



## Asia-Pacific Center for Security Studies



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### Asia's China Debate

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# Bangkok's Fine Balance: Thailand's China Debate

**B R A D L E Y M A T H E W S**

## Executive Summary

- Thailand's debate about China tends to be both positive and relaxed because cooperative relations with China are perceived to be in the national interest and no significant bilateral disputes exist. This Thai debate reflects geopolitical factors, including the absence of either a territorial claim in the South China Sea or domestic tensions regarding its own ethnic Chinese population. Thailand's strong relationship with the United States allows it to pursue cordial relations with China without becoming over-dependent.
- Economic considerations are fundamental to Thailand's China debate particularly as Thailand seeks sustained economic security in the shadow of an increasingly powerful China. China's economic importance drives Thai policymakers to pursue good relations with the People's Republic of China (PRC).
- Thailand is generally open to seeing China contribute toward regional security, though lurking questions remain regarding China's long-term ambitions and its transparency. Thailand will monitor Chinese cooperation on nontraditional security issues such as the drug trade and severe acute respiratory syndrome (SARS) to evaluate Chinese resolve in this area.
- The U.S.-China bilateral relationship will continue to be an influential but not controlling variable in Thailand's China debate. Thailand will accord influence and respect to both countries without sacrificing national interests or diplomatic flexibility.
- Thailand manages its strong relationship with the United States in a manner that facilitates closer ties with China. A primary mission of Thai foreign policy will be to position the Kingdom where it will not have to choose strategically between the United States and China yet remain important and relevant to both.

## INTRODUCTION

As state leaders arrived in Bangkok for the October 2003 Asia-Pacific Economic Cooperation meeting, an important dynamic of Thailand's policy debate regarding the PRC was evident: managing good relations with both the PRC and the United States without losing the favor of either. Of the two powers, Chinese President Hu Jintao arrived first on October 17, 2003 with warm praise for the flourishing relations between the PRC and Thailand. While still enjoying the success of China's first space launch, Hu used the occasion to convey to Thai leaders the symbolism of making Thailand the first country of the Association of Southeast Asian Nations (ASEAN) he visited since becoming president. China sees its relationship with Thailand as a model for the region, with strong personal ties, military and civilian exchanges, and booming trade relations. President Bush arrived in Bangkok a day later with strong praise for the U.S.-Thailand bilateral relationship, statements of appreciation for support in the war on terrorism, a pledge to move forward on a free trade agreement, and an announcement of Thailand's elevation to the status of a major non-Nato ally.

Thailand's apparent success in handling the two most influential nations in the region presents an attractive scenario as Thai policymakers debate the implications of China's rise in tandem with U.S. dominance: that Thailand may not have to choose strategically between an increasingly powerful China and a superpower ally.

Thailand's positive disposition toward China stems from several factors. With an ethnic Chinese population that has assimilated into the social, economic, and political life of the nation, Thailand is not constrained by divisive ethnic and religious tensions that underlie anti-Chinese sentiment in Indonesia. Neither is the Thai debate shadowed by a territorial dispute in the South China Sea as in Malaysia, the Philippines, and Vietnam. Even the historical distrust forged in opposition to Beijing's one-time support for a domestic insurgency has long faded as a consideration for Thai policymakers. Perhaps most significantly, a substantial security and economic relationship with the United States has not been a roadblock to good relations with China, particularly when Thailand is willing to manage the the relationship to avoid threatening China. The result is a political platform from which Thai policymakers are free to seek the benefits that flow from harmonious relations with the Middle Kingdom. While the drivers of Thailand's China debate may change, Thailand's skillful diplomacy, strategic location, and resilient economy have allowed it to remain flexible, yet valuable, to both China and the United States.

## FROM DISTRUST TO SECURITY COOPERATION

Thailand's debate on China has always included a pragmatic consideration of China's size and proximity. But, in the early days of the PRC, China was perceived as a threat. Chinese communist ideology was expansionist and irreconcilable with important components of Thai national cohesion—Buddhism and the monarchy. Beijing's support for North Korea, North Vietnam and, most directly, an insurgency in Thailand, validated the distrust. For nearly two decades, Thailand stood on the front line of the cold war in Southeast Asia—wary of China's intentions.

But by the 1970s, Thai policymakers recognized the changing international landscape. The United States had been unable to curb the communists in Vietnam

and the Nixon Doctrine raised questions regarding the U.S. commitment in Southeast Asia. Thai policymakers, who had tied their country's security to America, sought diversification. The U.S.-China détente provided an opening for Thai diplomats to approach China. China, fearing encirclement by a Soviet-Vietnamese alliance, welcomed Thai proposals. Although notably not a Chinese demand, Thai officials pursued the domestic political conditions perceived as necessary for normalization, including the eventual withdrawal of the U.S. military from Thailand. After nearly two years of discussions, Thailand and China normalized relations in 1975.

The security interests of Thailand and China converged soon thereafter with the Vietnamese invasion of Cambodia in late 1978. Chinese support for the Communist Party of Thailand quickly gave way to the more pressing concern of countering the Vietnamese. While Thailand received defense assurances from the United States, China also expressed its commitment to the security of Thailand. China demonstrated its resolve by attacking Vietnam's northern border in 1979.

Throughout the 1980s, the bilateral relationship progressed and eventually encompassed strategic consultations and military sales. China's commitment to Thailand's security during the Cambodian conflict laid a foundation for good relations that continues to resonate within Thailand's China debate.

## THAILAND AS ECONOMIC "HUB"

Vietnam's withdrawal from Cambodia ushered in a transitional period in the drivers of Thai foreign policy. The removal of the immediate threat, the end of the cold war, and the discredited military crackdown in Thailand in May 1992, served to decrease the influence of the Thai military in policy formation as well as the importance of traditional military alliances with the United States and China.

Thailand focused attention on economic prosperity and the positioning of the Kingdom as a "hub" for the economic opportunities of the sub-region. Thai foreign policy, which had earlier viewed Indochina as a threat, adapted to a political ambition to turn the former battlefields of Southeast Asia into a marketplace. Economic interests continued to gain influence in national policy during the 1990s. However, the 1997 financial crisis heightened sensitivity to economic considerations within policy circles with implications for Thailand's China debate.

The 1997 financial crisis threatened the political and social hierarchy and brought home the threat posed by globalization and economic mismanagement. As a result, the health of the economy has since been Thailand's highest priority. Even nontraditional threats such as drug trafficking, AIDS, terrorism, and SARS are viewed contextually as threats to the economic stability of the nation. Thai Prime Minister Thaksin Shinawatra expressed this view in September 2003: "Terrorism, in particular, has become a reality that we are all faced with, but we must not let this problem detract us from our primary objective of creating greater prosperity for our people."

The financial crisis caused some in Thailand to view China with added significance. While the West was perceived as hesitating on the sidelines, China stepped in to pledge US\$1 billion to Thailand's relief. Chinese leaders also gave assurances to not devalue their currency, which gained the appreciation of Thai officials.

China's goodwill, along with its apparent resilience to the crisis itself, encouraged policymakers to give a higher priority to relations with the mainland. As a

prominent Thai journalist observed in 1998: “China’s new-found influence in the financial sector, in addition to its traditional clout in the political and security areas, has already prompted some Thai policymakers to call for a revision of our foreign policy, perhaps elevating China as the region’s most prominent player.” According to one report, in the two years following the onslaught of the crisis, more than 1,500 exchanges took place between Thailand and China at all levels of government—the highest number of exchanges between Thailand and any one country. In February 1999, the two states signed a “Plan of Action for the 21<sup>st</sup> Century” outlining bilateral aspirations for cooperation across broad sectors and in a nod to China’s New Security Concept, the document stated, “the two sides have realized that the trend towards a multi-polar world is gaining momentum.”

## THAILAND’S SINO-THAI BUSINESS ELITE

**I**n the fallout of the financial crisis, Thailand’s Sino-Thai business community was among those who advocated prioritizing China relations. They remain an important stakeholder in Thailand’s China debate and impact policy formulation in two ways. First, Sino-Thais bring cultural, familial, and business ties with the mainland and act as a source of advice for domestic leaders. Second, the Sino-Thai community periodically exerts political influence to support a positive relationship with the PRC.

Ethnic Chinese constitute an estimated 10 to 15 percent of the national population of Thailand. However, the Chinese have melded into the national identity: they have married into Thai families, taken Thai surnames, and often speak only the Thai language. While, at one time, some questioned the loyalty and disproportionate economic power of the Chinese, today there is little controversy regarding Thai-Chinese who maintain a Thai identity. In fact, several Thai politicians, including the current prime minister, are of partial Chinese descent. These cultural and familial ties provide perspective when evaluating increasing Chinese influence in the region.

The Chinese-Thai business community periodically influences the political agenda to support good relations with the mainland. In a somewhat unusual move for Thai politics, prominent members of the Chinese-Thai business community endorsed the candidacy of Dr. Thaksin Shinawatra during the 2001 election. The motivations were objectively business. “This is an age of economic war,” Dhanin Chearavanont of the Charoen Pokphand (CP) Group told *Asiaweek* in the weeks leading up to the election. “It is crucial that we have a prime minister who understands business and the economy.” But, it is difficult to separate a pro-business sentiment without acknowledging potential implications on China policy. Dhanin’s CP Group, like other Thai businesses, are significant investors in the PRC. In fact, according to its website, the CP Group is the largest single foreign investor in China. Good relations with China allow Thai businesses to take advantage of long-standing personal relations with officials on the mainland. The Thai prime minister, a former CEO of a telecommunications empire, needs no lessons on the importance of the Chinese market.

Thailand’s Chinese community has also helped persuade authorities to consider Chinese interests in domestic policy. In 2001, the Sino-Thai community expressed sharp criticism toward a proposed international Falungong meeting in Bangkok and

helped pressure Falungong to abandon the idea. After such public displays of support, it is not surprising that Chinese officials commend the contribution of Thailand's Chinese community in promoting relations between the two countries.

While once constrained, Chinese cultural influence appears to be growing in Bangkok. "China-chic" is in, and increasing numbers of Thai students are heading to the mainland for their education. While the Thai government once pressured Chinese language schools to close, the General Education Department now encourages the study of Chinese at state-run secondary schools. Such policies are better understood as a pragmatic recognition of the important business skills needed to compete in the twenty-first century rather than as a Chinese cultural renaissance in Thailand. Nevertheless, the trend reflects a cultural willingness to adapt to an increasingly influential China.

### **ECONOMIC NECESSITY: FORCING A TILT TOWARD CHINA?**

**I**n January 2001, Thaksin Shinawatra was ushered into office with the largest electoral margin of victory ever received by a Thai prime minister. His mandate was clear: revitalize the economy and put it on a sustainable footing. The prime minister promised to pursue a progressive foreign policy supportive of important domestic concerns. "Foreign policy," the new foreign minister told *Far Eastern Economic Review*, "must reflect the country's need for economic recovery." Some analysts suggest this policy focus has resulted in a favorable tilt toward China.

The cozy relationship appears valued by leaders in both nations, with the Thai prime minister describing his country as "China's most sincere friend" and Chinese leaders referring to Thais in terms of "kinship." Even discounting such statements as diplomatic excess, the current administration and its business backers posit that good relations with China are important, particularly as Thailand seeks sustained economic security.

For the most part, Thai media have encouraged the pursuit of good relations with China, suggesting it is wholly appropriate for the prime minister to "play the China card" because, as a local columnist put it, "China is set to become the number one economic power in Asia."

China appears to fit into Thailand's economic plan in two broad ways. First, China is a growth engine that may offset the cyclical downturns of traditional markets. Thus far, the results are encouraging with China playing a role in Thailand's continued economic recovery. Thai exports to China grew by 23 percent in 2002 and by 70 percent in the first half of 2003. Some analysts expect China to quickly become Thailand's third-largest export destination after the United States and Japan.

Second, China fits into Thaksin's ambition to see an alternative financial architecture in Asia that is more responsive to regional needs. An outgrowth of the financial crisis, the idea of a financial system sensitive to Asian concerns carries substantial weight with some policymakers. Speaking before the Communist Party of China, one influential Thaksin advisor called capital management "the most strategic issue in the world today." China is a potential partner on Thai-led initiatives, such as an Asian Bond Fund, as they serve to lessen dependence on the West.

But not all Thais are convinced about the utility of tilting toward China, particularly if relations with traditional markets suffer. Critics argue that while

exports to China are growing, they are still a fraction of what goes to the United States and Japan. Further, some have expressed concern that relations with China should not compromise economic activities with Taiwan, where an estimated 130,000 Thai laborers work and send home nearly half of all remittances by overseas Thai workers.

More significantly, China has the potential to compete economically with Thailand and to undermine Thai competitiveness. In 2002 for example, the World Bank found Chinese competition evident in the U.S. market, where Chinese exports grew by 29 percent while Thai exports grew by a mere 2 percent.

While China presents a daunting challenge for Thailand's economy, Thais do not perceive a solution in the West or Japan. Bangkok tempers such expectations after seeing the limits of goodwill reflected in a perceived hesitation to come to Thailand's aid at the height of the financial crisis and other seemingly unsympathetic economic practices. Rather, for Thai policymakers, managing China's economic impact appears to lie in a "dual track" restructuring of the domestic economy, aggressively seeking access to new markets, and periodically leveraging good relations with Beijing along the way for tariff concessions, market access, and time to allow domestic industries to adjust.

Thai officials have communicated the Kingdom's economic concerns to China and, at least historically, China has considered these concerns. For example, during the 1973 OPEC oil crisis, China provided fuel shipments to Thailand at "friendship prices." Likewise, in late 1986, China purchased excess rice from Thailand, even though China was a rice exporter. Such sweetheart deals will be harder to come by in a future market economy. Nevertheless, in the context of Thailand's China debate, an important variable hinges on what Chinese leaders have assured their Thai counterparts: that China's economic rise will not come at the expense of Thailand.

## MANAGING NONTRADITIONAL THREATS

**W**hile the economy is the primary focus of Thai policymakers, security concerns remain. Thai officials are particularly concerned about nontraditional threats and their ability to disrupt the economy. Several nontraditional security threats flow through Burma, and Thailand looks to China for assistance in managing them.

Beijing has become the isolated Burmese regime's primary sponsor. While China has been reluctant to pressure Burma on "internal affairs," China is also trying to assure the region that it can be a constructive force for regional security. From the Thai perspective, a good test case would be Chinese cooperation against the drug trade.

China potentially brings several strategic tools to Thailand's war on drugs. First, China is a source for precursor elements in the production of Amphetamine Type Stimulants (ATS). Thailand has imposed strict controls on precursor chemicals and needs China to enforce the same. Second, as the major sponsor of the Burmese regime, China is capable of spurring Burmese enforcement efforts within their territory. Third, the Chinese may be capable of exerting pressure on the powerful United Wa State Army, which dominates the lucrative ATS manufacturing and smuggling trade. Finally, in the long term, if the drug region is to transition to a legal economy, Chinese investment will need to play a role.

China has pledged to do more in the war on drugs, but progress is difficult to assess. PRC advisors have reportedly been using their influence to bring the Burmese junta, Thai military, and the Wa together to address not only the drug issue but also to prevent border conflicts. Whether China will assume a role as a powerbroker among its southern neighbors remains to be seen.

While some view an increased role for China as a potentially positive force, others are skeptical. Thai officials may recall disappointment that the Chinese could not, or would not, control the Khmer Rouge in a manner that could have prevented the Vietnamese invasion of Cambodia. In a similar fashion, some question the Chinese readiness to control the Burmese or the Wa.

Further, Thailand has its own ambition for influence among its neighbors that may compete with Chinese desires. For example, after nationalistic riots in January 2003 resulted in the torching of the Thai embassy and businesses in Phnom Penh, Beijing reportedly summoned the Thai and Cambodian ambassadors. Phone calls also went out to the foreign ministers of both nations. While Chinese inquiries were reportedly for an update on the situation, a Thai senator felt obliged to insist that both governments treat the incident as a bilateral dispute and not allow China to be drawn into the matter.

Nevertheless, the prevailing trend in Bangkok is that Chinese cooperation is a component of handling security matters with Burma. Thai policymakers will likely monitor Chinese assistance with Burma both as a measurement of the Chinese commitment to Thailand's security as well as Chinese resolve to be a positive force in the region.

## RECONCILING FUTURE ECONOMIC AND SECURITY CONCERNS

Ultimately, Thailand's China debate is constrained by the same uncertainties as those encountered across the region. In the economic arena, Thailand recognizes the limits of tying its economic fortunes to any nation. Hence, the Thaksin administration has aggressively sought free trade agreements not only with China but also with the United States, Japan, and even India. While such trade agreements mitigate economic dependence on China, they do not seriously discount Chinese influence. Thailand clearly recognizes that the nation's economic future is intertwined with China.

In the military-security arena, matters are even more uncertain. While not fearing a direct military threat from China, particularly in the near term, some Thais remain unsure of China's long-term intentions. Thailand will likely seek to exercise its traditional diplomatic acumen and maintain good relations with all major powers as it evaluates whether China can exercise its power responsibly. In this regard, Chinese transparency will be a consideration, particularly after the SARS epidemic—an inherent threat to Thailand's tourist economy—was exacerbated by an initial cover-up regarding the disease.

While unwilling to fall under a Chinese sphere of influence, a consensus exists that good relations with China are a strategic asset. Accordingly, Thailand, driven by both economic and security concerns, remains willing to accord China the respect it craves and to serve as an example of the positive benefits that flow from a cooperative relationship with the Middle Kingdom. As one Thai policy officer put it: "We want China to want us to succeed."

## IMPLICATIONS FOR THE UNITED STATES

Thailand's China debate has four implications for the United States. First, Thailand joins other U.S. allies who are not only currently benefiting from China's economic growth but are also evaluating the long-term implications of an economically powerful, and potentially highly competitive, China. The PRC's influence with Thailand will hinge, in part, on Thailand's vulnerability to Chinese economic policy. However, for the foreseeable future, there is little chance that increased economic ties between China and Thailand will undermine Thailand's substantial security relations with the United States. America's position as Thailand's most important export market, as well as the Thai military's preference for U.S. equipment and doctrine, undoubtedly reinforce this position.

Second, the bilateral relationship between the United States and China will continue to be an influential, but not determinative, variable shaping bilateral relations between Thailand and China. Significant developments in Thailand-China relations, particularly in the strategic arena, have generally been in accordance with U.S. interests. But a falling out in the U.S.-China relationship, while discomfiting, would not necessarily undermine the Thailand-China relationship, which has progressed smoothly through the 1989 Tiananmen massacre and the 2001 downing of a U.S. spy plane.

Third, Thailand's efforts to economically and politically integrate the PRC with the region are a positive force for stability. Likewise, seeking increased Chinese cooperation with nontraditional security matters emanating from isolated regimes such as Burma (or North Korea) is both pragmatically and symbolically important.

Finally, Thailand's ability to accord significant roles to both the United States and China while maintaining diplomatic flexibility is noteworthy. Thailand's course may reveal that nations can, in fact, avoid having to "choose" between the United States and China and instead maintain constructive relations with both powers. Thailand's unique geostrategic environment allows it to be exceptional in this regard. Historically, Thailand has been one of only a handful of nations to concurrently receive military equipment from both China and the United States. Nevertheless, in the event of direct strategic competition between China and the United States, Thailand's instinct would be to avoid direct entanglement. Hence, presently—and into the future—a primary mission of Thai foreign policy will be to position the Kingdom where it will not have to choose strategically between the United States and China yet remain important and relevant to both.