

## The Development of Sino-Thai Relations: Status, Impetus, and New Strategic Opportunities\*

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### Abstract

Since established diplomatic relations 39 years ago, Sino-Thai relations have achieved remarkable results. From the view of development process, the development of Sino-Thai relations has an obvious “Crisis-driven” feature. From the crisis of Vietnam invading Cambodian in the 1970s to the East Asian financial crisis in 1997, regional crisis brought about the strong impetus to the leap-forward development of the Sino-Thai relations. In 2012, China and Thailand issued a joint statement, announced the establishment of Comprehensive Strategic Partnership, so as to provide a broader platform for the development of bilateral relations. From the view of development trend, the Maritime Silk Road of 21st Century will likely become a new strategic opportunity to promote the Sino-Thai relations to a new level.

**Keyword:** Sino-Thai relations; Strategic Partnership; the Maritime Silk Road of 21<sup>st</sup> Century

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### **The Harmonious Bilateral Relations between China and Thailand**

Since the establishment of diplomatic relations in 1975, China and Thailand have developed a kind of multi-level, multi-area, all-round friendly and cooperative relations steadily, following the principle of friendship, equality, mutual benefit, reciprocity. Two countries have mutual trust in the political field, mutual benefit in the economic field, mutual aid in the security field, and mutual learning in the culture field. It is described that Sino-Thai relations are as good as one family.

In the political field, the top leaders of the two countries have mutual visits frequently. Thus effectively deepened mutual political understanding and mutual trust. Chinese leaders, such as President Jiang Zemin (1999), Chairman Li Peng (1999 and 2000), Premier Zhu Rongji (2001), President Hu Jintao (2003), Vice President Xi Jinping (2011), Premier Li Keqiang (2013) have visited Thailand. Queen Sirikit of Thailand on behalf of King Bhumibol has visited China in 2000. Crown Prince Maha Vajiralongkorn, Princess Maha Chakri Sirindhorn, Princess Chulabhorn Walailak and other members of the royal family have visited China many times. Former Thai Prime Minister and military leaders also visited China.<sup>1</sup>

In the security field, the militaries of two countries have maintained friendly exchanges

for a long time. The military leaders have mutual visits frequently. The military academies exchange students for training regularly. In 2001, two countries held the first Sino-Thai Annual Defense Talks, based on the recommendation of the Prime Minister of Thailand. After that, two countries held Defense Talks annually, and have reached agreement in four aspects, including observing military exercises mutually, recovery arms sale to Thailand, military educational exchanges, and holding joint training & military exercises. Since 2002, China has dispatched military observers to participate the “Cobra Gold” joint military exercise of U.S. and Thailand. Since 2003, Thailand has dispatched military officers to participate the “North Sword” military exercise and the “Iron Fist” military exercise of China. In 2005, the navies of China and Thailand held “Sino-Thai Friendship 2005” joint military exercise in the Gulf of Siam, which is the first joint military exercise between the navy of China and the navy of Southeast Asia countries. From 2007 to 2013, the Army Special Forces of China and Thailand have held “Assault” joint anti-terrorism training successfully for four times.<sup>2</sup> In 2010 and 2012, the Marine Corps of China and Thailand held “Blue Assault” joint anti-terrorism training successfully twice.<sup>3</sup>

In the economic field, the bilateral cooperation of China and Thailand has deepened and improved continuously. In 1985,

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<sup>1</sup> Source: The website of Chinese Foreign Ministry (<http://www.mfa.gov.cn>).

<sup>2</sup> “The joint anti-terrorism training of the Army Special Forces of China and Thailand has accomplished successfully”, *Liberation Army Daily*, Dec. 11, 2013.

<sup>3</sup> “The joint training of the Marine Corps of China and Thailand has accomplished successfully”, *Liberation Army Daily*, May 25, 2012.

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China and Thailand set up the ministerial-level Joint Economic and Trade Commission. In 2003, China and Thailand decided to upgrade the Joint Economic and Trade Commission to prime-minister-level. In 2004, the Vice Premier Wu Yi of China and the Deputy Prime Minister Chavalit of Thailand co-chaired the first prime-minister-level Joint Economic and Trade Commission. In the same year, Thailand recognized China's full market economy status, which promoted the bilateral economic and trade cooperation of China and Thailand to become much closer. In 2011, Thailand's total trade with China increased to \$ 57.98 billion, accounting for 12.7% of Thailand's total imports and exports.<sup>4</sup> China has become the second largest trading partner of Thailand, just behind Japan. Meanwhile, the investment and service cooperation between China and Thailand also developed rapidly. As of the end of 2011, the actual investment of Thai investment projects in China have totaled \$ 3.39 billion; Chinese non-financial direct investment in Thailand totaled \$ 770 million.<sup>5</sup>

Meanwhile, in the field of culture, technology, education, health, justice, and environmental protection, China and Thailand have carried out extensive and intensive bilateral cooperation and exchanges. As the signing of the agreement between the governments of two countries, the bilateral cooperation has become more and more

institutionalized, standardized and systematic (see Table 1). In 1999, China and Thailand signed the "Joint Declaration on the Cooperation Program of the Twenty-first Century", which developed a framework and guidelines that should be followed and implemented to further expand the comprehensive cooperative relations of good neighborliness and mutual trust between the two countries. The Joint Declaration not only requires China and Thailand to continue deepening cooperation in the field of economic, trade and military security, but also pointed out clearly that, the two countries should strengthen cooperation in the following areas. To expand friendly and mutually beneficial cooperation in science and technology area, basing on the principles of equality and mutual benefit. To strengthen exchanges and cooperation in culture, education, health, sports, environmental protection area. To strengthen judicial exchanges, facilitate information sharing, promote cooperation in law enforcement on transnational organized crime, drug trafficking, smuggling, economic crime, illegally crossing the border and other criminal activities. To strengthen consultation and cooperation on the regional and international issues of common concern in ASEAN, ASEAN Regional Forum, APEC, Asia-Europe Meeting, United Nations, WTO and other multilateral occasions, in order to promote regional and international peace and development.

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<sup>4</sup> Source: The website of Bank of Thailand (<http://www.bot.or.th>).

<sup>5</sup> Source: The website of Chinese Embassy in Thailand (<http://www.chinaembassy.or.th>).

**Table 1** Major cooperation agreement between China and Thailand

| Year | The Name of Agreement  |
|------|--|
| 1978 | Science and Technology Cooperation Agreements  |
| 1979 | Agreement on Maritime Transport and the Two Additional Protocols   |
| 1980 | Air Services Agreement and the other Credentials   |
| 1985 | Agreement on Promotion and Protection of Investment  |
| 1986 | Agreement on avoidance of Double Taxation and Prevention of Tax Evasion  |
| 1993 | Tourism Cooperation Agreement; Treaty on Extradition   |
| 1994 | Agreement on Civil and Commercial Judicial Assistance and Arbitration Cooperation  |
| 1996 | Memorandum of Understanding on Cultural Cooperation  |
| 1997 | Memorandum of Understanding on Health Medical Science and Pharmaceutical field;<br>Memorandum of Understanding on Trade and Economic and Technical Cooperation |
| 1999 | Memorandum of Understanding on Cooperation in Higher Education   |
| 2000 | Memorandum of Understanding on Strengthening Cooperation in Drug Control   |
| 2001 | Agreement on Cultural Cooperation; Bilateral Currency Swap Agreements  |
| 2003 | Criminal and Judicial Assistance Treaty  |
| 2004 | Secret Memorandum of Understanding for the Full Liberalization of International Air<br>Transport Market in China and Thailand                                  |
| 2005 | Memorandum of Understanding on Environmental Protection  |
| 2007 | Agreement on Mutual Recognition of Higher Education Diplomas and Degrees   |
| 2009 | Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation  |
| 2011 | Memorandum of Understanding on Sustainable Development   |
| 2012 | Sino-Thai Strategic Cooperation in a Joint Action Plan (2012-2016)   |
| 2013 | The vision of Sino-Thai relationship development   |

**Source:** The website of Chinese Foreign Ministry (<http://www.mfa.gov.cn>).

### **The Leap-forward Development of the Sino-Thai Relations Under the Impetus of Crisis**

The traditional friendly relation between China and Thailand has a long history. However, the development of bilateral relations in the modern times is quite twists and turns. With the decline of China's Manchu dynasty in the late 19th century, and the rise of nationalism in Thailand, the traditional suzerain-vassal relations between China and Thailand collapsed.

Since then, the two countries have been unable to construct a new type of inter-state relations on the basis of equality and mutual trust for a long time. In 1960s, affected by the Cold War, Thai military dictatorship government even adhered to the policy of "anti-Chinese & anti-Communist". Because of the differences in ideology and political stance, the communication between China and Thailand almost totally stopped from 1958 to 1972.

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In the early 1970s, U.S. frustrated in Vietnam, and was forced to withdraw from the Indo-China Peninsula. After the military dictatorship was overthrown by people, Thailand started to take a “multilateral diplomacy”, in response to the formation of triangular relationship among the U.S., the Soviet Union, and China in the East Asia. In 1975, China and Thailand established formal diplomatic relations. The “Joint Communiqué on the Establishment of Sino-Thai Diplomatic Relations” which signed by the prime ministers of two countries, not only affirmed Five Basic Principles of “peaceful coexistence”, but also made specific guarantees on the core national interests of two countries, thus paved the way for the development of bilateral relations. Thailand promised to adhere to the “One China” principle, and affirmed that “will withdraw all official representative from Taiwan within one month from the date of the Communiqué is signed”. China announced that it would not recognize “dual nationality”, and affirmed that “Chinese nationals or Chinese origin who obtained Thai nationality will automatically lose Chinese nationality”.<sup>6</sup>

However, because of the long-standing political rivalries and ideological differences, the development of Sino-Thai relations was not smooth at first. The lacks of mutual trust and benefit, had become the important bottleneck that restricted the development of bilateral relations.

In the late 1970s, the crisis of Vietnam invading Cambodian became the important

historic opportunity that break through the bottleneck, which contributed to the first leap-forward development of Sino-Thai Relations. As the military threat from Vietnam increased continuously, China and Thailand gradually formed regular exchanges and cooperation in the military security field, including the visits of top leaders and military high-level, the exchange of intelligence, strategic coordination, and arms trade. Thailand even allowed China to delivery weapons and strategic materials to the Khmer Rouge in Cambodia through Thai territory.

Objectively speaking, it was the regional security crisis of the 1980s that enhanced the mutual trust of Thailand and China, and laid a solid foundation for the two countries which have different political systems to establish friendly relations in the era of globalization. In October 1989, While Deng Xiaoping met with Thai Prime Minister Chatichai Choonhavan, Deng said that, “Sino-Thai relations are a model for friendly cooperation between countries with different social systems”.

In the late 1980s, as the regional security situation improved, America’s global influence increased, and the ASEAN cooperation deepened, Thailand began to gradually dilute the military and security cooperation with China, and turned the strategic focus of the regional security to the ASEAN and United States. The development of Sino-Thai relations therefore shifted the focus to the economic and trade cooperation, but with little success.<sup>7</sup> The

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<sup>6</sup> “Joint Communiqué on the Establishment of Sino-Thai Diplomatic Relations”, July 1, 1975, Beijing.

<sup>7</sup> Chulacheeb Chinwanno, “Sino-Thai Relations: From Strategic to Economic Partnership”, IUJ Research Institute Working Paper, Asia Pacific Series No.6, May, 1998. <http://www.iuj.ac.jp>

development of Sino-Thai relations faced with bottlenecks again.

In the late 1990s, the East Asian financial crisis became another important historic opportunity that broke through the bottleneck of the development of Sino-Thai relations. The economic and trade cooperation between the two countries developed rapidly. From 1996 to 2011, the total bilateral trade between China

and Thailand has increased from \$ 3.83 billion to \$ 57.98 billion. Meanwhile, Thailand's trade with China in the proportion of the total foreign trade has also increased from 2.99% to 12.7% (See Table 2). The rapid growth of trade with China has become an important driving force for Thailand's economy to quickly get rid of the shadow of the East Asian financial crisis.<sup>8</sup>

**Table 2** Thailand's Foreign Trade

| Year  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009   | 2010  | 2011  |
|---|-------|-------|-------|-------|-------|-------|--------|-------|-------|
| Export Growth Rate (%)  | 17.44 | 20.57 | 14.96 | 16.93 | 18.61 | 15.54 | -14.26 | 28.14 | 17.16 |
| Exports to China (Billions of US Dollars)                         | 5.69  | 7.11  | 9.17  | 11.73 | 14.85 | 16.19 | 16.12  | 24.17 | 27.40 |
| Growth Rate of Exports to China (%)                               | 60.02 | 25.04 | 28.88 | 27.93 | 26.59 | 9.05  | -0.44  | 33.22 | 27.6  |
| Exports to China Accounts for the Proportion of Total Exports (%) | 7.11  | 7.37  | 8.26  | 9.04  | 9.65  | 9.11  | 10.58  | 10.99 | 11.97 |

**Source:** Base on the data from the website of Bank of Thailand (<http://www.bot.or.th>).

In the past decades, China and Thailand have managed to transform the “crisis” to “opportunity” more than once, and promoted the development of Sino-Thai relations rapidly. The most important prerequisite for success is that, while facing the crisis, China always played an important and constructive role as a responsible big country. China's long-standing diplomatic practice has repeatedly proved that, as a regional power, China has the responsibility of maintaining regional peace and development, and has never sought regional hegemony. China has always adhered to Five Basic Principles of “peaceful coexistence”, and persistently urged the equality of nations, big or small.

On the one hand, China is doing its utmost to provide other countries, especially small and medium countries with support and assistance, striving to achieve a win-win cooperation and common development of all countries. On the other hand, China respects the national sovereignty of other countries, and has never intervened in the internal affairs of other countries in the name of support or assistance. During the crisis of Vietnam invading Cambodian, China made a significant contribution to the maintenance of regional peace and stability, and never asked for hegemonic influence in Indochina. During the East Asian financial crisis, China provided the support and

<sup>9</sup> Tian He, et al, *Guide to the World States: Thailand*, Social Sciences Academic Press, China, 2009, p. 226.

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assistance for Thailand with no conditions attached.

China has always adhered to the position of the “Responsible Power”, which has made it possible for China and Thailand to seize the opportunities in the crisis, thus managed to enhance the mutual political trust, improve the mutual benefit of the economy, break through the bottleneck, and provide a strong impetus to the consolidation and development of bilateral relations between China and Thailand.

### **New Strategic Opportunities of the Maritime Silk Road of 21st Century**

Relying on the booming economic and trade cooperation, the development of bilateral relations between China and Thailand have achieved remarkable successes since the late 1990s. In 2001, Thai Prime Minister Thaksin Shinawatra came to power. Thaksin not only continued existing foreign policy of “friendly cooperation with China”, but also advocated developing strategic cooperation with China. In August 2001, While Thaksin visiting China, China and Thailand issued Joint Communiqué, in which the leaders of both sides “agreed to consolidate the existing traditional friendship between China and Thailand, and promote the bilateral strategic cooperation”. In 2003, China signed China-ASEAN Joint Declaration of Strategic Partnership. After that, Thailand was more positive in promoting the Sino-Thai strategic cooperation. In 2007, while Thai Prime

Minister Surayud Chulanont visiting China, China and Thailand signed Sino-Thai Strategic Cooperation in a Joint Action Plan, so as to identify the specific goals for future bilateral cooperation. Surayud pointed out that, “Deepening the Sino-Thai strategic cooperation conform the common interests of people of both countries. Thailand is willing to work with China to promote the development of bilateral relationship aggressively”.<sup>9</sup> In 2012, while Thai Prime Minister Yingluck Shinawatra visiting China, China and Thailand signed Sino-Thai Strategic Cooperation in a Joint Action Plan (2012 - 2016), and issued Joint Declaration, which announced the establishment of Sino-Thai Comprehensive Strategic Partnership. Since then, Sino-Thai relations have entered a new stage in history.<sup>10</sup>

In 2013, President Xi Jinping explicitly proposed the concept of the Marine Silk Road of 21<sup>st</sup> century<sup>11</sup>, which will provide an important historic opportunity for the development of Sino-Thai relationship. From the perspective of strategic intent, the purpose of Marine Silk Road of 21<sup>st</sup> century is to construct a sea lanes from East Asia to Africa, which will contribute to a more efficient allocation of global resources and markets, so as to create a more favorable external conditions for the great rejuvenation of the Chinese nation. However, the construction of the Marine Silk Road of 21<sup>st</sup> century is facing many challenges, especially the South China Sea issue. If Thailand can play

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<sup>9</sup> “Wen Jiabao talks with Thai Prime Minister Surayud in the Great Hall of the People”, May 28, 2007. <http://www.gov.cn>

<sup>10</sup> “Joint Declaration of the People’s Republic of China and the Kingdom of Thailand on the Establishment of a Comprehensive Strategic Partnership”, April 19, 2012. <http://news.xinhuanet.com>

<sup>11</sup> “Xi Jinping delivered an important speech at the meeting of discussion the surrounding diplomacy”, Oct. 25, 2013. <http://news.xinhuanet.com>



an active role in the process of the construction of the Marine Silk Road of 21<sup>st</sup> century, it will certainly be able to promote the bilateral relations to a new level. Specifically, Sino-Thai strategic cooperation in terms of geopolitics and sub-regional cooperation are promising.

1. Cooperation to solve the South China Sea issue, so as to swinger the geopolitical obstacles of the Marine Silk Road of 21<sup>st</sup> century

As one of the founding members of the ASEAN, Thailand has played an important role in regional affairs. Based on regional stability and security considerations, China has always supported the Thailand to play a more important role in regional affairs. In 2001, Thailand formally proposed the concept of “Asia Cooperation Dialogue” in the 34<sup>th</sup> ASEAN Foreign Ministers’ Meeting, so as to promote trade, investment and other areas of cooperation within the Asian region by the establishment of a dialogue mechanism. In 2002 and 2003, Thailand hosted the first and the second Foreign Ministers’ Meeting of Asia Cooperation Dialogue (ACD) in Chang An and Chiang Mai, and promoted the construction of the dialogue mechanism into the track.

In regard to the Asia Cooperation Dialogue, China has given full support and cooperation, not only proactively undertook the important task of serving as the cooperation lead country in the fields of agriculture and energy, but also took the initiative to host the third Foreign Ministers’ Meeting in 2003. Until 2007, the Asia Cooperation Dialogue has had success-

fully held six Foreign Ministers’ Meeting, the member states have increased from the initial 17 to 30, and the cooperation has made important progress in many areas.<sup>12</sup> As the initiator and coordinator of the Asia Cooperation Dialogue, Thailand’s regional influence has been significantly enhanced.

However, the political and social instability in Thailand since 2006, especially the crisis of the “Yellow Shirts” besieging international airport in 2008, the “Red Shirts” riots which led to the ASEAN summit being postponed in 2009, and the bloody conflict between “Red Shirts” and the government armed forces in 2010, seriously damaged the international image and regional reputation of Thailand.

As the new term of the coordinating country of China-ASEAN relations, Thailand has to face the South China Sea tensions. This is certainly a challenge, but also an opportunity. If Thailand can play an active role in the process to resolve the tensions of the South China Sea, it will not only further strengthen the strategic mutual trust and cooperation between China and Thailand, but also effectively enhance the political influence of Thailand in the regional affairs.

There are three advantages for Thailand to take part in resolving the tensions of the South China Sea. The first advantage is that, China has always pursued the principle of peace and development on the South China Sea issue. As a responsible regional power, though adhering to the territorial sovereignty of the

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<sup>12</sup> “Foreign Ministers’ Meeting of Asia Cooperation Dialogue (ACD) opening in Korea”, June 4, 2007. <http://gb.cri.cn>



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South China Sea, China will not resort to force or force threat. China proactively advocated the win-win solutions of “shelving disputes and seeking common development”, which has become the fundamental guarantee for resolving the tensions of the South China Sea peacefully. The second advantage is that, the neutrality of Thailand in the South China Sea issue will make it easy for Thailand to obtain the political trust from relevant parties. The third advantage is that, as the founding member of ASEAN, the sub-regional power of Indo-China Peninsula, and the military ally of U.S., Thailand has an important influence in regional affairs, which will make it possible for Thailand to become an effective mediator in the process of reconciliation.

It must be noted that, though “peace and development” remains the keynote of the East Asian regional relations, which will help Thailand and relevant parties to ease the tensions of the South China Sea, there are many significant problems waiting to be solved. South China Sea issue is related to the core national interests of territorial sovereignty of relevant parties, and is involved in the strategic game of the big countries in the Asia-Pacific region. It will not be easy for Thailand to coordinate the opinions and demands of all parties. In order to find possible options to resolve the South China Sea issue, China and Thailand have to enhance communication and consultation, and strengthen the strategic cooperation in a frank and constructive stance. By doing so, China and Thailand will certainly be able to make greater contributions to the regional peace, stability and prosperity together in the long term.

2. Relying on the construction of land corridor of the the Marine Silk Road of 21<sup>st</sup>

century, promote the economic development and industrial upgrading in the subregion

It is difficult to solve the South China Sea issue overnight. So it will be an important strategic choice for the Marine Silk Road of 21<sup>st</sup> century to construct an land corridor, which from the southwest region of China, through the Indochina Peninsula, and directly access to the Indian Ocean, in order to avoid the problems of the South China Sea dispute and the Malacca dilemma. It is noteworthy that, for China and Thailand, the construction of land corridor of the Marine Silk Road of 21<sup>st</sup> century is not an expedient measure, but a strategic layout which fits the development in the subregion, and will help to promote economic development and industrial upgrading in the Southwest of China and in the northern and northeastern of Thailand.

On the one hand, China has been adjusting the national economic structure, thus providing a strong impetus for the sub-regional economic cooperation. Since 2010, the strategy of “West China Development Drive” has entered the second stage. The southwest China has become the forefront of the process of reform and opening-up, and is no longer the rear area. In 2012, the National Development and Reform Commission of China promulgated the “12<sup>th</sup> Five-Year Plan of the West China Development Drive”, in which the southwest China is regarded as a key economic zone, a land transportation hub connecting China and the countries of Southeast Asia an South Asia, and an important gateway opening to Southeast Asia an South Asia. The plan re-emphasizes the importance of the strategy of “Building Yunnan into a Gateway in China’s Opening-up to Southwest Asia”, and requires deepening the Greater

Mekong Sub-region Cooperation, strengthening the cooperation between Yunnan and countries of Southeast Asia, South Asia, and Indian Ocean Littoral, and constructing the strategic access to the sea in the southwest China. With the implementation of the strategy of “West China Development Drive”, the southwest China will be able to obtain preferential policies and resources from Central Government, and to undertake industrial transfer from southeast coastal areas of China. The southwest China will certainly enter the period of rapid development in the next decade, and bring about a significant spillover effects which will promote the economic growth of surrounding areas, including Thailand.

On the other hand, Thailand is facing the challenge of rural development, and in urgent need of more foreign investment and industrial transfer. Though Thailand, once well known as the “East Asian Tiger”, has achieved economic take-off successfully since 1960s, and has become the middle-income country in the middle 1990s, the problem of rural poverty has not been effectively addressed so far. “Thailand’s cities have grown faster than its countryside. Poverty is still widespread in the rural Northeast, North and far South of the country. Household savings have declined, while the incidence and level of debt have increased. Despite a high level of school enrolment, the quality of education and inadequate training for workers hinders Thailand’s ability to reap the benefits of globalization and threatens its future human development.”<sup>13</sup> Urban-rural gap, regional disparity, and the

gap between rich and poor, have become the fundamental problems which affect the social stability of Thailand. “Grass-root policy” which implemented by the Thai government, have achieved success in improving farmers’ living standards. However, it is difficult for the inland rural in the north and northeast Thailand to attract foreign investment and industrial transfer. How to open up the long-closed inland rural, have become the key to solve the problem of rural poverty fundamentally.

Through the sub-regional economic cooperation, it will be able to construct an access to the sea in the Indian Ocean, which will connect the southwest China, the north and northeast Thailand, and the Indian Ocean, and provide a shortcut for inland areas of China and Thailand to open up to the outside world. The free movements of goods, person, resources, and capital via the access to the sea in the Indian Ocean, have significant strategic value to the economic restructuring and development of the inland areas of China and Thailand, which will help to revise the traditional leap-forward economic development model of “bulk in and bulk out, both ends overseas” to a model of “one end internal, one end external”, which emphasizes the vertical integration of the domestic resources.

The economic development model of “bulk in and bulk out, both ends overseas” used to be the most practical model for developing countries to catch up with the pace of global economic development. Depending on the comparative advantage of cheap labor, part of the developing countries were managed to take

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<sup>13</sup> *Thailand Human Development Report 2007*, United Nations Development Program, 2007, p. 2.

part in the international division of labor. The model played a key role in the rapid economic development of the southeast coastal areas of China and the eastern coastal areas of Thailand. However, the model is not suitable for the inland areas, because the increased costs from land transportation will offset the comparative advantage of cheap labor. The rational choice for the investors are to invest and build factories in coastal areas, and make the labor of inland areas moving to coastal areas, rather than invest and build factories in inland areas, and transport raw materials, semi-finished products and finished products between inland and coastal areas frequently. In the process of undertaking labor-intensive industrial transfer, it is difficult for inland areas to follow the model of “bulk in and bulk out, both ends overseas”.

There are many objective obstacles which will hinder the development of inland areas. First is the problem of infrastructure construction especially the road. Chinese saying “no road, no development” exactly shows the truth that, the development of inland areas depends primarily on the condition of road which is always far from satisfactory. Second is the problem of production cost. The cost of transport by land is much higher than by sea, so it will be impossible for inland areas to compete with coastal areas in production cost while following the development model of “bulk in and bulk out, both ends overseas”. Third is the problem of the scale of production. Compared to the scattered production, the clustered production has a significant competitive advantage in the long-term. However, the

development of industrial clusters needs excellent investment environment especially the supporting services, which is usually the “short board” of inland areas in comparing with coastal areas.

In recent years, China has been exploring a new development model of “one end (resources) internal, one end (market) external” during fulfilling the strategy of “West China Development Drive”, and has already achieved initial results. In the long run, the model of “one end internal, one end external” may become a feasible alternative to the traditional model of “bulk in and bulk out, both ends overseas” for inland areas of developing countries.<sup>14</sup>

The Greater Mekong Sub-region Cooperation may become an opportunity to deepen and expand the development model of “one end internal, one end external”. Concretely speaking, the primary objective of the sub-regional economic cooperation is to promote the construction of the access to the sea in the Indian Ocean. The interconnection of the roads and railways within the region, will not only provide an estuary in the Indian Ocean for the inland areas of southwest China and northeast Thailand, but also integrate the inland market of China and Thailand so as to provide a much broader market space for the inland products of the two countries. The second objective is to vertically integrate the inland resources, promote local supporting production, so as to extend the industrial chain, control production costs, and improve production competitiveness. There are rich natural resources in southwest China and northeast Thailand. Through

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<sup>14</sup> Su Wei, et al., *Chongqing Pattern*, China Economic Publishing House, 2011, pp. 102-107.

the complementary integration of capital, technology, manpower, and resources, it will certainly become attractive to the industries transfer, especially the labor and resource intensive industries. The third is to promote the development of industrial clusters, and attract large-scale investment and high-tech investment from leading enterprises within the industries, in order to strengthen the industrial competitiveness of the sub-region as a whole.

It must be noted that, though the construction of land corridor of the the Marine Silk Road of 21<sup>st</sup> century is an important strategic opportunities for the development of Sino-Thai relations, there are many significant problems waiting to be solved, particularly the shortage of capital and technology. China and Thailand have to work together to innovative cooperation model and overcome the difficulties. For example, in 2013. the two countries proposed the project of “Rice for High Speed Rail” creatively, which alleviates the problem of high-speed railway construction funds effectively. With the implementation of the Asian Infrastructure Investment Bank, the pace of development of sub-regional infrastructure will further accelerate.<sup>15</sup> In addition, the facilitation of customs clearance, financial investment, personnel exchanges and so on, also requires mutual understanding and close cooperation between the governments of the two countries. China and Thailand have to promote economic and trade cooperation in a pragmatic manner, so as to create favorable conditions for the common development of the sub-region as a whole in the long term.

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<sup>15</sup> “Xi Jinping: China initiative to build Aisan Infrastructure Investment Bank”, Oct. 8, 2013. <http://news.xinhuanet.com>

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