



Maritime Technology and Research

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Review Article

History of Thai maritime trade

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Article information

Received: September 27, 2018

Revised: November 24, 2018

Accepted: November 30, 2018

Keywords

Maritime history

Thai merchant fleet

Maritime business

Navigation

Maritime trading

Abstract

The Thai commercial fleet can carry about 10 % of the volume of imports and exports. The history of Thai maritime trade is divided into 4 periods: 1) the Sukhothai period (1238 - 1438); 2) the Ayutthaya (1350 - 1767) and Thonburi (1767 - 1782) periods; 3) the early Rattanakosin period (c. 1782 - 1910), and 4) the first of the national fleet period (1918 - 1925). The Sukhothai period era involved trade with various foreign countries. In the King Ramkhamhaeng era (1279 - 1299), trade was prosperous from China via the Gulf of Thailand, and from India via the Indian Ocean. During the Ayutthaya and Thonburi periods, traders of various nationalities came to trade via both the Gulf of Thailand (the South China Sea) and the Indian Ocean. Trading in the Ayutthaya period was a monopoly trade, operated by monarchs and noblemen, and all ships used were Chinese and Southeast Asia (South China Sea) junks. The Rattanakosin period had Siam (now Thailand) enter into the Burney Treaty; the outcome of the agreement was that the country had to cancel its monopoly trade and end trade by the government. The growth of trade increased. The old production structure was self-transformed into production for export. The first of the national fleet period took place during 1918 - 1925. After World War I (1914 - 1918), King Rama VI (1910 - 1925) established a Thai merchant fleet, named "Siam Commercial Maritime Company Limited", in April, 1918. It was terminated in 1925. On June 22, 1940, the Thai cabinet approved the establishment of Thai Maritime Navigation Company Limited for international maritime shipping. The Thai cabinet terminated this in 2011. The merchant fleet was not growing; because of this lack of a sizeable Thai merchant fleet, there is a lack of negotiating power with foreign merchant fleets. The government must set up a policy to promote the merchant fleet.

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1. Introduction

Thailand has a coastline of more than 2,800 km, with sea areas on both sides; the Gulf of Thailand, part of the South China Sea, and the Andaman Sea, part of the Indian Ocean. Geographically, this provides a great opportunity for Thailand to use the sea. Shipping is an important transportation method for international trade. It is considered to be the main way of transportation, with 90 % of the total trade in the world (Paine, 2013). The Thai merchant fleet is small when compared to international fleets. The number of merchant vessels is 393 (Review of Maritime Transport, 2017). The Thai commercial fleet can carry about 10 % of the volume of imports and exports of the country. Therefore, it is vital for researchers to understand the history of Thai maritime transportation and the ability of the Thai merchant fleet to transport international cargo.

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2. Research methodology

This article was undertaken based on documentary research, including relevant research papers and textbooks. Important information has been summarized. Many milestone events are elaborated on in detail.

3. Result

The history of Thai maritime trade can be divided into 4 periods: 1) the Sukhothai period (1238 - 1438); 2) the Ayutthaya (1350 - 1767) and Thonburi (1767 - 1782) periods; 3) the early Rattanakosin period (c. 1782 - 1910), and 4) the first of the national fleet period (c. 1918 - 1925).

3.1 Sukhothai period

Thailand in the reign of King Ramkhamhaeng (1279 - 1299) was a prosperous era. In particular, it was a time when Sukhothai had diplomatic relations with China, and also traded with other nations such as Polonnaruwa (now Sri Lanka), Khmer (now Cambodia), Java (now Indonesia). Trading in the Sukhothai period was not clearly recorded. It can only be speculated that trade was carried out by foreign merchants who purchased goods from Sukhothai people to sell to other cities, and vice versa. The location of Sukhothai was very far from the sea. The Sukhothai people were unlikely to have the expertise to navigate the sea far away, so it is believed that, during this period, Sukhothai was not likely to have its own merchant ships abroad. Both for the monarchy and the private sector, it is thought that there were 2 main routes:

- in the Gulf of Thailand, from Sukhothai to the south, using the Yom River to the Chao Phraya River, and then the Gulf of Thailand, trading with Chinese merchants, with Chinese Yuan being imported and;
- the Andaman Sea, from Sukhothai to the west, passing through the city of Tak and the sea in the city of Martaban (now Mottama, Myanmar)

3.2 Ayutthaya and Thonburi

The Ayutthaya period was more prosperous and more clearly recorded than the Sukhothai period. Because of the location of Ayutthaya being nearer to the sea than Sukhothai, connected by the Chao Phraya River to the Gulf of Thailand, international sailors arrived in Southeast Asian and Ayutthaya for exploration and expansion for diplomatic and trade relations via the Gulf of Thailand (South China Sea) and the Indian Ocean. Purchases was sold using a middleman; Goods were bought from Ayutthaya, then sold to other cities. A monopoly trade was operated by monarchs and noblemen. It was an important revenue for the Treasury Department of Ayutthaya, using Chinese junks. There is evidence that Ayutthaya broke up barges to use them to trade with foreigners.

During the reign of King Boromtrailokanath (1448 - 1488) the importance of maritime trade was recognized by appointing a nobleman to monitor the trade of the monarch. There was a government agency to collect tax from Chinese merchants. The Honorary Consul General traded with Indian merchants, Indonesians, Javanese, Arabs, and Persians.

The reign of King Narai was regarded as a prosperous era of Ayutthaya with widespread foreign trading. As a result, the trade arrangements in Ayutthaya led to trade in the Royal warehouse system, with a monopoly of trade by the monarch and the nobles will trade with their relatives. It is foreseen that if the free trade and the threat to the country such as gunpowder, (An explosive consisting of a powdered mixture of saltpetre) (Oxford Dictionaries P607:1995). The trade with the king only who dealt with the trade. The nobles traded with their relatives. It was noted that there would be shortages in the country because of free trade. To buy goods through warehouses before other could, trade with the villagers in general was allowed. The trading system in the Royal warehouse system was the successor to the early Rattanakosin period, and is considered a foreign trade policy. The Royal warehouse system was also a collector of foreign trade and provided the main income of the country in that era. However, trading under the Royal

warehouse system was a monopoly system, causing dissatisfaction for foreign merchants. The Royal warehouse system set the price of goods from traders at low prices, and set the price of goods to foreign merchants at high prices, as deemed necessary. Foreign traders were frustrated because it was not beneficial for them, as they were less profitable. There was evidence that foreigners were promoted to the Treasury Department between the reigns of King Prasat Thong (1630 - 1655) and King Narai the Great (1656 - 1688), such as Mr. George White and Mr. Samuel White, British merchants. Most of Ayutthaya's trade was with China, but it also traded with other nations, such as Java, Sumatra, India, Portugal, Japan, Holland, Great Britain, and France until the end of the reign of King Narai the Great. The trade of Ayutthaya was reduced because the succeeding monarch did not attach such importance to trading with foreigners as was needed.

In the Thonburi period, trade with foreign countries was supported as it provided the major revenue of the country. The trade in this era was not much different from the Ayutthaya era, mainly trading with China.

3.3 Early Rattanakosin period

Before the Bowring Treaty, trade was not different from the Ayutthaya period. Using the Royal warehouse system, a monopoly trade was formed by the monarchs and nobles who served in the Treasury Department, who obtained Royal permission to trade with China and other countries, such as Southeast Asian states and Europe. Income from trading was an important revenue of the King and used in the administration, whether in the cost of annuities to the nobles, or government procurement of weapons for defence. This was a very prosperous time, with a lot of money in the treasury. The reasons for the king's support for foreign trade were twofold: firstly, the country was in the process of revitalization; secondly, the country received income from the collection of tributes from the people and tributes from the royal family. Such as teakwood, pepper, cardamom, and ivory.

After Thailand entered into the Burney Treaty with England, there was discontentment in British merchants over Thailand's monopolies. Thailand was required to sign the Treaty of Amity and Commerce in 1826. The result of the agreement was that the country had to cancel the monopoly trade by the Royal warehouse system, but was replaced by another monopoly system. As a result, Thai maritime trade temporarily halted. The government has no income to use in the administration. The government was required to earn additional income by imposing taxation on behalf of the people as compensation for labor or productivity. The government determined the private sector to become taxpayer. The government also regulated trade by setting tariffs on products that required a high tax rate.

The King Rama III (1824 - 1851) period was a prosperous era, under the capacity and expertise of His Majesty; good income was found in the country, and rules for international trade were set in place; for example, the regulation of the sugar trade, in which the government could have sole control. Thailand's trade expanded using Royal merchant ships. European shipbuilding was promoted for the first time in 1835.

The ability to navigate safely is important for maritime trade. Thailand was able to rely on trading partners from the Ayutthaya period to the early Rattanakosin period, most of them being Chinese, Muslim, and European, who not only had the ability to navigate, but were also knowledgeable about trade regulations. Thais adopted roles as boat owners and controllers, with operations in the hands of foreigners. During the reign of King Rama III, European ships were speedier than Chinese junks. It can be seen that, even though trade was in the hands of the Thai people, the operation of foreign trade was in the hands of foreigners, with the Thai people acting only as regulators. In fact, Thais did not have much knowledge about marine trade. Foreign trade was the main source of income for the country.

In 1855, during the reign of King Rama IV (1851 - 1868), Britain entered into new trade negotiations, to the discontent of British merchants in the country's trading system. Thailand still

lacked the standards for taxation. Thailand signed the Bowring Treaty for political reasons; the effect was to eliminate monopoly trade and to shift to free trade between private and public sectors. The government had to withdraw from international trade. From implicit references to the stopping of Royal merchant ships from trading abroad and setting a definite tax rate at the end of the treaty. The government also allowed the opium trade to be imposed on the government. This era was one of free trade and the end of Royal trade, and trade with China was not successful as it should have been. Only government income was taxed. Foreigners enjoyed equal trade benefits from the Bowring Treaty. The growth of trade increased. The old production structure was self-transformed into production for export. As a result, maritime trade increased more. Sailing ships were replaced by steamships, which were used to transport cargo, or passenger ships, which were fast ocean-going and long distance vessels. Foreigners came to exploit the commercial maritime industry, as Thai people did not specialize in these businesses. The British benefited in commercial maritime trade and initiated trade negotiations with Thailand. They controlled the export of Thai goods at Bangkok ports to be more than 70 % of exports in 1898. These benefits fell sharply when competitors from Germany and Norway came in 1900. Germany increased fleet capacity by more than 50 % of the total cargo shipped to and from Bangkok.

After the Bowring Treaty, although the abolition of monopoly trade had been put in place by the government, some of the nobles carried on trading, and converted their ships into European-style steamers. The first Thai steamer ship, named “Chao Phraya”, belonged to Phra Parsri Sombutborebun, and had a tonnage of 500 tons. Many other nobles bought steamers to operate their shipping after that. However, this did not succeed in increased advantage, because of the size of the small businesses; each noble had one or 2 vessels only, and most of them were small and could not compete with the European companies. The ship’s sailors were dependent on foreigners as navigators and cargo handlers. Thai people also lacked knowledge of maritime affairs as in the past. In some cases, loss and eventual liquidation occurred. As a result, about 90 % of the foreign trade fell into the hands of Westerners. The price could be increased to meet their needs. Every year, they had the advantage of being able to pick up their goods or not to carry their goods.

Chinese and Thai merchants agreed to jointly establish a shipping company, registered under Thai law in 1908. The route of Bangkok-Singapore-Hong Kong-Shantou-Hainan was not to be exploited by Western companies. The government gave their support to companies and gave privileges by launching 5 ships. Chinese merchants serviced them with low freight rates. The first year made a loss, and 4 years later two-thirds of all capital was lost. The company was sold to the Guangdong government in 1912, transferred under Chinese law due to not being successful in business. Management lacked knowledge in the commercial maritime industry. In the background, executives were other types of businessmen, and did not understand the commercial maritime business. The majority of shipping was coastal only. It could be seen that 2 companies contributed to the transport of goods in Thailand, but this was very small compared to the needs of foreign vessels. In fact, Thailand had almost no merchant fleet at that time.

King Rama IV saw the importance of navigation, and improved the Harbor Department by hiring Captain John Bush. He got promote to “Chaopraya Visit Sakondit”. He was the first Harbor Department director general.

3.4 First era of the maritime fleet (1918 - 1925)

After World War I (1914 - 1918), the reign of King Rama VI was peaceful. Thailand had been amongst the Allies. In the defeat of World War I, German cargo ships were anchored at Bangkok Port as captives, numbering 21 vessels which 9 were large vessels, which enabled the concept of establishing a merchant fleet. As a result of the Bowring Treaty, the international shipping of goods was in foreign hands at all times, whether England’s or Germany’s. Thailand had been at a disadvantage as its Thai fleet was much more smaller than competitors. So, it could not compete with other countries. King Rama VI realized that foreign trade was an important revenue

for the country. Prince Paribatra Sukhumbhand, Chancellor of the Royal Thai Navy at that time, proposed to establish a Thai merchant fleet by using a captured German-ship as a cargo ship, avoiding the need for new shipbuilding, which could save a substantial amount of investment in the operation of the ship, could deliver better products to the Royal Thai Navy, and could be an important element of sea power in the country. There were many supporters of Prince Paribatra Sukhumbhand in establishing the Thai merchant fleet, but there were some objections, such as from the Chief of Naval Staff, who had the most knowledge of the stewards of the Royal Thai Navy. He was afraid that the establishment of a Thai merchant fleet would be unsuccessful, because the Thais were not familiar with maritime commerce lacked experience, were characterized as not liking the sea for a long time, and lacked political bargaining power to support the national navy. The government of the Great Powers Alliance has already deployed several ships. The Thai government could not resist. Hence, King Rama VI approved the establishment of the Thai merchant fleet in April, 1918, named "Siam Commercial Maritime Company Limited". The objectives comprised: 1) to have a navy ship as a reserve to the Royal Thai Navy in times of need; 2) to have a cargo ship with a majority of Thai nationality, and 3) to maintain the integrity and subsidize the commerce of the nation in order for it to flourish. The first investment was a registered capital of 1,000,000 baht by the King and, from the Royal Naval Association, 500,000 baht; investors were invited to join. The first payment of 25 % was from Pharya Boonsak, who was the director and manager, and he ordered the use of all Thai crew members, both in the navigation and the marine engineer department. The temporary detachment vessel was used in the operation of Siam Commercial Maritime Company Limited. Three ships - captured German vessels- were renamed. The target was to have 10 cargo ships routed from Bangkok, Hong Kong, and Shantou. The operation was successful in the first year. Since the end of World War I, Western countries had returned to take delivery of goods like before. A loss was then suffered and the operation went out of business in 1925. The operation was not successful. Crew members were not proficient in being naval officers on a merchant ship, and were not acceptable to the merchants. The insurance company did not guarantee Thai vessels, because they were not reliable. During this time, the major export product was rice, which had had a reduced yield, causing the government to order rice exports to be suspended (March, 1919 - December, 1920). The government, as a major shareholder, could not operate the business beyond the government's policy. However, it was not possible to manage the Siam Commercial Maritime Company Limited. Most executives were civil servants, not merchants, so they lacked the skills to manage the commercial fleet, even with the capital increase. An important factor in running the business was that the vessels were not suitable, as they were old and required the spending of a lot of money and time to repair them. The size of the ships were small and unsuitable for shipping, resulting in higher operating costs compared to larger vessels. Siam Commercial Maritime Company Limited lacked bargaining power; there were only 2 cargo ships, and they were terminated because of losses.

4. Discussion and conclusions

In the past, Thailand relied on international trade to be the main income of the country. However, the country did not succeed in managing the commercial fleet to allow it to thrive in parallel with international trade. Based on the result of this study, it can be summarized that the reasons why the merchant fleet did not grow comprise a lack of knowledge of shipbuilding, navigational skills, and commercial management. In addition to the small Thai merchant fleet, there was a lack of negotiating power with the foreign merchant fleet. The government must set up a policy to promote the merchant fleet, including taxation, legal, and educational measures for seafarers, to support the Thai merchant fleet and the maritime economy.

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