Chinese Traders and Thai Groups in the Rice Business

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Introduction

In Thai economic history, the rice trade was primarily in the hands of the Chinese. The development of the economy in the nineteenth and twentieth centuries provided economic opportunities for the Chinese to increase their role in trading, commerce, finance and industry. Their dominance of economic activities was attributed to particular Chinese characteristics on the one hand and nature of Thai society during this period on the other. This paper seeks to examine the role and development of the Chinese in the rice business in Thailand. How did they manage to gain control of this market? The paper evaluates three approaches to understanding this problem, (1) Wertheim occupational gap theory, (2) Bonacich idea of ethnic discrimination and (3) Evers' trader’s dilemma approach. I argue that the answer to the question lies in understanding the nature of Thai society, the cultural features of the ethnic Chinese and the social environment of Thailand.

Chinese immigrants and the socio-economic conditions of the nineteenth and twentieth centuries

The social class structure of pre-industrial societies in which trading minorities were found was characterized by a status gap or marked division between elites and masses. Distinct ethnic minorities served a number of functions in such societies. Since they were not involved in the status hang-ups of the surrounding society, they were free to trade or deal with anyone. They were relegated to occupations not yet filled by the natives. Thus, the foreigners had to fill what Wertheim calls the occupational gap. As a consequence, the ethnic groups became functional groups. In the course of time, they were admitted to or were able to make headway towards other occupations (Wertheim, 1980:105).

In nineteenth century Thailand, specialization along ethnic lines emerged. The Thais participated in agriculture and administration, while the new trader profession, which had not yet been filled by the Thais, attracted mostly Chinese (Wertheim, 1980:105). Many Chinese immigrants became established in urban trading centres where they quickly filled the gap in commercial entrepreneurial and specialized trade. Furthermore, because they were allowed unrestricted access to the countryside, they were able to negotiate directly with producers for better prices and to secure goods more regularly (Hong, 1984:50). In the expanding rice economy, the Chinese
became the dominant trading group and controlled almost all the rice surplus produced by the cultivators.

Most Chinese migrants to Southeast Asia were peasants and artisans. Thus, we must ask why these Chinese immigrants engaged in trade. Lim (1983:20) suggests that it is because they had no access to land. This argument, however, cannot explain the Thai case.\(^1\) Many Chinese in Thailand acquired land and participated in the agricultural sector, by establishing sugar/pepper plantations for example, or market gardening, or rice farming.\(^2\) However, the immigrant and minority status inclined them to participate in trade rather than in agriculture. Moreover, as investment in agriculture needed a fixed resource which took time to become profitable, the Chinese had little incentive to invest their savings. Instead, they preferred to remit savings or invest and accumulate them in enterprises which kept their capital relatively liquid. Trade was an obvious form of investment, particularly as rice production and an exchange economy were developing at the time when the influx of Chinese in Thailand occurred. This *occupation gap* offered many opportunities for middlemen activities, which often required relatively little capital.

It can also be suggested that many Chinese immigrants had commercial trading experience before coming to Thailand because the workings of a market economy had existed in China since the fifteenth century. Thus, the Chinese who came to Thailand in the nineteenth century were far more proficient in handling money, making use of credit, and engaging in a market system than the Thais. As a result, they turned social and political conditions to their own financial advantage (Silcock and Fisk, 1963:6). Fei (1983:70) argues that in Chinese villages at this time, there was an insufficient amount of land to support the growing population. Thus, the only way for the increasing number of landless peasants to support themselves was to engage in different crafts or become traders. Since Chinese villagers had a much longer history of being traders than Thai villagers, Chinese immigrants showed a greater preference for engaging in commercial activities.

Thus, it may be assumed that commercial opportunities in the host society, an entrepreneurial orientation and a willingness to work hard to accumulate wealth and return to China were important factors which led to the Chinese participation in trade and commerce.

**Thai elites, Chinese businessmen and European agencies**

Government policy toward the ethnic Chinese was another key factor in the Chinese dominance of trade. Traditionally, the Thai government required peasants to perform "corvee labour", which meant that they could not leave their villages for an entire year. This corvee obligation handicapped the entry of Thais into business. In contrast, the government permitted the Chinese to travel and trade all over the country. Moreover, in the nineteenth century, the Chinese paid lower taxes than the Thais as the government wanted to promote Chinese immigration,\(^3\) especially encouraging those with trading knowledge and technology to come to the country during the economic expansion period. In this sense, the development of the Chinese community in Thailand had often benefited from government protection.