

1 Introduction

“In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.”

— President Dwight D. Eisenhower, January 17, 1961

The concept of military-industrial complex emphasize the role of the military as the critical buyer of industrial goods and services from firms. In the case of Thailand, the reverse role exists as well. Not only the Thai military purchases goods and services from the private sector, but it also sells non-security services to the private sector. The other peculiar characteristics of the Thai military is the frequency of military coups. In Thailand, military coups occur at the rate of one in every five years.¹

The most notable non-security services of the Thai military are financial services, such as commercial banking and foreign exchanges. In fact, Suehiro and Wailerdsak (2010) consider the Thai Military Bank and its affiliates as a business group.² The bank and its affiliates constituted the twelfth largest business group in Thailand in 1997 by revenues. This ranking raises the following questions. Has the Thai military sold other types of services? How many firms are owned by the Thai military? When did these firms emerge? How do we characterize the relationship between the firms owned by the military and other firms especially in the same industries? How are these firms related to military coups?

My study attempts to answer these questions using firm-level and enterprise-level data from 1940 to 2016. I construct a dataset of three types of Thai producers that sells non-

¹Thailand became a constitutional monarchy in 1932. From 1933 to 2016, there were 18 military coups, and 11 of them were successful at overthrowing the government. The more recent successful coup occurred in 2014.

²The Thai Military Bank was rebranded as the TMB Bank in 2005.

security goods or services as follows. First, a *military firm* is a firm that is institutionally owned by at least one military unit. Second, a *military enterprise* is a military unit. Finally, a *military-related firm* is a firm that is personally owned or directed by at least one active or former military officer. I rely on the following sources: *Business Registration and Records* from the Department of Business Development of Thailand's Ministry of Commerce; financial statements and annual reports of publicly-listed firms from the Stock Exchange of Thailand (SET); the Government Gazette and other administrative records.

There are four main findings. First, the Thai military has sold a wide-range of non-security services to the private sector as follows: banquet events, financial services, hotels, international airports, radio broadcasting, television broadcasting and recreation. These services have been supplied by seven military firms and more than 20 military enterprises. Specifically, the military firms have operated financial services and television broadcasting, whereas the military enterprises have operated banquet events, hotels, international airports, radio broadcasting and recreational services.

Second, in addition to institutional ownership of firms, the Thai military is related to a large number of firms via military officers' membership on the board of directors and their personal ownership. More than 100 military-related firms are identified in a wide range of industries as follows: airport services; broadcasting; construction; financial services; merchandise trading; manufacturing of alcoholic beverage, equipment, fabrics, food, industrial supplies, sugar, vehicles and parts; mining; petroleum and related products; real estates; and transportation.

Third, chronologically military-related firms emerged during the World War II, before military enterprises and military firms. In 1940, there were military-related firms in shipping

and fisheries. One was state-owned, and one was privately owned. Both were related to the military via military directors. In 1942, military-related firms emerged in commercial banking around the same time as the Bank of Thailand was established as the central bank. To the contrary, the first military enterprise emerged after the World War II in 1948, to provide international airport services. Subsequently, the first military firm emerged in 1957 as the Thai Military Bank.

Finally, before the first military-related firm and a new military enterprise were founded in 1957 there was a successful military coup. Moreover, a new banking law was enacted by the military government shortly after that to impose strict entry barriers. Four decades later, the Army TV Channel 5 became a holding company and a shareholder of the Thai Military Bank as well as other media firms. For this reason, the military coup in 1957 was critical for the emergence of the military as a business group.

In the theoretical literature, asymmetric information is an important explanation for why financial intermediaries and broadcasting media exist. Thus, asymmetric information may provide an explanation for the benefits from forming a business group. In particular, a board membership in military-related firms during the World War II and contacts in the media industry could allow military directors to gain private information about potential customers and demand for services of the Thai Military Bank, such as foreign exchanges services at the international airport. Alternatively, the private information may contain signals about the productivity of potential borrowers from the bank. In addition, a board membership could attract low-cost deposits from military-related firms. Finally, managerial mobility could be enhanced by the group structure. For this reason, the transaction costs view, as in Amsden and Hikino (1994), offers an explanation for the rise and the persistence of this business

group.

My work is closely related to the study of Thai bureaucratic capitalism by Piriyanan (1983) and the study of business groups in Thailand by Suehiro and Wailersak (2010). Compared to the former study, my contribution is to provide a classification of producers and offers a longer term assessment of the military's involvement with the private sector. My approach highlights the importance of the World War II, the Cold War and globalization as external shocks, to which military coups and regulatory changes arose endogenously, given poor quality of institutions as initial condition. Then, the military's business group emerged as a result. Nonetheless, using quantitative measures such as revenues, profitability or employment to compare the military business group with other business groups is beyond the scope of this study.

The remaining sections of my study are organized as follows. The next section discusses the emergence of military firms, and Section 3 explains activities of the military enterprises. The military-related firms are described in Section 4. Section 5 discusses the formation of their group structure, and Section 6 concludes.

2 The Military Firms

This section describes the history of military firms in Thailand, especially their ownership and governance structure. Henceforth, a military firm is defined as a company institutionally owned by at least one military unit. Based on this definition, the *Business Registration and Records* database at the Department of Business Development in Thailand's Ministry of Commerce suggests that there have been at least seven military firms in Thailand.

As tabulated in Table 1, the military firms have concentrated in the financial services and media industries. Specifically, the Thai military established its commercial bank in 1957, and three financial services companies in 1989, 1999 and 2000, respectively. In addition, the military established radio and television broadcasting company in 1997, and two other media companies in 1997 and 1999. Today, two of these military firms are public companies, of which shares are listed in the SET. I describe each military firm by a chronological order within each industry.

2.1 Thai Military Bank

The military-owned commercial bank was founded after a successful military coup in 1957 by the junta leader, the Field Marshal Sarit Thanarat. It was explicitly named the Thai Military Bank, Co. Ltd. with a registered capital of THB 10 million for 100,000 shares. As indicated by the name, the major shareholders in the founding year were collectively the military institution.

Table 2 summarizes the ownership structure of the bank in 1957. The military institutions holdings account for 57.68% of ownership. The breakdown of the institutional ownership is as follows: 53.68% belonged to the Army Welfare Department; 2% belonged to the Air Forces Welfare Department; and 2% belonged to the Veteran Welfare Department in the Ministry of Defense. Note that in the founding year the navy had no institutional ownership of the bank at all. Evidently, the ownership structure reflected the dominance of the army over other branches of the military.

The remaining 42.32% of shares were held by individual military officers in all three

branches of the military (namely, the air force, the army and the navy), civilian employees in the Ministry of Defense, and former military officers. The largest individual shareholder was the junta leader, who held 10% holdings. Note that the junta leader's stake was even larger than the combined holdings of the Air Forces Welfare Department and the Veteran Welfare Department.

In 1957, the total number of shareholders including institutional shareholders was 6,559, as displayed in Figure 1. This figure is from the last page of the list of shareholders of the Thai Military Bank in the registration record. It provides information about the shareholders no. 6546-6559, as numbered in Column 1. In Column 2, it shows the shareholder name and the military rank of individual shareholders. Column 3 lists the military unit that employs each shareholder. The number of shares held by each shareholder is in Column 4. Finally, Column 5 notes the alternative name for the shareholder whose name in Column 1 carried a feudal title. In this table, the two largest shareholders were the last two shareholders: no. 6,558 and no. 6,559. They were listed above the last line, which gives the total number of shares (100,000 shares): the Army Welfare Department (53,686 shares); and Field Marshall Sarit Thanarat (10,000 shares).

The ownership structure suggests that using dividends from the bank to fund welfare programs in the army and the air forces could be a reason why the bank was established. However, the combined holdings of individuals was as large as 42.32%, and so it is difficult to argue that providing welfare for military personnel was the sole reason. In particular, individual holdings could be passed along as inheritance, and so wealth creation was likely another motive.

Subsequent changes in the ownership structure of the bank are displayed in Figure 2. In

the four decades after the founding year, the bank had capital increases many times, but the military remained the top shareholder. In 1983, the bank began listing its shares in the SET. The increases in bank capital and the surge in foreign capital inflows to the Thai economy via the Bangkok International Banking Facilities fueled the expansion of the bank. Prior to the 1997 financial crisis, the bank had become the sixth largest bank by deposits. However, the rapid growth combined with poor oversight eventually led to a serious non-performing loan problem.

Following the 1997 financial crisis, the bank was bailed out by the Thai government, and so the Ministry of Finance replaced the military as the top shareholder from 2001, as in Figure 2. This figure illustrates the public-institution shareholdings of the bank in 1993-2016, and public institutions in this case are the military and the Ministry of Finance. In 2001, the holdings for the Ministry of Finance was 50%.

The holdings of the Ministry of Finance gradually declined over time, as a result of recapitalization efforts by selling shares to new shareholders from 2003. The Development Bank of Singapore became a major shareholder in 2004 after the merge with its DBS Thaidanu Bank. In 2005, it was renamed to the TMB Bank as to re-branding strategy for further recapitalization. The ING Bank N.V. from the Netherlands became another major shareholder in 2007. By 2016, the top two shareholders were the Ministry of Finance with a 25.94% holding, and the ING Bank N.V. with a 25.04% direct holding and a 4.90% indirect holding via the third shareholder, which is the Thai NDVR Co., Ltd. However, holdings via the NDVR Co., Ltd. have been non-voting shares. For this reason, the Ministry of Finance remains the top shareholder by voting shares. The military is the eighth shareholder with a 1.25% holding.

A casual observation of Figure 2 is misleading; one may conclude that the bank has

become more or less civilian. However, when a military coup occurs and it is successful with overthrowing the government, the the Ministry of Finance is effectively controlled by the military. For this reason, the de facto holding of the military is the sum of the de jure holdings of the military and the holdings of the Ministry of Finance whenever Thailand is ruled by a military junta, as indicated by the solid line in Figure 2. With this calculation, the de facto holding of the military was 34% in 2006, and has been 27% since 2014.

Note that in 1993-2016 the military institutional holdings were held by all three branches of the military, and the holdings varied a great deal across military units. Figure 3 shows the shareholdings structure of the military institutional shareholders that are also top-10 shareholders. By far, the army has been the most important shareholder.

As for the structure of the board of directors, the original Memorandum of Association (MOA) in 1957 required that the board must comprise of 7-15 members, and all board members must hold at least 100 shares or 0.1% of ownership. In 1957, the board consisted of 14 high-level officers from all three branches of the military including the junta leader. The first Chairman was the junta leader. However, the first Manager was a civilian, who two years later became the Governor of the Bank of Thailand, the countrys central bank.

In the 1980s, the title of civilian Manager was also changed to Managing Director. As illustrated in Figure 4, after becoming a public company of which shares have been traded in the stock exchange since 1983, there were only two civilian directors out of 15 directors until 1993. The major change took place after the financial liberalization in 1993. As a result, the number of board members was increased, primarily to welcome civilian board members who represented new civilian shareholders.

The composition of the board of directors also reflected changes in the ownership struc-

ture. Based on the agreement in 2007, the ING Bank N.V. has a right to nominate at least one board member, and so does the Ministry of Finance. As the military's shareholding declined, the number of military officers in the board of directors declined as well. Currently, the current top army commander is the only military officer in the board of directors. Still, the lasting presence of the military in the board indicates the unwillingness of the military to give up controls over the bank.

As for the scope of services provided by the bank, in its early years the bank limited commercial banking services to the military and its personnel in two locations in Bangkok. It expanded its commercial banking services to business customers in 1964, and opened branches to provide full services to the general public from 1973.³ In 1987, it opened a representative office in Hong Kong.

As of 2016, the bank has more than 400 branches throughout Thailand, and foreign branches in Hong Kong, Cayman Islands and Laos. It occupies as much as 4.62% of deposits in the commercial banking system. The TMB Bank is ranked the seventh Thai commercial bank by assets.⁴ Furthermore, the bank is aspired to become a universal bank with a full range of financial services. For this purpose, it established three companies, which are discussed in the next subsection.

2.2 Other Financial Services Firms

The Thai military has stakes in three financial services companies via its holdings of Thai Military Bank. Specifically, the Thai Military Bank has had substantial holdings in Designee

³*About the TMB Bank*: <https://www.tmbbank.com/about>

⁴Source: *Annual Report*, the TMB Bank, 2017.

for ETA Contract Co., Ltd, TMB Asset Management Co., Ltd and Phayathai Asset Management Co., Ltd. The banks shareholding of each company is currently 99.5%, 87.5% and 100% of ownership.

Note that the bank vaguely refers to the Designee for ETA Contract Co., Ltd. in its disclosure of its corporate group structure as a business support company without details. Based on the Business Registration and Records, the company was established in 1989 with the following purposes: (1) purchasing, acquiring and leasing of assets and their proceeds; (2) conducting sales, transfers, collateralization and disposal assets; (3) acting as an agent or a representative to conduct all types of trade and business except for insurance, recruiting members, and security trading; (4) borrowing including drawing on overdrafts from banks, corporates and other financial institutions with or without collateral, as well as dealing with issuances and transfers of commercial papers and transferable instruments; (5) establishing a representative office in and outside the country; and (6) becoming a partner in a partnership limited and a shareholder of a company limited. In short, this company provides extensive services related to trade in goods and assets except for securities and insurance contracts.

The other two companies are established with a narrower purpose than Designee for ETA Contract Co., Ltd. In 1999, the TMB Asset Management Co., Ltd. was established as a mutual fund company. At the time, the military banks holding accounted for only 25% ownership, and that was equal to the total holdings by two foreign institutional investors, namely the Development Bank of Singapore Co., Ltd and and Yamaichi International Capital Management Co. Ltd. Other shareholders were domestic finance and insurance companies, as well as a handful of individual shareholders. None of members of the Board of Directors were military officers. However, over time the military bank has acquired more shares and

increased its holding to 87.5%.

Finally, the Phayathai Asset Management Co., Ltd. was established in 2000 as an asset management company. At the time, the Thai Military Bank owned 99.99% of shares, and there were seven minority shareholders. One of five members of the Board of Directors was a retired army general. However, today the company is 100% owned by the TMB Bank.

2.3 Broadcasting Firms

In 1997, the Thai army established a holding company called Army TV Channel 5 Co. Ltd. Its Board of Directors consisted of four army generals and three civilians, of which one was also a director of the Thai Military Bank at the time. This holding company owns at least two following companies: Army TV Channel 5 Publishing Co. Ltd. and Army TV Channel 5 Publication Co. Ltd. These companies obtained concessions from the army radio stations and/or the army television station, which have been managed by various military units for decades. The most important concession appears to be the operation of Thai TV Global Network, which is broadcasting of satellite televisions in more than 170 countries.

Later in 2003, this holding company was later converted to a public company. One year later, it was renamed to the RTA Entertainment, Plc. The Board of Directors of this new company consisted of ten generals, one colonel and four civilians. Shortly before the conversion to a public company, the Managing Director of the company gave a rare interview about the operation and the financial information of the company. The financial information discussed in the interview took into account expected revenues and profits of its satellite television network, or the Thai TV Global Network. The expected revenues and

profits were THB 570 million (USD 17.42 million) and THB 120 million (USD 3.67 million), respectively. According to the company, the company was in the process of capital increase from THB 250 million (USD 7.64 million) to THB 440 million (USD 13.45 million), and the future listing in Thailand Stock Exchange was anticipated to raise capital to THB 1,100 million (USD 33.62 million).

However, the planned listing in the stock exchange did not materialize. According to Thailand's Stock Exchange Commission, the company withdrew the application. However, the commission also emphasized that it took into account two aspects of any application for listing. First, when there is no regulatory body that regulates some of the operations of an applicant, there is a great deal of risk that the future establishment of a regulatory body may have important impact on applicants operations. Second, when a concession is extended by a government agency, the applicant will be requested to disclose details about the process through which it has obtained the concession, to let the prospective shareholders evaluate the degree of risk associated with the concession. To the best of my knowledge, the company has not released its financial information since then.

As mentioned above, the army radio stations and the army television station have been operated within the army as military enterprises for decades before becoming military firms. These military enterprises and other military enterprises are discussed in the next section.

3 Military Enterprises

I define military enterprises as military units that sell non-security goods or non-security services to the private sector. Based on this definition, I identify more than 20 military

enterprises providing the following services: airport, banquet events, recreation, real estate and hotels, radio and television broadcasting. Below I discuss these enterprises by the chronological order.

3.1 Commercial Airports

There have been two military enterprises owning and operating several commercial airports. First, the Civilian Aviation Bureau was established within the Thai air forces in 1948, to operate and manage Bangkok International Airport.⁵ However, in 1979 a civilian government established the Airport Authority of Thailand as a state enterprise under the supervision of the Department of Transportation. It inherited the Civilian Aviation Bureau from the air forces, and managed all international airports and a large number of domestic airports in Thailand.

The other military's commercial airport is navy-owned U-Tapao International Airport. It has been under construction since 2015, but has not offered actual services yet.

3.2 Military Radio Stations

The Thai military has owned a larger number of radio frequency channels than other government agencies for decades. To be specific, it owns 198 channels, of which breakdown is 127 channels for the army, 36 channels for the air force and 21 channels for the navy. Nonetheless, I do not count one channel as one military enterprise, because one military unit may own multiple channels. I count one military branch as one unit, and thus based on this count there are three military units that operate radio broadcasting.

⁵To be precise, the airport was called Donmuang Airport until 1955.

However, until the end of the Cold War, the military radio channels were primarily used for the purpose of national security. Since the end of the Cold War, some of them have been used for commercial purposes, through concessions to the private sector especially the music industry. Nonetheless, the process of allocating concessions and setting their terms is not public information. For this reason, I have no information about the revenues from the military radio broadcasting.

3.3 The Military Television

As for the army television broadcasting, the Army TV Channel 5 was established in 1957, the same year in which the Thai Military Bank was founded.⁶ The Army TV Channel 5 has been exclusively owned by the army without involvements of the air forces and the navy. Thus, it was created as a unit within the army. The army station has continued to operate one channel until today.

In addition, the military also gave concessions of television channels to the private sector. In 1966, it gave a long-term concession of one channel to a company, which has been partially owned by the top commanders wives family. In 1974, the armys station gave a concession for an additional channel to a different company. These three television channels are free televisions offering a wide range of programs: news, dramas, concerts, talk shows, etc. For almost six decades, there were at most two more channels including the channel operated by the Bureau of Public Relations. As a result, the competition in this industries has not been tight.

⁶In the beginning it was called the Army TV Channel 7, but soon changed to the Army TV Chanel 5.

3.4 Real Estates and Hotels of the Thai Military

Land is one of the most important assets of the Thai army. The army's land holding by acreage accounts for 110 times of land owned by the Crown Property Bureau as estimated by Ouyyanont (2008). Among government agencies, the land ownership of the Thai military is second only to the Bureau of Forestry. At least since 1966, the army has developed rules about renting its land and properties to the private sector for commercial purpose. The rule in 1966 prohibited subletting to the third party. However, in 1975 the rule was replaced by a new rule, which permitted subletting to the third party. An example for military properties for rent are hotels and vacation homes. There are at least nine such properties in navy bases along the east coast and army bases in the northern region.

The other aspect of the military's land use is housing development under the program titled Welfare Homes for Government Officials and Employees of the Army. These residential properties are not for rent, but they are for a long-term lease or for sale to military officers with subsidized mortgages. In the case of properties for lease, after five years the original renter may sublet to the third party without a requirement that the third party is also employed by the army. In the case of properties for sale, the properties are sold separately from land, and land remains as the army's land. Once sold, the properties may be inherited by non-military heirs. I have identified such residential properties in six of the following provinces in the north, central and northeast regions.

3.5 Event and Recreation Services of the Thai Military

All three branches of the Thai military operate recreational facilities. To be specific, the army operates the Royal Thai Army Club and the Royal Thai Army Sports Center. Likewise, the air force operates the Royal Thai Air Force Club and the Royal Thai Navy Golf Course. Also, the navy operates the Royal Thai Navy Club and the Royal Thai Navy Golf Course. In terms of locations, these facilities actually exist in bases inside and outside Bangkok. The clubs require military IDs, but they also admit civilians with higher admission fees than those for military users. Furthermore, they offer private banquet event services, such as a wedding reception, to the public. These services, however, appear as derivatives in the sense that they are likely not the primary purpose of the facilities, but rather offered as a form of revenues management. However, they raise a question whether the facilities are critical for the primary function of the military.

4 Military-Related Firms

A military-related firm is defined as a firm personally owned or directed by at least one active or former military officer. For instance, The Airport of Thailand (AOT) became a military-related firm in the early 2000s after being a public company and traded in the SET.⁷ The military is not an institutional shareholder of the AOT, but there have been military officers on the board of directors, as displayed in Figure 5. In terms of size, the AOT is comparable to the Thai Military Bank. In Figure 6, the combined revenues of the two firms are equivalent to 60% of the military expenditure in 2006 and 40% in 2016, respectively.

⁷The AOT was a military enterprise in 1948-1955.

There are more than 100 of military-related firms, and they operate in a wide range of industries, as in Table 4. There are four main findings from this table. First, when firms are classified broadly into services, manufacturing and primary products categories, the number of military-related firms in the services category was the largest. There are 65 services firms out of the total of 115 military-related firms in table. The number 115 should be interpreted as the lower bound, as this table is based on a preliminary search.

Next, within the services category these firms concentrated the most in financial services, as also emphasized by Rozental (1970). To be precise, there were ten commercial banks, four finance and investment companies, and seven insurance companies. The other two services industries with large numbers of military-related firms were transportation and and merchandise trading. In particular, there were 16 companies providing transportation services, and 12 companies engaging in merchandise trading. For firms engaging in merchandise trading, they concentrated in international trading, not domestic wholesales and retails trading.

Third, the manufacturing industries had many more military-related firms than the primary products industries. Then number of former is about three times of that of the latter. There were as many as 16 companies producing industrial supplies, such as steel and other metal products. For consumer goods, as many as five firms produced alcoholic beverage. The next important industry was sugar production. For primary products, petroleum and related products were operated by six military-related firms. There were also firms operating forestry, fishery and mining, although these industries had a smaller number of military-related firms than the petroleum industry.

Finally, when we focus on three industries which overlap with those of military firms and the military enterprises, the military-related firms emerged before the military firms and the

military enterprises. To be precise, in banking the military-related bank emerged 15 years before the military bank. In broadcasting and media, the military-related firm emerged four years before the military media. Finally, in transportation the military-related firm emerged 61 years before the military's airport.

This sequencing suggests that the military-related firms might have been transformed into military firms and military enterprises, especially in banking and broadcasting. Military governments may play a role by changing regulations that discourage entries of non-military officers and institutions. The next section provides a discussion about the formation of these firms as a business group.

5 The Formation of the Military's Business Group

This section argues that the business group structure of the Thai military emerged as responses to three external shocks, given poor quality of institutions. These three shocks were the World War II, the Cold War and globalization.

Even before the war broke out in South East Asia, there existed a military-related firm. In 1940, the Thai Navigation, Co. Ltd. was founded as a state enterprise, to provide international shipping, insurance and facilitate international trade. Several high-level navy officers and the military prime minister were on the board of directors. A privately-owned company in fisheries was also founded in 1940. Both companies were related to the military via military directors. Such relationships had reflected poor quality of institutions.

After the Japanese invasion of Thailand in December 1941, the Thai government signed an agreement to join the war as an Axis nation. In January 1942 the Thai Bank Co,

Ltd. was established as a state enterprise to facilitate international trade after the forced shutdown on all western banks. Specifically, the assets of all western banks were expropriated and transferred to the Thai Bank. Since a founding member of its board of directors was a Major General, and so this bank is a military related bank. Note that this bank was actually founded prior to the foundation of Thailand's central bank, namely the Bank of Thailand, in April 1942. The number of military-related firms grew during the war and after the war.

In 1948, the first military enterprise emerged. The air forces transformed a part of its military airbase into an international airport in 1948. It was the first Bangkok International Airport, and it is still in operation today. However, today it is managed by the AOT, which is a military-related firm, as discussed above. This international airport created new business opportunities for military-related firms, such as military-related firms in transportation and international trade.

Of most importance, the foundation of the Thai Military Bank as the first military firm in 1957 was essential for the group structure. In 1967, the bank opened its branch in the international airport to provide foreign exchange services. In addition, the Cold War, which led to Vietnam War, has brought in surges in US military personnel, imported capital goods including telecommunication and broadcasting equipment. This type of capital goods became critical for the military's radio and television broadcasting enterprises. Some of these enterprises became military firms, of which one became the Army shareholder of the Thai Military Bank. Specifically, the Army Channel 5 was a major shareholder of the Thai Military Bank from its inception. Army Channel 5 also holds the other two media firms, and the holdings are 75% and 99.99%, respectively. Moreover, Thai Military Bank holds the other three financial services firms, and the holdings are 99.5%, 87.5% and 100%, respectively.

The development of the military's business group as responses to external shocks raise a question about institutions. Why type of institutions encouraged such responses? An examination of Thailand's Government Gazette reveals that after some successful military coups, the junta government's enacted laws related to three industries at the core of the military businesses: banking, broadcasting and international airport services. I discuss relevant regulatory changes in these industries below.

The Thai Military Bank was found in 1957 in compliance with the Banking Act of 1945, which was enacted during the war time. Over time, the bank has been an important bank with sizable market shares in terms of deposits and assets. However, its market shares are actually not useful indicators of the bank's competitiveness. The reason is that, new entries in commercial banking in Thailand has been strongly discouraged by the strict Commercial Banking Act in 1962 by a military government, only five years after the foundation of the Thai Military Bank. The Commercial Banking Act was amended for a number of times, but the strict entry barriers have remained. The Act allowed the Minister of Finance to authorize (or not authorize) a banking license. As a result, the number of Thai commercial banks has never exceeded 20.

The financial liberalization in 1993, which established Bangkok International Banking Facilities, permitted foreign banks to enter only in the interbank market. The entries of foreign banks into retail banking was not permitted until later, as an inevitable process of restructuring and recapitalizing troubling banks after the financial Asian crisis. For this purpose, the Financial Institutions Business Act of 2008 unified the legal framework and strengthened the Bank of Thailand's supervision and enforcement powers. Specifically, it authorized the Bank of Thailand to raise foreign ownership limits for local banks from 25%

to 49% on a case-by-case basis. It also authorized the Minister of Finance to raise foreign ownership limits for local banks above 49%, if that is recommended by the central bank. Indeed, the TMB Bank is one of the banks that received such a permission.

For regulations related to radio and television broadcasting, in 2010 the National Broadcasting and Telecommunications Commission (NBTC) was established by the post-coup junta government under the NBTC Act, as a new regulatory body for the broadcasting industry. The creation of the NBTC took place after the industry was dramatically affected by the digital television technology and the campaign by the Thai Broadcast Journalists Association for liberalization of the broadcasting industry. Following the creation of the NBTC, new rules written by the NBTC is expected to govern both television broadcasting and radio broadcasting.

It is important to note that television network in Thailand is still provided by four government networks including the army television network. In 2017, under the military regime after the latest military coup in 2014, 13 out of 22 digital television channels agreed to broadcast their programs through the army television network, and the NBTC allowed the agreement to last for 15 years. Moreover, the NBTC also permitted the army station to allocate air time for commercial advertisement, and the length of such air time is comparable to business television broadcasting. Based on these agreements, the military station stands to immensely benefit from the new rule, despite a long campaign for liberalization of television broadcasting.

Unlike the other two sectors, the role of the military in international airport services have been under minor changes for decades. This is largely because there is no competition from the private sectors. In contrast, private investors had become partners with the military by

becoming shareholders of the AOT after its listing in the stock market. A major change, however, only took place after the latest military coup in 2014. The navy-owned U-Tapao Airport has been under expansion since 2015, to serve as another international airport in the future.

In the banking literature, asymmetric information is an important explanation for the role of financial intermediaries and broadcasting media. Thus, asymmetric information may hold the key to the understanding of the military's business group. In particular, a board membership in military-related firms during the World War II and contacts in the media industry could allow military directors to gain private information about potential customers and demand for services of the Thai Military Bank, such as foreign exchanges services at the international airport. Alternatively, the private information may contain signals about the productivity of potential borrowers from the bank. In addition, a board membership could attract low-cost deposits from military-related firms. Finally, managerial mobility could be enhanced by the group structure. For this reason, the transaction costs view, as in Amsden and Hikino (1994), offers an explanation for the rise and the persistence of this business group.

In a related study, Piriya-rangsan (1983) has long pointed to the role of high-level government officials in the management of state-owned enterprises. This study is different in various aspects. First of all, the civilian government officials are not capable for staging a military coup, hence they cannot directly change regulations. Moreover, only the ministry of finance is shareholders of the government banks, as a standard practice in countries around the world. The ability to raise capital via the military's bank and listing of military firms including its bank appears to be exception, not a norm. Also, the role of military officers

in my study is different from those in Benmelech and Frydman (2015). Specifically, they examine US data and find that former military officers who became Chief Executive Officers (CEOs) have positive impacts on the firm's performance. In their study, the military CEOs are former military officers, but in my study the military board members are officers in active duty.

6 Conclusion

This study is motivated by Suehiro and Wailerssak (2006), and document a wide-range of business activities by the Thai military and its officers. Based on the dataset of firm ownership and boards of directors, I illustrate that the Thai military has provided non-security services to the private sector in a similar manner to a business group since 1957. The core of the group are firms owned by the military as an institution and the military units which produce financial services, broadcasting services and international airport services. In addition, there is an extensive network of military-related firms which have a relationship with the military through military officers individual ownership, military officers membership in of the board of directors, and concessions of production on behalf of the military.

I find that the Thai military have operated the following non-security services: airport; banking and asset management; banquet events; hotels; radio and television broadcasting; and recreation. Its network of related firms has extended to a wide range of services, manufacturing and primary products. Furthermore, some of these firms were also in the industries in which the military firms and the military enterprises operated. However, within the overlapping industries all military firms and military enterprises were founded years after the

military-related firms. My conjecture is that this historical development was endogenous responses to the World War II, the Cold War and Globalization, given poor quality of institutions.

Are there any country facing similar set of shocks and constraints in the same period as Thailand? South Korea may be an interesting comparison. South Korea's military has had histories of coups during the Cold War. Like Thailand, it was a member of the Axis nation, as Japan's colony. After the war, it also became major allies for the US, embraced globalization, imported US technology and equipment. Its income per capita in 1950 was also comparable to Thailand. Yet, South Korea latest coup was in 1980, and to the best of my knowledge South Korea' military is not a business group (Amsden and Hikino, 1994). One plausible conjecture is that institution quality in South Korea has been higher than Thailand back in 1940. Exploring this hypothesis is a subject for future research.

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Table 1: Military firms in Thailand

Company name	Present name, if different	Industry	Year founded
Thai Military Bank	TMB Bank	Financial services	1957
Designee for ETA Contract		Financial services	1989
TMB Asset Management		Financial services	1999
Phayathai Asset Management		Financial services	2000
Army TV Channel 5	RTA Entertainment	Media	1997
Army TV Channel 5 Publishing		Media	1997
Army TV Channel 5 Publication		Media	1999

Source: *Business Registration and Records*, Department of Business Development, Thailand's Ministry of Commerce

Table 2: Shareholdings of the Thai Military Bank in 1957

Military shareholders	Holdings (%)
Military institutions	57.68
- The Army Welfare Department	53.68
- The Air Forces Welfare Department	2.00
- The Veteran Welfare Department	2.00
Founder/Junta leader	10.00
Military officers and employees of the Ministry of Defense	32.32

Source: *Business Registration and Records*, Department of Business Development, Thailand's Ministry of Commerce

Table 3: Ownership and Governance Structure of Channel 5 in 1997 and 2003

Structure	1997	2003
Military's institutional holdings	40%	50%
Number of members of the board		
Military	4	11
Civilian	3	4

Source: *Business Registration and Records*, Department of Business Development, Thailand's Ministry of Commerce

Table 4: Summary of Military-Related Firms

Industry	Number of firms	Year first founded
A. Services		
Broadcasting and Media	7	1953
Construction	7	1950
Consulting	1	1982
Financial services		
Commercial banking	10	1942
Finance and Inv. Companies	4	1965
Insurance	7	1942
Real estates	6	1953
Power generation	2	2004
Trading		
Exports and imports	10	1948
Wholesale and Retails	2	1960
Transportation	16	1940
B. Manufacturing		
Alcoholic beverage	5	1959
Equipment	3	1979
Fabrics	2	1952
Food	1	2002
Industrial supplies	16	1951
Personal care products	2	1988
Sugar	3	1953
Vehicle and parts	2	1952
C. Primary products		
Forestry and fisheries	2	1940
Mining	1	1957
Petroleum products	6	1960
Total	115	1940

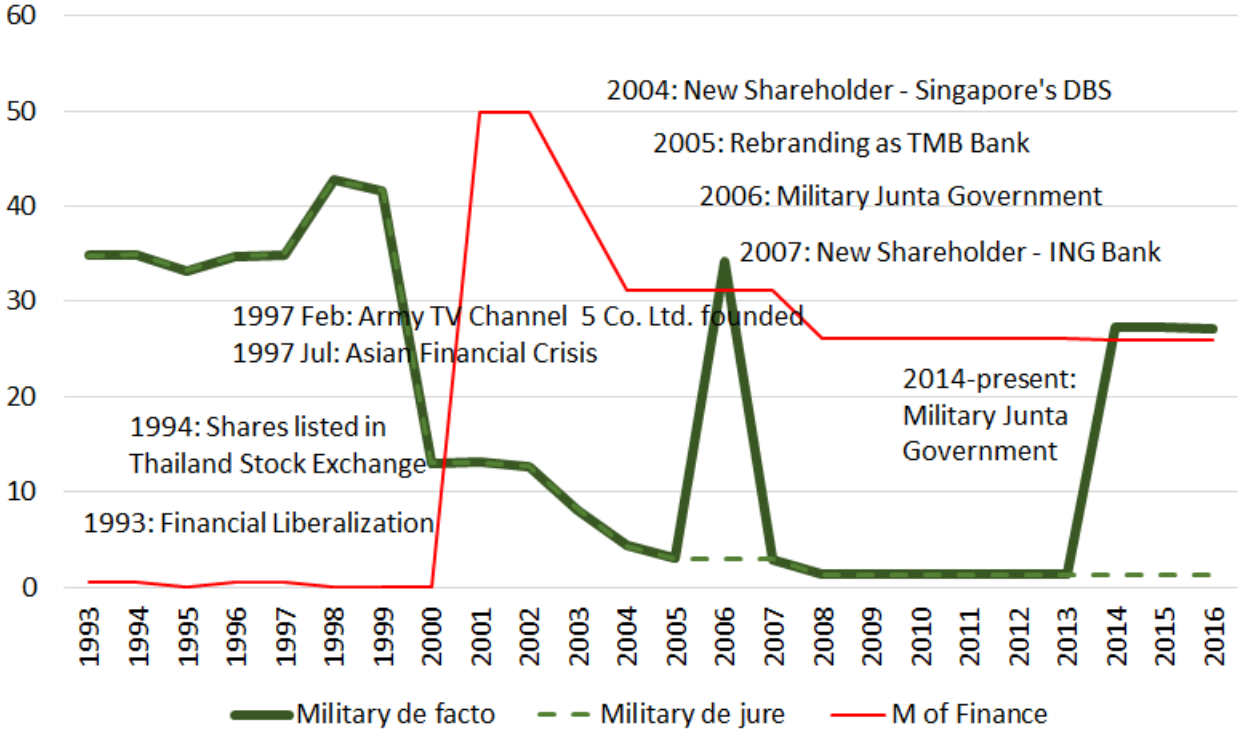
Sources: *Business Registration and Records*, Department of Business Development, Thailand's Ministry of Commerce; *Company Profile and Annual Reports*, the Stock Exchange of Thailand

Figure 1: Shareholders No. 6546-6559 of the Thai Military Bank in 1957

ลำดับ	รายชื่อ	นามหน่วย	จำนวนหุ้น	หมายเหตุ
๖๕๔๖	ร.อ.บุญชม ลิมไพบูลย์ ร.น.	ทอ.	๒๐	
๖๕๔๗	น.ท.ประจวบ นรเศรษฐ์โสภณ ร.น.	ชท.	๕	
๖๕๔๘	ร.อ.สุรพงษ์ อิมระธรรม ร.น.	"	๕	
๖๕๔๙	ร.อ.หญิง สมชัย สิทธิเกษม	วศ.สพ.ทบ.	๒	
๖๕๕๐	ร.ท.สุชฌม สิทธิเกษม	"	๑	
๖๕๕๑	น.อ.ประคอง ปิงตะบุตร	ศช.ทพ.	๑	
๖๕๕๒	พล.ร.จ.บุญชม กัลยาณมิตร	ทร.	๕	
๖๕๕๓	ร.อ.โยจินทร ทวีพงษ์	ว.๑๑ที่๒๑๖๑.	๕	
๖๕๕๔	ทอ.อ.หลวงสุวรรณงค์	ราชองครักษ์	๑๐๐	รับใช้ โสติกเสถียร
๖๕๕๕	พล.ร.ท.สวัสดิ์ ภูทอนันท์	ทร.	๑๐	
๖๕๕๖	จ.ส.อ.ชูพงษ์ สุทธิหาร	ศช.ทร.	๑	
๖๕๕๗	พล.ร.ต.จรัส บุญงการ	ยศ.ทร.	๑๐๐	
๖๕๕๘	กรมสวัสดิการทหารบก	สอ.ทบ.	๕๒๒๖	
๖๕๕๙	จอมพล ศฤงค์ ธนะรัชต์	ทบ.	๑๐๐๐๐	
รวมหุ้นทั้งสิ้น			๑๐๐,๐๐๐	

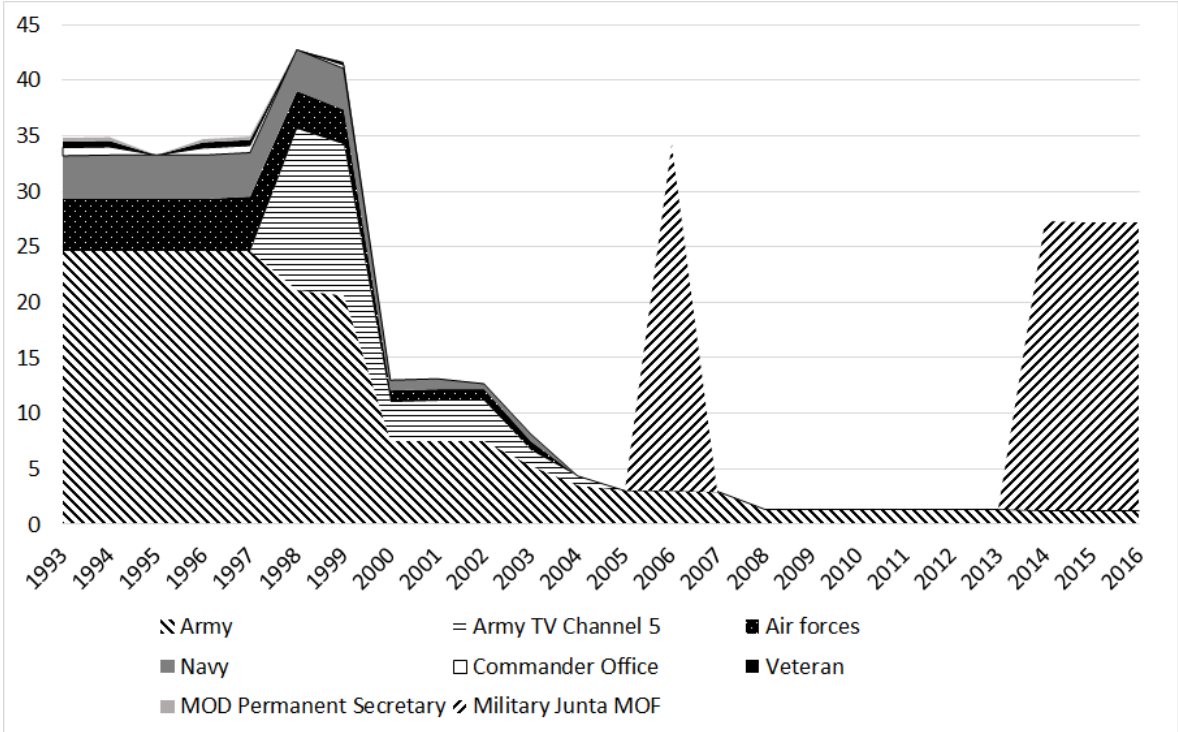
Source: *Business Registration and Records*, Department of Business Development, Thailand's Ministry of Commerce

Figure 2: Public Institutions shareholdings of the Thai Military Bank, 1993-2016 (Percent)



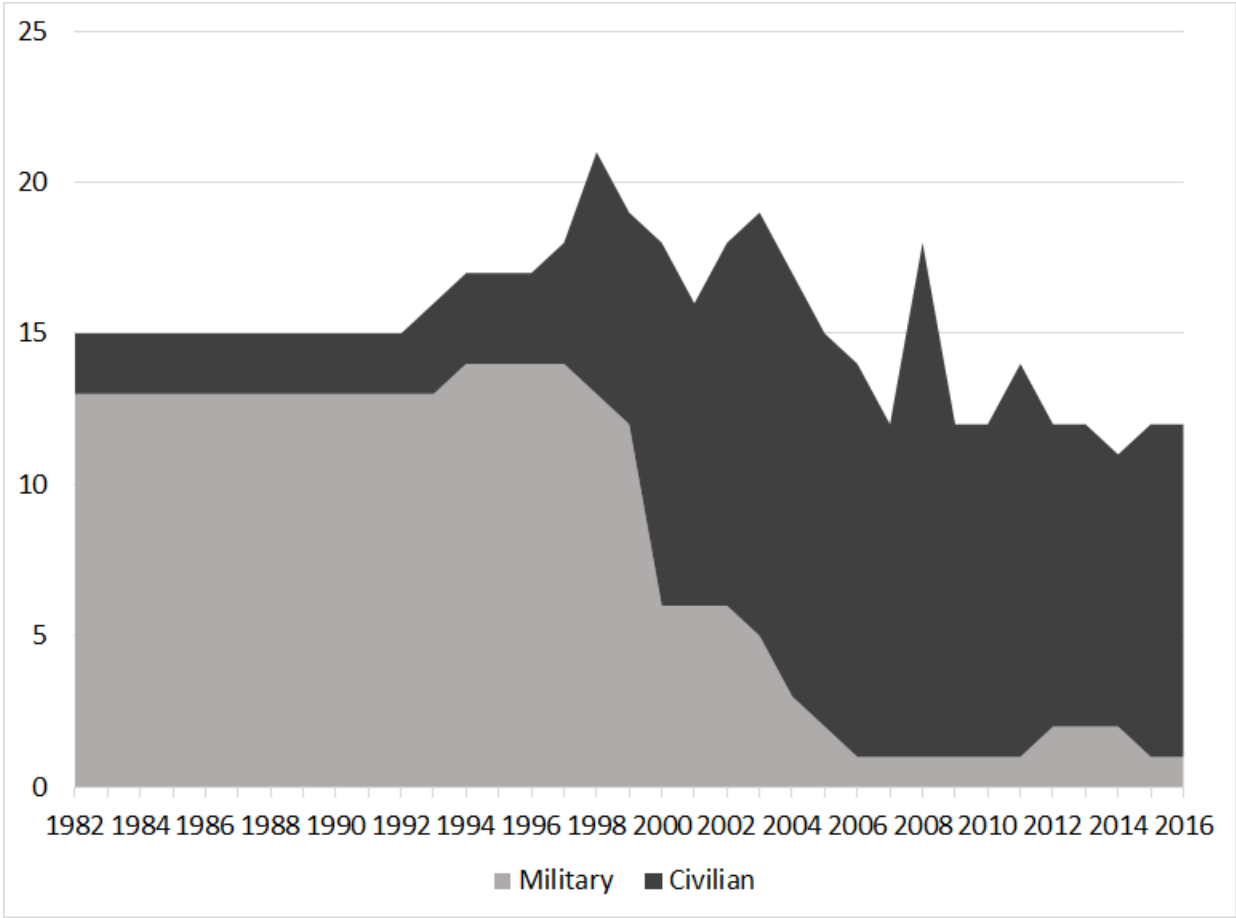
Source: *Annual Report*, the Thai Military Bank, various issues.

Figure 3: Military institution shareholders as top-10 shareholders of the Thai Military Bank, 1993-2016 (Percent)



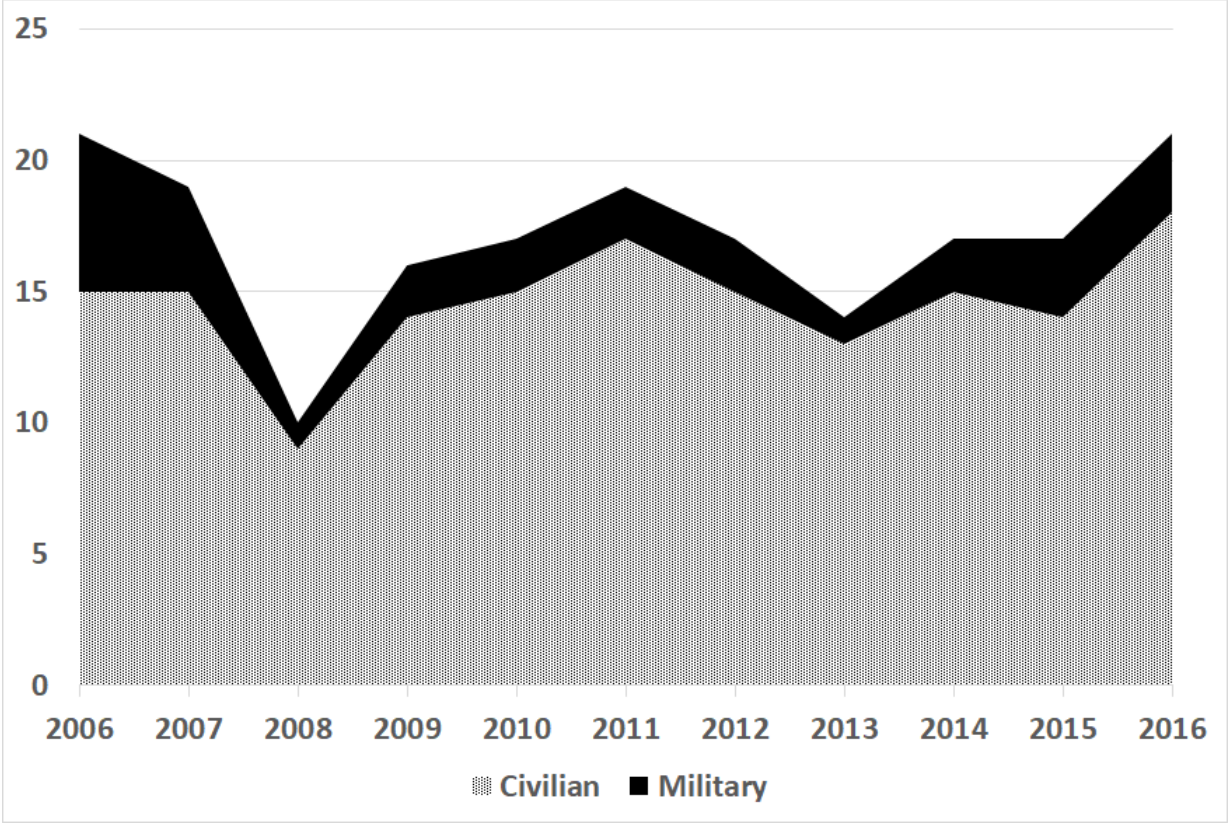
Source: *Annual Report*, the Thai Military Bank, various issues.

Figure 4: Number of Members of the Board of Directors of the Thai Military Bank, 1982-2016: Military vs. Civilian



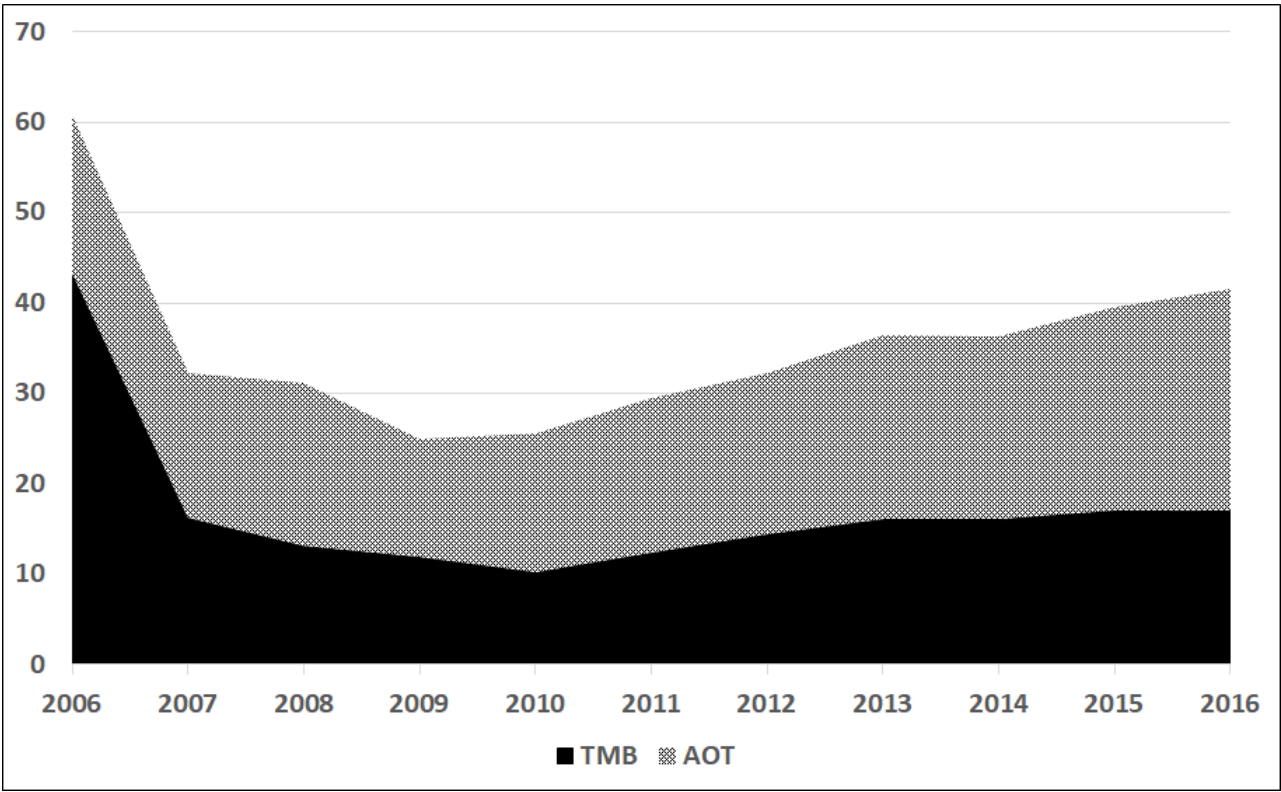
Source: *Annual Report*, the Thai Military Bank, various issues.

Figure 5: Number of Members of the Board of Directors of the Airport of Thailand, 2006-2016: Military vs. Civilian



Source: *Annual Report*, the Thai Military Bank, various issues.

Figure 6: Revenues of the Airport of Thailand vs. Revenues of the Thai Military Bank, 2006-2016 (Percent of Military Expenditure)



Sources: *Annual Report*, the Airport of Thailand, various issues; *Annual Report*, the Thai Military Bank, various issues