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Trends in  
Southeast Asia

CROWN PROPERTY BUREAU IN THAILAND  
AND ITS ROLE IN POLITICAL ECONOMY

PORPHANT OUYANONT

**ISEAS**

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INSTITUTE OF SOUTHEAST ASIAN STUDIES

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## FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

The **Trends in Southeast Asia** series acts as a platform for serious analyses by selected authors who are experts in their fields. It is aimed at encouraging policy makers and scholars to contemplate the diversity and dynamism of this exciting region.

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# Crown Property Bureau in Thailand and Its Role in Political Economy

By Porphant Ouyyanont

## EXECUTIVE SUMMARY

- The Crown Property Bureau (CPB) has long been ignored in Thai economic literature. However, the Bureau is a huge conglomerate and holding company, with an income in excess of 10 billion baht, and with links throughout the economy. It is also the largest landholder in the country.
- The history of the Bureau can be traced back to 1890, and by 1913 the two largest holdings were the Siam Commercial Bank (SCB) and the Siam Cement Company (SCC).
- These two enterprises remain the main sources of Bureau income, and, together with landholdings, form two of the three main financial pillars of the Bureau.
- Both the SCB and the SCC owe their establishment (in 1906 and 1913 respectively) largely to royal initiative and investment.
- The growth of the financial strength of the CPB was tied to the commercial and economic development of Bangkok and the Thai economy.
- After an inactive period between the wars, the Crown Property Bureau regained momentum after 1948. Much of this was due to the Directors of the CPB since then.
- The wealth of the CPB expanded in line with economic development after 1950 (including the growth of Bangkok) and with the prosperity and diversification of the major holdings, the SCB and SCC.
- The Asian economic crisis of 1997 had a significant effect on the financial position of the CPB, in particular due to the difficulties of the SCB and SCC.

- The crisis forced major changes in the strategies of the CPB and in the management and policies of the SCB and SCC.
- Important changes in the CPB included a more commercial approach to such matters as rents and property development; greater focus on core business; and greater transparency and the involvement of foreign investors.
- An estimate of the assets of the CPB in 2014, excluding landholdings outside Bangkok, put their value at more than US\$43 billion.
- The CPB has been instrumental in developing and financing many royal projects, including those relating to the king's "sufficiency economy" philosophy.

# **Crown Property Bureau in Thailand and Its Role in Political Economy**

By Porphant Ouyyanont<sup>1</sup>

The Crown Property Bureau deserves attention for many reasons. Prime among these reasons is the simple fact that it is one of the biggest, perhaps the biggest, of all business groups in Thailand. The Bureau's net annual income is probably in excess of 19 billion baht, and its assets include large landholdings (some in prime sites in central Bangkok), direct shareholdings in a number of large business and financial enterprises, and indirect holdings (through the holdings of those companies in which the CPB invests). Later in this essay I attempt to quantify the size of the Bureau's assets and look at some of the pitfalls accompanying any attempt at quantification. But suffice it to say here that the CPB's economic and financial interests are enormous, and they enter into almost every significant area of Thai economic life. Moreover, through the overseas activities of certain key parts of the Bureau's portfolio, the Bureau has interests throughout the world.

## **SCOPE AND AIMS**

This essay discusses the impact of the 1997 Asian Crisis on Thailand's Crown Property Bureau, and discusses how it was able to survive that crisis. An attempt is made to estimate the extent of the CPB's holdings at present and to examine the role of the CPB in Thailand, especially

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its role in underpinning the Thai monarchy. The essay will discuss the enduring significance to the CPB's income of the "three pillars" of the Bureau's holdings: the Siam Commercial Bank, the Siam Cement Group, and land holdings. It is shown that these "pillars" were established by the early twentieth century. The essay also discusses the organization and control of the Bureau, its vicissitudes after the 1932 revolution, and its recovery after the Second World War. The power and prestige of the Thai monarchy today are helped considerably by the huge income derived from the CPB, which puts the monarchy on a sound and secure financial basis, while remaining largely free from scrutiny and criticism.

Since 1936, the law has made a clear distinction between property that belongs to the king as a person and that which belongs to the crown as an institution. The Crown Property Bureau (CPB) exists to manage the property of the crown. This property does not belong to the king in his private capacity, but to the monarchy as an institution, which continues from reign to reign. This rather special category of property arose from absolute monarchy, when the king was lord over his realm and everything in it, both people and property. From 1932 there evolved the constitutional monarchy which must exist within a vibrant globalized economy.

By legal definition, the CPB is a juristic person. It is not part of the palace administration, nor is it a government agency. It is a unique institution. The courts that have been required to define the CPB's legal status in more detail have reached contradictory conclusions. It is also a rather mysterious institution. It is under no compulsion to provide the public with details of its accounts or activities. However, in recent years it has responded to the need for greater transparency in a modern world. The income of the CPB finances much of the day-to-day expenditure of the monarchy. As a result, the Thai monarchy differs in one key respect from many other monarchies, which today are funded largely by allocations from the national budget.

## **MAJOR QUESTIONS AND THEMES**

This essay addresses four questions: (1) How did the CPB become such a big investor? (2) What happened to the CPB during the 1997 financial

crisis, and how did it survive? (3). How big were the CPB's holdings in 2005 and 2014? (4) Is there a connection between economic power (the CPB) and the strength of the Thai monarchy?.

## **EMERGENCE OF THE CPB**

Under absolute monarchy, the Privy Purse financed the expenses of the royal household including the living expenses of the king and his family, payments to a vast array of immediate relatives, and maintenance of assets such as the royal palaces. During the nineteenth century the Thai monarchy gained in both power and prestige. This strength was associated with significant administrative reforms. By the end of Rama V's reign (1910) the Crown was the country's largest property holder and largest land investor. The Thai monarchy was a substantial economic power.

In 1890, as part of the overall modernization of the Thai administrative system, royal expenses were formally separated from the government budget, and placed under the management of a revamped Privy Purse Bureau (PPB) within the Ministry of Finance. Around 15 per cent of total government revenue was assigned to the PPB.<sup>2</sup> The PPB had numerous functions including managing the investment decisions of members of the royal family. It was thus the principal arm of the monarchy's financial strength. It was through the PPB that the monarchy began investing in land, in shop-house development, in street and road construction, and in various other economic projects. Royal investment brought prestige and security and encouraged other investors, both Thai and foreign.

Under King Chulalongkorn (r. 1868–1910), the Privy Purse Bureau was, in the words of Akira Suehiro, “a kind of proto-investment bank which exclusively served as the core organization to undertake private business on behalf of the king.”<sup>3</sup> We may ask why the royal household became so deeply involved in commercial ventures at this stage. The issue is important because of the enduring significance which some of these ventures were to have for royal finances.

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<sup>2</sup> Chollada (1986), pp. 34–41.

<sup>3</sup> Suehiro (1989), p. 91.

There are two answers to this question. First, in a country with little indigenous liquid capital the royal family was by far the principal holder of wealth. Moreover the royal family was huge. King Chulalongkorn had ninety-two queens and concubines. At his death in 1910, he had over seventy children together with a number of grandchildren. His predecessor, King Mongkut (r. 1854–68), had been similarly prolific. The demands on royal finances were high, with constant pressure to increase revenues to pay honoraria for palace officials, fund the overseas education of the next generation of princes, as well as maintaining the public presence of the institution. Chulalongkorn complained about the near-constant funeral ceremonies for royal relatives. At the same time, the vast ranks of the royal family occasionally threw up a far-sighted and energetic entrepreneur.

The second key point is that royal investment in private enterprises was a way of asserting Siamese independence from foreign commercial, and hence political, influence. Most capital investment in Siam's fledgling industries before 1914 came from European countries. By investing in significant enterprises such as banking, shipping and cement, the royal family was attempting to counterbalance the influence of foreign investment within the economy.

## **OPPORTUNITIES**

From the 1850s onwards, Bangkok was transformed towards a more commercial city. Bangkok's development was strongly influenced by Siam's absorption into the international economy, especially after the Bowring Treaty of 1855. Various trading activities such as port facilities, warehouses, ship repairing, rice mills, and so on, developed along the river as trade expanded. Capital and labour were attracted to the city. The period from the middle of the nineteenth century saw growing Western influence. Foreign trading companies were established, and certain modern amenities began to make their appearance in the city.<sup>4</sup> Labour flowed from China in increasing numbers at a time when the Siamese

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<sup>4</sup> Porphant (1999), pp. 437–74.

countryside was still under-populated. It was estimated that Chinese migrants arriving annually in Bangkok numbered as follows: 1880s, 16,000; 1890s, 25,000; 1900–20, 60,000; 1920s, over 100,000.<sup>5</sup> Chinese migrants not only played an important role in Bangkok's commercial development but also comprised a substantial portion of the population of Bangkok. Bangkok's population increased from around 100,000 in the mid-1850s to some 360,000 in 1914. It is thought that one half of Bangkok's population at that time was Chinese.<sup>6</sup>

The period around 1890 saw some crucial developments. Significant were the reforms to centralize administrative control in Bangkok. Formerly semi-independent provinces such as Chiang Mai, Lampang and Phuket, were brought within Bangkok's orbit through the appointment of governors from Bangkok, centralized tax collection, and other measures. These changes have been fully discussed by Tej Bunnag<sup>7</sup> and are not elaborated here. In addition to the political dimension there was an economic one. Bangkok was to become a modern capital in other senses. Growing wealth from the rice trade, from centralized taxes, and from the influx of Chinese migrants provided resources for a notable extension of the city. This expansion had its physical expression in the construction of new canals and city streets. The streets were of considerable importance since, for the first time, Bangkok began to lose its all-embracing connection with water and became a land-based city. Land-based activities, including building construction, tramways, electricity, gas-lighting and other urban developments followed. By 1910 the shape and aspect of the city had been transformed.<sup>8</sup>

Land settlement pushed significantly beyond the immediate river boundaries. In a single decade in the 1890s, more than 100 roads were built. Land settlement and population growth, coupled with political change which saw Bangkok develop as a modern capital for Siam with centralized revenue collection and centralized power, encouraged

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<sup>5</sup> Skinner (1957).

<sup>6</sup> Porphant (1997, pp. 246–49); Skinner (1957).

<sup>7</sup> Tej (1977: 61–63).

<sup>8</sup> See for example, Porphant (1999), pp. 437–73.

administrative changes for the capital. More important was the establishment of the Ministry of the Capital (1892). The Ministry of the Capital controlled a great deal of the revenue and expenditure concerned with Bangkok's development between 1892 and 1922, and worked closely with the Privy Purse Bureau, which was active in developing new areas of Bangkok, erecting houses<sup>9</sup> and in other ways promoting change in the capital. In this way, Bangkok's growth remained closely tied to its royal status.

We should emphasize that the Ministry of the Capital was a branch of the government under royal supervision, rather than the sort of urban government independent of royal control which evolved in London and other European cities in earlier times. Thailand was an absolute monarchy until 1932. Absolutism had implications for Bangkok as well as for Siam's progress in general. The linking of Bangkok's administrative structure with royal interests left both a physical and economic stamp on Bangkok, which has had an enduring effect on the city's development. Another significant factor influencing Bangkok's historical development is that Thailand was the only country in Southeast Asia to remain free from colonial rule. The king and his absolute authority naturally fortified the role and influence of Bangkok. Nevertheless, Bangkok could not remain aloof from Western influence. Independent Siam under King Mongkut (1851–68) and King Chulalongkorn (1868–1910) accepted Western influence and interference, and this in turn opened up Bangkok as a modern commercial city.

## **THREE PILLARS**

The PPB's assets were of three main types: (1) land, especially in Bangkok; (2) banking (Siam Commercial bank established in 1906); and (3) various investment projects including the Siam Cement Company (established in 1913).

As far as land was concerned, Bangkok had begun to grow rapidly on the back of an expanding colonial-era trading economy, and the

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<sup>9</sup> Sayomporn (1983); Thaweasilp (1985); Chollada (1986).

expansion of modernized government. The PPB acquired land on which it built hundreds of shop-houses along new roads cut to accommodate the capital's growing population and business activity. The PPB also acquired market sites in Bangkok and in several upcountry towns, and became the country's largest landholder.

Some of these plots were around the royal centre on Rattanakosin Island. Others were along roads that ran southwards down the east bank of the Chao Phraya River. In later decades these roads became the main thoroughfares of the Chinatown area, which was the main business district for the first half of the twentieth century, and of the modern business district, which developed after the Second World War. In each of these periods, the PPB was the owner of the most valuable commercial land in the kingdom. The PPB acquired land in various ways. It was able to occupy public land, including unused land belonging to government ministries, and unused palaces.<sup>10</sup>

Land was also obtained through reclaimed mortgage. The PPB frequently lent money against mortgaged land and real estate, its major customers being Chinese tax-farmers, aristocrats, and senior bureaucrats. When borrowers were not able to pay their debts, the properties were transferred to the PPB. For example, a plot of PPB land around Tawejnareamit Bridge (5,321 square *wa*) had previously belonged to Chaophraya Tawej, who failed to pay a debt of 40,000 baht in 1910.<sup>11</sup> Chaophraya Surawongwattanasuk bought land beside Talard Hualumpong (23,159 square *wa*) and mortgaged it with the PPB for 160,00 baht. Chaophraya Surasakmontri bought land (23 *rai*) and a house at Tumbon Saladaeng, and mortgaged it with the PPB for 2,755 chang 42 baht (220,442 baht).<sup>12</sup> In all cases, the properties were transferred to the PPB when the mortgagees were unable to repay the loan. The PPB also bought land directly from ordinary people and always had the advantage in terms of obtaining information on the cutting of new roads, the price of land, the advantages of its location, and so on. In this way, the PPB

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<sup>10</sup> Orathip (1981), pp. 10–13; Chollada (1986), pp. 114–92.

<sup>11</sup> N.A.R.5. M. of Finance 9.2/14 no. 76/1003 (1912–13).

<sup>12</sup> N.A.R.5. M. of Finance 8.1/39 (1897).

acquired many plots of land in good locations near existing and future commercial centres.

The year 1892 saw numerous royally initiated projects. A British Consular Report noted:

A considerable amount of building has been going on during the year in Bangkok. The most of this has been done by the Government [meaning the PPB], which has seen the advantage of substituting on Government land in and around the city substantial houses, bringing in good rents, for the wretched wooden shanties which used to encumber valuable property. Three large blocks of two-storied houses, suitable for shops in the form of squares, with the fourth side open to the river, have been constructed at a cost of over 40,000*l*. The houses, built substantially of brick, measure each 20 feet by 30 feet, and number all together 209 ... In the large enclosures of these blocks it is intended to erect palaces for some of the King's children. This is entirely in accordance with the Siamese ideas. The houses of the upper classes are generally hemmed in by a collection of more or less inferior looking buildings, occupied by dependents. A row of better class buildings, suitable for European stores and dwellings, has been built on the principal city road, under the supervision of the Public Works Department ... The new military college was completed during the year. It is a handsome building, measuring 360 feet by 40 feet, partly two and partly three-storied. The total cost was 5,000*l* ... Sundry rows of inferior shop buildings have also been built by Government, as well as many detached villas on newly-opened roads intended for the residence of Europeans. Such houses are much needed in Bangkok, as the house accommodation has always been limited, of very inferior description, and ridiculously expensive.<sup>13</sup>

As a result, PPB investments in markets and row houses grew in the quarter-century before 1910 in the main commercial centres such as

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<sup>13</sup> BCR Bangkok (1893), p. 13.

Bangrak, Rajawong, Suriwong, Patumwan, Pahurad, Sampeng, Samsen, and Banglumpoo. By thus acquiring land by forfeiture or purchase in various parts of Bangkok, the PPB controlled both prime commercial land and valuable cultivated land. In 1902, the PPB's holdings in the capital totaled 4,805 *rai*,<sup>14</sup> or approximately 22.5 per cent of Bangkok's area.<sup>15</sup> The PPB also controlled a vast amount of agricultural land in the provinces, but unfortunately no records on these holdings exist. The PPB's income derived from such agricultural land was substantial — for example, 117,800 baht in 1906 and 200,755 baht in 1910.<sup>16</sup>

***Table 1. Land Owned by the PPB, Classified By Commercial Districts in Bangkok, 1902***

<b>Amphur</b>	<b>Tumbon</b>	<b>Land Acquisition (<i>rai</i>)</b>
Sampeng	Pomprabsatroopai, Samyawd, Samphuntawong,	1,831
Bangrak	Sathorn, Bangkwang, Ban Tawai	458
Within the City Wall	Wat Chanasongkram, Prarajawang, Sumrarnraj, Pahurad	86
Dusit	Bangkunprom, Nang Lerng, Samsen	1,708
<b>Total</b>		<b>4,085</b>

*Source: N.A.R.5. M. of Agriculture 6/6153 (1903).*

<sup>14</sup> 1.0 *rai* = 0.16 hectare.

<sup>15</sup> Tasaka (2004).

<sup>16</sup> Statistics of Provincial Revenue Department (various years).

As the largest and most important landowner in Bangkok, the PPB was a contributing factor to the growth of the city, influencing road cutting and land use. Road-building was heavily influenced by the king and the PPB, and road construction and row houses went hand-in-hand. For example, the PPB would advance money to purchase a plot of land to build row houses and then demand road cutting nearby or through the land to increase the price of land and properties. The following was recorded in King Chulalongkorn's handwriting in 1901.<sup>17</sup>

Chakkri Mahaprasad

4 November 1901

No 26/1001

Dear Prince Naresworarit

In dealing with a purchase of a plot of land to construct a road and the buildings [row houses] at the back of Talad Sao Chingcha, this should be done as soon as possible. The construction of the row houses is almost completed in this year... So road construction in this area should be completed very soon. The expenditure for purchasing land has been charged to the Privy Purse Bureau, while the cost of road construction is financed by another department [Ministry of the Capital].

(Signature)  
Chulalongkorn.

We should consider further the impact of road construction on row house investment. Throughout the years 1890–1932, the PPB was the largest owner of row houses, which were usually constructed along both sides of newly cut roads. Row house investment was closely related to land investment by the PPB, and construction was undertaken along major roads in the main commercial districts, in Sampeng, Yaowaraj, Pahurad, Charoenkrung, and Fuangnakorn.

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<sup>17</sup> Office of the Prime Minister (1970), p. 129.

The second PPB asset was banking. The PPB lent from its surplus to many entrepreneurs including noble property developers and Chinese rice millers. Prince Mahit, the king's half-brother who served as Minister of Finance from 1890 to 1906, had the idea of founding a bank to compete with colonial banks, which "squeezed the blood from our traders."<sup>18</sup> This was first done semi-covertly by opening an institution called the Book Club, which did some banking business from a PPB-owned building. In 1906, the Book Club was reconstituted as a commercial bank, and shortly afterwards renamed as the Siam Commercial Bank. Of the 3,000 shares issued in 1906, 1,300 shares were taken up by Prince Mahit and his Book Club partners (who were mainly Sino-Thai merchants), and 300 shares were directly owned by the Privy Purse Bureau. A further 540 shares were taken up by German and Danish banking interests. Of the management board of seven, one was a PPB appointee and three others were Prince Mahit's Book Club associates. Thus from the outset the royal family and the PPB were involved directly and substantially in the bank. The bank's credentials were further established by deposits of surplus government funds, and the granting of a royal charter.

The third sphere of PPB business consisted of investments in various projects related to the growing commercial economy. Many of these projects grew out of lending activity by the PPB or SCB. By 1918 the PPB owned around half of the 60 rice mills around Bangkok, many acquired by foreclosure during the downswings of the world rice trade. The PPB also invested in saw milling, tramways, the import trade, mining, and electricity generation, and it financed construction of the first railway line, from Bangkok to Khorat. As in the case of banking, some of these ventures were launched with the aim of reducing dependence on foreign business. This was the motive behind the establishment of the Siam Cement Company in 1913, and the launch of a shipping venture in 1918. The PPB, with the backing of the king, provided half of the cement venture's total capital of one million baht. The king also approved the loan of a further 220,000 baht to secure shares in the name of *Chaophraya*

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<sup>18</sup> Brown (1988), p. 128. For this and the following paragraphs the author is indebted to Ian Brown's studies (1988, 1992).

Yomarat (Pan Sukhum, 1862–1934), Minister of the Capital (1907–22), and his associates, against the mortgage of the shares. In this way, nearly three-quarters of the initial capital of the Siam Cement Company came from the PPB. From the outset, therefore, a close connection was established between the Siam Cement Company and royal finances.<sup>19</sup> As the capital of the company was increased (to 4 million baht by 1940), the Privy Purse maintained its interest and remained the principal shareholder. With a monopoly on the domestic production of cement at a time of steady urban expansion, the Siam Cement Company became the third major pillar of the PPB, beside its property and bank.

Siam Cement was among the largest manufacturing enterprises of the few industries at that time. James C. Ingram noted, that apart from rice mills and saw mills, in 1918 there were only seven factories in Bangkok including a cement plant, three aerated-water plants, a soap factory, a cigarette factory, and a leather factory.<sup>20</sup>

Siam Cement was a proud pioneer of the first Thai industrial establishment financed largely by indigenous capital and was regarded as the most professionally managed in comparison with nearly all other major businesses, which were, at that time, largely owned by the Chinese. In the pre-war period the CPB held around 44 per cent of total shareholding in the SCC. Since its inception, the SCC's management and part of the capital has been European. The SCC used a Danish firm as its equipment supplier, and Danish nationals were employed as management directors until the 1970s.<sup>21</sup>

No factories developed outside Bangkok. Of note also during the years following the First World War was a match factory, Min Sae Co. Ltd, registered by a group of Chinese in 1928, with a capital of 200,000 baht. The Min Sae factory employed some 700 workers, 600 of whom were day-labourers — mostly Chinese women and children — with Thais employed as outworkers, making boxes at home.<sup>22</sup> A rival firm,

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<sup>19</sup> Brown (1988), pp. 153–55.

<sup>20</sup> Ingram (1971).

<sup>21</sup> Ingram (1971).

<sup>22</sup> BTWM, 25 November 1929.

the Siam Match Factory, opened in 1931. It was founded by the Swedish Match Company in partnership with the Borneo Company. This factory employed more than 300 labourers on the day shift and 225 at night.<sup>23</sup> In 1934, Thailand obtained its first local brewery, the Boonrawd Brewery in Bangkok, marking the debut of the well-known Singha Beer brand.

In terms of income generation, the Siam Commercial Bank and the Siam Cement Company remained the jewels in the crown of the Crown Property Bureau. There were other interests and activities though. Many of them stemmed from the very extensive landholdings of the Bureau, and the latter years of the reign of King Chulalongkorn saw a great deal of activity. These years saw the construction and leasing of shop-houses, investment in rice mills, and the development of markets, to give just a few examples. But the root of the Bureau's wealth, and its role in Thai society, undoubtedly lay in its huge landholdings (many of them in prime commercial locations in Bangkok), even if these landholdings did not yield fully commercial returns.<sup>24</sup>

By 1914 the active period of Privy Purse Bureau initiatives concluded until after the Second World War. Various circumstances contributed to the eclipse of the Bureau as an economic force. They included royal extravagance, especially during the reign of King Vajiravudh (Rama VI, 1910–25). Rama VI spent a large portion of his personal budget on his own activities, especially travelling. The Ministry of Finance allocated the crown a private travel allowance of 200,000 baht per year in 1913–15, but this sum was overspent in each of the three years by 49,138, 247,241 and 416,184 baht respectively.<sup>25</sup> Rama VI spent a large proportion of expenditure for his own personal and royal affairs. The government allocated expenditure for the PPB of 15 per cent of the total government budget in the period 1910–17, and 12 per cent over the years 1918–25.<sup>26</sup> Overspending continued until 1925 and was covered by the

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<sup>23</sup> BTWM, 2 March 1931.

<sup>24</sup> Chollada (1986); Suntharee (1990).

<sup>25</sup> Thaweesilp (1985, p. 138) based on NA. R 6. Kh 8.3/1, 1913–1915.

<sup>26</sup> Suntharee (1990), p. 108.

revenue derived by the PPB. This resulted in the PPB facing financial difficulties, which, in turn, significantly affected the rate of row house construction and other investments.

King Vajiravudh practised a very different style of kingship from his predecessor. He seemingly had no interest in business, and made no effort to consolidate or expand the capital base of the monarchy. His interests lay in culture, nationalism, and royal display, and his spending on these pursuits not only exhausted the funds that might have been available for investment, but resulted in huge debts.

One source noted, one year after King Rama VI's death in 1925, the extent of his maladministration and overspending.

The picture presented by the Kingdom of Siam at the close of 1926 is a striking contrast to that portrayed in the annual report for 1925. In November of that year the throne was occupied by an irresponsible dilettante, whose antics had bought him into general contempt, and under the maladministration of whose favourites the country was plunging into financial morass. One by one the princes of the Royal House had been excluded from the Government; they were in retirement or in disgrace, while the King, wrapped up in pleasures half childish and half intellectual, and becoming more and more inaccessible, had left the affairs of the State to favourites who staffed the Ministries with corrupt and low-born upstarts. The scandal and corruption centering in the palace was poisoning all branches of public life, and it is possible that, if Rama VI had not, after having reigned for fifteen years, died on the 26 November, 1925, of his accumulated diseases, the financial storm that was brewing might have stimulated the discontented princes in to bringing about a coup d'Etat.<sup>27</sup>

Problems for the SCB caused by injudicious lending and poor management almost led to the bank's collapse. In 1913, the SCB was almost undermined by collateral damage from a fraud in the related Sino-Siam Bank. The

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<sup>27</sup> Annual Report on Siam for the Year 1926.

assets had to be written down to almost zero, and the bank reconstructed with 3 million baht of new capital of which 1.6 million came from PPB.<sup>28</sup> From this point onwards, the PPB became the dominant shareholder of the bank. It is beyond the scope of this essay to explore this crisis in any detail, but for our purposes the significant point is that King Vajiravudh instructed the Privy Purse Bureau and the Treasury to provide funds to bail out the concern and save it from bankruptcy. Although the Siam Commercial Bank was a private institution, the Minister of Finance (Prince Chantaburi, half brother of King Vajiravudh), carried out a major reconstruction that involved the writing off of nearly all the assets of the bank and the issue of new capital of three million baht. Of this amount, no less than 1,634,000 was taken up by the Privy Purse Bureau, which borrowed from the Treasury to make the purchase. The situation reveals not only the very large Privy Purse Bureau shareholding in the Bank at this time, but also the close co-operation between the Treasury and the Bureau as they worked together to make the bank solvent again.<sup>29</sup> As we will see, the Bureau remained (and still remains) the largest single shareholder in the Siam Commercial Bank.

In addition to this, some ventures in which the PPB held a substantial share, such as shipping, resulted in losses.<sup>30</sup>

Despite facing economic difficulties, the growth of income and profit from Siam Cement and the other major business of the CPB made impressive reading from the start. In 1921 the former company made a profit of 775,334 baht and paid a dividend of 14 per cent plus bonuses, and in 1923 paid 10 per cent with a net profit of 154,057 baht. In 1927 a 10 per cent dividend, equivalent to a 2-baht/share bonus, was paid, and the company had a gross profit of 552,928 baht compared with 465,379 baht the previous year. Its capitalization was raised to 3 million baht so that productive capacity could be expanded in 1921, and to 10 million baht in 1923. Profitability remained high, so that even during the depression the company was able to further expand its capacity, without calling on

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<sup>28</sup> Brown (1988), pp. 127–44.

<sup>29</sup> *Ibid.*

<sup>30</sup> See Chollada (1986), pp. 146–92.

shareholder's funds, and still declare a profit in excess of 500,000 baht. Such growth reflected the boom in Bangkok construction.<sup>31</sup>

The SCC produced largely for domestic markets, but also exported overseas. The capacity of the SCC plant was to be doubled with the intention of seriously entering the export trade. In 1926, the company fulfilled a contract to export several thousand barrels of cement to Singapore and the following year it exported 4,350 barrels to Singapore that were sent in just two weeks after the order.<sup>32</sup> It meant that a good quantity of cement at very competitive prices could be exported to neighboring territories. With high and consecutive profits even in the depression years, especially in the 1930s, the company was always upgrading the very modern plant and there were continued reductions in the cost of manufacture. In 1931, about 1.5 million baht was spent on upgrading machinery, and this was done without having to call on fresh capital from shareholders.<sup>33</sup>

The major PPB investments made between 1887 and 1929 included railways, tramways, banking, shipping, river transportation, cement production, trading, coal mining, and construction (Table 2). And the PPB was still a major business group and played an important role in Thai economic development until 1932, the year of the overthrow of the absolute monarchy.

In 1932, absolute monarchy was abolished and a new era of constitutional monarchy began. As part of this change, the old Royal Secretariat was dissolved. In 1933, the PPB was placed under the Ministry of the Palace. Soon afterwards, this ministry was reduced to an office under the Bureau of the Prime Minister, and the PPB also became an office under the direct control of the prime minister.

After 1932, the allowances paid to various members of the royal family were abolished. Accordingly, the budget allocation for the PPB was reduced to 440,000 baht a year, 5 per cent of the amount flowing

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<sup>31</sup> BTWM, 14 March 1921; 23 May 1921; 4 July 1921; 18 June 1923.

<sup>32</sup> BTWM, 30 July 1926.

<sup>33</sup> BTWM, 6 April 1931.

**Table 2. Major Investment of the Privy Purse Bureau:  
1887–1929, Unit: baht**

Name of Company	Year <sup>a</sup>	Type of Business	Reg. Capital	PPB
Railway (Bangkok-Paknam)	1887	Railways	1,120,000	43,000
Railway (Bangkok-Khorat) <sup>b</sup>	1892	Railways	15,709,440	6,400,000
Meklong Railway Co.	1902	Railways	1,000,000	205,000
Prabad Tramway Co.	1902	Tramways	—	70,000
Siam Commercial Bank	1906	Banking	3,000,000	300,000
Siam Steam Navigation Co.	1908	Shipping	2,000,000	200,000
Suphan Panich Co.	1909	River Transport	600,000	80,000
Siam Cement Co.	1913	Cement	3,000,000	2,400,000
Siam Import Co.	1916	Trading	300,000	80,000
Siamese Steamship Co.	1918	Shipping	1,500,000	320,000
Sila Siam Co.	1919	Coal Mining	2,000,000	800,000
Oriental Store Co.	1919	Trading	1,000,000	54,000
Siamese Tramway Co.	1926	Tramways	2,000,000	422,100
Christian & Nelson Co.	1929	Construction	600,000	100,000

Notes:

a. The year the PPB invested in the firm.

b. The PPB's investment was 500,000 baht of the total 1,000,000 baht in 1913.  
Source: Suehiro (1989, p. 93), based on Chollada (1986, pp. 148–49).

to the PPB a few years earlier.<sup>34</sup> In 1935, King Prajadhipok abdicated, resulting in a further reduction of the PPB's expenditure. Its outlays were now reduced to the upkeep of royal palaces, temples and other properties, and the continuation of some royal ceremonies. In 1936, the Crown Property Bureau (CPB) was established to oversee and administer the income and expenditure of the Thai monarchical institution.

## **THE CPB ACT OF 1948 AND BUSINESS DEVELOPMENT**

After the Second World War, and the political upheavals and factional infighting that followed, the Crown Property Bureau was once more put on a stable and more independent footing. This came as a result of the Crown Property Bureau Act of 1948, where royal interests once more became dominant in the management and direction of the Bureau.<sup>35</sup>

For the purposes of this essay we may note two principal features in the development of the Crown Property Bureau after 1948.

Firstly, the Crown Property Act of 1948 reconstituted the CPB as a juristic person with considerable independence within the overall framework of the government. It also gave control back to the palace. The Minister of Finance continued to serve as chairman of the CPB's board, but other board members, including the director, were chosen by the king. The role of the director, who had great independence in managing the CPB's assets, became of paramount importance. While prior to 1948 there had been frequent changes of management, over the next six decades there were only three directors, giving great continuity. The two distinguishing characteristics of these directors were that they were well-educated men and palace insiders. The first, Thawiwong Thawansak, was educated at Cambridge University and served as a page to Vajiravudh. He was succeeded in 1970 by Phunphoem Krairirk, who had been educated at Stanford University, and had earlier served as head of the Royal Pages and Secretary of the Palace. Dr Chirayu Isarangkun

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<sup>34</sup> Chollada (1986).

<sup>35</sup> Sakuna (2000); Grossman (2011).

na Ayuthaya became director in 1987, after completing a doctorate at the Australian National University, teaching at Thailand's National Institute for Development Administration, holding the post of Minister of Industry during the 1980s, and serving as Grand Chamberlain of the Royal Household.

The 1948 Act had other important characteristics. It specified that the use of the CPB's resources and income "depends totally on the royal inclination." It laid down that the CPB's landed assets could not be seized or transferred. Crucially, it absolved the CPB from tax on its income (a provision that had been introduced in 1936). It also constituted the CPB as an absolutely unique entity that was difficult to define in terms of Thai law. In the course of subsequent legal processes, the Council of State had to give rulings on the nature of the CPB on four occasions. Not one of the rulings was unanimous, and the four rulings conflicted. The Council agreed that the CPB was not a private company, government department, or state enterprise, and ultimately in 2001 ruled it was a "unit of the state", whatever that meant.<sup>36</sup>

Following the 1948 Act, the CPB again had the institutional ability to become a major corporate player. Thailand was entering a period of economic growth and urban expansion after decades disrupted by depression and war. Planned development and American patronage boosted the upswing. But the CPB did not resume the role played from the 1890s to the 1910s, as a pioneer of domestic capitalism. Until 1987, the CPB remained a rather passive investor. The rents on its landed properties remained low, often fixed at pre-war rates despite subsequent inflation. There was little internal reorganization of the Bureau, and no steps taken to involve it more actively in the affairs of the SCB or Siam Cement.<sup>37</sup> As Chirayu later explained (interview, 2 February 2005), the Bureau deliberately preferred a more understated role: the fact that the CPB was the investment arm for the monarchy, with a long-term and continuous reputation for reliability, induced Thai and foreign investors

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<sup>36</sup> Somsak (2006), pp. 67–93.

<sup>37</sup> Crown Property Bureau (2006), pp. 24–31; Siriporn (1996), pp. 3–4, 47–48; Suprani (1992), pp. 194–97.

to seek joint ventures. Hence the CPB was invited to take a minority stake as a passive partner in various investment projects. As a result, the Bureau's assets in this era were essentially unchanged from what they had been in the first phase of the Bureau's existence, namely the three pillars of landed property, the SCB and Siam Cement. In this era of industrialization, diversification of the economy and rapid growth of Bangkok, the three existing pillars of the CPB empire all prospered in their own right.

Secondly, almost by default, the character and size of these investments changed radically as the Thai economy developed. One change was the growth of Bangkok, which ensured that the Bureau's landholdings (which included huge areas of prime land in the capital) became increasingly valuable and attractive to developers. Indeed, it is estimated that after the war the Bureau still owned about one third of the total area of Bangkok. In consequence the Bureau acquired varied interests in a range of developments, which included hotels, shopping centers, and commercial buildings. Often the Bureau would acquire shares as part of leasing arrangements with developers, and in this way the Bureau became a prominent shareholder in numerous prestigious developments, especially after 1960.

A second change was industrialization and diversification of the Thai economy, which were accompanied by the emergence of large business groups, often dominated by particular families. These groups were characterized by diversified interests and by close links with other groups through family ties and joint shareholdings. The Siam Commercial Bank and the Siam Cement Company both also became, in effect, large business groups, with widespread holdings in various sectors of the economy. While both retained their essential characters as banking and construction-supply companies, they both moved into new, though usually related, fields.

Let us consider just a few examples of the developments outlined above. By 1970 the Bureau held shares in over 30 companies, which included the Dusit Thani Hotel, the Siam Intercontinental Hotel, and the Thai Danu and Siam City Banks. The Bureau held at that stage 44 per cent of the shares in the Siam Cement Company, which itself was now a large group with manifold interests. By the end of the 1980s the range

of the Bureau's interests had increased and widened substantially. It had acquired shares in prominent hotels, such as the Oriental and Royal Orchid, and many commercial projects on prime land including the huge World Trade Centre. At the same time, due to its links with construction through Siam Cement, the Bureau acquired holdings in the Sri Maharaja Company (a firm making plywood and other materials) and Christiani & Neilsen Thailand (a major construction company). In turn, the Siam Cement Company not only flourished in an era of building boom, but diversified into iron and steel manufacture in 1966, plastic construction materials and ceramic floor tiles in the 1970s, and later into electrical products and petrochemicals.

The Siam Commercial Bank, in which the Crown Property Bureau held 50 and 26 per cent of the shares respectively at the end of 1970s and the mid-1990s, also expanded and diversified. One authority estimated that the bank was one of the five largest financial conglomerates in Thailand by 1980. It had established various subsidiary companies, including finance and insurance companies. By the eve of the 1997 crisis the bank had, through its seventy-seven subsidiary and associated companies (firms in which it had shareholdings of more than 10 per cent), interests which included asset management, real estate, industry, warehousing, mutual funds, insurance, mining, construction, entertainment, and vehicle production.

In the mid-1990s, the CPB's business diversified to various sectors of production as shown in Table 3.

***Table 3. Business Diversification of CPB in mid-1990s***

<b>Business</b>	<b>Number</b>
Industrial Production	41
Banking, Finance and Securities	18
Insurance/warehousing	7
Hotels	8
Property development /construction	6
Service /mass communication	12
<b>Total</b>	<b>92</b>

*Source: Compiled from various sources; see Porphant (2007), Appendix Table.*

Through the growth of CPB's core and affiliated businesses, the CPB was closely linked to various family-based businesses in many ways, including through boards of directors. Before 1997, the director of the CPB, or a member of the CPB board, or a CPB representative was always on the board of directors of various businesses in which the CPB had shares. Various links in the form of interlocking directorates of the CPB and leading Thai capitalist groups in the 1990s are shown in Table 4. These business families, parts of what was referred to as the "network monarchy" played an important role in recent Thai business development before 1997.

We can make some estimates of the sources of income and wealth of the Crown Property Bureau, and of its relative standing among other Thai groups by the late 1990s. In Suehiro's estimate of top business groups of Thailand in 1997, Siam Cement and Siam Commercial Bank were first with a revenue in 1997 equivalent to 238.2 billion baht. This revenue exceeded the big conglomerate businesses dominated by families such as Bangkok Bank (Sophonpanich), and Charoen Pokphand (Chearavanont) (see Table 5).

It appears that no less than 60 per cent of total income of some 2 billion baht still derived from dividends from the Siam Commercial Bank and

***Table 4. Business Families, 1990s***

<b>Business/Company</b>	<b>Family</b>
Thai Farmers Bank Group	Lamsam
Thai Danu Bank Group	Taweessin
Nakhon Thon Bank Group	Wanglee
Bank of Asia Group	Euachukiarti
Siam City Bank	Mahadamrongkul/Kanchanapat
ITAL THAI	Kannasutr
Boon Rawd Brewery	Bhirompakdi
Land and House	Ausavabhokhin
Suppalai	Tungmathitham
Bangkok Expressway	Wisawawes
Samakki Insurance	Sarasin

*Source: Compiled from Stock Exchange of Thailand data.*

**Table 5. Top Business Groups In 1997 (by revenue)**

<b>Rank</b>	<b>Family</b>	<b>Corporate Name</b>	<b>Revenue (billion baht)</b>
1	Crown Property Bureau	Siam Cement/Siam Commercial Bank	238.2
2	Sophonpanich	Bangkok Bank	195.0
3	Chearavanont	Charoen Pokphand	161.0
4	Lamsam	Thai Farmers/Loxley	139.3
5	(public)	Krungthai Bank	127.3
6	Sirivadhanabhakdi	TCC	117.9
7	(public)	PTT	110.8
8	Ratanarak	Bank of Ayudhya	91.7
9	(public)	Thai Airways	88.3
10	Bhirom Bhakdi	Boonrawd	78.8

*Source: Pasuk and Baker (2007).*

the Siam Cement Company at that time. Other major sources of revenue were the Thai Farmers Bank and Dhana Siam Finance and Securities as well as rents from land and properties. The latter were relatively small, perhaps no more than 300–400 million baht annually, due essentially to the reluctance of the Bureau to raise rents for long-term tenants (some of whom were slum dwellers) and to the favourable terms granted to bodies such as the Police Department and the Thai Tobacco Monopoly.<sup>38</sup> The CPB owned one of the largest (perhaps the largest) corporate groups in Thailand. In terms of assets, especially if we include land and properties, the Bureau was certainly one of the wealthiest institutions in the country. In 1997, *Forbes* magazine estimated the value of its assets at US\$1.8 billion. In 1999, Michael Backman gave an alternative estimate closer to US\$8 billion.<sup>39</sup> This range of US\$2–8 billion was quoted in *Time*

<sup>38</sup> Suprani (1992), pp. 204, 218; Yipphan (2004), p. 68; Porphant (2008), p. 175.

<sup>39</sup> Backman (1999), p. 249.

magazine.<sup>40</sup> In baht terms, this would be between 90 billion and 350 billion baht.

## **THE CPB IN THE WAKE OF THE 1997 ASIAN CRISIS**

When the economic crisis broke in July 1997, the Crown Property Bureau was heavily dependent on Siam Cement and Siam Commercial Bank, both of which had become large businesses and financial conglomerates. The crisis struck with such severity that both concerns were faced with collapse, and both were unable to pay dividends. In turn this threatened the solvency of the Crown Property Bureau.

The story of how the crisis has affected the Crown Property Bureau and its affiliated companies may be summarized briefly. Both the Siam Commercial Bank and the Siam Cement Company suspended all dividend payments, and were unable to resume payments until after 2000. Most of the other financial and industrial companies within the Bureau's portfolio were similarly forced to suspend dividend payments. At a stroke, the Bureau lost some 75 per cent of its income and was forced to borrow heavily, perhaps as much as \$222 million, to cover royal household expenses. At the centre of the problem lay over-dependence on these two large companies. Because the crisis struck the financial, property and construction sectors with particular severity, it magnified the extent of the problems facing the Bureau after the middle of 1997.

The crisis was, of course, a general one that was felt throughout the Thai economy. The Thai stock market crashed; the currency fell precipitously against the dollar and other major currencies; and bank lending virtually ceased as the banks' non-performing loans mounted. As far as the Siam Commercial Bank was concerned, non-performing loans reached 34 per cent of total loans in 1998 and they averaged over 25 per cent for the following five years. For other major banks the figures were sometimes even worse.

The 1990s had seen tremendous growth in the income and profits of both companies and so in the income of the Crown Property Bureau.

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<sup>40</sup> Horn (1999).

The Siam Cement Company, for example, returned a profit of 6.8 billion baht in 1996, and its assets then stood at 180 billion baht. Both amounts had roughly doubled since 1993. The Siam Commercial Bank returned profits which averaged 6.4 billion baht between 1992 and 1996, and 1996 saw record profits of over 9 billion baht. With the crisis came a dramatic slide in profits.

As Table 6 shows, the Siam Cement Group did not regain its 1996 level of profitability until 2001. (The year 1998 was exceptional, with

**Table 6. Income, Profit, and Dividend of SCG and SCB, 1996–2011**

Year	SCG			SCB		
	Sale (billion baht)	Net Profit (billion baht)	Dividend per share (baht)	Income (billion baht)	Net profit (billion baht)	Dividend per share (baht)
1996	110.7	6.8	20	25.1	9.0	9.0
1997	122.6	-52.5	10	31.8	3.2	3.5
1998	105.2	19.3	—	22.7	-15.6	—
1999	101.8	-4.8	—	19.1	-35.6	—
2000	128.1	0.0	—	27.2	3.6	—
2001	120.4	7.6	1	24.6	0.4	—
2002	128.2	14.6	3	28.5	-12.5	—
2003	148.9	20.0	6	31.0	12.5	1.4
2004	192.4	36.5	15	43.0	18.5	2.0
2005	218.3	32.2	15	42.1	18.9	3.0
2006	258.2	29.5	15	52.3	13.3	2.0
2007	267.7	30.3	15	61.5	17.3	2.0
2008	293.2	16.7	7.5	69.4	21.4	2.0
2009	238.6	24.4	8.5	69.0	20.7	2.50
2010	301.3	37.3	12.5	77.1	24.2	3.0
2011	368.5	27.3	12.5	132.7	36.2	3.5

*Note: SCG means Siam Cement Group; SCC was established as a group in various business fields by SCC as a holding company in the mid-1970s.*

*Source: Siam Cement Annual Report, various years; Siam Commercial Bank, Annual Report.*

short-term profits increased through the sell-off of assets to increase liquidity.) The Siam Commercial Bank did not record profits as high as 1996 until the year 2003, and both companies experienced years of heavy losses during the crisis.

Heavy losses and bankruptcies were found throughout the Crown Property Bureau's affiliated companies, especially in the financial sector. For example the Siam City Bank, Nakhon Thon Bank, and the Bangkok Metropolitan Bank all effectively went into liquidation, as did Dhana Siam and Siam Industrial Credit.

The crisis forced major changes in the Crown Property Bureau's outlook and strategies, and the changes included new policies with regard to the running of the Siam Cement Company, the Siam Commercial Bank, and other companies with affiliations to the Bureau.

An early measure was the appointment of Dr Chirayu Issarangkul na Ayuthaya, Director of the Crown Property Bureau, as Chairman of both the Siam Cement Company and the Siam Commercial Bank. These were, of course, appointments designed to restore confidence in both companies by linking them directly with the power and prestige of the Bureau. Dr Chirayu was an able and experienced administrator. As noted above, he had taken his doctorate at the Australian National University, taught at the prestigious National Institute for Development and Administration (NIDA), and had been Minister of Industry during the 1980s. He had also held the position of Grand Chamberlain of the Royal Household. During his tenure as director of the Crown Property Bureau he had taken steps to modernize that institution by introducing a more commercial outlook, especially with regard to property rents and land development.

Under the new circumstances brought by the 1997 crisis and by the resulting IMF involvement in Thailand, outside help was sought in the reorganization of both the Siam Cement Company and the Siam Commercial Bank. In the case of Siam Cement, the company brought in McKinsey and Co. as consultants and created a strategy that concentrated on "core businesses" (cement, petrochemicals, and pulp and paper) and the selling off of as many non-core businesses as possible. In 2000 the company decided to freeze cement production and to concentrate on expanding petrochemicals. At the same time new capital was raised to help settle outstanding debts, and as part of this process the ceiling on foreign shareholding was raised from 25 per cent to 40 per cent.

In similar fashion, the Siam Commercial Bank, under the guidance of the Crown Property Bureau, reorganized its management system and restructured its lending and investment patterns. Key elements included recapitalization and concentration on core banking business. Recapitalization involved two steps. First, there were efforts, not wholly successful, to attract capital from foreign banks (especially Japanese banks). Second, the bank entered the government's Financial Institution Restructuring Program of 14 August 1998. Under this scheme the bank raised over 32 billion baht from the Crown Property Bureau and other shareholders, while the government contributed a similar figure. In consequence, the Crown Property Bureau's holdings in the bank declined considerably. During the years 1999–2003 the Ministry of Finance held around 38 per cent of the Siam Commercial Bank's shares, while the Crown Property Bureau held only 12.5 per cent.

It may be added that as the Thai economy recovered after 2001 the Crown Property Bureau was able in 2004 to repurchase shares from the Ministry of Finance. Most of the funds for the repurchase came from transferring to the government a large plot of prime land in central Bangkok. Through this land transfer the Crown Property Bureau's holdings in the Siam Commercial Bank once again reached 25 per cent.

Far-reaching changes also took place in the organizational structure and strategies of the Crown Property Bureau. A new entity, the Crown Property Bureau Equity Company was formed to look after the Bureau's share dealings. Here, the strategy was directed towards more active, short-term dealings, designed to maximize revenues from capital gains and preserve liquidity.

Meanwhile, attention was also directed towards the Bureau's property and rental policies. The Bureau sought (within the constraints of social obligations and long-term tenancy agreements) to infuse a more commercial approach into its arrangements, as was evident in the use of land sale in 2004 to repurchase SCB shares from the Ministry of Finance.

From 2001 rents were rationalized to reflect a market-oriented organization. The Bureau distinguished between rents paid by private companies, those paid by state enterprises, and those paid by government agencies. Henceforth, private tenancies were to be negotiated on an individual basis. Valuations of properties were revised, with government

agencies paying 2 per cent of the valuation as annual rental, state enterprises 3 per cent, and private companies 4 per cent.

As a result of these new arrangements, the Bureau's income from rents increased significantly. For example, rents from government agencies increased from only 70 million baht in 2000 to 300 million in 2002. Rents from state enterprises doubled between 2003 and 2005, from 422 million baht to 845 million. Many other new contracts and arrangements were made, including a significant revision to a contract for the large centrally located World Trade Centre. At the same time, older areas of Bangkok, such as the Sempeng Chinatown district, and the area around Rajadamnoen Avenue, where the Bureau owned large areas of neglected or unimproved land, were now earmarked for extensive development.

For all this, though, and as we can see from Table 7, rents and fees were rather static after 2003 and formed a smaller share of total Crown Property Bureau income, (especially when comparing dividend income from SCB and SCG).

It is probable that the figures in Table 7 underestimate the revenues from rents, for there seem to be some major omissions. Moreover, we do not have figures for earlier years, before the new policies took effect after 2001. For what the data are worth though, they show that in 2003 income

**Table 7. The Crown Property Bureau's Income, 2003–09  
(million baht)**

	2003	2004	2005	2007	2008	2009
SCB	0	140.3	1,022.2	4,000	4,900	4,800
SCG	1980.0	3240.0	6120.0	9,700	5,400	7,800
Deves	23.9	26.9	26.9	n.a	n.a	n.a
CPB equity <sup>a</sup>	3,712.6	646.1	(101.1)	3,394.8	(4,341.64)	6,870.3
Rent & Fee	2,168.8	2,255.5	2,253.7	2,300	2,400	2,450
Total	7,885.3	6,308.8	9,321.70	19,394.8	17,041.6	21,920.3

*Note: a. This is the profit/loss of CPB Equity, but there is no evidence to show what sum was delivered to the CPB as dividend; hence this figure must be treated with some caution.*

*Source: Crown Property Bureau and Department of Business Promotion*

from rents and fees formed around one quarter of the CPB's total, but by 2005 the proportion had slipped to only 15 per cent. Interestingly, the two traditional core holdings of the Bureau, the Siam Commercial Bank and the Siam Cement Company, continued to form the largest share of Bureau income. Together they amounted to nearly half of Bureau income in 2005, while the Siam Cement Company alone contributed over 40 per cent.

The Crown Property Bureau's recovery from the crisis of 1997, when the Bureau and its major affiliated companies had faced insolvency, was striking. As a result of the crisis the Bureau's management and attitudes have been modernized and market-oriented policies introduced. It should be emphasized, though, that that recovery, for both the Siam Commercial Bank and the Siam Cement Company, took place in a generally and increasingly favourable economic environment. Something approaching boom conditions appeared once more in Thailand after 2001.

Low interest rates encouraged investment and a major property boom resulted, spurred by bank lending. All this redounded to the benefit of the banking and construction sectors, and so to the Crown Property Bureau. As Table 6 shows, Siam Cement's sales and the SCB's income jumped enormously from 2002 until the present time.

Finally, we may add that despite all change and vicissitudes over the years, the Crown Property Bureau remains firmly wedded to these two traditional companies which have formed the mainstay of its income for nearly a century.

## **EXTERNAL LINK**

The CPB not only emerged from the crisis bigger and stronger, but also became less parochial and more international.

From 2001 onwards, the SCG (Siam Cement Group) launched a slew of projects across Asia from Iran to China. In addition, the SCG became much more dependent on income from exports, and hence much more sensitive to market forces beyond the national boundaries of Thailand. The SCB was also affected. It went overseas to raise capital, and had to adjust to living with around 40 to 45 per cent of its shares owned by foreign entities, and with foreign-owned banks as competitors in the domestic market.

Within this general internationalization, Singapore acquired a special role, which initially had more to do with Singapore than with the CPB. The Singapore government took a strategic decision to promote outside investment to overcome the limitations of the country's size. In the backwash of the 1997 crisis, Singapore-based capital took special interest in opportunities opening up in Thailand. In particular the Singapore government took an interest in Thai businesses that also had a special interest in the state. The relationship which developed with the CPB was two-way. After helping to oversee the restructuring of the SCG and SCB, Chumphol na Lamlieng was hired as chairman of Singtel, the Singapore government telecom company. In the other direction, the state-owned investment arm, Temasek Holdings, took a stake in the SCB and placed a representative on the SCB Board. The associated property company, Capital Land, went into a joint venture with the CPB under, the name Primus, for property development in Thailand. When Temasek took the decision to buy another government-related Thai company, the Shin Corporation of the family of Prime Minister Thaksin Shinawatra, the Siam Commercial Bank took the primary role in structuring the deal, as well as providing much of the finance.<sup>41</sup>

## **HOW BIG WERE THE CPB'S HOLDINGS IN 2005 AND 2014?**

What was the total worth of the CPB after the crisis?<sup>42</sup> The value of the holdings in the SCB, the SCG, and Deves Insurance can be estimated from the value of the shares. For the holdings under CPB Equity, asset

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<sup>41</sup> For a fuller discussion, see Porphant (2008).

<sup>42</sup> There are several ways to estimate the value of a corporate group. Suehiro (2003), for example, sums the value of all the companies in which the group has a controlling interest. By that method, CPB's worth would include the total worth of the SCG and the SCB and several other companies in which it has a controlling stake. Suehiro estimated this figure as 475 billion baht in 1997, and 1,172 billion baht in 2000. Here, the method assesses the value of the assets were they to be liquidated today. Hence for the corporate holdings, the figure is the value of the shares at current value.

value provides a reasonable approximation. The segment most difficult to assess is the landed property. While the total area owned by the CPB in central Bangkok is known to be 8,835 *rai*, there is no information available on exactly where this land is located, but various prices of land can be obtained on an average basis.<sup>43</sup>

Summing these items gives a total worth of 1.1 trillion baht (see Table 8). Obviously the estimation of the land value has a large margin of error. So this should be taken as a rough order of magnitude. At the

**Table 8. Estimated Worth of the CPB, 2005 and 2014**

<b>Asset</b>	<b>Method</b>	<b>Worth (billion baht) 2005</b>	<b>Worth (billion baht) 2014</b>
Siam Cement Group	30 per cent of market capitalization	87.8	161.2
Siam Commercial Bank	25 per cent of market capitalization	23.5	154.4
Deves Insurance	25 per cent of market capitalization	0.3	n.a.
CPB Equity	Value of assets	24.0	49.4
Land in Bangkok	8,835 <i>rai</i> at 111.8 million baht per <i>rai</i> in 2005 and increase 5 per cent in 2014	987.4	1,036.7
<b>Total</b>		<b>1,123.0</b>	<b>1,401.7</b>
		<b>US\$27.4</b>	<b>US\$43.8</b>
		<b>billion</b>	<b>billion</b>

*Source: Porphant (2008), p. 183; Stock Exchange of Thailand and Department of Business Development.*

<sup>43</sup> For a fuller discussion of the methodology used to estimate the value of land, see Porphant (2008).

end of 2005, the baht was being exchanged at around 41 baht to the U.S. dollar. At that rate, this worth translate as US\$27.4 billion, and increased to 1.3 trillion baht in 2014, equivalent to US\$40.8 billion at the rate of around 32 baht to the dollar.

## **HOW LARGE IS THE CPB?**

It is necessary to compare the figures above with various economic indicators to determine the CPB's size. The CPB's value was very large and has grown alongside leading Thai capital groups and business conglomerates. In 2005, the CPB's worth was equivalent to 15.8 per cent of Thailand's GDP and 93.6 per cent of the Thai government budget. Nine years later, the CPB's strength and control of wealth and income in the Thai economy remains unchanged. In 2014, the CPB's worth was estimated at 1.40 trillion baht, or at US\$43.8 billion at a rate of 32 baht to the U.S. dollar.

The large growth in value of the CPB reflects the business performance of the CPB's core businesses, which has improved in terms of both profit and income. The profit and income of CPB's core business in 2012 and 2013, along with the profits earned by the ten most profitable businesses in Thailand, are shown in Tables 9 and 10.

In 2010–14, market capitalization, which reflects the confidence of investors in the prospects for growth of a business, indicates that Siam Cement and the Siam Commercial Bank ranked among the firms with the top three largest market capitalizations in the stock market of Thailand (see Table 11).

## **THE ECONOMIC POWER OF THE CPB AND THE STRENGTH OF THE THAI MONARCHY**

The main question raised by these figures is: is there a connection between economic power (the CPB) and the strength of the Thai monarchy?

The enhanced economic power of the CPB went hand in hand with the strength of Thai monarchy. This point needs clear emphasis. Since the CPB is the investment arm of the monarchy and remains independent from the government budget, it also removes the monarchy from its public critics. Because the king and royal family, and CPB businesses (CPB subsidiaries and CPB-affiliated firms) have already proved themselves

**Table 9. Top Businesses in Thailand in 2012–13 (by profit)**

Profit in 2012		Profit in 2013	
Company	billion baht	Company	billion baht
PTT	74.6	PTT	63.9
PTT exploration and Production	57.3	Siam Commercial Bank	47.6
Siam Commercial Bank	38.8	PTT Global Chemical	44.6
Kasikorn bank	32.4	Kasikorn bank	37.5
AIS	32.0	PTT exploration and Production	37.2
Bangkok Bank	31.5	AIS	36.6
Krung Thai Bank	25.7	Bangkok Bank	33.8
PTT Global Chemical	24.1	KrungThai Bank	30.9
Siam Cement	18.6	Siam Cement	24.4
Thai Beverage	12.6	Airports of Thailand	16.3

Source: Department of Business Development.

**Table 10. Top Businesses in Thailand in 2012–13 (by income)**

Income in 2012		Income in 2013	
Company	billion baht	Company	billion baht
PTT	2,596.5	PTT	2,560.4
PTT Global Chemical	486.8	PTT Global Chemical	502.3
Thai Oil	442.9	Siam Cement	434.2
Siam Cement	418.3	Thai Oil	416.6
IRPC	304.3	IRPC	308.4
Star Petroleum refining	265.0	Star Petroleum refining	261.3
Esso (Thailand)	243.6	Esso (Thailand)	243.6
PTT exploration and Production	218.1	CP Hall	217.4
CP. Hall	194.6	Thai Airways International	211.7
Bangchak Petroleum	165.5	Bangchak Petroleum	186.1
Siam Commercial bank	141.8	Siam Commercial bank	168.1

Source: Department of Business Development.

**Table 11. Top Businesses in Thailand in 2014–15 (by market capitalization)**

Rank	Name	Market Capital (billion baht)
1	PTT	925.4
2	Advanced Info Service	746.2
3	Siam Commercial Bank	617.7
4	Kasikorn Bank	548.0
5	Siam Cement	537.6

*Source: Stock Exchange of Thailand.*

to be of no financial burden to the country, public scrutiny has not been thought necessary. The dignity and privacy of royal life are thus protected in the absence of circumstances to justify any scrutiny. The only possible criticism comes from the fact that the CPB has, by law, no obligation to pay taxes. The strength and prestige of the monarchy, coupled with the fact that the CPB is the investment arm for the monarchy, imbues these companies with a reputation for long-term reliability thus inducing Thai and foreign investors to seek joint ventures. Hence the CPB is invited to take a minority stake as a passive partner in numerous private investments.

As one of the largest land owners in Thailand, the CPB was able to provide land at low rents for residents. Until today, 93 per cent of its land in Bangkok is “not really commercial”, such land comprising 58 per cent for small tenants, 33 per cent for government agencies and state enterprises, and 2 per cent for foundations. Rents are very low, and much lower than market rates.<sup>44</sup> Thus the CPB has “commercial” rents coming from just 7 per cent of its total land, most of this being large-scale projects on prime land in the centre of the capital.<sup>45</sup>

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<sup>44</sup> CPB annual report (2014).

<sup>45</sup> *Ibid.* In 1975, the government launched a land reform scheme aimed at finding land for the landless. The king transferred 51,968 *rai* (8,315 hectare) to this scheme, virtually all the rural land under the CPB’s control, mostly in the Central Region.

Royal financial independence has been used to support several royally initiated projects. These projects have been developed in every major rural region, and have largely concerned social welfare measures such as orphans, veterans, projects in the support of rural and agricultural development, irrigation, occupational promotion, hospitals, energy development, water and natural resource, scholarships, research, environment quality improvements, communication and public health development.

Not only did the CPB help initiate and implement royally initiated projects, the government also funded these projects to the amount of 20,311 million baht for more than 2, 500 projects, averaging 655.2 million baht annually in 1982–2013.<sup>46</sup> More than 7 million individuals, mostly in rural areas, benefited from the projects. In 2012 royally initiated projects received 2,377.2 million baht from the government budget.<sup>47</sup>

One example is the Third Royal Food Processing Factory, which began operating in 1980 at Tao Ngoi district, Sakon Nakhon Province. The project's main objective is to provide stable jobs and supplementary income to villagers in the upper northeastern region.<sup>48</sup> The factory was used to process tomatoes grown in the Mun River catchment area. Currently, tomatoes are grown in what is now referred to as the Tomato Belt, a 23,000-*rai* area (3,680 hectares) along the banks of the Mekong River.<sup>49</sup> The CPB together with Doi Kham Food Products Co. Ltd, under the initiative of Princess Sirindhorn, renovated a factory as well as improving its facilities. A series of improvements to the production line and production capacity through the use of advanced international-standard food processing technology and machines were set in place in April 2011.<sup>50</sup> Various recent projects of the CPB were said to have

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<sup>46</sup> Statistical yearbook of Thailand (2553). Chanida found that some 24,700 million baht were allocated in 1982–2001, or for an average of 1,300 million baht annually in 1982–2001, to more than 3,000 projects (Chanida 2007. p. 273).

<sup>47</sup> Office of the Royal Development Projects Board <<http://www.rdpb.go.th>>.

<sup>48</sup> Crown Property Bureau Annual Report (2011), p. 61.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

strengthened the monarchy. For example, the Phra Ram 9 (Rama IX) Community is one of the communities to have incorporated the principle of “understanding, reaching out, and developing” of King Rama IX as its compass towards economic, social, environmental and cultural development, with the CPB enhancing the well-being of the community members through the provision of health-care services. Based on this principle, all sectors in the community have played a role in developing human resources, the community and the society.

Also since 2004, CPB has cooperated with the Community Organizations Development Institute (Public Organization), or CODI, in the *Baan Mankong Project*, a housing development scheme that focuses on empowering people and the community to make them more self-reliant through improvements in their housing conditions. Out of 6,291 houses targeted for improvements under the project, 3,463 have been completely renovated and reconstructed. Renovation and construction of 649 houses will be completed in 2015, with the work on the remaining 2,179 houses to be completed by 2019.<sup>51</sup>

Various stories have been related from the small tenants in slums about the CPB’s help in improving their quality of life. Mr Sommai Wongrunpakorn, 76, a tenant at the Wat Thong Noppakhun Community noted:

My father was a Chinese immigrant. After having three children he settled here. My siblings and I grew up in this community. In fact, I have lived here for 76 years. As long as I can remember, the CPB has always been kind to my family. Many of my grown-up children have continued to live here with me even after they

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<sup>51</sup> Crown Property Bureau annual report (2014). In 2015, the CPB plans to launch an initiative to renovate the housing and landscape of the community on Soi Ramkhamhaeng 39 to enhance its physical condition. According to the plan, the Bureau will encourage the community to set up a savings group, which is expected to evolve into a cooperative. To date, the Bureau has successfully established cooperatives in four communities and will develop eleven more, depending on the willingness of the respective communities; Crown Property Bureau annual report (2011), p. 43.

got married. The new house plan offered by the CPB is a great relief for me. I am very happy about it. For most of my life I have been living hand-to-mouth and thus lacked enough money to completely renovate my rundown house. I have been fixing it up a little bit at a time. Indeed, I feel lucky to have lived under His Majesty's gracious reign. The CPB has always treated me with kindness and respect. Money has never been an issue with them with regard to lease contract renewals. This is all because of His Majesty's kindness. I am more than happy to pay part of the renovation costs as set in the CPB policy. It's well worth it.<sup>52</sup>

Another example, related by Ms Amporn Ruenmalee, President of the Jaras Mueang Community and Secretary of the Jaras Mueang Community's savings group, is worth quoting at length.

I admit that I used to distrust the CPB because I thought it wanted to seize our property and evict us from its land. We [the community] refused to cooperate with the Bureau. In reality, the CPB has proved to be very sincere and committed to developing our community. The Bureau supported the establishment of our savings group and, together with CODI, provided budget support for the construction of our learning center. There was enough money left over from this budget to invest in landscape improvement and common areas for public use. Since then the community's attitude towards the CPB has changed ...<sup>53</sup>

It is widely believed that sufficiency economy projects working as a part of royally initiated projects are part of a political philosophy linked to anti-globalization, anti-capitalism, and populism. This latter sense has been so especially the case under the ousted Prime Ministers Thaksin and Yingluck. The idea was to bring Buddhism and development guided by the King as well and thus will help bring the King closer to the villagers.

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<sup>52</sup> Crown Property Bureau annual report (2013), p. 15.

<sup>53</sup> Crown Property Bureau annual report (2014), p. 37.

Recently, the government budget under the sufficiency economy formed a substantial portion of rural development expenditure.

Last but not least, the growth in wealth and income of the CPB strengthens the institution of the monarchy both politically and economically. Various important persons who are closely connected to the monarchy serve in leadership positions on many of Thailand's largest companies. For example, Prem Tinsulanonda, the President of Privy Council, has been honorary president of the Bangkok Bank for more than twenty years. He is also President of the Charoen Pokphand Foods Group. Arsa Sarasin, who previously served as His Majesty's Principal Private Secretary (2000–12), now serves as a member of the boards of Charoen Pokphand and the Siam Cement Group. Meechai Virawaidhaya, whose wife serves the queen, was at one time the President of Krung Thai Bank's board, despite having no experience working with the bank. Piyasvasti Amranand, a well-known royalist, was appointed President of the PTT board, the largest industrial conglomerate in Thailand. These businesses are among the leading businesses in Thailand. In this way, the CPB enables important connections between what Duncan McCargo calls "the network monarchy" and Thailand's most important and powerful businesses.<sup>54</sup>

## CONCLUSION

Although this is a working paper, a brief, if tentative, conclusion may be added.

The paper has considered the evolution of the financial strength and organization of the Crown Property Bureau, and has also reflected on the way in which the Bureau underpins the independence and prestige of the Thai monarchy.

Two points stand out. First, the CPB remains one of the leading financial business groupings in modern Thailand. This gives to the Bureau a unique role, but also a unique responsibility. Second, the Bureau is integral to the prestige and strength of the Thai monarchy. The

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<sup>54</sup> McCargo (2005).

place of such an institution within a modern constitutional monarchy is a delicate one. The close connection of the Bureau with political and business elites, detailed in this paper, makes it important for the Bureau to tread warily in matters that touch on politics and party factions.

Obviously the king retains an important personal influence on the affairs of the Bureau, both through appointments to the Bureau and particular projects and initiatives to be funded.

Under a wise and beneficent monarch, the economic power of the Bureau can be an instrument for progress and social justice. The question for the future is how the present monarch's successors will be able to preserve the independence and integrity of the CPB while using the CPB's enormous resources for the good of the entire nation.

## APPENDIX

### *CPB Directors from 1948*

Under the CPB act of 1948, only men have served as the CPB's director. This section provides the background of the directors, who worked closely with the King in various management affairs of the CPB.

**Thawiwong Thawansak** (director 1948–70) was born on 7 August 1901 in a family directly descended from King Rama IV. He grew up in the palace and became acquainted with its customs and practices. From age 10, he came under the patronage of the mother of King Vajiravudh and attended the Royal Pages School. At age 13–14, he was appointed to the Corps of Royal Pages. According to the biography in his cremation volume, “as he had a sharp mind and good manners, and knew how to conduct himself according to circumstances, King Vajiravudh kept him in close service when he travelled to various places”. In 1919, he received royal sponsorship to study in England. After receiving private tuition, he attended Southwold College and Bristol University before studying political science at Magdalen College Cambridge, graduating with honours in 1927.

On return, he entered the Ministry of Interior and served in various positions in Phuket, Narathiwat, Songkla and Battambang, before becoming director-general of various departments at the ministry's headquarters.

In 1947, he transferred into the service of the palace as Grand Chamberlain, chairman of the Privy Purse Bureau, and acting director of the CPB, before becoming the full director a year later.

According to his cremation volume, “as grand chamberlain and director-general of the Crown Property Bureau, he served the king closely and enjoyed the king's confidence.” He was appointed by the king to several other offices including chairman of the board of Wat Phra Sri Rattanasasadaram (the temple of the Emerald Buddha), director of Dusit Golf Club, and an honorary director of Vajiravudh College. In his twenty-two years of service in the palace, he also headed a delegation of the Thai Red Cross to render assistance to earthquake victims in Indonesia,

represented the King to receive visiting royalty and dignitaries as well as at several sporting events, and was closely involved in the development of both Chulalongkorn Hospital and Mahidol University. In 1966, he also became a privy counsellor. For ten years, he was head of the Old England Students Association.

**Phunphoem Krairoek** (director 1970–87) was born on 27 July 1922, descendant of a Hokkien Chinese who arrived in Siam in the late eighteenth century and became a leading noble in charge of financial affairs for King Taksin (r. 1767–82). The family has had close association with the court ever since. Phunphoem's grandfather was the royally appointed head of Bangkok's Chinese community during the reign of King Rama III. His father became a royal page in the court of King Chulalongkorn, and rose to be deputy head of the Department of Royal Pages. King Rama V presented the family with land in the old city, and King Rama VI granted them funds to build a residence.

Phunphoem was raised in Suan Sunantha Palace, and attended palace schools before entering Vajiravudh College in 1932. Six years later he left to study at Oundle School and Miami University before taking a BA in economics from Stanford University in 1944.

On his return, he worked for fourteen years at the Siam Commercial Bank and the Thai Farmers Bank (today's Kasikorn Bank), before leaving to manage the Chalermkiet Cinema for Prince Phanuphong. In 1959, he entered into the service of the palace, and rose to become deputy chamberlain in 1968, director of the CPB on 11 December 1970, and Grand Chamberlain in 1978. He retired from all his positions in 1987 on his sixty-fifth birthday.

As director, he greatly expanded the CPB's investments into over a hundred corporations, and he himself served as director of several of Thailand's largest enterprises. Phunphoem also launched several major real estate projects including the future World Trade Centre and the Sinthon complex, housing the stock exchange.

With the remainder of the CPB's land portfolio, his approach was conservative. As some 80 to 90 per cent of tenants were residents or small businesses at the lower end of the economic scale, he let rents remain at low levels, well below their market price.

Phunphoem also served as a director of the Thai Red Cross, deputy chairman of the Sai Jai Thai Foundation, and chairman of the board of the Privy Purse Bureau.

**Chirayu Isarangkun na Ayuthaya** (director 1987 to present) was born on 12 November 1942 in a family descended from King Rama I. His father was a foreign ministry official and Privy Counsellor. Chirayu studied at St Gabriel's School in Bangkok and King's College School Wimbledon before taking a BSc in economics from the London School of Economics in 1964 and a PhD from the Australian National University, Canberra in 1971. He is married to Oranuch, a lady in waiting to Queen Sirikit.

He taught at the National Institute of Development Administration, a graduate university, rising to become Dean of the Faculty of Development Economics. During the 1980s, he served in the governments of General Prem Tinsulanonda as deputy industry minister, industry minister, and minister attached to the Office of the Prime Minister. In 1986 in Phuket, a mob opposing the construction of a tantalum factory burnt down the factory and the nearby hotel where Chirayu was staying on a mission to negotiate with the protesters.

On 28 August 1987, he was appointed director of the CPB and deputy chamberlain. At that moment, Thailand was entering an economic boom which sent land prices in the city skyrocketing and drew a mass of migrant labour from the countryside to Bangkok.

The widening gap between the rentals on much of the CPB's land and the its rising market value created a number of abuses, including the appearance of intermediaries subletting the land at a profit. Dr Chirayu took steps to expel these intermediaries as well as introducing direct bank transfers for rental payments. In an attempt to allow low-income communities to remain on CPB land while allowing the CPB to reap some benefit of its rising value, the CPB introduced the concept of land sharing. CPB also worked with NGOs and government agencies to develop the environment and facilities of low-income communities. For vacant plots with high market potential, Chirayu launched a policy of "special projects" under which private entrepreneurs could bid to develop these areas.

Dr Chirayu also took the first steps to change the organization and working culture of the CPB from a semi-government model to a business model. Following the pattern of the Bank of Thailand, he founded an Office of the director to focus on analysis and planning. He gradually introduced more transparency into the operation of the CPB by making himself available to journalists and academics.

After the 1997 economic crisis, Dr Chirayu spearheaded a more thorough restructuring which followed the same line. He also took a special interest in promoting the king's ideas for a "sufficiency economy" as a guide for the management of both government and business in the age of globalization. He serves on the board of a large number of foundations including the Sai Jai Thai Foundation and the Royal Projects, and is a director of many bodies including the Institute of Management Development and the Thailand Development Research Institute.

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