

# PERSPECTIVE

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## **Royal Warrants of Appointment Grant Prestige and Goodwill in Thai Business Culture**

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### **EXECUTIVE SUMMARY**

- Royal warrants of appointment grant a company the right to display the *garuda* or *khрут* symbol of the Thai state, civil service and monarchy and are a highly desired honour among corporations operating in Thailand. The bestowing of these royal warrants thus provides insight into often hidden relations between the Thai monarchy and the business community.
- During the reign of recently deceased King Bhumibol (r. 1946-2016), royal warrants evolved from awards for personal service to the king into a national system of honours recognising exceptional service to the nation.
- Over the last century, royal warrants were granted to leading companies in each new phase of economic transformation. Many of these were Thai, American and European corporations, while Asian companies operating in Thailand have been less visible on public lists over awardees.
- No new royal warrants of appointment have been issued in the reign of Thailand's new King Maha Vajiralongkorn. It is yet unclear whether the centralisation of authority over royal agencies under King Maha Vajiralongkorn enacted by the Thai parliament in late April 2017 will affect the awarding of royal warrants in the future.

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## **INTRODUCTION: GOODWILL, PRESTIGE AND SUCCESS**

Relations between the Thai monarchy and the country's business community are significant but rarely fully disclosed. Porphant Ouyyanont noted, in analysing the Crown Property Bureau (CPB), the Thai monarchy's investment arm, that the CPB has become a major economic player in Thailand because the monarchy "is invested with enormous prestige and influence".<sup>1</sup> Porphant argues that the financial success of the CPB, which emerged from the 1997-98 Asian financial crisis in a strengthened position,<sup>2</sup> follows from its ability to draw on the expertise of some of Thailand's best technocrats, who are attracted to work with the CPB because it offers "intangible rewards of status".<sup>3</sup>

Among both domestic and international businesses operating in Thailand, a highly prestigious sign of status is the award of a royal warrant of appointment (Thai: *Phra ratchathan tra tang hang* or *phra ratchathan tra tang ong khрут pha*). The rare award grants a company the right to display the *garuda*, called *khрут* in Thai – symbol of the Thai state, civil service and monarchy – together with the words "By appointment to H.M. the King of Thailand" (Thai: *doi dai rap phra borom ratchanuyat*). The royal *garuda/khрут* emblem is one of the highest business honours one can receive in Thailand, as it symbolises imprimatur of the king upon successful domestic and international corporations operating in the country. The *garuda/khрут* royal warrant symbol is displayed on company hoardings, letterheads and products, and its installation at company offices takes place in an elaborate ritual involving Brahmin priests and Buddhist monks.

In a study of relations between Thailand's banks and the monarchy in the 1970s, Christine Gray observed that the *garuda/khрут* was awarded to companies that had "served the nation".<sup>4</sup> One of Gray's informants observed that this royal sponsorship conferred "royal auspicious welfare" (*phra ratchanukhрут*) on "the most privileged of [the king's] subjects".<sup>5</sup> Gray noted that goodwill, an intangible asset that reflects a company's reputation and public standing, was "at the heart of successful commercial ... operations everywhere", and "the idiom of goodwill in Thailand is ... the giving and receiving of honour."<sup>6</sup> She further noted that the monarchy's award of titles and ritual privileges to businesses had granted it "a major role in shaping the modern economy."<sup>7</sup> The bestowal of a royal warrant is therefore an exceptionally valued form of goodwill in Thailand.

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<sup>1</sup>Porphant Ouyyanont. 2008. "The Crown Property Bureau in Thailand and the Crisis of 1997", *Journal of Contemporary Asia*, 38(1): 166-189. p. 166.

<sup>2</sup>Porphant Ouyyanont. 2015. *Crown Property Bureau in Thailand and its Role in Political Economy*, ISEAS Trends in Southeast Asia 2015 # 13, Singapore: Institute of Southeast Asian Studies.

<sup>3</sup>Porphant 2008, p. 186.

<sup>4</sup>Gray, Christine. 1986, *Thailand: The Soteriological State in the 1970s*, PhD Dissertation, Faculty of the Division of Social Sciences, University of Chicago, p. 399.

<sup>5</sup>Ibid. p. 397.

<sup>6</sup>Ibid. p. 892

<sup>7</sup>Ibid. p. 732

## **BRAND AGE MAGAZINE AND THE “ROYAL BRAND” OF KING BHUMIBOL**

Despite their importance in Thai business culture, very little public information is available on royal warrants, and like the CPB they have “been virtually ignored in the economic literature of Thailand”.<sup>8</sup> The precise number of royal warrants granted is unclear as no official list of past or current holders appears to have been made public. However, in recent years, extensive but possibly still incomplete lists of warrant holders have been published in the Thai-language magazine *Brand Age*, a glossy monthly journal that focuses on marketing and product branding. On the occasion of King Bhumibol’s 80<sup>th</sup> birthday in 2007, and more recently following his death on 13 October 2016, *Brand Age* published special issues, both titled “Royal Brand” in English, honouring the late king’s support for Thailand’s business community.<sup>9</sup> While published in Thai, much of the information on royal warrants of appointment summarised below has not previously been available in English. The two special issues of *Brand Age* honouring King Bhumibol therefore provide rare insights into the scope of the monarchy’s relations with different sections of the country’s business community across the past century.

## **THE EVOLUTION OF THAI ROYAL WARRANTS OF APPOINTMENT**

Thai royal warrants were first awarded in the reign of King Chulalongkorn (Rama V, r. 1868-1910), when businesses that received a warrant had the right to display Siam’s former coat of arms. In 1911, Chulalongkorn’s son and successor King Vajiravudh (Rama VI, r. 1910-1925), replaced the coat of arms with the *garuda/khrut* as joint official symbol of both the state and the monarchy. As reported in *Brand Age*, the adoption of the *garuda/khrut* as royal symbol follows from the doctrine that the Thai monarch is a presumed god-king (*devaraja*), who represents the human incarnation of the Hindu god Vishnu. In Hindu belief, the *garuda/khrut* is the divine vehicle that conveys the deity Vishnu across the heavens and to earth.<sup>10</sup>

Thai royal warrants were initially awarded to companies, and some individuals, who supplied goods or provided services to the king, and were modelled on similar systems used in the United Kingdom and other European monarchies for several centuries. However, in the reign of King Bhumibol (Rama IX, r. 1946-2016), royal warrants evolved from awards for personal service to the king into a national system of honours recognising exceptional service to the development of the nation.

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<sup>8</sup>Porphant 2008, p. 166.

<sup>9</sup>“Royal Brand”, *Brand Age Essential*, BE 2550 (2007). (No issue number, a special issue to honour the 80<sup>th</sup> birthday of King Bhumibol on 5 December 2007).

“A King’s Heritage I – Royal Brand”, *Brand Age*, Vol. 17 No. 10 October BE 2559 (2016).

<sup>10</sup>See also: Jackson, Peter. 2009. “Markets, Media, and Magic: Thailand’s Monarch as a ‘Virtual Deity’”, *Inter-Asia Cultural Studies*, 10(3): 361-380.

This evolution was formalised in 1991, when a law was decreed specifying procedures for application for and award of a royal warrant. The law specifies that for a company to receive approval to use the *garuda/khrut* it needs to be legally registered, in good financial standing and “Conduct its business activities honestly and in ways that do not conflict with the law or the peace, order and good conduct of the public.”<sup>11</sup> Businesses can now initiate the process of applying for a warrant by writing to the Office of the Royal Palace, and if approved the award is enacted by the Prime Minister and published in the *Royal Gazette*. A company that breaches conditions of the award can have the right rescinded by order of the Prime Minister, which is also proclaimed in the *Royal Gazette*. If an individual awarded a warrant dies, or a company conferred a warrant ceases operation, the right to the royal warrant also expires.

It is not known whether any criteria other than those detailed in the 1991 act may also need to be met. Gray observed that since the 1960s, sections of the Thai business community have made large donations to royal charities and also received the honour of sponsoring the royal *kathin* ritual of conferring robes to monks at high-ranking Buddhist monasteries.<sup>12</sup> The two special issues of *Brand Age* that detail royal warrants each include extensive introductory articles about the many thousands of royal projects initiated during King Bhumibol’s reign.<sup>13</sup> No link between sponsorship of these royal projects and the business community is detailed. Nonetheless, the special “Royal Brand” issues of *Brand Age* indicate that the conduct of the royal projects provide a context within which the granting of royal warrants can be understood.

The *Brand Age* articles provide no background on the awarding of warrants to the individual companies listed. Like other aspects of the monarchy’s relations with the business community, limited information is made public. However, several notable trends in the awarding of warrants are apparent when the lists of warrant holders and dates of award published in *Brand Age* are read in the light of studies of modern Thai economic history,<sup>14</sup> with the awarding of warrants closely following the changing structure of the

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<sup>11</sup>“1991 Law of the *Khrut Pha* Symbol”, *Royal Gazette*, Vol. 108, Section 199, Special Issue, Page 1, 15 November 1991. A note appended to the proclamation of the law in the *Royal Gazette* explained that it had been framed because of a need to bring order to the issue and public display of the royal *garuda/khrut* symbol, which had become more widely used in recent years.

<sup>12</sup> Gray, Christine. 1991. “Hegemonic Images: Language and Silence in the Royal Thai Polity, *Man* (New Series), 26 (1): 43-65.

<sup>13</sup>In an article titled “A King’s Heritage I: Royal Brand” in the October 2016 issue of *Brand Age* (pp. 84-89), Wuthikorn Sinthuwathin reported that a total of 4,685 royal projects had been initiated by King Bhumibol and other members of the royal family, being one new project for approximately each 5 days of the late king’s 60-year reign.

<sup>14</sup>Some influential texts on modern Thai economic history are:

- Suehiro Akira. 1989. *Capital Accumulation in Thailand 1855-1985*, Tokyo: Centre for East Asian Cultural Studies.
- Warr, Peter G. (ed.). 1993. *The Thai Economy in Transition*, Cambridge: Cambridge University Press.

Thai economy over the past century. In successive decades, royal warrants have progressively been awarded to major companies at the forefront of emerging and rapidly expanding sectors of the Thai economy. In historical sequence, recipients have been from the following sectors:

- British and European trading houses founded in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries
- Chinese-owned businesses in Bangkok in the early 20<sup>th</sup> century
- Sino-Thai insurance companies and banks in the 1950s and 1960s
- American and European multinationals from the 1960s
- Thai construction companies and new Thai multinationals in the Thai boom decades of the 1980s and 1990s
- New service sector industries in tourism, telecommunications, and health in the early 21<sup>st</sup> century

### **NOTABLE RECIPIENTS OF ROYAL WARRANTS**

This section lists some of the companies that received a royal warrant in successive historical waves of economic development in modern Thailand. Years and dates of award are in parentheses.

Companies in which the CPB has significant holdings have received warrants. The Siam Cement Group (SCG), established by King Rama VI in 1913, and Siam Commercial Bank, which opened in 1906, are both major sources of income for the CPB and received warrants in the early 1930s. Deves Insurance, founded in 1947 to insure the CPB's assets, received a warrant on 26 April 2004.

Nearly all the major British and European trading companies that Suehiro<sup>15</sup> lists as beginning operations in Siam in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries received warrants, although some received them only relatively recently: Diethelm Co. Ltd. (7 January 1931); Mr Adolf Link, B. Grimm & Co. (19 June 1933); East Asiatic Co. Ltd. (10 August 1954); Berli Jucker Group (16 November 1967); Borneo Motors and Engineering (Thailand) (8 October 1982); Louis T. Leonowens (Thailand) Ltd (8 October 1982).

Several Chinese-owned companies in Bangkok received warrants in the final years of the absolute monarchy during the reigns of King Rama VI (r. 1910-1925) and King Rama VII (r. 1925-1935). These were family firms that mostly operated under Chinese names and provided services and products to the royal court. While King Vajiravudh was known for his often-strident criticisms of the Chinese in Siam, he

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- Pasuk Phongpaichit & Chris Baker. 2002. *Thailand: Economy and Politics* (second edition), Oxford and New York: Oxford University Press.
  - Pasuk Phongpaichit & Chris Baker (eds). 2008. *Thai Capital After the 1997 Crisis*, Singapore: ISEAS Publishing.

<sup>15</sup>Suehiro, *ibid.*, p. 323.

nonetheless conferred royal warrants upon businesses founded and run by immigrant Chinese. This reflects the historical importance of relationships between the monarchy and Chinese business owners in Thailand. Examples: Seng Khong Store (1921); Tang To Kang Gold Shop (1921); Yaowarat Co. Ltd (1921); Jin Hua Heng Store (16 March 1930).

There was a five-year gap in the awarding of warrants in 1934-1939, which marked a low point for the monarchy after the 1932 revolution and the abdication of King Prachadhipok in 1935.

After World War II, a second wave of warrants was issued to Sino-Thai companies in the finance sectors, which now operated under Thai and English, and not Chinese names. In the 1950s, insurance companies began receiving royal warrants, followed in the 1960s by most of the major Sino-Thai owned banks in the country. As Porphant notes, "From the 1950s to the 1980s, commercial banks were at the core of Thailand's economic expansion".<sup>16</sup>

Insurance companies: Nakorn Luang Life Assurance Co Ltd (24 December 1952); Burapha Life Assurance Co. Ltd (1 October 1959); Muang Thai Life Assurance (13 October 1959); Thai Life Insurance (Thai Prakan Chiwit) (24 March 1998); Bangkok Insurance (26 April 2004); Krungthai Panich Insurance (19 April 2007).

Banks: Bangkok Bank of Commerce (14 March 1955); Bangkok Bank (17 August 1967); Thai Farmers Bank (2 October 1967); Ayudhya Bank Group (now Krungsri Bank of Ayudhya) (3 May 1970); Thai Danu Bank (17 October 1972); Thai Military Bank (Now TMB) (8 October 1982)

In the 1960s and 1970s, American and European multinational corporations that had begun operations in Thailand after World War II began to receive warrants. There was a rapid expansion in large corporations, both Thai and international, being granted warrants from the late 1960s and especially in the early 1970s, at the height of American investment in Thailand. The first foreign-owned multinationals to receive warrants were mostly producers of consumer goods. However, as Thailand's industrialisation gathered pace in the 1980s, multinational oil companies and industrial corporations also began to receive warrants. In this period, Thai companies which retailed imported motor vehicles were also honoured the same way: Lever Bros (Thailand) (Now Unilever Thailand) (13 October 1971); Siam Motors Group (Siam Kolkarn) (15 May 1972); Vorachak Yont (now Toyota Vorachak Yont) (16 March 1973); Thai Yarnyon Ltd (16 March 1973); IBM (Thailand) (12 April 1986); Philips Electrical (Thailand) (12 April 1986); Shell (Thailand) (7 August 1990); Esso-Standard (Thailand) (24 March 1998); Kodak (Thailand) (8 October 1982); Singer (Thailand) (24 May 2004); Colgate Palmolive (Thailand) (24 May 2004).<sup>17</sup>

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<sup>16</sup>Porphant 2008, p. 171.

<sup>17</sup>While some companies with royal warrants operate under the names of originally American or European parent corporations, they are listed on the Stock Exchange of Thailand and have significant if not majority Thai ownership.



There was a surge in the awarding of warrants to both Thai and international companies in 1982 as part of the honours granted by King Bhumibol to celebrate the 200<sup>th</sup> anniversary of the founding of Bangkok as the capital of Siam in October 1782.

As the Thai economy began its take-off for the boom decades of the 1980s and 1990s, the large Italian-Thai Development Corporation construction conglomerate received a warrant (6 November 1985) and just over a decade later, new Thai mega-corporations that had expanded operations internationally also began receiving warrants, for example: Charoen Pokphand Group (agribusiness, 24 March 1998); Thai Beverage Co. Ltd (ThaiBev) (multinational breweries and distilleries, 19 September 2013).

There was a notable hiatus in the granting of awards in the years of the Asian economic crisis between 1998 and 2003. But once the Thai economy began recovering in the early 2000s, Thai companies in the rapidly emerging service sectors of travel, tourism, hotels and department stores became notable major recipients of warrants: Central Department Store (9 December 2005); Bangkok Airways (27 February 2007); King Power International Group (duty free, December 2009); Centara Hotels (Central Group, 2014)

Another recent wave saw warrants being issued to new telecommunications companies: Shin Corporation (24 May 2004); Samart Corporation (25 May 2006); Beenet Broadband (2 April 2008).

In the final years of King Bhumibol's reign, private hospitals and businesses providing health services also began to receive warrants. This parallels the emergence of medical tourism as a rapidly expanding part of the Thai service industry: Vichaiyut Co Ltd (hospital) (24 May 2004); Clinic Medical Center Development (Khlinik Sun Phaet Phatthana) (6 June 2006); Bangkok Dusit Medical Services (27 February 2007); Bangkok Hospital (9 April 2007).

Many Asian corporations are now large investors in Thailand, with extensive production facilities and service operations. Asian corporations are also major shareholders in some Thai companies holding royal warrants. Singapore's Temasek Holdings acquired a controlling stake in Shin Corporation in 2006,<sup>18</sup> and in 2013 Bank of Tokyo-Mitsubishi UFJ Ltd became a major shareholder of TMB bank. Despite the major presence of Asian corporations in Thailand, Asian brand names are noticeably absent from the public listings of royal warrant holders. While at times having Asian corporations as major shareholders, companies with royal warrants are almost exclusively branded with Thai, American and European names. No major Japanese, Korean, Taiwanese, Chinese or other Asian business

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<sup>18</sup>Temasek Holding's 2006 purchase of Shin Corporation, then owned by deposed former Prime Minister Thaksin Shinawatra, created a major controversy in Thailand. In 2011, Shin Corporation was rebranded as Intouch Holdings, and in 2016 Singtel purchased a major component of Temasek's shares in Intouch. Neither Intouch nor any of its major subsidiaries, such as the AIS telecommunications company, now holds a royal warrant. It is not clear whether Shin Corporation lost the right to hold a royal warrant because of the controversial Temasek takeover, or because of its rebranding as Intouch.

brand now present in the Thai market is a current holder of a royal warrant. This absence is striking given Asian corporations' significant investments in Thailand in recent decades and it is not clear why this might be the case. However, it appears to suggest that Asian corporate investors in Thailand do not place as much value on the goodwill signified by the public recognition of holding a royal warrant as do domestic Thai and international Western companies.

## CONCLUSION

In each phase of the Thai economy's expansion over the past century, domestic and international companies at the forefront of each wave of economic development have been recipients of royal warrants of appointment. The granting of these warrants has thus closely followed the major phases of the maturation of the Thai economy. If this pattern continues we can expect companies at the forefront of coming waves of development of the Thai economy to be recipients of warrants.

No warrants have yet been issued in the reign of current King Maha Vajiralongkorn (Rama X) who ascended the throne on 1 December 2016. However, if and when any new warrants are awarded they will provide indications of the further evolution and development of relations between the monarchy and the domestic and international businesses operating in Thailand.

In late April 2017, the Thai parliament agreed in a confidential sitting to transfer control of a range of royal agencies from the government to King Maha Vajiralongkorn.<sup>19</sup> At the time of writing, the full details of this centralisation of authority under the new king have not been revealed and it is not clear if this move will impact the future awarding of royal warrants

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<sup>19</sup> "Thai royal agencies brought under control of new king", Reuters, 21 April 2017. (<http://www.reuters.com/article/us-thailand-king-idUSKBN17N0OS>) (accessed 23 April 2017).



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