepreneurs to start firms. Then, it presented them with a series of hostile business environments to test them under the most severe of business environments.

Early in this period we see the economic advisors, in the modern sense, beginning to emerge. Ket Bunnak, a family name that is still well known in Thailand, was an advisor to Rama V.<sup>1</sup> Although many of these advisors used their positions and contacts to develop their own entrepreneurial ventures, their presence indicates the degree to which the King had placed a high priority on the economy.

#### **Moving Away From Rice**

Rice continued to be the principal export crop during the early 1900's. However, this was to be a period when it began to have to share the export spotlight with other products. Internal problems, such as inadequate transportation prevented more rice from

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<sup>1</sup> ศักดิ์เกรียงไกร, สิริลักษณ์ (2523). พระยาสุริยานุวัตร (เกิด บุนนาค) กรุงเทพฯ: ไทยวัฒนาพานิช.

the North from being produced. This was because the rice mills were around Bangkok and it did not pay to ship unmilled rice.<sup>2</sup> The bulk of the exports, using January 1924 as a base) went to Hong Kong and China (54%), Singapore and Malaya (22%), and the West Indies (12%). Exports of rice listed below, and Table 5-1 indicates that the export increase for rice was beginning to peak out by the mid 1920's.<sup>3</sup>

**Table 5-1: Export of Rice from 1917 to 1924**

Year B.E.	Year C.E.	Quantity in Piculs	Value in Ticals
2460	1917-18	18,745,144	97,861,568
2461	1918-19	14,201,434	132,096,385
2462	1919-20	7,409,453	123,082,698
2463	1920-21	4,660,487	28,975,860
2464	1921-22	21,000,584	138,231,324
2465	1922-23	21,079,000	126,088,000
2466	1923-24	22,130,593	143,065,892

Note: The year ended on March 31st., in Thailand, during this period. A picul equals 133.33 pounds. A tical equals 40 cents gold.

### Depression and War

Obviously, the depression, which began in 1929 and the turmoil of World War II, made subsequent export data, with respect to rice and other products, less meaningful. This was especially true beginning in 1940 when exports to Japan replaced the trade that had previously been directed towards Europe. However, both the depression and the war, and their associated absence of foreign products, may have emotionally prepared Thai to produce products locally, that had been previously imported. For instance, in World War II, they found their Japanese allies especially reluctant to provide them with

<sup>2</sup> Sanitwongse, Yai Suvabhan. (2531) "The Rice of Siam," in ed. สุจิตติ วงษ์เทศ, ข้าวไพร่-ข้าวเจ้า (pp. 20-24). Ubon Rachtani: Art and Culture. p. 20.

<sup>3</sup> Sanitwongse, Yai Suvabhan. (2531) p. 23.

oil and machinery that they felt was needed.<sup>4</sup> Despite the economic conditions, there were also those who identified opportunities. Foreigners were still sending their clothes to Singapore for dry cleaning, until the the first dry cleaning establishment, which is still operating, was opened in 1933.

Obviously, black market activities created lots of entrepreneurial opportunities during the Japanese presence during World Warr II. Indeed, there was even deep resentment on the part of some Thai's of the level of cooperation some of their fellow citizens showed the Japanese. For instance, on August 16, 1945 "an assasssin wielding a machine gun killed Ch'en Shou-ming, who had cooperated with the Japanese as president of the Chinese Chamber if Commerce.<sup>5</sup> This suggests that both the war and the Japanese army's presence provided opportunities for entrepreneurial profit.

### **Formation of Modern Business Enterprises**

Although foreign businesses were operating in Thailand during the reign of King Mongkut, it was during the reign of King Chulalongkorn that they really made their presence felt. Initially, most foreign firms operating in Thailand were merely acting as agents for foreign firms. Insurance firms, offering flood and fire insurance, were served through these local agents.<sup>6</sup> However, these firms were largely represented by agents during this period. Late, they began to take on the form of real business organizaiton.

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<sup>4</sup> Reynolds, E. Bruce (1994) **Thailand and the Japan's Southern Advance**. New York: Saint Martin's Press. pp. 60-63.

<sup>5</sup> Reynolds, E. Bruce (1994) **Thailand and the Japan's Southern Advance**, P. 228

<sup>6</sup> Ministry of Commerce ( ). **ประวัติกรมทะเบียนการค้า** (pp. 5-14). Bangkok: Ministry of Commerce. pp. 8-9.

On January 16, 2466 legislation took effect that, among other things, allowed firms to register with the Ministry of Commerce. Twelve firms registered on that day. Table 5-1 lists these firms with some indication of their present status. Although only one of these firms was owned by Thais, their registration signaled a new commercial environment.



Table 5-1: List of Commercial Firms Registered Under Registration Legislation of 1923

Name of Registered Firm	Current Status in Thailand
บริษัทรถรางไทย	A Trolley Car Company. No longer in existence
บริษัทอินนิเยริงโซเดตีฟสยาม	Engineering Associated Siam
บริษัทแบงก์สยามกัมมาจล	Former Name of Siam Commercial Bank, which is still in existence.
บริษัทแม่น้ำมอเตอร์โบต	River Motor Boat Company. No longer in existence.
บริษัทเรือไฟไทย	Thai Steam Ship Co. No longer in existence.
บริษัทศรีราชา	Plywood manufacturer, which was converted into a state owned enterprise.
บริษัทรถไฟแม่กลอง	Eastern Railroad, which was merged with the State Railroad of Thailand.
บริษัทเรดเมล์จีนสยาม	Thai Chinese Shipping Co. No longer in existence.
บริษัทยางบางนา	Rubber Production Co. No longer in existence.
บริษัทรถไฟปากน้ำ	Paknom Railroad Co., which was merged into the State Railroad of Thailand.
บริษัทหัตถกรรมสยาม	Siam Handicraft Co. No longer in existence.
บริษัทรถรางพระพุทธบาท	Praputtabad Trolley Co. No longer in Existence

Commercial registration was just a first step. No doubt government recognized that many organizations were taking a form that was dramatically different than had existed in the past. These new organizational forms were what would eventually permit these organizations to have a major impact on the society. In this sense registration indicates the period when the process of more formal organizational types began to appear.

## Typical Entrepreneurs of Period

### First Generation Chinese Entrepreneur

เลื่อน บัวสุวรรณ was typical of many first generation Chinese, during this period.

Born in 1912 he was sent to China at age 5 for a Chinese education. He returned to Thailand at age 19 and went to work at an uncle's store in Kohrat. His inability to speak Thai limited his employment prospects, and he went to work as a common laborer for the railroad, at a wage of 60 sathang per day. He was actually able to save enough from this wage to attend language school in the evening. Within two years he had learned sufficient Thai, so that he was able to go to work for a rice miller in Kohrat. He became extremely well known in the business, and continued to work in Kohrat, until World War II began.<sup>7</sup>

While much of Mr. Pawsuwan's wealth as an entrepreneur, his experiences really developed during this earlier period. After the war in 1946, he went to Bangkok and decided he wanted to be a liquor distributor. He received a loan from ขน ขนวิเศษ, with very generous repayment terms. While his factory was burned three months after it opened, he was able to recover by selling personal belongings to pay for repairs. The distillery developed a product called "รวงทองวิเศษ," which became very popular.<sup>8</sup>

As with many Thai entrepreneurs, he specialized in honorary positions after establishing himself. He managed the government's retailing operation บริษัททหารสามัคคี,

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<sup>7</sup> หนังสืองานศพ (Funeral Book) (2499) นายเลื่อน บัวสุวรรณ และ นายชื่น อยู่ถาวร. Bangkok: pp. 7-14.

<sup>8</sup> หนังสืองานศพ (Funeral Book) (2499) นายเลื่อน บัวสุวรรณ และ นายชื่น อยู่ถาวร, p. 10..

served on the board of the Bank of Ayudhya, and was elected the President of the Thai Chamber of Commerce.

The pattern here is one that is both common and interesting. The entrepreneur works hard, to put themselves in a position to exploit opportunity. No doubt, it would have been impossible for him to have opened a liquor distillery in any period, except the time right after World War II. The ability to use one's reputation, in this case from their successful career as a manager to rice mills, to develop contacts was also important. Sources of equity were not well established, and having contacts was one of the few avenues available to entrepreneurs to raise equity funds to establish businesses. Finally, by assuming positions of importance in more established enterprises, he put himself in a position to provide support, financial and otherwise, to friends and family who might be inclined to attempt entrepreneurial ventures.

### **Native Thai Entrepreneur**

บุญรอด เศรษฐบุตร was born in 1872, and came from a relatively well off family. He attended school at a Temple, and was awarded the best student award. Upon graduating, he passed the exam to work in the Secretary's Office of the Minister of Justice, but instead decided to go to work for a firm that operated a lumber mill and was a teak exporter (ห้างกิมเซ่งหลี ของนายอากรเต็ง เสกโนคร (หลวงอุดรพาณิชย์). He used his time in this job to learn about the business and to learn English. When he got married he used the wedding gift his father gave him to enter into his own teak cutting operation. He would then sell the raw logs to mills in Bangkok, and the operation was extremely profitable.<sup>9</sup>

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<sup>9</sup> หนังสืองานศพ (Funeral Book) (2499) นายเลื่อน บัวสุวรรณ and นายชื่น อยู่ถาวร, pp. 49-50.

Poor health caused him to take a trip abroad, but he used this time to investigate business opportunities. When he returned he opened an automobile and cross-river shipping business (บริษัทบางหลวง). Shipping was extremely competitive, and when the government built the first bridge across the Chao Phraya river, he was smart enough to get out of the business.<sup>10</sup>

His father died, in the first year of the reign of Rama VI, which provided him with a sizable inheritance. He also became an advisor to the king during this period, which led to him receiving the title of พระยาภิรมย์ภักดี. This relationship proved extremely important, because after exploring business opportunities in Tobacco and sugar, Bunrat decided on beer as the best existing business opportunity. Informally the government agreed, but his letters to the Ministry of Finance went unanswered. Finally he communicated with the King, and the Finance Ministry quickly responded and approved his original request to open a brewery.

There has been a tendency to assume that all large Thai enterprises are operated by Chinese-Thai, so the experience of บุญรอด เศรษฐบุตร are extremely important. He used the type of connections that were not available to Chinese during this period. He could have had a comfortable life as a government bureaucrat, and achieved a high status. Instead he chose to embark on a career in commerce and use what he learned to start his own business. Teak cutting, automobiles, tobacco, shipping and beer were all selected because they had good local markets. In this sense he was able to perceive these opportunities and exploit them. Obviously, there were many other Thais in similar

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<sup>10</sup> หนังสืองานศพ (Funeral Book) (2499) นายเลื่อน บัวสุวรรณ and นายชื่น อยู่ถาวร, p. 52.



positions, so the interesting question is why there were not more entrepreneurs similar to บุญรอด เศรษฐบุตร to emerge during this period.

### **Thai-Chinese Entrepreneur**

Born in 1902, หลวงดำรงศิริตเรข is a good example of a Thai entrepreneur, who happened to be ethnically Chinese. He was born in Thailand, and moved to Bangkok to go to Assumption School. After finishing school he went to work for the Borneo Company. He was recruited by Rama VII to be his royal secretary, which accounts for his royal title. The king assigned him to develop a new shorthand code, and it for this reason that he is know as the inventor of Thai Gregg Shorthand. The king also gave him some valuable land and 7,000 baht as a reward for his services. When the king left the country, after the establishment of a constitutional government, he went with him. However, the government recalled him to Thailand and fired him. It was this event that led him to open a business of his own.<sup>11</sup>

While he was in England, he came to believe that newspapers were extremely important to democracy. Thailand had one English language newspaper, the “Bangkok Times,” but it was owned by a foreigner. He convinced several business acquaintances and friends, including the influential หลวงเสถียร โชติการ, นายพจน์สารสิน, พระยาปริชานุสาสน์, set up a printing company to publish the “Siam Chronicle,” whose name had to be quickly changed to “Thai Chronicle” to satisfy Prime Minister Pibul’s focus on nationalism. The paper was closed down by the government, and then reopened as the “Bangkok Chronicle,” in 1935. หลวงดำรงศิริตเรข also opened Thai language newspapers that

paralleled these English language papers. In eleven years in the business, he had a total of eight newspapers, and three weekly magazines, which served as weekly summary news magazines.<sup>12</sup> This is a format that is still common among Thai newspapers.

While his newspapers were popular with the public, they had little advertising. Thus, they were not very profitable, and he decided to get out of this business at the end of World War II. He sold his papers to one of his editors, including the “Bangkok Post,” which he started right as the war was ending. One month after selling his papers, he entered the insurance business, with a firm called อากเนย์ประกันภัย with (Southeast Asian Insurance Co.) a registered capital of 1 million baht. This business, which covered sea transportation and fire insurance was very successful and registered capital was increased to 4 million baht after three years, in 1950. It was also in this year that the firm decided to enter the life insurance business. Probably as a result of his work with Rama VII, the Princess Mother of Rama IX purchased their first life insurance policy. It was also at this time that the firm’s capital was raised to 10 million baht.<sup>13</sup>

At this point it is likely that หลวงดำรงดุริตเรช ceased being an entrepreneur, as his firm grew to 432 employees and had numerous reinsurance agreements with other international firms by 1963. By the time he died in 1973, this firm was one of the largest and most respected in the industry. Figure 1 below shows the growth of the capital and

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11 หนังสืองานศพ (Funeral Book) of หลวงดำรงดุริตเรช. Bangkok: (2516), p. 27-29.

12 หนังสืองานศพ (Funeral Book) of หลวงดำรงดุริตเรช. Bangkok: (2516), p. 38-39.

13 หนังสืองานศพ (Funeral Book) of หลวงดำรงดุริตเรช. Bangkok: (2516), p. 51.

reserve funds of this firm, as an example of the type of growth that Thai firms were experiencing during this period.

This case highlights an important difference between an entrepreneur who was ethnically Chinese, but Thai in all other respects. His work as personal secretary for King Rama VII clearly differentiates him from เลื่อน บัวสุวรรณ, who essentially remained tied to the Chinese community until he achieved some status. In this case, the royal connections were important because they provided the funds needed for a successful venture, and were probably very important in establishing the types of business connections needed to succeed in as cash-intensive a business to start, as newspapers and insurance.

#### **A Learning From Failure Entrepreneur**

เลิศ เศรษฐบุตร, who was born in 1872, was a famous and respected business person at the end of his life. However, in many respects his entrepreneurial experiences are similar to those of many contemporary entrepreneurs. His story is one of moving from venture to venture, until he found one that was successful.<sup>14</sup>

After finishing high school, in Bangkok, he went to work for a trading company สี่ตา. He left this to work for a teak trading company and then joined the Singapore State Co.(บริษัท สิงคโปร์สเตต) as a clerk. These business experiences led him to open his own business, which was a shop that sold sewing machines. Later he expanded this to a broad array of foreign products, books, and galvanized steel. Most of these ventures were unsuccessful, at least from the sense of making profit. He then set up a hotel,

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<sup>14</sup> หนังสืองานศพ (Funeral Book) of หลวงดำรงคุณิธเรข. Bangkok: (2516), p. 62-69..

which he operated for ten years, making a modest profit. At the same time as he had the hotel he also set up an ice making factory, which proved to be his first business that was really profitable.

Eventually the money from the ice business allowed him to set up a bus company, called the “White Bus” company. Although no longer in business, this firm was extremely successful and it brought เลิศ เศรษฐบุตร a high level of profit and recognition. This pattern of failure, persistence, and then success is one of the most common entrepreneurial arch types found in the research on entrepreneurs.<sup>15</sup>

### Chinese Immigrant Entrepreneur

U Chu Liang came to Thailand in 1918, at the age of 18. After spending several years working at his father’s shop in China, and inspired by the stories of young men who had gone abroad and made fortunes, he decided to go to Bangkok.

Upon arriving, he went to work for a relative in a dyestuff store as a clerk. He was promoted and got bonus. Instead of returning to China he decided to invest the money, until he could find a good business opportunity.

Mr. U. Chu Liang tells the story of how on a trip to a rural area of the country he came upon an old man who gave him some “Tiger Balm” to smear on his head and under his nose. The old man told him it was useful to people feeling sick after a long trip. He claims the old man then gave him some useful business advice “If you deal with something widely used by people, you are in for a great profit.”<sup>16</sup>

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<sup>15</sup> Stick a current reference on entrepreneurial arch-types here.

<sup>16</sup> Funeral book of U. Chu Zliang (2519). Bangkok, p. 7.

By the end of 1924 U Chu Liang was involved in several joint ventures with colleagues and relatives, and he was well known and established in Thai commercial circles by the time he was thirty, in 1929. He was very active among the overseas Chinese, which got him into trouble with the Japanese during World War II, who eventually imprisoned him.

After the war, when the British outlawed the exchange of occupancy currency, he accepted the worthless currency from more than 30,000 individuals in exchange for rice. He remained active in Thai commercial circles, starting Bangkok Metropolitan Bank in 1950. His children remain active in many of his earlier commercial ventures.<sup>17</sup>

U Chu Liang is typical of many Chinese who came to Thailand. As can be seen, he starts off by being "very Chinese," and intending to return to China when he has made his fortune. He provides help to China during World War II, at some considerable risk to himself. After the war, he becomes far more engaged in things Thai, including religion, politics, commerce, and charitable works. Eventually, he becomes a person more known for his charity than his wealth and is recognized through numerous royal decorations. As with many immigrants, he seems to have developed a passion for his new country that was more intense than that which he might have developed for China had he returned there.

#### Other Foreigners

There were immigrants from other countries who were also successful entrepreneurs. Mr. Hans Geyer came to Thailand, from Germany, in 1905. In Germany, his father had been a merchant, so he went to work for Y. R. Andre Co., as an import agent, when he arrived in Thailand. Geyer's wife worked for the royal family. When

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<sup>17</sup> Funeral book of U. Chu Liang (2519). Bangkok, p. 9.

Thailand entered World War I, on the side of the Allies, he was forced to return to Germany, but returned after the war.

It was after he returned to Germany that he set up Geyer and Co. A subsequent buyout of ห้างเอโมบ from a fellow German, E. Mueller, that allowed him to expand from general products into the automobile business.<sup>18</sup>



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<sup>18</sup> Funeral book of Hans Geyer (2494). Bangkok.