

## CHAPTER V

### THE NEW SINO-THAI RELATIONSHIP

#### 5.1 The Establishment of Sino-Thai Diplomatic Relations in 1975

Thailand and China resumed diplomatic relations on July 1, 1975, when Prime Minister M.R. Kukrit Pramoj and the Chinese Premier Zhou Enlai signed a joint declaration to restore diplomatic relations between the two countries. Since then, this partnership has grown in leaps and bounds.

##### 5.1.1 The Signing of Sino-Thai Joint Communiqué

While previous Thai leaders and government agencies wanted no change in Sino-Thai relations (bolstered by Washington's strong stand against Beijing and Hanoi), however, after the bloody events of October 14, 1973 there was a civilian government put in place and the military's role in state affairs was reduced. As a result, M.R. Kukrit Pramoj was able to reassess Thailand's place in the world. After the general election of 1975 a new civilian government headed by Prime Minister M.R. Kukrit Pramoj announced that his government would seek to normalize diplomatic relations with the People's Republic of China, and in an interview with *Newsweek* magazine in March 1975, his foreign minister, Maj-General Chatichai Choonhavan, said Bangkok would do so, and end its dealings with Taiwan.<sup>1</sup>

Former Prime Minister Anand Panyarachun was invited to PRC on June 15 to discuss the joint communiqué. From June 16 to 22, 1975, Prasit Kanchanawat, Speaker of the House of Representatives of Thailand, led a team that Sawa Kanprakroo was the deputy, and included Chawan Chawanit, Deputy Director-General of the Political

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<sup>1</sup> Pana Janviroj, "A Winding Road to Friendship" in **Thai-Chinese Relations: 3 Decades of Trust**, Ministry of Foreign Affairs of Thailand (the Nation publication, Bangkok, 2005), pp. 16-17.

Attention Department; Tej Bunnag, head of the East Asia Division; Sujunda Yongsunthorn, second secretary of the Treaty and Legal Affairs Department; and Thanit Akrasut, third secretary of the East Asia Division. The Chinese side comprised Ambassador Ke Hua, Director General of the Asia Department, and Cheng Zuisheng, his deputy (**Picture 5.1**).



*Picture 5.1* On June 16, 1975, Chairman Zhu De of the Standing Committee of the National People's Congress met the Thai parliamentary delegation that Prasit Kanchanawat of the Speaker of the House of Representatives of Thailand was the header, and Sawa Kanprakroo was the deputy.

Both China and Thailand held informal talks in Beijing. On June 18, the Thai side proposed a communiqué for Chinese consideration, saying amicable negotiations would be held based on understanding and trust. Two days later, the Chinese offered a draft that included the Thai points, and after a discussion that focused on the communiqué's true substance, the wording was finalized. As the negotiations neared conclusion on June 20, the Chinese government through Premier Zhou Enlai had extended an invitation<sup>2</sup> to Prime Minister Kukrit Pramoj to pay a state visit for the signing of the joint communiqué. This was set for June 30 to 5 July. Upon completion of their talks, Prasit and Ambassador Ke Hua formally initialed the communiqué, copies of which were to be presented to their respective governments for finalization.

<sup>2</sup> Seeing appendix VIII (更多细节见附录 8).

On June 30, 1975, M.R. Kukrit Pramoj, Prime Minister of Thailand (泰国总理 克立·巴莫亲王) at the invitation of Chinese Premier Zhou Enlai visited China. Chairman Mao Zedong and Premier Zhou Enlai met with the Thai guests. Vice-Premier Deng Xiaoping held talkswith Prime Minister Kukrit (**Picture 5.2**).



***Picture 5.2** Premier Zhou Enlai met the Prime Minister of Thailand M.R. Kukrit Pramoj in hospital. This is the last time Zhou Enlai meets foreign Prime Minister of calling in China.*

Vice-Premier Deng Xiaoping represented Premier Zhou Enlai and held a grand banquet in honor of the Prime Minister Kukrit and other delegation members (**Picture 5.3**). At this banquet, Deng Xiaoping addressed, “Prime Minister Kukrit you visit our



***Picture 5.3** On 30<sup>th</sup>, June, 1975, Prime Minister M.R. Kukrit Pramoj attended the evening party of special performance that the Chinese Ministry of Cultural hosted. After the performance, Prime Minister Kukrit shook hands heartily with Chinese actors.*

country, which have opened a new chapter in the history of Sino-Thai relations (泰国克立总理的访华揭开了中泰关系的新篇章)。” In the speech of Prime Minister Kukrit, “to recognize the People's Republic of China and achieve normalization of relations with her, this has a high priority in implementation of foreign policy of my government.” (承认中华人民共和国并同她实现关系正常化, 在我的政府执行外交政策中占有很高的优先地位。)

On July 1 1975, Sino-Thai intergovernmental Joint Communiqué was signed in Beijing, and both governments consistently agreed to recognize each other and build up diplomatic relations from July 1, 1975, the date of signature of this communiqué (Picture 5.4).



*Picture 5.4 Chinese Premier Zhou Enlai and Thai Prime Minister M.R. Kukrit Pramoj sign the joint communiqué in Beijing Hospital on July 1, 1975, as a step towards establishing formal diplomatic relations between the two countries.*

The Joint Communiqué indicated, “the government of the kingdom of Thailand recognizes the government of the People’s Republic of China as the sole legal government of China, acknowledges the position of the Chinese government that there is but one China and that Taiwan is an integral part of Chinese territory, Taiwan is a Chinese territory indivisible of the position of one part”, “the government of the People’s Republic of China declares that it does not recognize dual nationality. As for

those Chinese residents in Thailand who elect to retain Chinese nationality of their own will, the Chinese government, acting in accordance with its consistent policy, will enjoin them to abide by the law of the Kingdom of Thailand, respect the customs and habits of the Thai people and live in amity with them. Their proper rights and interests will be protected by the government of China and respected by the government of the Kingdom of Thailand.”<sup>3</sup> The joint communiqué solved long-term pending problems between two countries, and expressed the wish of two countries, which enhanced friendly cooperative relation on the basis of Five Principle of Peaceful Coexistence.

The day of July 1, 1975 was recorded in the annals of history, which has special meaning in Sino-Thai relations. From then on, Sino-Thai relations have turned a new page.

### **5.1.2 The Significance of Sino-Thai Relations Establishment**

The signing occurred in Beijing on July 1, 1975, making the advent of the development of Sino-Thai relations that have been strong and close ever since. Both agreed to adhere to the Five Principles of Peaceful Coexistence and China confirmed the rejection of dual citizenship for overseas Chinese by allowing them to choose their nationality for themselves and by encouraging them to assimilate into Thai culture. Following the Japanese formula, economic relations with Taiwan would continue informally.

The substance and principle of the joint communiqué did indeed have the same basis as those of other Southeast Asian neighbours, but afforded the best of both worlds in that it strengthened some words and phrases. It affirmed that the use of force or threats to do so would not be considered to resolve any conflicts - only peaceful methods would be used. This was an extension of the “five-precept-principle” that appeared in the Philippines communiqué (中国 - 菲律宾联合公报的“五项原则”).

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<sup>3</sup> Seeing appendix I (更多细节见附录 1) .

Among those who conducted the implementation of the policy, the relationship continued to grow and strengthen. Past grudges, misunderstandings and the paranoia have all faded. For those who feared full relations with the PRC would exacerbate old problems and create new ones, time has shown otherwise. Old issues have been disentangled and no new problems have arisen that are insurmountable. All of this has been accomplished through the conducting of foreign policy independent of the influence of the great powers and any one country, and by being fully alert to the true situation and the interdependence of factors that lead to international political changes.

China has since continued to use diplomatic strategies in its conduct abroad and to establish relations with countries in Asia, Africa and Europe.

The Normalization of relations with China was a significant strategy. For formal government-to-government relations, the Kukrit government maintained the policy of equidistance from the major powers. Moreover, China now adopted a moderate and accommodating foreign policy and could be a counterweight against an aggression such as that of North Vietnam which had just defeated the South. Thai leaders hoped that the Chinese which had assisted North Vietnam during the Vietnam War would be influential enough to reduce future Vietnamese pressure on Thailand.

The Chinese, on the other hand, also expected to gain more influence in Thailand as well as amongst ASEAN members and intended to draw them into a united front against Soviet expansion. The Chinese also looked to the benefits in the economic interactions as well. The establishment of diplomatic relations in 1975 opened a new page in the Thai-Chinese relations and ended almost three decades of hostility and antagonism.

Economically, Thailand expected to export more agricultural products to the Chinese market, such as rubber, sugar, rice and to import oil and related products. These benefits, strategic as well as economic, were those contemplated by the Thai

leaders in their decision to establish diplomatic relations with China.<sup>4</sup>

## **5.2 A New Stage of Sino-Thai Relations**

After China and Thailand established diplomatic relations, bilateral relations experienced fast development. First, the China and Thailand political relationship obtained an enormous improvement. This had close relations with the political change appearing in the Southeast Asian region at the end of 1970s, and Chinese policy of reform and the opening-up.

### **5.2.1 Development of Sino-Thai Political Relations**

In late December, 1978, the Vietnamese invaded Cambodia and, in June 1979, this invading force encroached upon the Thai territory. Thailand's security was threatened seriously. In March, 1980, the Prem Tinsulanonda government came into power to adopt the standpoint which had firmly opposed the Vietnamese invasion of Cambodia, and positively supported the Cambodian people to resist the Vietnam invasion. At the same time, Thailand positively sought Chinese assistance in resisting the possible Vietnamese invasion, and in maintaining the national security. On the Cambodian issue, China and Thailand insisted that Vietnam must withdraw troops from Cambodia, and requested the related powers to earnestly carry out the resolution of UN which supported the tripartite government led by Prince Norodom Sihanouk as an independent, neutral, and a non-aligned Cambodia.

The Chinese, in fact, attacked the northern territory of Vietnam on the border with China as "a lesson". China maintained steady support for the tripartite Cambodian government headed by Prince Sihanouk which was very much appreciated by the Thai side until the complementation of the Paris Peace Agreement in 1991.

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<sup>4</sup> Liang Yingming, Liang Zhiming, Zhou Nanjing, and Zhao Jing (ed.), "The Development of Thai Economy post-war" in *Modern Southeast Asia (1511-1992)* (Bei Jing University Press, 1994), pp. 418-420.

On the political front, Thailand and China have periodic consultation and exchange of views on global and regional situation. On the other hand, by the end of 1978, the Communist Party of China held the Third Plenary Session of the 11<sup>th</sup> CPC Central Committee (第十一届三中全会) which was of historical significance determining reform and opening up and developing the friendly relations with all countries actively. After historic change in China, Thailand began to understand China and eliminated the doubt gradually. Since the Vietnamese invasion of Cambodia in 1979, China and Thailand have cooperated with other ASEAN countries, Japan, as well as United States, in pressuring Vietnam to withdraw her troops from Cambodia and to bring about the political settlement in Cambodia.<sup>5</sup> All the above-mentioned factors played a facilitating role in the development of Sino-Thai political relations. The Sino-Thai political relationship continued its stable development, promoting contact between China and Thailand. After the establishment of Sino-Thai diplomatic relations, leaders of both countries frequently have exchanged visits.

The close relations between Thailand and China have been reflected in the high and senior level exchanges of visits. From the Chinese side, former Chairman Li Xiannian, Chairman Yang Shangkun, Premier Li Peng and Vice Chairman of the Standing Committee, Deputy Prime Minister, Chief of General Staff of the Chinese People's Liberation Army, land, navy and air force commanders and other leaders visited Thailand. Members of The Thai royal family including H.M. Queen Sirikit, H.R.H. Crown Prince Maha Vajiralongkorn, H.R.H. Princess Maha Chakri Sirindhorn, and the elder sister of the King H.R.H. Princess Galyani Vadhana, and several Prime Ministers, Chairmen of Congress, and the main leaders of the armed forces visited China one after another (**Table 5.1**). Moreover, Sino-Thai's education, the press, cultural and academic, business, religious, health, justice, sports, tourism, finance, trade,

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<sup>5</sup> Sukhumbhand Paribatra, "Dictates of Security: Thailand's Relations with the PRC since the Vietnam War", in Joyce K. Kallgren et al., *ASEAN and China: An Evolving Relationship*, (Berkeley: University of California Press, 1988), pp. 292-325.



the police, had frequent exchanges between military delegations. These multi-level, multi-discipline exchange visits further promoted the bilateral friendship.

**Table 5.1 High-Profile Visits ( as of 2005)  
Visits to China by Thai Royal Family Members since 1975**

Her Majesty Queen Sirikit	2000
His Royal Highness Crown Prince Maha Vajiralongkorn	4 times since 1975
Her Royal Highness Princess Maha Chakri Sirindhorn	20 times since 1981
Her Royal Highness Princess Chulabhorn	12 times

**High-Profile Visits between China and Thailand Since 1975**

Year	China	Thailand	Position
1975		M.R. Kukrit Pramoj	Prime Minister
1978	Deng Xiaoping		Vice-Premier
1978		General Kriangsak Chomanan	Prime Minister
1979	Deng Yinchao		Vice-Chairwoman of the NPC Standing Committee
1980, 1982		Prem Tinsulanond	Prime Minister
1981	Zhao Ziyang		Premier
1982	Peng Chong		Vice-Chairman of the NPC Standing Committee
1983, 1987	Wu Xueqian		State Councilor and Foreign Minister
1985	Li Xiannian		Chairman
1986	Tian Jiyun		Vice Premier
1987	Wan Li		Vice Premier
1987	Rong Yiren		Vice-Chairman
1988, 1989 (twice)		General Chatichai Choonhavan	Prime Minister
1988, 1990	Li Peng		Premier
1991	Yang Shangkun		Chairman
1991		Anand Panyarachun	Prime Minister
1993, 1999		Chuan Leekpai	Prime Minister
1992, 1994	Qian Qichen		Vice Premier
1995	Li Ruihuan		Chairman of the CCPCC
1996		Banharn Silpa-Arch	Prime Minister
1996, 1999, 2002	Li Peng		Chairman of the Standing of NPC
1997		Chavalit Yongchaiyudh	Prime Minister

1998	Li Lanqing		Vice-Premier
1999	Jiang Zemin		Chairman
1999	General Fu Quanyou		Chief of the General Staff of the Chinese PLA
2000, 2003	Hu Jintao		Vice-Chairman (2000) Chairman (2003)
2000	Luo Gan		State Councilor
1996, 2001	Zhu Rongji		Vice-Premier (1996) Premier (2001)
2001**, 2002**, 2004**, 2005	Thaksin Shinawatra		Prime Minister
2003	Li Lanqing		Vice-Premier
2003, 2005***	Wen Jiabao		Premier
2004	Tang Jiaxuan		State Councilor

*Notes: \*\* Prime Minister Thaksin visited China twice that year.*

*\*\*\* Premier Wen Jiabao visited Thailand to mark the 30<sup>th</sup> Anniversary of Sino-Thai friendly diplomatic relations in December 2005.*

*Source: Xinhua General Overseas News Service; PRC, Ministry of Foreign Affairs, "Bilateral Relations" at <<http://www.fmprc.gov.cn/eng/wjlb/zjzg/yzs/gilb/2787/default.htm>> [10 Oct 2005]; "Thailand and its Relations with China" at <[http://www.news.xinhuanet.com/english/2003-10/16/content\\_1126442.htm](http://www.news.xinhuanet.com/english/2003-10/16/content_1126442.htm)> [10 Oct.2005].*

The Chinese and the Thai social systems are different, and their ideologies also have a great difference, yet both countries worked together and co-operated on the Five Principles of Peaceful Co-existence, which is a principle of managing the inter-state relations, this laid the foundation for both countries to continue the development of their friendly relations. In October, 1989 the Prime Minister of Thailand Chatchai Chunhawan visited China (**Picture 5.5**). When President Deng Xiaoping met him he



**Picture 5.5** *In March 1989, the Chairman of the Central Military Commission of China, Deng Xiaoping, met the Prime Minister of Thailand Chatchai Chunhawan in the Great Hall of the People, Beijing.*

pointed out, “The Chinese-Thai relation are example of model of friendship and cooperation between countries of different social system (中泰关系是不同社会制度国家之间友好合作的典范) .” In June, 1991, President Yang Shangkun on invitation visited Thailand, and at the welcoming banquet also attended by Thai Government leaders, Chairman Yang Shangkun emphasized this point once more **(Picture 5.6)**.



*Picture 5.6 In June 1991, Chairman Yang Shangkun of PRC paid a state visit to Thailand. The photo showed H.E. King Bhumibol Adulyadej hosting a welcoming banquet.*

In March 1991, after a military coup took place in Thailand, a Chinese government spokesman pointed out, Sino-Thai relations were built on the basis of the Five Principles of Peaceful Co-existence (和平共处五项原则) . In September 1991, the Prime Minister of Thailand Anan Panyarachun was invited to China for an official goodwill visit. Chinese Secretary-General Jiang Zemin (江泽民总书记) , Chairman Yang Shangkun and Premier Li Peng met with Prime Minister Anan separately. On September 23, 1991, Secretary-General Jiang Zemin, when he met with Prime Minister Anan, said, “China attaches importance to developing friendly and cooperative relations with Thailand. Thailand is willing to continue to maintain close links with contacts and ties to promote the region toward a more stable form of direction (中国重视发展同泰国的友好合作关系, 愿意同泰国继续保持紧密的联系和磋商, 以推动地区形式朝着更加稳定的方向发展。) .” **(Picture 5.7)**



*Picture 5.7 On September 23, 1991, Secretary-General of Central Committee of Communist Party of China, Jiang Zemin met the Prime Minister of Thailand Anan Panyarachun in Beijing.*

Chairman Yang Shangkun also pointed out, “Chinese-Thai relations are very good, especially recent years. Both countries’ high-profiled and leaders from political, economic, and cultural departments exchange visits so often, which indicated the close relations between two countries. In fact, there is no problem in inter-state of the PRC and Thailand. The common ground of Sino-Thai governments is mutual cooperation, developing the respective economies to improve people’s lives, and enhance the friendship between two countries and peoples (中国同泰国的关系很好, 特别是近几年来。两国领导人和政府各部门负责人互访很多, 双方往来频繁, 反映了两国间存在着的密切关系。事实上, 中泰两国间不存在什么问题, 我们共同的愿望是互相合作, 发展各自的经济改善人民生活, 增进两国政府和人民之间的友谊。).”<sup>6</sup> Prime Minister Anan also said, “China and Thailand have had diplomatic relations for 16 years, and many changes have taken place in the world; but regardless of what happened in the international and domestic situations, changes have not affected the relations between Thailand and China. Instead, bilateral ties have developed continuously (泰中建交 16 年来, 世界发生了许多变化, 但不论国际国内发生什么变化, 都没有影响泰中两国之间的

<sup>6</sup> Ministry of Foreign Affairs of PRC, “Foreign Affairs Bulletin (1985-2000)”, Department of Information, 2000, [Online]. Available from: <http://www.mfa.gov.cn/eng/ziliao.htm> (中华人民共和国外交部, 部门信息, 1985—2000 年外事公告。)

关系, 相反, 两国关系得到了不断发展。)。”<sup>7</sup> Prime Minister Anan was satisfied with the development of bilateral relations between China and Thailand but hoped that under a new situation Thailand would strengthen consultation with China in order to cooperate better.

### 5.2.2 Improvement of Sino-Thai Economic Relations

Sino-Thai political relations developed smoothly with steady steps, further development of Sino-Thai economic cooperation would create the conditions under which the respective economies would continue to develop and prosper.

After the resumption of Sino-Thai diplomatic relations, both countries had signed *Trade Agreement of the Government of the People's Republic of China and the Government of the Kingdom of Thailand* (《中华人民共和国政府和泰国政府贸易协定》), the *Agreement of the Government of the People's Republic of China and the Government of the Kingdom of Thailand on Founding Trade Association Committee* (《中华人民共和国政府和泰国政府成立贸易联合委员会协定书》) (**Picture 5.8**), and the *Agreement of the Government of the People's Republic of China and the Government of the Kingdom of Thailand on the Promotion and Protection of Investment* (1985) (《中华人民共和国政府与泰国政府关于促进和保护投资的协定》), the *Agreement of the Government of the People's Republic of China and the Government of the Kingdom of Thailand on the Establishment of Joint Committee of Economic and Trade Cooperation* (1985) (《中华人民共和国政府与泰国政府关于成立经济合作联合委员会的协定》)(**Picture 5.9**). These agreements for the development of economic relations between China and Thailand have opened up a broad prospect.<sup>8</sup>

<sup>7</sup> Ministry of Foreign Affairs of Thailand, "Collected Statements of Foreign Minister (I-V)", Bangkok: Department of Information, 1990-1994.

<sup>8</sup> Information Office of the State Council of the People's Republic of China (ed.), "Exchanges of Economy and Trade" in *China - Thailand* (Beijing: Wu Zhou Chuan BO Publishing, October 2004), pp. 58-59. (中华人民共和国国务院新闻办公室(编),《中国 — 泰国》,五洲传播出版社,2004,第58-59页。)



**Picture 5.8** On November 9, 1978, Vice Premier Deng Xiaoping and Thai Prime Minister Kriangsak Chomanan attending the signing ceremony of **Agreement on Founding Trade Association Committee** and another two agreements in Bangkok.



**Picture 5.9** On March 12, 1985, Chairman of the PRC, Li Xiannian, and Thai Minister Prem Tinsulanonda attended the signing ceremony of **Agreement on the Establishment of Joint Committee of Economic and Trade Cooperation** and **Agreement on the Promotion and Protection of Investment** in Bangkok.

### 1) Bilateral Trade

In addition to the political cooperation and consultation, economic relations between the two countries also have expanded significantly in the past years since 1975.

In relation to bilateral trade, from 1975 to 1990, China-Thailand bilateral trade basically continued to develop in a smooth manner. In 1975, bilateral trade between Thailand and China increased from 735 million baht to 6,511 million baht in 1979, and to 14,169 million baht in 1986 and more than 35,098 million baht in 1991. Thailand often had a trade deficit with China because while imports were mainly low-priced agricultural products while imports were mainly low-priced agricultural products while imports from China were expensive diesel oil, steel and machinery (**Table 5.2**). This is apart from 1981-1985, when because Thailand had begun producing natural gas and reducing crude oil imports, as well as Thailand reducing imports of China's agricultural products, there was a slight decrease in the volume of bilateral trade.

**Table 5.2 Thailand's Bilateral Trade with People's Republic of China**

(Unit: million baht)

Year	Total Trade	Export	Import	Balance
1975	735	391	344	+47
1976	2,728	1,266	1,462	-196
1977	3,453	2,082	1,371	+711
1978	3,202	1,496	1,704	-206
1979	6,512	1,572	4,940	-3,368
1980	11,066	2,531	8,535	-6,004
1981	11,047	4,064	6,983	-2,919
1982	12,427	7,053	5,394	+1,679
1983	8,567	2,468	6,099	-3,631
1984	11,744	4,215	7,499	-3154
1985	13,440	7,367	6,073	+1,294
1986	14,170	7,253	6,917	+336
1987	22,943	9,975	12,968	-2,993
1988	29,199	12,008	17,191	-5,183

1989	33,074	13,899	19,175	-5,276
1990	35,098	6,815	28,293	-21,446
1991	37,882	8,555	29,327	-20,722
1992	40,780	9,800	30,980	-21,178
1993	41,245	13,636	27,609	-13,973
1994	58,233	23,336	34,897	-11,561
1995	93,054	40,867	52,187	-11,320
1996	96,868	47,369	49,499	-2,130
1997	124,962	55,495	69,467	-13,972

*Source: Ministry of Commerce, Thailand*

At other times, trade was on the rise. From 1986-1990, in particular, bilateral trade developed in leaps and bounds. Thai official figures showed that in 1975 bilateral trade volume between China and Thailand was only 24.62 million US dollars, whereas in 1989 the Sino-Thai trade exceeded 1 billion US dollars, and in 1990 increased to 1.36 billion US dollars, and then in 2005 it reached 21.8 billion US dollars, 886 times over that of 1975. In dollar terms, comparison with 1990 and 1980, Thailand's exports to China increased 115.4%, and 165.1% in imports from China. According to the Thai Customs Department, Thailand has become China's eighth ranking trading partner, while China was Thailand's 10th largest trading partner. From 2001 to 2005, Thailand was China's 14<sup>th</sup> largest trading partner for 4 consecutive years, and was China's 3<sup>rd</sup> largest trading partner in ASEAN countries.

In the first year of formal diplomacy, 1975, there was approximately USD24.6 million worth of bilateral trade. This has since grown to about USD15 billion in 2004 \* (Table 5.3). A number of trade- and investment-related agreements have been signed. In 2003, President Hu Jintao and Prime Minister Thaksin signed five documents on

\* As there are discrepancies between the bilateral trade statistics of the two countries, it was decided that the Thai statistics would be used here.



bilateral cooperation, including an agreement on establishing a Joint Committee on Trade, Investment and Economic Cooperation. Together the two countries have set a bilateral trade target of USD20 billion for 2010.

**Table 5.3 Thailand's Trade with China**

Year	(million USD)				Export Share in Total Exports (%)	Import Share in Total Imports (%)	Bilateral Trade Share in Total Trade (%)	Export Growth (%)	Import Growth (%)
	Exports	Imports	Total	Trade Balance					
1991	336.6	1,147.0	1,483.6	-810.4	1.18	3.06	2.24		
1992	387.6	1,217.1	1,604.7	-829.5	1.19	3.00	2.19	15.15	6.11
1993	540.8	1,088.6	1,629.4	-547.8	1.45	2.36	1.95	39.53	-10.56
1994	933.4	1,385.2	2,318.6	-451.8	2.05	2.55	2.32	72.60	27.25
1995	1,649.3	2,094.0	3,743.3	-444.7	2.91	2.96	2.94	76.70	51.17
1996	1,876.9	1,950.9	3,827.8	-74.0	3.36	2.70	2.99	13.80	-6.83
1997	1,774.5	2,272.1	4,046.6	-497.6	3.04	3.60	3.33	5.46	16.46
1998	1,766.7	1,801.9	3,568.6	-35.2	3.24	4.25	3.68	-0.44	-20.69
1999	1,860.9	2,472.2	4,333.1	-611.3	3.18	4.95	4.00	5.33	37.20
2000	2,836.5	3,389.6	6,226.1	-553.1	4.07	5.45	4.72	52.43	37.11
2001	2,873.4	3,696.0	6,569.4	-822.6	4.41	5.99	5.18	1.30	9.04
2002	3,555.0	4,897.5	8,452.5	-1,342.5	5.22	7.62	6.38	23.72	32.51
2003	5,688.9	6,002.3	11,691.2	-313.4	7.11	8.00	7.54	60.03	22.56
2004	7,119.3	8,147.0	15,266.3	-1,027.8	7.29	8.58	7.92	25.14	35.73

Source: Thailand, Ministry of Commerce - Internet Menucom at <<http://www.ops2.moc.go.th/tradeth/maincomt2.htm>> [10 Oct. 2005].

Thailand ranked 14th among China's trade partners in 2004 and third among the ASEAN countries, after Singapore and Malaysia. Sino-Thai bilateral trade accounted for 1.5 per cent of China's trade volume in 2004. This percentage share has not increased much since the beginning of the 1990s.

Meanwhile, China has become the third largest trade partner of Thailand, after Japan and the US. The share of Sino-Thai trade in Thailand's total trade has increased from 2.2 per cent in 1991 to 7.5 per cent in 2004.

From the view of Sino-Thai trade commodity structure, Thailand's exports to China consist of mainly agricultural commodities such as rice, natural rubber, sugar, and corn. These four Thai agricultural products accounted for more than 60% of the total exports to China. Other products consisted of tobacco, wood, cashew nuts, coffee

and spices. In recent years, Thailand's industrial exports to China have been increasing. The key area in which increases have been occurring were in important industrial products such as artificial fibers and fabric, aircraft fittings, plastic products, pharmaceuticals, iron and steel products, cardboard and paper systems, consumer cosmetics, interior decoration items, ready-made clothing and so on. China's exportation to Thailand in 1985 was mainly petroleum and petroleum products. After 1985, Thailand's demand reduced, but the petroleum as well as the petroleum product was still the chief export commodity to Thailand.

To promote Sino-Thai trade, the two countries have set up a trade committee to hold a meeting once a year in each other's capitals. The purpose of the meeting is to analyse the trade relationship between the two countries and identify areas in need of improvement. On this basis, the two countries signed the trade agreement in the second half of a year.<sup>9</sup>

Generally speaking, in Chinese-Thai trade, Thai experienced in most years a trade deficit. According to Thai statistics, during 10 years from 1981 to 1990, Thailand was in deficit for 7 years, and the amount altogether comes to 1.79 billion US dollars. In comparison to the deficit Thailand had with Japan (in 1990 a year reached as high as 6.17 billion US dollars) the amount was not certainly big. But, the volume of Chinese-Thai trade itself was certainly not big, therefore the trade deficit proportion appears somewhat high. China and Thailand need a joint effort to solve this problem.

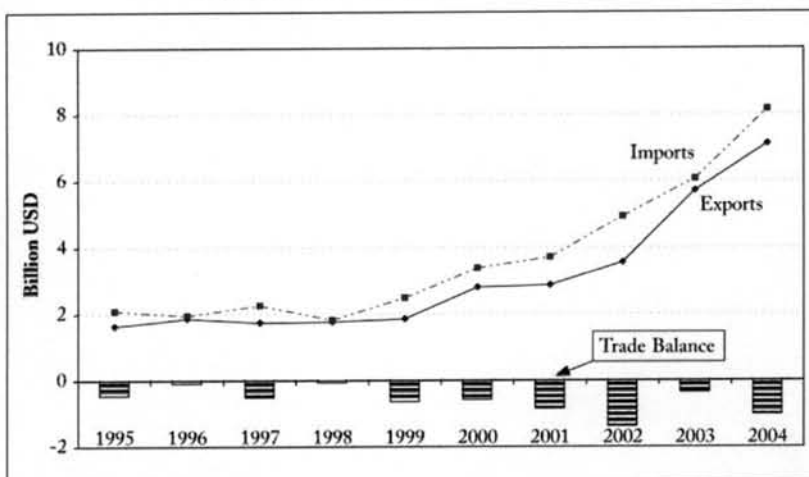
Due to discrepancies in Chinese and Thai statistical data on exports and imports, no conclusions can be drawn about the trade balance. Both sides are claiming that they are running trade deficits with the other partner (see **Figures 1-3**).<sup>10</sup>

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<sup>9</sup> Chulacheeb Chinwanno, "Thailand-China Relations: From Strategic to Economic Partnership" in *Asia Pacific Series 6* [Online] (2005), Available from: <http://www.iuj.ac.jp/research/wpap006.cfm>

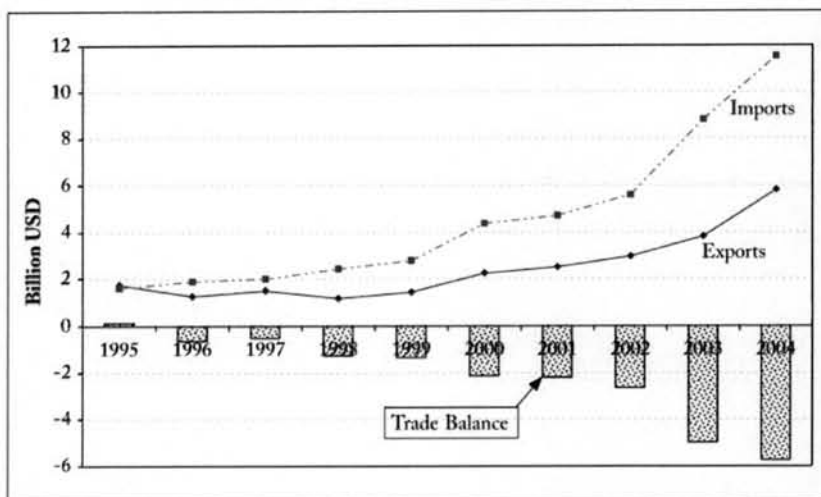
<sup>10</sup> Busakorn Chantasawat, "Burgeoning Sino-Thai Relations: Heightening Cooperation, Sustaining Economic Security" in *China: An International Journal* 4.1 (2006): 86-112.

**Figure 1. Thailand's Imports and Exports to China**



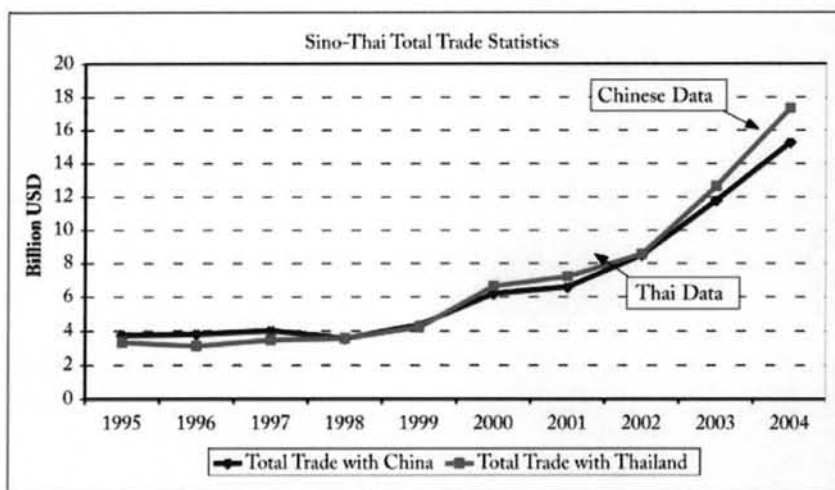
Source: International Monetary Fund, *Direction of Trade Statistics Yearbook*, with supplementary data from: Thailand, Ministry of Commerce, 2004.

**Figure 2. China's Imports and Exports to Thailand**



Source: International Monetary Fund, *Direction of Trade Statistics Yearbook*, with supplementary data from: Thailand, Ministry of Commerce, 2004.

**Figure 3. Trade Data Discrepancy Between China's and Thailand's Sources**



Source: International Monetary Fund, *Direction of Trade Statistics Yearbook*, with supplementary data from: Thailand, Ministry of Commerce, 2004.

## 2) Mutual Investment

In the aspect of mutual investment, Thailand was the first Southeast Asian country to invest in China, when Thai entrepreneurs began to invest in China in 1981, that year Thailand's direct investment in China just only one project, with only one investment of only 260,000 US dollars. This increased to 25 in 1985, and the amount of investment reached 40.34 million US dollars.

In May 1985, investment in China and Thailand increased notably after the signing of the *Agreement to Promote to and Protect Investment*. A Thai multinational enterprise, Charoen Pokpand (CP) (正大集团), invested in more than 20 projects in 11 provinces in China including feedmills in many major Chinese cities, as well as a motorcycle assembling plant and a beer brewery factory in Shanghai. China also invested in several joint-venture projects in Thailand ranging from construction to travel agencies, shopping centers, housing estates and factories (Table 5.4).

**Table 5.4 Projects approved with investment from the People's Republic of China**

(Unit: Thousand Baht)

	1986	1987	1988	1989	1990
Number	10	15	23	12	21
Investment	1,025,112	1,328,034	1,544,237	1,782,380	2,900,910
Registered	290,000	278,960	522,780	543,660	4,146,370
Capital -Thai	187,685	229,720	398,131	342,024	3,579,389
-Chinese	93,665	52,748	85,963	149,550	235,810
Thai employees	2,734	5,791	3,384	4,972	9,571
Chinese employees	32	117	88	30	84

Source: Department of Business Economics, Ministry of Commerce, Thailand

In October 1986, the two countries signed an agreement on the avoidance of double taxation again. Since then, Thai businessmen's investment in China has increased rapidly. According to figures released by the Ministry of Foreign Affairs of Thailand, in 1991, Thailand had 45 investment projects in China totaling about 1.2 billion US dollars. This made Thailand to become the second largest South-East Asian investor in China after Singapore. In October 2003, China and implemented the *Bilateral Agreement between China and Thailand on Acceleration Removing Tariffs of Fruits and Vegetables under the Framework of the Free Trade Area between China and ASEAN* (《关于在<中国—东盟全面经济合作框架协议>方案下加速取消水果、蔬菜关税的双边协议》), which brought concrete benefits to people of both countries.<sup>11</sup>

In the early 1980s, the Thai entrepreneurs most involved in Chinese investment were in the areas of production projects such as motorcycles, feed, synthetic fibers, plastics, glass, paint, cement block, and drink production. Investment also occurred in some service projects like hotels, ship transport, golf courses and so on.

In the late 1980s, the field of investment widened and investment amount from Thai entrepreneurs in China were larger. For example, Thailand's major photochemistry industry prepared to invest in Shenzhen several hundred million US dollars on the origination modernization petroleum series project. In 1990 a Thai family of Chinese descent invested in China and rented 3.2 million square meters of land in Hainan Province, and they managed the hotel, the golf course and the real estate industry. This investment lasted 70 years. Thailand cooperated and allowed management of the investment businesses by the Chinese, making them joint ventures in a way. In joint enterprise, the Thai capital proportion was between 25%-50%. In the cooperative

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<sup>11</sup> The Compilation Committee of the Embassy of the People's Republic of China (ed.), "Preface" in *Double-Joy Garden: 30 Years of the Chinese Embassy in Thailand* (Bangkok: The Embassy of the People's Republic of China in the Kingdom of Thailand, June 2006), p. 8. (中华人民共和国驻泰国大使馆编委会(撰),《双乐纪事—中国驻泰国大使馆30年》,中国驻泰国大使馆内部使用,2006,第8页。)

enterprise, China provided the land, the resources, and the labour force while Thailand provided the equipment and the technology.

China's investment in Thailand started late, but developed quickly. At the beginning of 1986, China had more than 10 items in Thailand's joint capital project, and the scale was also smaller, mainly to provide the small complete set of equipment and the technical transfer. For two years, China managed the middle and small scale factory in Thailand's investment project from the joint capital, and then expanded to the important engineering project cooperation. For example, in June, 1990 the Chinese Great Wall Industrial Corporation and the Chinese Good Faith group and Thai Mao Gela (a limited building company) has signed an agreement to prepare to develop a communication satellite enterprise in Thailand. According to the Thai Ministry of Foreign Affairs report, the year from 1988 to 1989, China's investment in Thailand reached 780 million US dollars. At the same time China had 23 investment projects in Thailand. In 1990, China also had 9 investment projects waiting to attain Thai authorization. The investment of China in Thailand was for the most part in the architecture industry, traveling companies, department stores, the import and export business, and the real estate industry. In addition, there were also some other fields. In addition, there were also some other fields. In terms of China's foreign investment, Thailand had become one of the most focal nation to invest in.

### **3) Technology and Labour Cooperation**

In aspects of science and technology and labor service, the bilateral cooperation has also been strengthened in recent years.

In labor service, there were related contract project and operation of labor cooperation. The contracted project mostly concentrated in design and the construction of housing, workshops, office buildings, and hotels. On the labor cooperation, mostly Chinese side sent out people on cooking, printing, and medical treatment. Because of

the abundant nature of the Thai labor force, the Thai Government limited the amount of foreign labor that could enter the Thai labor market, so the scale of labor cooperation was quite small at present.

China and Thailand are at present in cooperation in the area of science and technology and have completed more than 100 projects of technical cooperation. These projects include agriculture, forest, the aquatic product, the light industry, crafts, medical treatment, and health and other fields. These cooperation projects promoted good function for the development of Sino-Thai economic and technical relations.

## **Conclusion**

This chapter discusses diplomatic relations of China and Thailand established on July 1, 1975. The Sino-Thai China joint communiqué indicated the Sino-Thai relations entered a new historical stage. Following this, the two countries went through a strategic phase of rapid development, while political situations in two countries also improved.

Although, the Chinese and Thai social systems were based on different ideology, both countries followed the five principles of peaceful coexistence as the foundation for both countries to continue developing their friendly relations.

Since Zhou Enlai continuously paid attention to Sino-Thai relations, the relations were able to develop healthily. It is worth mentioning that when the communiqué was ready to be signed Premier Zhou Enlai was extremely ill in hospital and unable to leave. However, as he knew the communiqué was of such importance to several generations of Chinese and Thai people, he made sure that it was still signed as planned, although it had to be done from his hospital bed.