

## Thailand: Making serious money

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Who is making money, serious money? And how? A few weeks ago, Forbes published its list of Thailand's forty richest for 2007. Who are they, and how did they make their fortunes?

The best way to make money today is by manufacturing something to pour down people's throats. Top came Chaleo Yoovidhya, maker of Kratingdaeng/Red Bull, with 126 billion baht, narrowly edging out Charoen Sirivadhanabhakdi, maker of Mekong Whisky and Chang Beer, with 114 billion. The Singha beer family appeared lower down the list.

Chaleo's wealth is based on one single product—the extraordinary international success of Red Bull. Charoen is very different. He is the big success story of the 1997 financial crisis. He was not ruined by foreign debt because much of his business was still based on cash, and because foreign banks were wary of his non-transparent methods. His cashflow held up because crisis-hit consumers downtraded to his cheap products. Other businessmen, bankrupted by falling sales and the rising weight of dollar debt, were desperate to sell spare assets. Charoen had the cash to buy at very favorable prices.

Mostly he bought property—lots of it. In Chiang Mai alone he acquired the Kalae shopping centre, Chiang In Plaza, Anusan market, Suriwong Hotel, Imperial group's hotels, and a prime plot of riverside land belonging to the Chutima family. By the aftermath of the crisis, Charoen's property company TCC Land was "one of the largest landlords in Thailand." Charoen has also become Thailand's first latifundist, with 100,000 rai of agricultural land across 54 provinces, mostly under plantation crops of sugar, oil palm, tapioca, and rubber.

How else to make money? There are three agribusiness corporations in the Forbes Thai top forty, including Charoen Phokphand in 3<sup>rd</sup> place with 97 billion baht, and two sugar firms. Among other industrialists, the most successful are auto parts firms. Before the crisis there were several hundred Thai parts makers. All but a handful were wiped out by the crisis and by the inflow of foreign capital. The few who survived have done very well indeed. Thai Summit of the Juangroongruangkit family (remember Suriya) and the Summit Group of the Jurangkool family come 5<sup>th</sup> and 7<sup>th</sup> on the list, while the Sitthiphon group is lower down.

Other industrialists include Mahagitsiri, Sahaviriya steel, TUF fish canning, and Osotsopha consumer goods. But the striking thing is that two-thirds of these top billionaires are in service businesses. Central and King Power in retail. Channel 3, Channel 7, Thai Rath, and Major Cineplex in entertainment. Land & House, Preuksa, and Amata in property. ItalThai in construction. Bangkok Airways and Precious Shipping in transport. Heineke in hotels and retail; Shinawatra and Benchararongkul from mobile phones.

Like Charoen and the auto-parts makers, many of these service entrepreneurs are very new arrivals in the upper ranks of the Thai plutocracy. They are prospering because Thai consumers are spending more on services as incomes rise. Top Thai entrepreneurs are focusing on services because they have been competed out of manufacturing by multinationals, and because ownership laws relating to land, media, and so on still give some protection in this sector.

These new families have also been boosted up the rankings by a landslide of the formerly rich since the 1997 crisis.

A first ranking of top Thai business families was made in 1979 and another in 1997. In both years, the most prominent group was bankers. But now Sophonphanich, Wanglee, Lamsam, Phatraprasit, Chakkaphak, and Uachukiat have slid away. Only the Ratanarak family of Bank of Ayudhya and Chaiyawan family of Thai Life Insurance remain.

Gone too are many families who pioneered industrialization, often by teaming up with US or Japanese capital. Phonprapha, Asadathon, Bulasuk, Laohathai, Techaphaibun, and Liaophairat no longer make the charts.

What old money has survived? Of the top 40 in 1979, only eight have survived in the same ranks today: CP, Bank of Ayudhya, Singha, Osothsopha, Italhai, Sitthiphol, Central, and Mitrphol sugar. From the 1997 list, there are a few more survivors including Shinawatra, Ucom, Sahaviriya, and Land & House.

Over half of the families in the top forty are new arrivals on such a list, and still very unfamiliar compared to names like Sophonphanich, Techaphaibun, or Lamsam. They have often come up very fast in the aftermath of the 1997 crisis. One of the most intriguing is Vichai Raksriaksorn, head of the King Power duty free empire. Try googling his name. You get little except that he sometimes plays polo with Prince Charles.

Vichai started with a shop in Hong Kong airport in the early 1980s. He could not get into Don Muang airport because of a ring allegedly controlled by ACM Sombun Rahong. He opened the in-town duty-free shop at Ploenchit in 1989, and launched ventures in Cambodia, China, and Macao. After Sombun Rahong's political career faded in the mid 1990s, Vichai secured the necessary air force contacts. He started a shop in Don Muang in 1995. In 2006, he got an extraordinary exclusive contract for handling duty free and other retail at Suvarnabhumi Airport. He has bought 384 rai from the Chan Issara family near the airport where he is making a polo field, golf course, and upscale housing development. He has also developed a 31-rai plot near Victory Monument with an office building, duty free mall, and hotel.

In 1997, Forbes reckoned Thailand had ten families over the billion dollar mark. Now there are only three. Some of that decline is illusory. The Shinawatra family is now attributed only US\$ 300 million by Forbes, but that's because the rest of their wealth is now well hidden. But the overall decline is real.

Compared to neighboring countries, Thailand's billionaires are modest. In China there are ten entrepreneurs with more than Chaleo or Charoen. In Malaysia there are five, and in Indonesia two. From India, the steel magnate Lakshmi Mittal could theoretically buy all Thailand's top forty twice over, and still have a lot of change.

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\* From <http://www.geocities.com/changnoi2/serious.htm>